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and Their Price Effects, 1920–1970
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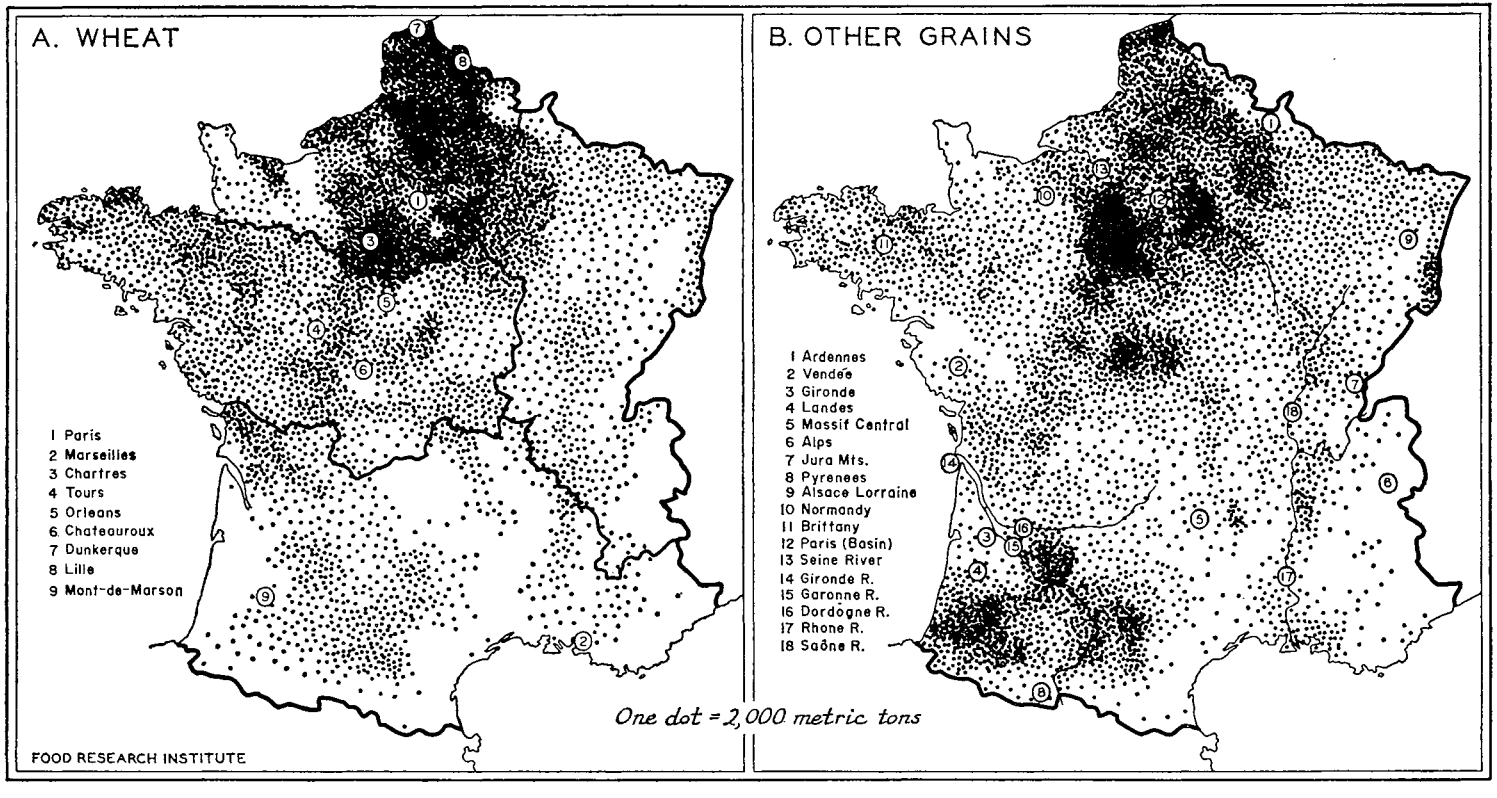

HELEN C. FARNSWORTH AND KAREN J. FRIEDMANN

FRENCH AND EEC GRAIN POLICIES AND THEIR PRICE EFFECTS, 1920–1970*

For some eighty years France has protected her grain producers against foreign competition except in the few short periods when prices were relatively high and consumer interests were threatened. Until 1929 such protection almost always took the form of fixed tariffs; but with onset of the Great Depression, much more restrictive non-tariff measures became increasingly important and finally dominant, pushing French grain prices far above currently depressed world levels.

A National Wheat Office, established in 1936 with full authority over French wheat pricing, marketing, and trade, gained power during World War II as the National Grain Office; and its monopoly control remained unchallenged until the 1960's. By then France had shifted from a net importer of grain to a sizable net exporter, a development made possible by high government-fixed prices to producers and associated export subsidies. With introduction of a common grain policy in the European Economic Community in 1962, France reached a cherished goal: preferred access to the markets of member countries and the prospect that the Community would gradually take over all costs of supporting the common grain market, including anticipated large export subsidies on shipments to non-member countries.

* With the greatly appreciated collaboration of Rosamond H. Peirce, who worked closely with us in unraveling the complexities of French price data and in obtaining the most comparable series possible for the tables and charts. The difficulties of this task can scarcely be exaggerated—a fact partly evidenced by the voluminous notes attached to the Appendix Tables, which we regard as a major contribution of the study. For the carefully designed form of most of the tables, Rosamond H. Peirce was primarily responsible.

To M. K. Bennett, Director Emeritus of the Food Research Institute, we record our special indebtedness for numerous suggestions that resulted in improved readability of the original manuscript. And we extend our thanks to Lois Bacon, Reed Friend, James Lopes, C. O. Nohre, D. J. Novotny, and D. W. Regier of the U. S. Department of Agriculture, who read parts or all of the study and helpfully commented on various substantive points. Grateful acknowledgment is also made of the useful supplementary materials kindly sent to us by H. B. Krohn, Director of the Agricultural Division of the European Economic Community, and by G. S. Brown and other members of the Economic Research Service and Foreign Agricultural Service of the U. S. Department of Agriculture. Finally, we want to express our deepest appreciation of the extensive help received from members of the Food Research Institute staff, especially Helen W. Klahn (for manuscript preparation, technical editing, and other general help), Jane S. Dobervich (for drafting of charts), and Catherine S. Whittemore (for statistical compilations and computations).

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This study accounts in some detail for the complex French grain policies behind these developments, and assesses the effects of changing domestic programs on French grain prices and price relationships over the past four decades.

PART I. FRENCH GRAIN POLICIES AND PROGRAMS

Close study of French grain policies and enforcement techniques since the end of the nineteenth century discloses that the major peacetime changes were introduced in three periods: during the Great Depression, in the early 1950's, and since 1962/63 when the EEC Grain Regulation became operative. The following policy discussion is accordingly divided into sections that reflect these changes.

GRAIN TARIFFS AND CONTROLS BEFORE WORLD WAR II

The Simple Tariffs of 1880–1914

In the final quarter of the nineteenth century, increasing supplies of overseas grains on world markets and a declining trend of international prices caused France, like most other European countries, to reconsider her policy of free trade in grain, which had prevailed since 1861. A low import duty on wheat was imposed in 1881, followed by sharp increases several years later and by simultaneous reestablishment of similar duties on coarse grains. A record of these and subsequent changes in French import duties on grain are summarized in Appendix Table I.

Although a tariff "reform," introduced in the "Méline tariff" of 1892, authorized a double-duty schedule of general and minimum rates (the latter representing reduced rates applicable to countries granting France most-favored-nation treatment),[1] no minimum rates were set for French grains until the Great Depression. Except for an increase in the general tariff rate on wheat from five to seven francs per 100 kilograms in 1894, the Méline tariff schedules on grains remained unchanged until World War I brought suspension along with imposition of direct government controls.[2] The level of price protection thus afforded French grain producers before the war was substantial, the wheat duty representing some 37 per cent of the average import price of wheat during 1894–1913. In that period tariff protection on livestock products was increased more than on grain (*109*; *125*, p. 43); and certain livestock products also benefited from sanitary restrictions on imports.

[1] With the integration of Algeria, Indochina, Gabon, Guiana, New Caledonia, St. Pierre and Miquelon, and Madagascar in the latter part of the nineteenth century, these overseas territories became essentially one customs union together with metropolitan France. Their products therefore entered France largely duty-free. Imports from non-integrated French territories were in principle charged the minimum duties, though in the course of time they were in many cases exempt from duty by special decree.

[2] The duties on grains were suspended at the beginning of World War I (*4*). The wheat duty, however, was reestablished in October 1915, at the same time that various controls over grains were introduced; and in late 1916 importation of grains was placed wholly in the hands of the government. Exports of the various grains and grain products were prohibited or made subject to control at different stages during the war period, and these controls were retained at least in form until July 1927.

Slow Reestablishment of Earlier Tariff Levels in the 1920's

During 1919–28, "normalcy," in terms of prewar tariff protection, was gradually achieved, but the path was not straight. Loss of manpower, as well as the reduced potentialities of the war-ravaged areas, restrained production of grain and other farm products and thus supported domestic prices. In addition, the declining value of the French franc,[8] associated general price inflation, and high world prices of wheat made demand for a speedy return to the accustomed degree of protection less pressing than it might otherwise have been. And resistance to rising bread prices became so strong in the mid-twenties that the government not only reduced and once suspended the import duty on wheat, but also took special supplementary measures to keep domestic wheat prices within bounds.

Wheat and wheat flour remained subject to import regulations by the Wartime Food Authority until August 1921, although control over importation of coarse grains and most other commodities ended in June 1919, when import duties were simultaneously reestablished at their prewar level. Since the French franc had already declined to about 80 per cent of its 1913 value and was continuing to depreciate rapidly, with related increases in commodity prices, the restored duties became less and less protective on all commodities. To bring them more closely into line with the higher postwar prices, a system of duty-adjustment coefficients was soon established. It multiplied each prewar tariff rate by a specified coefficient—usually two, three, sometimes even a higher factor. But grains were not affected until 1921, when their prewar duties were doubled, an increase that did not fully compensate for past depreciation of the franc.

Scarcely three years later, the multiplier coefficient on the wheat duty was suspended for the remainder of the crop year to counter rising bread prices. The rate was thus cut in half to its prewar level of 7 francs, which was only 8 per cent of the reported import price of wheat in 1924 (Appendix Table I). Indeed, in the face of continuing high world wheat prices, the government soon went even further to protect consumers: it authorized refund of duty on all imported wheat milled for bread flour, a provision extended to mid-1925. Even after the coefficient-multiplied grain duties were markedly increased in the spring of 1926, the relative price protection afforded to grain producers by the French tariff was still considerably less than in the decade before World War I.

By the end of 1926 the French franc was showing firmness at about one-fifth of its prewar value, a level at which it was legally stabilized in 1928. Thereafter, persistent declines in world grain prices were directly reflected in French domestic prices; and higher duties were sought and granted. Such increases brought the duty on wheat to 35 francs and that on other grains (except maize) to 15 francs by the spring of 1928. These duties had then attained their prewar level

[8] The gold value of the franc (1913 = 100) fluctuated as follows (*141*, p. 670):

1919.....70.9	1924.....27.1
1920.....36.5	1925.....24.7
1921.....38.6	1926.....16.8
1922.....42.5	1927.....20.3
1923.....31.5	1928.....20.3

in terms of gold francs, though probably not yet in terms of ad valorem equivalent (Appendix Table I).

Throughout the 1920's, as before the war, no preferential minimum tariff rates were in effect for grains; and except for rice, in an agreement with Italy, no grains were mentioned in French trade agreements. The government therefore was able to change grain import duties at will.

A kind of milling-in-bond system, called "temporary admission," had been practiced for over a century before its suspension in World War I. It was reintroduced for wheat in September 1921, for maize in February 1922, and for other grains a little later. The duty paid on imported grain was refunded if corresponding quantities of milled products were exported within fixed, relatively short periods of time, typically three to five months in the 1920's. Identity of imported and exported products was seldom required, so that high-quality hard milling wheats could be imported from Canada, the United States, or Russia, with compensatory exports of products milled from domestic wheats of lower quality.

Other measures were occasionally used to counteract rising grain prices in the mid-twenties. For example, in August 1924 extraction rates of 78 per cent for domestic wheat and 80 per cent for imported wheat were decreed; and specified admixtures of other grains or of potato starch to wheat flour were permitted. Both measures yielded more flour from a given amount of wheat grain. In addition, a somewhat futile attempt was made to keep the prices of milled products below specified ceilings. Although the government's wartime controls over grain exports and its rule against feeding millable wheat to livestock were not rescinded until 1927 and 1929, respectively, there is good reason to believe that neither had significant effect during the 1920's.

Stronger Protective Measures during Depression

Since France was a net importer of wheat, the effects of French inflation plus increases in tariff rates more than counteracted the decline in world wheat prices between 1924/25 and 1926/67. But when world wheat prices continued downward after stabilization of the franc in 1927, the problem of maintaining French domestic prices became infinitely more difficult, particularly in the face of expanded domestic production. Remedial legislation therefore became more complex; and special measures to protect coarse grains soon followed.

During the year beginning May 24, 1929, the import duty on wheat was rapidly raised by successive steps from 35 francs per 100 kilograms to 80, an increase that brought it up from roughly 25 to 70 per cent of the prevailing annual average import value (Appendix Table I). Considerably less significant in overall effect was a change in tariff structure in July 1931, when, for the first time, the French tariff on grains became a two-rate system. Thereafter the duties previously in effect for individual grains applied as preferential "minimum" rates only to imports from countries having special trade treaties with France; and new "general" rates, twice as high, were imposed on all other imports (Appendix Table I). Countries entitled to the minimum rates on all grains (both unmilled and milled) included Argentina, Bulgaria, Hungary, Rumania, and Yugo-

slavia;[4] most Canadian grains were similarly favored (*146*, p. 58); and the United States benefited from the same low rates on wheat and maize, though not on other grains (*84*, p. 2657). Of the major grain exporters, only Australia and Russia remained outside the favored circle whose grain shipments to France were subject to the minimum duties. Thus, the great bulk of the grain imports paid no higher import duties than before introduction of the widely heralded tariff differentiation of 1930, with the accompanying large increases in "general" tariff rates.

A new round of tariff increases on grains other than wheat and barley took place in September 1932 (Appendix Table I); and thereafter French grain import duties were nearly stable for almost five years at extremely high levels, the minimum duty for wheat representing 90–105 per cent of the average unit-import value reported for the same years. The French government also sought to guard against dumping on the part of countries with devalued currencies, by imposing a compensatory exchange tax on such imports. In late 1931 this additional tax, applicable to all grains and grain products except unmilled wheat, was set at 15 per cent for imports from several countries, including Argentina, Australia, and the Union of South Africa (*113*, p. 10).

Other protective measures.—France began in 1929 to rely less on import duties and increasingly on other measures to maintain domestic wheat prices, and later also prices of other grains. A preliminary step had been taken in December 1928, when the minimum extraction rate for wheat instituted the previous year was discontinued (*124*, p. 276): this removed such tendency as the prescribed (but not well enforced) extraction rate had had to curtail market demand for milling wheat. A year later the French government cancelled a standing law of 1922, which prohibited the use of millable wheat as livestock feed. But much the most important measure taken early in the Depression aimed at direct control of imports through domestic milling quotas, reinforced in 1931 by import licenses.

By law of December 1, 1929, the government was authorized to require that a prescribed share of all wheat milled should be of domestic origin (apparently counting as "domestic" imported grain from North Africa, Indochina, and other integrated territories); and shortly thereafter the "domestic quota" for bread flour was set by decree at 97 per cent. In later years the proportion was changed frequently in response to the wheat supply situation, but the level almost always remained high and reached 100 per cent toward the end of March 1933 (Table 1). A separate milling quota to protect North African durum wheat governed the use of this grain for semolina and alimentary paste in metropolitan France.[5] Rules governing temporary admission were also tightened. An importer formerly could forfeit his bond for import duty and then sell his foreign grain in France, but a law of December 1, 1929, made it mandatory that products derived from imported grain (or the domestic equivalent thereof) be re-exported within three months.

[4] In late 1931 and early 1932 Hungary, Rumania, and Yugoslavia benefited also from special trade concessions, which entitled them to a refund of part of the minimum duty on specified import quotas of wheat.

[5] This quota, applicable to North African and metropolitan French durum wheat alike, was raised from 70 per cent in 1930/31 to 90 per cent the following year and 97 per cent in 1932/33 (*142*, p. 372).

TABLE 1.—REQUIRED SHARE OF DOMESTIC WHEAT IN TOTAL WHEAT MILLED, DECEMBER 1929–AUGUST 1936*

Initial date		Per cent domestic	Initial date		Per cent domestic
1929	December 1	97	1932	March 16	70
1930	July 26	90		March 21	65
1931	April 14	85		March 26	60
	April 15	80		April 2	55
	April 27	75		May 6	60
	June 16	70		May 24	55
	July 1	75		May 28	50
	July 4	80		June 7	55
	July 10	85		June 24	60
	July 25	90		July 1	65
	November 24	97		July 9	75
1932	January 30	90		August 4	97
	February 9	85		December 3	99
	February 12	80	1933	March 27	100
	February 24	75	1936	August 15	discontinued[a]

* Data from annual review issues of *Wheat Studies* (*148*, Vols. VIII–X) and Albert Schoen (*136*, p. 114). "Domestic" quotas include wheat from Algeria, French Colonies, usually Tunis, and to a limited extent from French protectorates.

[a] In August 1936 the *Office du Blé* was established with extensive controls over the domestic market, imports, and exports. Thereafter domestic milling quotas were not prescribed.

In November 1931 government licensing of wheat imports was established to aid enforcement of the milling quotas. This reflected in part a broader policy to cut imports of both agricultural and manufactured products and thus save foreign exchange.[6] In France economic activity and employment had been fairly well maintained and the currency had been stable during the first couple of years of recession, so that total merchandise imports had been very heavy in 1929/30 and 1930/31. The tariff operated inadequately to stem the tide, partly because not many of the tariff rates could be changed before expiration of the trade agreements in which they had been bound.

To the system of licensing wheat imports were soon added restrictive import quotas for secondary grains from foreign sources (i.e., quotas not applicable to French dependencies). France led the world in developing import quota controls systematically for a large group of commodities, both agricultural and industrial. Barely six months after the first French import quotas were announced (for flax) in July 1931, the Ministry of Commerce and Industry began rapid development of an import-quota system for manufactured goods; and between September 1932 and August 1933 restrictive quotas were introduced for barley and bran, for maize, and finally for oats, rye, and buckwheat. These and later quotas are shown in Table 2. Set for limited periods and changed as administratively desired, such quotas proved a flexible and effective means of controlling foreign imports. Consequently, the very heavy imports of feed grains from foreign countries in 1931 and 1932 were not repeated, and although imports from French

[6] For a description of the French import quota system and the facts that brought it into being see *112*.

TABLE 2.—FRENCH IMPORT AND TARIFF QUOTAS FOR MAJOR GRAINS, 1932–38*

(*Thousand metric tons*)

Year	Wheat		Rye	Barley		Oats[a]	Maize	
	Common	Durum		Brewing	Other		Temporary admission	Other
	IMPORT QUOTAS, FOREIGN COUNTRIES[b]							
1932	—	—	—		26	—	—	—
1933	—	—	9.7		79	8.7[c]	25	353
1934	—	—	1.0	23	5.5	2.5	100	120
1935	—	—	1.0	14	2.5	2.5	140	125
1936	—	—	1.0	28	5.0	2.5	100	100
1937	—	—	1.0	58	5.0	2.5	100	86
	TARIFF QUOTAS, MOROCCO[d]							
1934/35	165	15	0.5		250	—	85	
1935/36	165	15	0.5		250	25	90	
1936/37	165	15	0.5		242	25	90	
1937/38	165	20	0.5		230	25	90	

* Data for 1932 and 1933 from *Journal officiel* (*68a*); quotas for later years from the International Institute of Agriculture (*113*; *114*; *115*).

[a] Additional quantities might be authorized for the army.

[b] Import licenses were used to reinforce milling quotas on wheat.

[c] Restricted only during the second half of the year.

[d] Duty-free import quota.

North Africa and French Asia sharply expanded (including rice for feed), total imports of feed grains (including rye) were notably lower.

New French grain problems arose when large domestic crops in 1932–34 coincided with increased imports from French North Africa and a new wave of foreign currency devaluations set off by devaluation of the American dollar in 1933. Import regulations and milling quotas failed to prevent further substantial price declines on French domestic grain markets, and new internal price-supporting measures were sought, particularly for wheat. Some measures were designed to increase domestic utilization of wheat; others provided special export subsidies; and still others launched storage and price-fixing programs.[7]

A maximum extraction rate for wheat of roughly 66 per cent was introduced in September 1932 but soon abandoned. A year later a still lower maximum was adopted, defined as "11 kilograms below the specific weight," which would imply 64 per cent extraction for wheat weighing 75 kilograms per hectoliter. This was further reduced in January 1934 and again the following April. But eight months later the idea was abandoned, apparently on accumulating evidence that the rule could be enforced only in the large central mills, which were experiencing increased competition from non-cooperating country mills (*124*).

More successful was an effort to further the use of wheat by denaturing it for feed use under government subsidy. Initiated in January 1933, this program accounted for well over a million tons (almost 42 million bushels) during the three

[7] During 1933 a rather feeble attempt was made to induce farmers to curtail plantings of wheat, but no economic incentive was provided and the effect was negligible.

following crop years.[8] The cost, however, was high—40 to 50 francs per 100 kilograms—and the denatured wheat supplied unwanted competition with coarse grains.

Substantially more wheat was disposed of during 1933–36 through exports heavily assisted by export subsidies, first authorized by a law of July 10, 1933. Since French wheat prices were so much higher than "world" prices, the subsidies required were extremely large, averaging more than 75 francs per 100 kilograms (*124,* p. 281), roughly 200 per cent of the average unit-export value. Available funds accordingly set strict limits to the quantities that could be moved. Nevertheless, total gross exports of subsidy-aided wheat amounted to roughly 1.5 million tons (54 million bushels) in the three-year period beginning July 1933.[9]

Additional price support was offered to producers in the form of special premiums for storage of wheat. Although at first this was provided only for storage within individual crop years, emphasis fell later on financing the costs of carrying surplus stocks from one year to the next.[10] The purpose of the first type of storage assistance was to prevent excessive price declines at the beginning of the marketing season; the second was designed to reduce effective market supplies in a year of exceptionally heavy domestic production and to add to the smaller supplies of a later year.

For carrying wheat from 1932/33 to the following year, a premium of 10 francs per 100 kilograms was granted, roughly 9 per cent of the crop-year average price on the Paris market. This went far to cover storage costs, but French producers were disturbed by declining market prices and absence of a guaranteed sale price for stored grain. Consequently, they were little inclined to take advantage of the storage offer until an additional law of January 1933 guaranteed a minimum price for stored wheat at date of sale. In effect, this represented a substantial and assured premium, since the guaranteed price was set at 115 francs in May 1933 when the current market price was only 98 francs (*102,* p. 22). This was reaffirmed in July 1933, when anticipation of another big harvest encouraged the government to establish a general minimum price for all wheat of 115 francs effective September 1, with scheduled monthly increases of 1.50 francs. This new minimum price greatly complicated the storage program, for the stored grains of previous crops had to be forced into consumption. Millers were therefore required to use prescribed percentages of the various categories of stored wheat.

The minimum price provisions for wheat of the 1933 crop were reportedly circumvented in at least two ways—by secret rebate and by "gangster prices," which for a while were reported regularly at levels up to 30 per cent below official quotations. Largely because of these complications, minimum prices for current marketings of the 1933 crop were abolished in December 1934, leaving in effect, however, the provisions of the storage programs, including the guaranteed mini-

[8] According to a U. S. Department of Agriculture report, this total included 14 million bushels of wheat in 1933/34, 21 million in 1934/35, and 6 million the following year (*124*).

[9] Mallory indicated the following crop-year distribution in million bushels: 3.1 in 1933/34, and 37.5 and 13.1, respectively, in the two succeeding years (*124,* p. 269).

[10] From April 30, 1930, the former type of storage payments had been available to producer cooperatives that agreed to release their wheat holdings gradually throughout the season. When the large wheat crop of 1932 began to flood French markets, a decree of October 12 provided for government aid for storage of wheat carried over to the following crop year.

mum price for stocks of wheat carried over into 1934/35.[11] In contrast, the minimum price for 1934-crop wheat was dropped to 97 francs.

New Problems and Policies in 1936–39

During the first part of the 1930's the Depression had been increasingly felt in France. The value of the franc was maintained, though the currencies of many countries with which France traded were devalued. French exports found it difficult to compete and declined far more than imports. Other sources of foreign exchange earnings also dwindled; and a deflationary policy was pursued by the French government. Unemployment rose; wages declined; and until mid-1935 so also did wholesale and retail prices. Thereafter domestic prices tended upward. Mounting budgetary deficits entailed larger issues of currency and rising prices. Gold was hoarded and capital left the country (*131*).

After the *Front Populaire* came into power in June 1936, it soon became impossible to maintain the value of the franc; and on September 26 a devaluation of 30 per cent was announced. The new value in terms of gold was not fixed. It declined steadily and two years later was only 41 per cent of the value which the franc had had between 1928 and 1936.

The National Wheat Office and related policies.—The idea of a national wheat office having full control over the wheat trade had been in the program of the Socialist Party for several years, and had been strongly pressed by wheat producers (*149,* p. 60). In August 1936 the *Office National Interprofessionnel du Blé* was created, under the Ministries of Finance and Agriculture, to be administered by a central council on which producers, processors, consumers, and the government were to be represented (*85,* p. 8868).[12] Its most important functions were to fix the producer price of wheat and to make such arrangements for marketing wheat that the fixed price would be effective. To strengthen its domestic control, it was given monopoly rights to import and export wheat, spelt, meslin, and rye.

The *Office du Blé* did not actually engage in trade, but confined itself to authorizing and supervising domestic and foreign trade in these grains through specified agricultural cooperatives and dealers. To help cover the costs of the program, several special taxes were imposed, the two most important being a milling tax and a "production tax," the rate of the latter increasing from one to six francs per 100 kilos with the quantity grown. The original law applied also to Algeria though separate rules for its application were developed for that country: a Tunisian section was authorized in July 1937 (*101,* p. 10004; *92,* p. 652).

Under the *Office du Blé* the French wheat market became tightly regulated. Each wheat producer had to sell all his wheat at the fixed price to one designated trading agency.[13] Fixed, also, was the wholesale margin which the agency could

[11] In the month in which the minimum price for wheat was abolished, a program of army purchases of security stocks was introduced. Eventually, after the smaller crops of 1935 and 1936, the surplus wheat stored under earlier programs was disposed of.

[12] J. Carret presents a well-organized compilation of this law and the numerous related decrees and decisions in *11* and *12*.

[13] The "fixed price" itself was not a single price but a schedule of quality premiums and discounts centering around a fixed basic price for wheat of specified quality characteristics, delivered free at the designated storage facility of an authorized trading agency.

charge on wheat sold to millers and other processors; the processing margin allowed millers was regulated more or less similarly; and retail prices of bread and flour were regulated by local authorities. To prevent glutting the market in the autumn, the rate at which the trading agencies could release wheat to millers was also prescribed; and the quantity of wheat allocated each mill was based on previous grindings.[14] While the *Office du Blé* had power to fix flour extraction rates, none was prescribed in the early years of its operation. Aside from temporary imports which were compensated by exports, wheat from foreign countries was admitted only if the domestic crop was judged insufficient in quantity or quality, or in compensation for exports. Detailed rules were established for the types and qualities of wheat and wheat products that might be exported and the quantities of wheat that could be imported in compensation for such exports (*93*, p. 11430).

The principles according to which the producer price for wheat was to be fixed were spelled out in the law. These included as primary elements the average 1911–1913 wheat price, allowance for changes that had occurred after 1914 in the cost of living as well as in farm costs, and the relative size of the current wheat crop. Finally, the basic price was subject to a monthly increase to allow for storage costs; but no regional variation was provided.

There was much uncertainty in interpretation of these price fixing principles. The basic price actually set for the crop of 1936 was 140 francs per 100 kilograms (monthly increases making the July 1937 price for the same wheat 153 francs), a level considerably below that which would accord with interpretation of the rules by most groups of producers. When the franc was devalued a few weeks later and commodity prices rose, there was great dissatisfaction with the fixed wheat price. Farmers felt that the high world price of wheat (largely attributable to a small world crop) in combination with the high French import duty should have given them a price considerably above the fixed level. And the 180-franc price established for the following short crop was no better received.

The first major test of the system, however, came in 1938/39, when the *Office du Blé* was called upon to handle a very large domestic crop. To cope with it, subsidized exports were increased and diversion of wheat to alcohol production was subsidized by revenue from a new surtax on imports of foreign and colonial feed grains, and from the continuing producers' tax on wheat sales plus a supplementary "exceptional" levy on wheat production effective only in years of excess production, such as 1938. Thus, although the "basic" wheat price established for 1938/39 was 204 francs (rising to 220.50 at the end of the crop year), the net price after deduction of producers' taxes was 182 francs for small producers, 158 francs for the largest (those who delivered 500 tons or more).

Nevertheless, the bumper French wheat crop of 1938 was not associated with market-surplus pressures of the magnitude encountered after harvest of the similarly large crop of 1933. The stronger market position of 1938/39 reflected not so much the firmer controls exercised by the *Office du Blé* as three fundamental market features: (1) old-crop stocks of grain stood at minimum levels following two successive short crops; (2) gathering war clouds in Europe encouraged acqui-

[14] Such allocations could be enforced since each miller could buy only from one specified agency.

sition of security reserves in France and in neighboring countries; and (3) devaluation of the franc in September 1936 had been followed by continued depreciation, starting an inflationary pressure on all domestic markets and encouraging private stockholding.

As earlier in the thirties, protection of secondary grains continued during 1936–39 to take the form of import quotas. The powers of the *Office du Blé* were confined to wheat, and tariff changes were of little significance. The apparent increase in import duties for both wheat and coarse grains as of February 1, 1937 (Appendix Table I), merely represented incorporation in the customs duties of some of the supplementary taxes previously applied to imports. And the further advance in grain tariffs in July 1937 was part of an across-the-board increase of 13 per cent in all duties (upped to 14 per cent in September, except for wheat). The big change in control of French grain markets came in 1940 under the German occupation. The *Office National Interprofessionnel du Blé* then became the *Office National Interprofessionnel des Céréales*—henceforth referred to as ONIC —and its full powers were extended to all grains. Thereafter until the first Common Market grain policies went into effect in 1962, the entire French grain market was nationally controlled, though in varying degrees for different grains at different times.

Pricing and Import Regulations Relating to the Dependent Territories

In the trade of France with North Africa and Indochina, grains loomed large. Algeria was continuously treated as a department of France; and no import quotas or other restrictive measures were applied against Algerian imports into metropolitan France.[15] For Tunisia a law of March 30, 1928, resulted in a similar situation except with respect to wine, i.e., Tunisian grains also entered France duty free in unlimited quantities. Morocco was granted sizable duty-free quotas for the various grains in the 1920's (when the tariff was the only form of import control), and this continued after import quota restrictions had cut grain imports from non-French areas to a mere trickle (Table 2, p. 11). Among the more remote colonies, Indochina benefited most from French grain import regulations, since her rice and maize had unrestricted access to French markets.

The import quota system as well as the wheat market controls of the 1930's strongly aided development of trade between France and her associated territories. This development was looked upon with favor and was given increased attention in French pronouncements on foreign policy. As a consequence of the policies pursued in the 1930's there was, therefore, a drastic reduction of grain imports into France from foreign countries, but a considerable share of this reduction was counterbalanced by increased imports from other parts of the French empire.

POSTWAR GRAIN POLICIES AND PROGRAMS TO MID-1962

The objectives of French agricultural policy changed gradually but significantly between the end of the war in 1945 and the introduction in 1962 of a com-

[15] Also, the quotas set up by France against foreign countries applied to the combined imports of France and Algeria.

mon agricultural policy in the European Economic Community (EEC). For a few years after the liberation, reestablishment of normal production levels and assurance of an adequate food supply were overriding considerations; increased production was the primary goal. The drive for increased food output was emphasized in France as in many other European countries in the late forties and early fifties, because a resulting decline in food imports would save scarce foreign exchange, especially dollars. Then, halfway between 1950 and 1955, when the French prewar production level had been surpassed by a considerable margin, the question of how to improve farm productivity became of pressing importance. Only greater productivity could raise farm income and simultaneously make French agriculture more competitive in foreign markets. Larger output of selected farm products and smaller or stationary output of others, together with increased productivity were joint objectives in French agricultural policy and planning.

Early postwar appearance of export surpluses, especially of wheat and wine, stimulated the government's search for assured foreign markets for these surpluses. This was exemplified in French sponsorship of long-term commodity agreements, first within the framework of the abortive Green Plan, later through direct bilateral negotiation with individual importing countries, most significantly reflected in several long-term agreements with Germany specifying large grain quotas (of which the first was concluded in 1955), and finally in the Rome Treaty.[16] Moreover, but much less important, France signed as an exporter the first and each successive International Wheat Agreement: this provided for small to moderate annual export quotas that were essentially ineffective as export-market assurance.

Agriculture in Postwar Economic Planning

At the end of World War II, the French economy was in dire straits after more than four years of German occupation, preceded and followed by months of intense warfare on French soil. To a severe loss of manpower was added heavy loss of capital equipment, including much damage to the transportation system. While damage to agriculture was less drastic, it was serious, reflecting both direct war action and the cumulative effect of shortages of fertilizer, equipment, and other means of production. Agricultural output in the mid-forties was officially estimated at less than 70 per cent of the prewar level; and although considerable evidence indicates that the true reduction was smaller, full allowance for wartime and postwar underreporting would not wipe out the impression of a sizable deficit. Reconstruction and long-range modernization of the economy became major postwar objectives of government policy (6, p. 17), with economic theorists and politicians alike emphasizing the need for government direction and financing of investment in order to develop a more dynamic modern economy.

A General Planning Commission (*Commissariat Général du Plan de Modernisation et d'Equipment*) was established under Jean Monnet in January 1946. It was charged with the task of preparing a plan to increase production, foreign

[16] The idea of long-term agreements for agricultural products within the EEC was abandoned only after other means for intra-EEC preferences had been agreed upon.

trade, and employment, raise the level of living, and provide for reconstruction of war-damaged equipment. The result was the First Plan for Modernization and Equipment, commonly called the Monnet Plan, which was designed for the period 1947–50. This was later extended through 1952 to make it terminate at the same time as the Marshall Plan. After an interim period it was followed by the Second (1954–57), Third (1958–61), Fourth (1962–65), and Fifth (1966–70) Plans.[17]

The most urgent task of reconstruction was accomplished relatively quickly. With the aid of American and other loans, total merchandise imports apparently approximated the prewar volume in 1946. In 1947 the index of industrial production stood at the 1938 level, and agricultural production reached the level of the mid-thirties two years later. Food rationing came to an end, step by step, in the course of 1949. The task of building up and modernizing the French economy, however, proceeded for more than a decade under the handicaps of unstable political conditions, military involvement, inflation, and recurring financial crises. A turning point was reached in 1958/59, when France took steps to establish a convertible currency and to prepare for participation in the Common Market by devaluing the franc (the third postwar devaluation), by adopting a series of fiscal and budgetary reforms, and by modifying the inflationary policy of tying wages to prices.

Agricultural modernization was stressed in each of the successive French Plans. The basic Monnet Plan was revised in September 1948 partly in response to emphasis placed by the Organization for European Economic Cooperation (OEEC) on development of Europe's own food resources in order to reduce imports and ease strain on the balance of payments. Thus, the 1948 version of the Monnet Plan called for an increase in agricultural output by 1952 to 16 per cent above the 1934–38 level. Loans and grants were provided for improvement of rural living conditions (water, electricity, etc.), for investments in farm equipment and other producer goods (especially tractors), and for farm-oriented processing plants (*59,* pp. 193ff.).

The Second Modernization and Equipment Plan (1954–57), less rigid than the First, shifted stress from greater production to greater productivity (larger output per unit of input). Among measures to promote farm productivity, the Second Plan gave prominence to research, information services, and improvement of the distribution system. It envisaged an increase in agricultural output of 20 per cent as compared with 1952, with main emphasis on animal products. Total merchandise exports were expected to increase 40 per cent, primarily due to a hoped-for increase in exports of raw materials and agricultural products.

The agricultural factions of the *Commissariat Général du Plan* accepted the Plan, calling as it did for increased farm production, only on condition that effective action for "permanent and profitable foreign outlets" be an integral part of it. This reaction reflected the growing fear of price-depressing agricultural surpluses, a fear also reflected in the decree of September 30, 1953, which gave the government authority to set up organs to intervene in the markets for basic farm

[17] These plans were not blueprints for government action, but economic guidelines, defined by law as "designed to provide an instrument for orientation . . . and the framework for investment programmes" (*140*).

products and to establish a mutual guarantee fund which was to provide loans, guarantees, or subsidies for facilitating the purchase, storage, export, or import of such products.[18]

Despite improvements in farm productivity and increase in per capita farm income during the following years, the gap between farm and non-farm income widened—a common and perhaps inescapable characteristic of strong economic progress. On the basis of 1949 = 100, farm income per active person in 1953 was calculated at 106, non-farm income at 117; and for 1958 the comparable figures were 124 and 146 (*13,* p. 109). It was hoped that the Third Modernization Plan (1958–61) would bring a more rapid increase of farm incomes, but no specific guarantees with respect to absolute or relative income were provided in the new Plan. Rather was reliance placed on further strengthening of the approaches advocated in the Second Plan. In presenting the Third Plan to the National Assembly in March 1956 the Undersecretary of Agriculture emphasized the call for increased production of livestock products and feeds, particularly meat, eggs, barley, and maize on the one hand, and decreased output of wheat, wine, and sugar on the other. He also urged improvement of quality in accordance with the demand registered in domestic and foreign markets. Government aid to finance technical improvements in farming and the distribution system were, of course, to continue unabated; and a more comprehensive price policy took shape with the decree of September 18, 1957, which established rules concerning target prices for 1961 to be approached gradually, for seven basic farm commodities (wheat, barley, maize, sugar beets, beef, pork, and eggs).[19]

Nevertheless, the gap between farm and non-farm incomes widened further and there was much unrest among farmers, especially after the fiscal and monetary reforms of 1958/59. With a law on Agricultural Guidance in 1960 (*89*), the government therefore embarked on a vigorous legislative program to provide more effective and broader assistance to agriculture by means other than direct price intervention (see p. 65).

The National Grain Office (ONIC)

The *Office du Blé* of 1936–39 became the *Office National Interprofessionnel des Céréales* (ONIC), by law of November 17, 1940. Its authority was extended to cover all grains and was expanded also in other respects. At the same time the Central Council of the organization was dissolved; and the president, assisted by a committee which was merely consultative, was given extensive power. During the war ONIC was thus in a position to exercise almost complete control over grain marketings and distribution.[20]

In December 1944, after the liberation, this arrangement came to an end; and the powers which before 1940 had been in the hands of the Central Council were then transferred to the Minister of Agriculture. Not until September 1953, however, were ONIC's later postwar form and operations fully defined by decree

[18] Apparently little was accomplished under this decree, and further decrees of May and August 1955 attempted to strengthen this Mutual Fund. Eventually it was merged with various commodity funds, but the grain marketing organization ONIC remained entirely separate from it.

[19] A somewhat different system applied to milk. The application of this decree to grains is discussed below.

[20] Marcel Court well describes the development of ONIC from its origin in the *Office du Blé* to the form given it in September 1953 (*16*).

(*70*, p. 8635). Under Article 1 of that decree the Central Council was reestablished with 43 members, of which 22 represented grain producers, 15 industry and commerce, and 6 consumers. The Minister of Agriculture was represented by a commissioner, in a consulting capacity. ONIC was given authority to deal with wheat, rye, barley, oats, maize, and rice, and their derivatives, to determine availabilities and requirements for grains, to set extraction rates, and to handle disposal of surpluses. It could give directions with respect to production, deliveries by producers, and allocations to millers, and it continued to have a monopoly on foreign trade in grains. The government, not ONIC, was given the authority to set grain prices. This meant that the Prime Minister, upon proposal by the interested ministers and after receiving the opinion of the Central Council of ONIC, decreed what the price should be.

The price of wheat was at all times a fixed, guaranteed price, and all wheat marketed was channelled through ONIC-approved trading agencies, subject to control until it reached the final consumer.[21] Maize also enjoyed a fixed price throughout the period and was marketed through ONIC agencies. For rye, barley, and oats, however, fixed prices had already given way to less rigid minimum prices in 1952/53, which, under the 1953 decree, became still less effective "intervention" prices, initially applicable to the 1954 crop and at that time planned also to cover the three following crops (a provision later modified, as noted below). For oats, but not for barley or rye, this continued throughout the period of independent national pricing, i.e., until the entire pricing system was revised in 1962 under the EEC. It meant that ONIC merely promised to buy at the end of the crop year at the indicated intervention prices any stocks of rye, barley, or oats that remained in the hands of the trading agencies, provided the grain had been purchased at or above the intervention price. Farmers were free to sell to whomever they chose at any agreed price, and the trading agencies were not required either to pay the intervention price or to take up all grain offered for sale (*18*).[22] Hence ONIC's ability to control the prices of these three grains was limited, even though some additional support could be provided through the monopoly control exercised by ONIC over foreign trade, with export subsidies a useful supplementary tool.

That this combination of intervention controls was relatively weak in periods of heavy feed grain surpluses became apparent in 1956, when France harvested an abnormally small (winter-damaged) wheat crop and a bumper crop of spring feed grains. Then, under pressure from heavy barley marketings and declining international prices, reinforced by evidence that more rye was likely to be needed as bread grain, barley and rye were again firmly supported by fixed prices (as they had been in 1940–52) and were thereafter channelled through ONIC agencies.[23]

The basic decree of 1953 defining the duties and powers of ONIC also pre-

[21] This control was eased somewhat in October 1960. Since then millers have been allowed to buy their grain from any approved trading agency.

[22] However, if any agency purchased such grain below the discounted intervention price, the ONIC was no longer required to buy remaining quantities at the end of the year either at the intervention price or at the price paid by the agency.

[23] Permission was later granted farmers to sell barley and rye directly and free of taxes to other farmers in the same department or in cantons of other departments adjacent to the area of production (*87*, p. 6543; *88*, p. 7719).

scribed the method by which the price of wheat should be fixed during the four crop years 1954–57 (see below, p. 25), and authorized the government to determine the quantity of common wheat (but not durum) to which the fixed price should apply, the so-called "quantum." This was the first time that the government was given power to limit the quantity of wheat that would benefit from the fixed price.

To help cover costs of the grain programs the decree provided for several taxes to be levied, as before, on grains marketed through ONIC-approved trading agencies (Appendix Table II). Those charged to producers and therefore deducted from the producer price as set by the government were the so-called "statistical tax" (applied to all types of grains), the "storage tax" on wheat, and a smaller tax for "the fund for agricultural progress." Most important, the "reabsorption tax" on wheat, which was also charged to the producer, was to be continued to help cover wheat-export losses. Again it was made progressive with the quantity of wheat delivered annually by each grower.[24] After the mid-fifties surplus disposal taxes (reabsorption taxes and/or "quantum" taxes) were also levied on rye and barley, and later still on maize, but these were levied at a uniform rate regardless of the size of a farmer's deliveries. Other grain taxes were levied on processors.[25]

The basic responsibility of ONIC may be said to have remained unchanged until EEC grain policies went into effect in the summer of 1962, though numerous changes were made in the details and in the application of the policies it administered. The major changes are discussed below, attention being focused briefly on ONIC's direct controls over grain utilization and foreign trade and later on the more complex system of price fixing and enforcement.

Programs Affecting Grain Utilization

In the immediate postwar period, direct government measures sought to stretch the wheat supply. High extraction rates were prescribed; and rye, barley, or maize flour had to be added to wheat flour for bread making. Although flour admixture regulations were not used after 1951,[26] ONIC continued to pre-

[24] This type of tax was first introduced for wheat in 1938 and reintroduced by a decree of August 22, 1950 (*94*, p. 9031). That decree required the "basic" tax rate to be set each year before September 1, and the total reabsorption tax paid by individual farmers to be determined as follows on the basis of their annual wheat marketings:

Tons delivered	Tax per 100 kg.
0 – 5	none
5 – 7½	half basic tax
7½ – 10	basic tax
10 – 20	basic tax + 25%
20 – 40	basic tax + 50%
40 – 60	basic tax + 75%
60 – 80	basic tax + 100%
80 –100	basic tax + 125%
over 100	basic tax + 150%

[25] Among these was a transportation tax or "compensatory charge" levied on all wheat entering mills (except wheat exchanged for flour for a farmer's own use). The proceeds were used to equalize differences in transportation cost, since some millers were requested to get their grain from agencies located beyond certain limits. The rates varied greatly as between departments, e.g., in August 1960 from 20 francs per 100 kilograms in Aisne to 400 francs in Corsica. This charge was discontinued in October 1960, when millers were permitted to buy from any trading agency.

[26] As late as 1949 a 10 per cent addition of rye flour was required; and the following year 3 per cent was specified.

TABLE 3.—PRESCRIBED EXTRACTION RATES FOR DOMESTIC FLOUR MILLED FROM THE BREAD GRAIN CROPS OF 1947–61*

	Wheat		Rye	
Crop[a]	Specific weight[b]	Extraction rate: Kg. above (+) or below (−) specific weight[b]	Specific weight[b]	Extraction rate: Kg. above (+) or below (−) specific weight[b]
1947	All	+20	All	+12
1948	All	+ 5	All	− 4
1949–51	All	+ 3	All	−10 to +7
1952	70–80 kg.[c]	+ 3		
1953–55	70–80 kg.[c]	− 2		
1956	All	+ 1		
1957–58	70–78 kg.[c]	− 1		
1959	All	− 3		
1960–61	All	−1 to −5		

* Data from relevant decrees as published in *Journal officiel de la République française*. After the EEC Grain Regulation went into effect in 1962, extraction rates could no longer be prescribed.

[a] In one or two cases where the same extraction is indicated for two or more successive years, it is possible, but not probable, that the rate was changed after the initial year.

[b] Specific weight indicates the weight in kilograms of one hectoliter of the grain.

[c] Detailed rules prescribed the rate at which the extraction rate must be increased or decreased for wheat of higher or lower specific weight.

scribe extraction rates through July 1962, when freer EEC grain regulations became operative. The prescribed extraction rates (Table 3) were very high in the early years, substantially lower in the late fifties and 1960/61.

The minimum extraction rate for wheat of the 1947 crop was set 20 points above the specific weight of the grain milled, and that for rye 12 points above. Since the official prices were then based on a wheat standard of 74.5–75.5 kilograms specific weight and a rye standard of 70.5–71.5 kilograms, it may be assumed that these were common qualities. If so, the prescribed extraction rate for much of the 1947 wheat crop approximated 95 per cent, and that for rye was close to 83 per cent.[27]

Milling regulations were considerably relaxed in the following years. Extraction rate regulations in the early postwar period had specified high minimum rates to stretch inadequate wheat supplies, but later the same type of regulation was employed to force mills to produce flour of moderate to moderately low extraction, with a view to reducing surplus wheat stocks. From 1953 the extraction rates prescribed for wheat were *below* the specific weight of the grain (except for the short crop of 1956): these effectively operated as maximum average rates significantly below 75 per cent.[28]

By the mid-fifties the government was seeking ways to increase the utilization of surplus wheat. This was reflected in the establishment in August 1955 of detailed rules for denaturing sound wheat for sale as feed at sharply reduced

[27] This interpretation is in line with that offered by the Ministry of Agriculture (*96*, p. 137).

[28] The discrepancy between this statement and the 76-per-cent average extraction rate employed for the same years in EEC grain balance sheets for France (*53*, p. 49) can be explained in part by the inclusion in the latter figure of higher extraction export flour.

prices[29] and in regulations permitting manufacturers of feed to buy undenatured wheat on similar terms for safeguarded mixing with other grains in their feeding formulas. Even when the short wheat crop of 1956 temporarily removed the need for surplus-disposal measures, a minor denaturing program still operated for grain of high moisture content threatened with deterioration. Prices charged for denatured wheat were typically a little lower than the special prices at which feed barley was offered through 1959/60 (see Appendix Table II). At such prices the quantities of wheat moving into feed use were substantial, though not impressively large, averaging roughly 725 thousand tons or 27 million bushels annually during the three years ending July 1960 (Appendix Table VI). The associated subsidy reportedly totalled 2.3 billion francs for 1955/56 (*61,* p. 15), and was probably as large or larger in 1957/58, but thereafter tended downward.

Until 1959 the government also granted large subsidies to reduce the price of bread, the purpose being to keep the cost of living (and the retail price index) lower than otherwise it would have been. Although the budgetary expense was large, especially in the immediate postwar years and again in 1957,[30] the amount of bread consumed was probably not appreciably increased.

Foreign Trade Operations of ONIC

ONIC had monopoly control of all imports and exports of grain and grain products from 1940 to mid-1962; and for wheat this extended back to 1936. During and immediately after World War II this control was exercised through direct government import purchases and export sales, but after 1948 ONIC operated almost exclusively through private dealers, carefully prescribing the conditions of trade.

The administrative arrangements involved in exporting grain during 1948–62 are of particular interest.[31] Whenever ONIC and the Ministers of Agriculture and Finance jointly decided that grain should be exported, ONIC called for

[29] The recognized trading agencies were permitted to denature wheat, subject to rules issued by ONIC, and to sell it at a maximum price of 2,750 francs per 100 kilograms (including a 200 franc margin for the agencies) at a time when the basic producer price was 3,400 francs and the approximate average selling price to millers was 3,916 francs (Appendix Table II). ONIC was authorized to grant the agencies a "compensation" (subsidy) of 1,100 francs per 100 kilograms plus storage increments.

[30] All subsidies relating to grains are stated by Malassis to have totalled 43 billion francs in that year, that on bread alone 13 billion. The bread subsidy of the three years beginning 1954 amounted to 8.5, 7.2, and 8.3 billion current francs (*123,* p. 247). The complexities of French fiscal data preclude a comprehensive discussion here of the subsidies on grains and grain products, and partial data must be interpreted with caution. Figures comparing the overall costs to the government of the grain program with those of other important agricultural commodity programs are given in Table 10.

[31] For grain imports the arrangements were similar. From the end of the war until sometime in 1947 all external trade in grain and other products was carried on by IMPEX (a government import-export agency), which turned imported grain over to ONIC when it reached a French port (*16,* p. 138). In later years, on decision that grain imports were needed (as decided jointly by ONIC and the Ministers of Agriculture and Finance), ONIC made the official announcement, calling for offers of a stipulated total quantity as well as of the minimum quantity acceptable from any one importer. Further details might be specified, such as country of origin, port of delivery, and quality of the grain; and ONIC might state explicitly that the importer must sell the grain to a specified domestic purchaser at a given price (e.g., *95a,* no. 68), or might simply permit him to import the grain for free disposal within metropolitan France (e.g., *95d,* no. 373). The prospective importer was required to present relevant information in his offer and, of decisive importance, the magnitude of the import fee (*ristourne*) he would pay ONIC. The latter would grant import permission to the dealer offering the highest import fee (taking the origin and quality of the grain into consideration). ONIC might, however, reject all offers and make counterproposals.

tenders. The announcement frequently specified the departments from which the grain must be obtained; and potential exporters could obtain an approved list of local trading agencies having quotas of grain designated for export. Sometimes ONIC's call contained detailed specifications concerning the quantity and quality of independent transactions, and occasionally even the names of the suppliers from whom the exporter must buy specified amounts. If the grain was destined for a French overseas department or dependent territory, the price at which the exporter must sell the exported grain was also stipulated. The price to be paid by the exporter was the usual fixed domestic sales price, except that the social welfare tax on wheat sold to domestic millers was not charged on wheat for export (see Appendix Table II). In his offer to ONIC the exporter would specify the amount of export subsidy which he would require to export the grain in question; and ONIC would accept the lowest offer, or, if not satisfied with any offer, would make counterproposals.

On exports of flour, the financial aid provided through ONIC's pricing-and-subsidy system was greater, and the procedures were more complex. The initial or "basic" export subsidy allowed on flour exports was equivalent to the average export subsidy which ONIC had paid on wheat grain exports during the week preceding the flour sale (*103,* p. 46). In addition, the exporter received (a) a bonus supposedly approximating the price differential recently prevailing between wheat and flour in world markets, and (b) a controversial, differential transport bonus, designed to compensate flour exporters for additional costs incurred in supplying more distant import markets.[32] As a result, French export prices for flour in the middle and late fifties tended to be notably low and discriminatorily competitive in distant markets, a situation officially protested by the Australian government in a session of the Contracting Parties to GATT (*103,* pp. 46–60).[33] Later, in response to GATT pressure, ONIC modified the application of its flour export subsidy system, particularly as it related to subsidies to distant markets which had traditionally relied heavily on Australian flour imports.

Foreign Trade Agreements and Arrangements with French North Africa

In the first half decade after World War II grains were not important in French bilateral trade agreements. The quotas specified at that time appeared as imports, not exports; and the grains involved were commonly of special type, for example, seed grain and brewing barley. By 1949, however, France began to rely more heavily on bilateral arrangements in obtaining grain imports. An agreement with Poland in 1949 called for imports of 60,000 tons of feed grain; and the following year a French-Argentine agreement stipulated that France would take 100,000 tons of Argentine maize prior to August 31, 1950. Although such quotas were not firm commitments to purchase, the agreement terms were

[32] In the latter part of 1958, for example, the special flour bonus is reported to have approximated 200 francs and the additional transport bonus then ranged between 0 and 160 francs, depending on the specified destination.

[33] Australia complained that French subsidized wheat flour had replaced Australian flour in Australia's traditional markets. In its subsequent report, the GATT Panel for Conciliation essentially supported the Australian view and urged ONIC to modify its practices so as to avoid further adverse effects on Australian exports.

usually carried out and thus operated as a discriminatory restriction on multilateral international trade.

After France became a surplus producer of all grains combined, a position reached in 1953/54 and well maintained in all subsequent years except 1958/59, her officials showed increased interest in bilateral agreements containing grain quotas. Some of these called for French imports, usually of feed grains on a short-term basis;[34] but more frequently they provided for export quotas for wheat from the "franc area"—i.e., from metropolitan France and/or French North Africa.

Expecting at this time to become a large and regular exporter of grains, France sought ways to secure dependable foreign outlets, preferably under long-term agreements. The most important agreements arranged were those with Germany. Although significant short-term wheat export contracts had been negotiated with Germany in earlier postwar years, the first really large and important agreement was concluded in August 1955. It was a three-year agreement, specifying French export quotas of 500,000 tons of wheat and 200,000 tons of other grains in 1955/56, and calling for later confirmation of similar quotas in each of the two following years. A similar four-year agreement concluded in April 1959 called for a basic annual quota of 700,000 tons of French and Algerian grain, of which 325,000 tons were to be wheat of milling quality (ordinary soft wheat). Supplementary quotas of higher quality hard bread wheats were added for 1961 (25,000 tons) and 1962 (75,000 tons). This agreement, negotiated under the terms of the EEC Rome Treaty, provided for increasingly preferential pricing of such French exports. The pricing formula specified that Germany would pay the going international prices plus a preferential increment based on the difference between the international prices and the corresponding German support prices, with the preferential increment set in 1959 at two-twelfths of that difference, in 1960 at three-twelfths, in 1961 at four-twelfths, etc. Operationally, French grain sales were made to German importers at international prices, and the additional increment was paid directly to ONIC by the German Import and Storage Agency for Grain. Though such preferential agreements between EEC countries were called for in the Rome Treaty, they were outlawed under the common grain policy effective July 30, 1962.

Competing for attention with the German agreement was a contract made by private French firms in 1961 with Communist China (aided, of course, by government export subsidies). This reportedly represented a contract for delivery of 260,000 tons of barley in 1961 and of one million tons of wheat over a three-year period—400,000 tons in 1962, and 300,000 in each of the two following years.

The complexities of trade relationships between metropolitan France and other parts of the franc area (internally and in relation to third countries) cannot be discussed here. Suffice it to say that since ONIC had complete control of foreign trade in grains through 1961/62, the French government could, and did, favor trade with Algeria, Tunisia, and Morocco, countries with which me-

[34] A French-U.S.S.R. agreement of July 1953 called for French imports of 65,000 tons of maize from the Soviet Union, and as late as July 1955 an agreement with Bulgaria provided for 50,000 tons of maize to be imported by France.

tropolitan France had a traditional trade in grain. In principle this ended when the EEC Grain Regulation went into effect.[35]

Methods of Price Determination and Regulation

During World War II and its immediate aftermath, domestic prices of grains were set by the government without reference to prescribed procedure such as had previously been in effect for wheat. Beginning with a decree of March 22, 1947, grain prices again were to be set in accordance with prescribed rules. Under it, the producer price of wheat of standard quality had to cover estimated production costs, calculated on the basis of an assumed yield and of specified inputs per hectare (including 13.5 man days and 21 horse days). After the basic wheat price had been determined in this manner, other grain prices were set in relation to it. In 1948, for example, the specified coefficients were 95 per cent for rye, 85 per cent for barley and maize, and 80 per cent for oats (*91,* p. 7903). Finally, special premiums per hectare and/or per 100 kilos were added for certain grains under certain conditions (see Appendix Table II and footnotes). For the 1947 wheat crop, the special premiums represented almost a fifth of the basic price (*86,* p. 6918; *90,* p. 10061).

Such calculations were used in the determination of grain prices through 1952, in the face of rising dissatisfaction with the pricing method. For the 1953 crop, however, new rules were adopted that essentially maintained the grain price levels of the preceding year. These and other official grain prices, premiums, taxes, and seasonal storage allowances are shown in Appendix Table II for the entire period 1947–62. The table also lists the approximate average wholesale prices at which the agencies resold grains to millers and other buyers.

By a decree of September 30, 1953, the French abandoned the principle of tying prices to cost calculations, and returned to "indexing" of the wheat price in a manner somewhat similar to that used in 1936–39. As in the prewar period, the purpose of indexing was to attempt to preserve the net purchasing power of the farmer's income from wheat. The rules of 1953 were to apply, and for wheat did apply to the crops of 1954–57, covering the years of the Second Modernization and Equipment Plan. The "basic" wheat price of 3,600 francs in August 1953 was used each year as a reference figure, which was multiplied by two indexes, one representing the average level of prices of industrial products used in farming, the other representing an average of selected Paris retail prices (excluding food). The adjusted price thus obtained was reduced by 1 per cent in 1954, 2 per cent in 1955, etc., in order to allow for assumed increase in productivity. Finally, to take account of the size of the crop in each year the government might increase or decrease this price by up to 6 per cent before arriving at the *basic initial* wheat price to be used at the beginning of any given year. The 1953 reference price of 3,600 francs per 100 kilograms of wheat thus became a basic initial price of 3,400 francs ($2.64 a bushel) for the crop year 1954/55. To

[35] In 1962 it was stated that imports from Tunisia and Morocco into EEC would be treated as imports from other foreign countries (*104,* p. 71), whereas the situation with respect to Algeria remained unsettled, and France apparently continued for a while to make "special dispositions" with respect to trade with Algeria (*95g,* no. 583[3]). In 1963 the three countries proposed exploratory talks with the Community concerning preferential trade arrangements (*20,* p. 300); but negotiations begun in 1964 had not been concluded through May 1967.

arrive at the effective net average price to producers, various taxes on marketings must be deducted, including the important "reabsorption" tax, differentiated by size of individual annual marketings to permit "fair sharing" of part of the costs of surplus disposal.[36] And to such net prices for the initial month must be added storage supplements paid on later farm deliveries. As a result of the various deductions and supplements, the weighted average of the net prices received by producers throughout the *whole* of the crop year amounted to 3,223 francs per 100 kilograms (Appendix Table II).

In 1955 ONIC first made use of its authority to set a limited "quantum" of wheat to which the guaranteed price applied. This was put at 6.8 million tons for 1955/56, 92 per cent of the expected deliveries. For 8 per cent of each producer's deliveries, the non-quantum portion, an initial payment of only 1,200 francs per 100 kilograms was paid at the time of delivery, supplemented at the end of the year by a payment depending on the price obtained for wheat exports.[37] In 1956/57, when the wheat crop was disastrously small, no quantum was set, no reabsorption tax levied, and farmers were paid a special distress premium of almost 10 per cent of the basic price (Appendix Table II).

Although the "basic" wheat prices for the crops of 1954–57 varied little, the average prices actually received by producers differed sharply, because of the operation of the tax and quantum rules and the grant of the special distress premium in 1956. The weighted average price received by producers rose from 3,205 francs in 1955/56 to 3,813 francs the following year and dropped the next year to 2,948. By 1961/62 it had been pushed up close to the 4,000 level (old francs) influenced by inflationary pressures and a short wheat crop.

Under the cereal market decree of 1953, intended to apply to the crops of 1954–57, the price of maize was to be fixed annually by interministerial decree, whereas rye, barley, and oats were to be subject only to an intervention price at which ONIC was expected to buy offered stocks remaining at the end of the season. The latter system differed little (mainly through end-season *vs.* all-season price guarantee) from the minimum pricing for the same three grains in 1952/53 and 1953/54. In 1956, as previously noted, the pricing systems for rye and barley were again tightened (*87*, p. 6543). And these two grains, but not oats, again became subject to the same type of fixed price guarantees that had continuously been applied to wheat and maize. Thereafter all four grains had to be sold to trading agencies approved by ONIC. The law of 1956 further provided that the

[36] In August 1954 the reabsorption tax (*128*, p. 67) and tax-paid prices of wheat to producers were as follows, the net prices reflecting deduction of all applicable grain taxes.

Tons delivered	Reabsorption tax	Net price	Tons delivered	Reabsorption tax	Net price
	(*Francs per 100 kg.*)			(*Francs per 100 kg.*)	
First 2½	0	3,338	20– 40	294	3,039
2½– 5	49	3,289	40– 60	343	2,990
5 – 7½	98	3,235	60– 80	392	2,941
7½–10	196	3,137	80–100	441	2,892
10 –20	245	3,088	Over 100	490	2,843

[37] The end-year payment together with revised initial payments for above-quantum deliveries (revised rates adopted in March 1956) meant, in fact, that producers delivering 20 tons or less were exempt from the penalty of lower prices on above-quantum wheat, and producers delivering more than 20 tons received a lower price for only 4 per cent of their deliveries.

price of rye should be 80 per cent of the wheat price, and the price of barley between 70 and 80 per cent, thus augmenting the pricing rigidities of the system in favor of wheat. Since wheat was already in surplus and official statements of policy were suggesting that sowings should be reduced, the reduction in feed grain price ratios appeared an inconsistent move in the opposite direction.

Other changes in the grain-pricing system introduced in 1956 included the addition of storage increments for rye, barley, and maize,[38] and authorization of a premium for barley of malting quality. A reabsorption tax on rye was added in 1957/58 (Appendix Table II). The price system for oats was changed only to permit ONIC to intervene at any time in the season to ensure that "market rates were maintained between 1,888 francs at the beginning and 2,000 francs at the end of the season."

In 1957, when the Third Modernization and Equipment Plan was being formulated for 1958–62, the purpose of the prescribed agricultural price program was stated to be to improve farm income through production shifts involving stabilization of wheat output and an increase in production of coarse grains and livestock products (*100,* p. 8995). In order to give farmers advance information of pending developments, with a view to facilitating appropriate production adjustments, the target prices contemplated for 1961 crops of seven basic products (wheat, barley, maize, sugar beets, beef, pork, and eggs) were to be announced before October 15, 1957. And to encourage a gradual movement toward the target prices, the government planned to announce each year before October 15 not only the basic price actually set for each of the seven products for that year, but also a preliminary indication of what the basic price might be in each of the intervening years (based on existing goals, costs, etc.). These prices were commonly referred to as "indicative." As envisaged in 1957, about 20 per cent of the planned four-year change in producer prices was supposed to be effective in 1958, 40 and 70 per cent respectively in the two following years, and 100 per cent in 1961. All the "planned prices," however, were subject to future adjustment. They were to be recalculated annually, or more often if necessary, in accordance with changes in indexes of the prices of industrial products used in agriculture; Paris retail prices (excluding foodstuffs); and agricultural wages.[39] Additionally, there might be supplementation in the event of a notably small harvest. If yield forecasts pointed to a poor crop, the basic price actually established for that year could be increased by as much as 10 per cent over the formula price in the case of wheat and by as much as 5 per cent for barley or maize. And the administration again was authorized to limit the price guarantee to a specified "quantum," not only for wheat, as previously, but for any grain subject to a fixed, guaranteed price. Table 4 shows the prices originally planned for each year and the successive changes made.

While the 1961 target prices "planned" in 1957 for wheat and maize were *lower* than the guaranteed basic prices for these grains in any of the six or seven preceding years, the 1961 target for barley was *higher.* As the time passed, how-

[38] For maize roughly half of the same semi-monthly storage increment had been in effect a few months in early 1953; but no similar storage allowance had been granted during any part of the three ensuing crop years.

[39] The first two of these indexes were assigned weights twice as high as the third.

TABLE 4.—PLANNED AND ACTUAL BASIC PRICES FOR THE MAJOR GRAIN CROPS OF 1958–61*

(Francs per 100 kilograms, except as otherwise indicated)

Crop of	Planned indicative or target price[a]					Actual basic price[b]	
	Oct. 1957	Jan. 1958	Oct. 1958	Jan. or Feb. 1959	Nov. 1960	Francs per 100 kg.	U.S.$ per ton
			WHEAT (*blé tendre*)				
1958	3,300	3,300	...	...	...	3,596	85.66
1959	...	...	3,596	3,800	...	3,800	77.52
1960	...	...	...	...	3,800[c]	4,000	81.60
1961	3,200	3,200	3,596	3,800	4,000	4,065[d]	82.93[d]
			BARLEY				
1958	2,550	...	...	...	...	2,914	69.41
1959	...	...	2,978	3,100	...	3,250	66.30
1960	...	...	...	...	3,150[c]	3,320	67.73
1961	2,650	...	2,978	3,200	3,300	3,220[d]	65.69[d]
			MAIZE				
1958	3,530	...	...	...	...	3,968	94.52
1959	...	...	3,653	4,000	...	3,850	78.54
1960	...	...	...	...	3,850[c]	3,680	75.07
1961	3,250	...	3,653	3,800	3,600	3,385[d]	69.05[d]

* Based on relevant government decrees and on information published by FAO (*62*; *63*; *2*).

[a] "Indicative" for crops of 1958–60 and "target" for 1961 as planned in the months specified.

[b] Set at the beginning of the specified crop year. Converted to U.S. dollars at the August exchange rate; $0.238 per old franc 1958, and $0.204 1959–61.

[c] Indication made public prior to November, but date not specified (perhaps March 1960).

[d] Minimum price, not fixed price. For maize, exclusive of a supplementary 200-franc premium (see Appendix Table II).

ever, both the 1961 target prices and the intervening indicative prices for all three grains were revised upward.[40] This development was practically inevitable after the second devaluation of the French franc on December 29, 1958.

Repeated modifications further complicated this pricing procedure. Late in 1958, when the government was making great efforts to stabilize the economy, increasing misgivings were expressed about the common tendency for an index-tied pricing system to result in an inflationary price-wage spiral. That concern led to essential abandonment of index-based pricing of agricultural products under a decree of January 1959. Partly as compensation for the loss of the automatic price-adjustment system, and partly because prices in general had been moving upward, the same decree elevated all target and indicative prices by almost 6 per cent. Nevertheless, dissatisfaction mounted among farmers over the loss of the automatic adjustment system; and in March 1960 it was partially restored. Five months later a Law on Agricultural Guidance provided that retroactively from July 1, 1960, agricultural prices should make "full allowance for the level of charges and remuneration in respect of labor and capital in agriculture." So target and indicative prices were raised again in November 1960 (except for

[40] However, the peak target price for maize envisaged in 1959 was later moderately reduced, bringing it once more below the wheat target which it had exceeded for several years.

maize). And when the prices for 1961/62 were set by decree in July 1961, the "basic" prices established for wheat, barley, and maize were for the first time officially designated as *minimum* prices rather than fixed. This provision, however, appears less as a price-raising measure than as official preparation for later introduction of the common grain policy of the EEC.

As pricing methods changed, so did the rules concerning producers' contributions to cover surplus-disposal costs, the reabsorption taxes and quantum regulations. The reabsorption tax for *wheat* was abandoned in 1959; but this was fully offset by effective use of the quantum tax, with associated reduction of the quantum to which the guaranteed price applied (the quantum being cut back to 6.8 million tons from the 7.2-million-ton level to which it had been raised in the preceding year and which had originally been planned for each of the four crops of 1958–61). In 1959/60 the quantum tax appears to have accorded with the basic idea of giving producers the guaranteed price for that share of their deliveries which corresponded to the quantum's share of total deliveries and a reduced price for the remainder. The magnitude of the reduction was primarily dependent on the size of total deliveries, the average price obtained for exports, and, with individual producers, the size of their own deliveries. On the first five tons delivered by each producer a flat quantum tax of 30 francs per 100 kilos was subtracted from the basic price of 3,800 francs as a contribution toward losses on above-quantum marketings (*72*, p. 7674; *73*, p. 7679). On all additional deliveries each farmer was paid during the early months of the crop year a reduced price of 3,000 francs (minus fixed taxes and plus earned storage increments), which later was adjusted upward and also differentiated as the size of the total deliveries and the export price situation became increasingly clear (*74*, p. 1037; *69*, p. 3890; *51*, pp. 15–16; *62*).

This system of differentiated pricing, already less differentiated than the ten-class system of 1954/55, was further simplified for the wheat crop of 1960[41] and still more so for the following crop. As indicated below, the number of delivery-size classes to which different quantum tax rates applied declined from four in

[41] The complex basis for differentiation of the wheat prices of 1959/60 and 1960/61 is shown below (1 NF = 100 old francs = U.S.$.20). As used here, "guaranteed price" refers to the official "basic" price (38 NF in 1959/60, 40 NF in 1960/61) minus the fixed taxes and plus the authorized seasonal increments (Appendix Table II); the "reduced price" refers to that officially estimated toward the end of the year as roughly approximating the export price for wheat of standard quality (for further details, see *130*, p. 147; *62*; *63*; *51*).

Crop year wheat deliveries in tons	Price received per 100 kilograms
1959/60	
First 5	Guaranteed price minus 0.30 NF.
Next 15	Guaranteed price for 91.4% of deliveries, reduced price for 8.6%.
Next 40	Guaranteed price for 87.1% of deliveries, reduced price for 12.9%.
All over 60	Guaranteed price for 82.8% of deliveries, reduced price for 17.2%.
1960/61	
First 15 (1) Initially:	Guaranteed price for 92% of deliveries, reduced price for 8%.
(2) Later:	Guaranteed price minus 1.0 NF.
Next 45	Guaranteed price for 84%, reduced price for 16%.
All over 60	Guaranteed price for 76%, reduced price for 24%.

1959/60 to two in 1961/62. Moreover, by 1961/62 the quantum tax rates applicable to both large and small deliveries were expressed from the beginning of the year not in the confusing percentage terms previously employed, but as a specified number of francs.

Tons of wheat delivered	Quantum tax rate (*NF per 100 kg.*)			
	1959/60 Actual	1960/61 Actual	1961/62 Scheduled	1961/62 Actual
First 5	.30	1.00	.65	.35
5–15	1.30			
15–20	1.30	3.60	2.65	.70
20–60	1.95			
Over 60	2.60	5.00		
Weighted average quantum tax	1.22	2.20	...	.48

Since total deliveries of wheat in 1961/62 did not quite reach the announced quantum, cancellation and refund of the quantum tax might then have been expected. Part of it, however, was retained on the stated grounds that the government wanted to reduce year-end stocks (*95e*) which had been built up by 697,000 tons during the two preceding years (Appendix Table VI). Even excluding the large draft on old-crop stocks, however, the current wheat surplus available for exports and subsidized feed use in 1961/62 was substantial—larger, for example, than in 1958/59, when the average quantum tax and total quantum tax receipts were over twice as large (Appendix Table VI).

More surprising, the partial tax refunds of 1961–62 left a wheat-quantum tax structure much less favorable than earlier to small producers—the half to three-fifths who delivered less than five tons of wheat during the crop year (Appendix Table V). These producers, who had paid a quantum tax of only .30 NF per 100 kilos on their bigger 1959/60 deliveries, were actually taxed at a higher rate, .35 NF in 1961/62, whereas the largest wheat producers, the 2 per cent who delivered more than 60 tons and who had paid an average quantum tax of 2.14 NF in 1959/60, were given refunds in 1961/62 that cut their average tax to only .66 NF (Appendix Table IIIC). Hence, in 1961/62 the smallest wheat producers paid a quantum tax 54 per cent as large as the average paid by large producers whose deliveries exceeded 60 tons, as compared with 25 per cent in 1960/61, 14 per cent in 1959/60, and 0–5 per cent in the early fifties. This continuation during the last years of the pre-EEC period of what appears to have been an underlying trend toward reducing price favoritism to the smallest producers was a constructive step (whether so intended or not) in the direction of the type of integrated market projected in the Rome Treaty. Its significance remains even though the extremely small price differentials of 1961/62 were temporary and the underlying trend toward unification was reversed for the crops of 1964 and 1965 (see below).

The original concept of close relationship between average quantum tax rates and receipts on the one hand, and the size of current crop deliveries, above-quantum deliveries, and the costs of disposing of surplus wheat on the other,

was further blurred in 1961/62 when quantum taxes on barley and maize were substituted for earlier similar "reabsorption" taxes. New confusion came as a result of ONIC's surprising statement that it was "possible for a grain of which deliveries were expected to be below the quantum figure to contribute to the costs of disposing of surpluses of other grains" (translated from *95a,* no. 21). The year 1961/62, however, was not such as to afford a good test of government intentions with respect to this possibility, since the crop-year deliveries of wheat, barley, and maize all failed to reach their respective quantums, permitting large drafts on old-crop stocks to meet current export demands. Not only were the collected quantum taxes on barley and maize completely refunded in 1961/62, and that on wheat mostly refunded, but a special premium was added to the maize price as partial compensation for the small harvest. Consequently, at no time during the pre-EEC period was this suggested type of cereal price averaging actually put into effect. Nor could it have been tolerated later under the terms of the EEC Grain Regulation.

FRENCH GRAIN POLICIES AND CONTROLS UNDER EEC REGULATIONS

The EEC Grain Regulation of April 1962 (*34*; *145*)[42] ended France's autonomy with respect to her grain policy, for the regulations and decisions adopted by the EEC Council and Commission have the force of law in member countries. When the Grain Regulation went into effect on July 31, 1962, French grain programs therefore had to be brought into accord with the provisions of this basic document, and soon also with the subsequent measures that implemented, expanded, or revised it.

The complex of EEC grain regulations and decisions of the past few years has already given shape to the Community's grain market as it can be expected to function in essential respects in the future. Many provisions, however, have necessarily been concerned with directing the transition from national to unified markets; and many additional rules prescribing important details of future operations will have to be adopted by the EEC and the member governments before the unified grain market of the Community can be effectively established in 1967/68. In the present section we focus attention on France's adjustment during the transition period to the EEC policy in its transitional form.[43] The changes to be anticipated in French grain pricing in the completely unified market will be considered later.

Initial Adaptations in French Grain Legislation

Certain exceptions disregarded, the postwar grain pricing system of France had operated before mid-1962 by guaranteeing producers a rigidly fixed basic price, uniform throughout the country, by allowing trading agencies a rigidly

[42] An interpretative explanation of major provisions of this Regulation (EEC Regulation No. 19) appears in a GATT report of the discussion of Committee II with EEC representatives (*104,* pp. 7–25, 68–81).

[43] As here used, the term "transition period" refers to the time span between July 30, 1962, when the first common EEC policy measures for grain became effective, and July 1, 1967, when internal barriers to movement of grain within the Community will be abolished and a common level of grain prices will prevail (with certain exceptions). This does not imply that a completely unified grain market will emerge overnight on July 1, 1967, since it is already conceded that certain transitional features will have to be continued another year or longer.

fixed wholesale margin, and by charging processors a similarly fixed price. The complex system of taxes on producers and processors did not alter the fundamental nature of this price support system, though the reabsorption and quantum taxes had introduced an element of discrimination between large and small wheat producers and also a partially concealed element of price adaptation to variations in the size of domestic grain supplies. Even the general legal shift from a single "basic price" to a "minimum basic price" to producers in 1961 had been so administered as to leave the domestic pricing system essentially unchanged. Import fees, quantitative import and export restrictions, and export subsidies had all been used to reinforce the artificial domestic price structure and to bridge the gap between domestic and "world" grain prices.

After the adoption of the EEC Grain Regulation in April 1962, French legislative adaptation to this new pricing system was accomplished by two decrees of July 1962, which dealt with the organization of the French grain market, and the fixing of French grain prices (*75*, p. 7458; *77*, p. 7459).[44] The latter applied specifically to the crop year 1962/63, and corresponding decrees issued at the beginning of each subsequent crop year brought further adaptations. Many pertinent details of the new program were spelled out in supplementary decrees and instructions.

The first of the decrees placed on ONIC the general responsibility for putting the new policies into effect, and made that organization the "intervention agency" responsible for the support purchases of grain called for by the EEC Grain Regulation. The decree also ended ONIC's import and export monopoly over grains and thus its discretionary power to exercise quantitative import controls. Although ONIC was authorized to issue the grain import and export licenses prescribed by EEC, these licenses henceforth had to be granted upon request and without restrictions, except when the country with which a deal was contemplated was a state trading nation.

The second decree of July 1962 provided the framework for a necessary shift from the existing French system of guaranteeing geographically uniform producer prices to a new system of stated wholesale *target* prices and guaranteed wholesale *intervention* prices in the marketing center of the largest deficit area of the country (typically Marseille), and it did in fact set these prices. The decree also set "derived target" and "derived intervention" prices in the marketing center of the largest surplus area of the country, the derived target prices supposedly based in principle on the corresponding target levels at Marseille with deduction of transport costs to that center. This decree noticeably failed to provide for further regionalization of prices as prescribed by the EEC Grain Regulation.

The legislation of July 1962 followed EEC plans in laying a foundation for important changes in French import and export pricing of grains. Thereafter variable import levies were to be the only protection against foreign grain im-

[44] A third decree of the same date (*76*, p. 7459) dealt with the *fixed* taxes (i.e., not including quantum and reabsorption taxes covered in the basic price decree) applicable to grains in 1962/63. The EEC Grain Regulation is silent on the subject of such taxes and France has continued to impose them in the manner of previous years. This policy appears not to have been seriously questioned by the Commission, perhaps as a necessary concession during the transition period.

ports, the levies being varied as needed (daily if necessary) with a view to raising the lowest-priced foreign grain offers up to the corresponding French target level, more specifically to the target level plus EEC preferential margin at a selected border point of importation ("threshold price").[45] No less important for France was the EEC's rule that grain export subsidies in principle should not exceed the corresponding import levy, though these might be supplemented under certain circumstances by EEC-established "special" subsidy allowances.

Establishment of the New System of Price Supports for 1962/63

Under the EEC Grain Regulation, the EEC Council was obliged to accept the minimum producer prices of French wheat, rye, and barley in August 1961 as the starting point for computing the lower limit of its 1962 target prices for each grain. The upper limit of the EEC targets was to be based in roughly similar fashion on the minimum producer prices in Germany in the preceding year. And it was within the resulting EEC target price ranges (*33*) that France and other members had to establish their own national target prices for these three major pilot grains, applicable in every case to the wholesale level in the marketing center of the largest deficit area of the country. Related national intervention prices at which government support purchases were obligatory also had to be established by individual governments, but for this they could choose any point between 90 and 95 per cent of their corresponding national target prices. Unlike earlier French price guarantees on grain, the new price support system of 1962/63, framed in line with EEC rules, was expected to guarantee a minimum price not to individual producers essentially at the farm level, but to wholesalers offering to deliver grain at specified central markets.

The several links that connected the French minimum prices of 1961 for wheat, rye, and barley with the EEC minimum target prices for August 1962, and finally with the French target and intervention prices of August 1962, are shown in Table 5. Since Marseille was designated the marketing center of the greatest deficit area of France for these grains, it was the center to which the French national target and intervention prices specifically applied. Lower "derived" target prices were established for the surplus area Chartres (Orléans for rye), the differences essentially equaling transport costs; and associated "derived" intervention prices were set within the EEC-authorized range of 90–95 per cent of the corresponding target level.

Under the EEC regulations for 1962/63, France was free to set her target prices for Marseille anywhere between the EEC minimum and maximum target limits. For wheat, for which the EEC upper target level was 33 per cent above the minimum (Appendix Table IV), the French government chose a target 8.7 per cent above. This might superficially be interpreted to indicate a move in the direction of adapting the relatively low French wheat prices to the higher level anticipated for the unified EEC market of later years.

Such an interpretation, however, is not warranted. To understand why the French government set its wheat target price higher than required by the EEC

[45] Once announced, an import levy was not altered unless a change of at least .30 NF per 100 kilograms was indicated.

TABLE 5.—RELATIONSHIPS AMONG FRENCH MINIMUM "BASIC" AND WHOLESALE PRICES OF WHEAT, RYE, AND BARLEY IN AUGUST 1961, THE CORRESPONDING EEC MINIMUM TARGET PRICES FOR AUGUST 1962, AND FRENCH TARGET AND INTERVENTION PRICES FOR AUGUST 1962*

Type of price, margin, or tax	Surplus area Chartres[a]		Deficit area Marseille	
	NF/100 kg.	U.S.$/ton	NF/100 kg.	U.S.$/ton
WHEAT (*blé tendre*)				
August 1961				
Gross minimum producer price ("basic")	40.65	82.34	40.65	82.34
Wholesale margin	1.30	2.63	1.30	2.63
Wholesale price recognized by EEC[b]	41.95	84.97	(41.95)	(84.97)
Wholesale price plus 5 per cent[c]	44.05	89.22	44.05	89.22
August 1962				
EEC minimum target price (wholesale)	(40.80)[d]	(82.64)[d]	44.15	89.43
French target price (wholesale)	44.63[d]	90.40[d]	47.98	97.18
French intervention price (wholesale)	41.95	84.97	43.18	87.46
Effective gross minimum to producer[e]	40.65	82.34	41.88	84.83
RYE				
August 1961				
Gross minimum producer price ("basic")	32.52	65.87	32.52	65.87
Reabsorption tax	3.00	6.08	3.00	6.08
Producer price minus reabsorption tax	29.52	59.79	29.52	59.79
Wholesale margin	1.30	2.63	1.30	2.63
Wholesale price recognized by EEC[b]	30.82	62.43	(30.82)	(62.43)
Wholesale price plus 5 per cent[c]	32.36	65.55	32.36	65.55
August 1962				
EEC minimum target price (wholesale)	(29.09)[d]	(58.92)[d]	32.44	65.71
French target price (wholesale)	35.70[d]	72.31[d]	39.05	79.10
French intervention price (wholesale)	32.13	65.08	35.15	71.20
Effective gross minimum to producer[e]	30.83	62.45	33.85	68.56
BARLEY				
August 1961				
Gross minimum producer price ("basic")	32.20	65.22	32.20	65.22
Wholesale margin	1.30	2.63	1.30	2.63
Wholesale price recognized by EEC[b]	33.50	67.85	(33.50)	(67.85)
Wholesale price plus 5 per cent[c]	35.18	71.26	35.18	71.26
August 1962				
EEC minimum target price (wholesale)	(31.91)[d]	(64.63)[d]	35.26	71.42
French target price (wholesale)	35.64[d]	72.19[d]	38.99	78.97
French intervention price (wholesale)	33.50	67.85	35.09	71.07
Effective gross minimum to producer[e]	32.20	65.22	33.79	68.44

* See Appendix Tables II, III, and IV for sources and additional explanatory notes. Data in U.S. dollars ($) may also be read as EEC units of account (u.a.).

[a] Although Orléans was officially named as the marketing center of the largest surplus area for rye, the same prices applied to Chartres. Indeed, the transport costs to Marseille appear to have been the same for these two outlying centers.

[b] Equal to the minimum wholesale prices shown in Appendix Table II, less the seasonal increment, taxes at the wholesale level, and for rye less the reabsorption tax also (see text).

[c] The minimum target price which the EEC Council could have established for August 1962, since the EEC Grain Regulation specified that the lower limit of the EEC target range should be at least 5 per cent above the wholesale level that corresponded to the guaranteed minimum price to producers in the greatest surplus area of the Community (i.e., France) in August 1961.

[d] Equivalent to the target price at Marseille minus transportation costs of 3.35 NF per 100 kilograms.

[e] Intervention price (line above) minus the wholesale margin of 1.30 NF per 100 kilograms. The Chartres price is broadly comparable to the gross minimum producer price of August 1961, since it was the effective support price in all parts of France outside of the Marseille area.

minimum target, one must focus not on prices in the Marseille area, where very little wheat is grown, but on the derived target price and derived intervention price at Chartres. These, contrary to EEC intentions, the French government continued to apply to all areas except Marseille (*95f*, no. 524). By setting the derived intervention price for Chartres some 6 per cent below the Chartres target price,[46] the French government was able to establish a wholesale support price for the bulk of French wheat marketings at the same August level in 1962 as had uniformly prevailed in 1961, 41.95 NF. With the wholesale margin also unchanged and ONIC's controls almost as tight as before (see below), the GROSS *minimum price of wheat to most producers was thus precisely the same as the year before (40.65 NF). Furthermore, the* NET *minimum price guarantee at the producer level was substantially lower in 1962/63 because the quantum tax was sharply raised* to help finance disposal of the larger surplus in that year (Appendix Table III). This move further reinforced the obvious tendency to keep the French wheat pricing system more closely in line with earlier French pricing policies and practices than with the new policies and procedures reflected in the EEC Grain Regulation.

The ability of the French government to accomplish essentially the same domestic pricing results in 1962/63 as might have been expected in the absence of the EEC Grain Regulation was due in large part to the rigid controls ONIC was able to retain over the operations of the grain trading agencies. Although ONIC's earlier powers to regulate producers' prices theoretically ended on July 30, 1962, it managed to retain similar pricing controls by requiring all agencies dependent on its financial support (practically all wholesale grain dealers) to sign a statement that they would pay farmers at least the wholesale intervention price —typically the Chartres intervention price—minus the same fixed margin which they had been allowed to charge the year before (*95g*). In this way farmers were also assured the same monthly increments in price as in the previous year, though under EEC regulations these increases were supposed to be guaranteed only for the wholesale intervention price at designated central markets.

In establishing the minimum EEC target prices for wheat and rye, the EEC Council handled the French surplus-disposal taxes for these two grains in a surprisingly different way. In dealing with wheat, the Council accepted as the key figure of August 1961 the French "basic price" (gross price) to producers without deduction of the quantum tax: in determining the corresponding 1961 minimum for rye, the figure accepted was the French "basic price" after deduction of the reabsorption tax (a deduction tantamount to a quantum tax).[47] Since the wheat and rye prices actually received by French producers for their marketings of August 1961 had been net, not gross, the important question is not why the Council deducted the French reabsorption tax in calculating the lower limit of the EEC target range for rye, but rather why the wheat quantum tax was not

[46] Table 5 shows that the intervention price established for Marseille was roughly 10 per cent below the Marseille target price. Thus the difference between the intervention prices at Chartres and Marseille was not large enough to cover transport costs. While this situation was permitted during the transition period, it would presumably have to be corrected before a unified EEC pricing system could exist.

[47] In neither instance were the fixed taxes on grain marketings deducted (see Appendix Tables III and IV).

subtracted in setting the corresponding minimum for wheat. We can only speculate that the progressive character of the quantum tax on wheat (*vs.* the uniformity of the reabsorption tax on rye), the small size of the 1961 wheat-quantum tax for producers whose total deliveries did not exceed 15 tons (only .35 NF per 100 kilograms), the relative unimportance of the French rye crop, and the much greater political importance attached to the basic price of wheat were significant factors behind this inconsistency.

The French government's reaction to the EEC minimum target price for rye was complex and confusing. Initially French officials set their national target more than 20 per cent above the EEC minimum target in anticipation of continuing deduction of a large reabsorption tax on rye marketings. But although the original French decree relating to 1962 grain prices called for such a tax, later detailed regulations did not. Then, apparently in an effort to counteract the high national target price and to bring the net price of rye to French producers more in line with the 1961/62 level, the wholesale intervention price was set a full 10 per cent below the national target—the maximum differential allowed under EEC rules. In all areas outside Marseille the derived target price was uniformly lower by the amount of transport costs to the area of greatest surplus; and the derived intervention price was put as low as possible, 10 per cent below the derived target level. As with wheat, ONIC in effect set an intervention price for rye at the producer level also, namely 1.30 NF per quintal below the intervention price at the wholesale level. The resulting price of 30.83 NF per 100 kilograms outside of Marseille in essence represented the *gross* minimum producer price, which was 1.69 NF lower than the corresponding price of the previous year. On the other hand, since no reabsorption tax was collected on the 1962 rye crop, the *net* minimum price of rye to French producers was actually 1.31 NF higher than a year earlier.

Table 5 suggests that the EEC minimum target price for barley was set in exactly the same way as for wheat, and differently from rye—i.e., without deduction of any tax. This is not sufficient, however, to establish the precise nature of the Council's pricing policy for barley, because the French quantum tax initially imposed on 1961 barley marketings was later cancelled and refunded, and therefore would have been recorded as zero if the rye-pricing formula had been used. The EEC minimum barley target would thus have been the same regardless of whether it was calculated under the Council's pricing formula for wheat or for rye. In any event, the government set its own 1962 target and intervention prices for barley so that, as with wheat, the *gross* minimum price to growers in the major producing areas was the same as in the preceding year—32.20 NF. And on 1962 barley as on wheat, the government imposed a quantum tax which cut the net minimum price to producers appreciably below that effective for the smaller 1961 crop (Appendix Table III).

For maize, the EEC Grain Regulation specified that the lower limit of the 1962 EEC target price should be fixed in relation to the average producer price of the two preceding years in the largest surplus area "of the Member State currently having the greatest production"—Italy. No upper EEC target limit was to be fixed. The resulting EEC minimum target of 30.81 NF per 100 kilograms ($62.41 per ton) proved to be 4.34 NF below the wholesale equivalent of the

gross minimum "basic" price guaranteed to French producers for their 1961 maize marketings and 6.34 NF below the premium-supplemented minimum guarantee they were subsequently assured in partial compensation for the abnormally low yields per hectare obtained in 1961. The accompanying tabulation shows that for October (the first month of the maize crop year) the French government set its 1962 national target price for maize roughly 40 per cent above the EEC minimum target, basis Dunkerque. This was reflected in a derived intervention price at Chateaudun that yielded French producers 36.35 NF, a gross guarantee a little higher than the premium-supplemented "basic" minimum of 1961, but significantly lower than the "basic" prices of the three preceding years. Since no quantum tax was imposed on maize in 1962 and fixed taxes were the same as the year before and only moderately higher than earlier, essentially the same relationships prevailed among the *net* maize price guarantees for those years (Appendix Tables II and III).

Type of maize price or supplement	Surplus area (Chateaudun)	Deficit area (Dunkerque)
	(*NF per 100 kg.*)	
October 1961		
Gross minimum producer price ("basic")	33.85	33.85
Special premium to producer[a]	+2.00	+2.00
Total gross guarantee to producer	35.85	35.85
Wholesale margin	1.30	1.30
Wholesale equiv. of "basic" minimum to producer[a]	35.15	35.15
Wholesale equiv. of total guarantee to producer[a]	37.15	37.15
October 1962		
EEC minimum target price (wholesale)	(27.81)[b]	30.81
French target price (wholesale)	40.05[b]	43.05
French intervention price (wholesale)	37.65	40.47
Effective gross minimum to producer	36.35	39.17

[a] The 2.00 NF premium to producers represented a special subsidy paid by ONIC to the trading agencies and was not passed on in the wholesale price to buyers (see Appendix Table II).
[b] Derived target price, based on the target for Dunkerque less transport costs to Chateaudun.

Although the EEC Council fixed no minimum or maximum target price for 1962 durum wheat and although France is only a small producer, the French government was required by Article 11 of the EEC Grain Regulation to set target and intervention prices. As with all of the pilot grains except rye, the French target for durum wheat was put at a level that would yield essentially the same gross minimum guarantee to producers as the year before (Appendix Table III). In accordance with the EEC Grain Regulation, no target or intervention price was set for oats, which in fact had received only informal, minimal price support in France for roughly a decade.

For practical purposes, the French *wholesale* intervention prices of August 1962 may be compared with the 1961 minimum "basic" prices plus wholesale margin for the same grains, the prices for both years being supplemented by the addition of taxes paid by buyers at the wholesale level. Our estimates of these minimum gross and net prices to grain buyers appear in Appendix Table III. While the minimum wholesale prices of common wheat and barley were

left unchanged in 1962/63 in all French markets except Marseille, and while the corresponding price of rye was reduced under the different method used in setting the EEC minimum target for rye (see above), the minimum wholesale price for maize was increased. This resulted from including in the French maize target and intervention prices of 1962 an amount essentially equivalent to the 2 NF special subsidy granted on maize marketings in the preceding year. So long as this added payment was in the form of a subsidy premium paid by ONIC, it was not reflected in the wholesale price of maize, but when, as in October 1962, it became an integral part of the maize price structure, it was immediately passed on to buyers of maize at wholesale level.

Various trade sources repeatedly reported that ONIC utilized a supplementary "storage-purchase" intervention plan, popularly called "Plan B," to support 1962 wheat prices at a level 3–4 per cent above the official intervention price, action apparently contrary to the intent, though not to the language, of the EEC Grain Regulation. The conditions and terms applicable to such intervention, officially referred to as *stockage-achat,* were first spelled out in Cahier 10,883 of August 22, 1962, which was promptly followed by a call for storage-purchase offers of 1962 wheat by trading agencies able to provide the required storage space and basic guarantees (*95h,* nos. 606, 607). It seems fairly clear that the storage-purchase program was planned and operated to prevent market prices from falling to the official intervention level at which ONIC might be called on to accept exceedingly heavy deliveries late in the crop year.

The above-minimum market prices reported in the same year for rye, barley, and maize were apparently achieved without B-type intervention; and the unsupported price of oats was only slightly lower than the market price of barley. These developments appear consistent with the fact that the 1962 wheat crop was a record, whereas the total feed grain crop, though sizable, was smaller than in either 1956 or 1960.

In 1962/63, as in the seven preceding years, additional support was given to wheat prices by subsidized denaturation of wheat for feed. The new EEC regulations necessitated certain changes in the former French system of administering this program, but apparently no substantial change in the subsidy level. Whereas in earlier years ONIC had fixed the maximum wholesale price at which denatured wheat could be sold by the trading agencies, the new system simply provided a specified subsidy for denaturation, leaving the trading agencies free to determine the wholesale prices at which to sell such wheat. Under EEC rules, the subsidy could not exceed the difference between the market price of standard-quality wheat in the major surplus area and the target price of barley in the same area.[48] This appears not to have imposed any restriction out of line with the subsidy policy previously followed by French officials. For 1962/63 the French denaturation subsidy was set at a maximum level of 11.64 NF per 100 kilograms, closely approximating the average differential for denaturation authorized in earlier years of large wheat crops (Appendix Tables II and IIIA).

[48] This is the EEC subsidy rule applicable to France. However, the basic EEC regulation specifies also that if the threshold price of maize in a member country is lower than the threshold price of barley, the denaturation subsidy may not exceed the difference between the market price of wheat of standard quality in the major wheat surplus area of that country and the market price of maize of standard quality in the same area.

Later Adjustments of the Internal Price Structure for Domestic Grains

At the end of 1962/63 the structure of French grain price still bore little resemblance to the internally freer, integrated market system envisaged by the EEC Commission. Three discordant features were particularly prominent. First, the French government had failed to "regionalize" domestic grain prices in line with transport costs and other basic market factors. Second, ONIC continued to control the minimum grain prices paid to producers and to direct and finance intervention purchases in certain markets at prices above the official intervention level. And third, the government not only continued to collect taxes on producer marketings and on wholesale purchases of grain, but also to charge progressively higher taxes on individual wheat marketings of increasing size.[49]

Price regionalization and ONIC intervention.—Persistent protests by other EEC countries against the non-regionalization of French prices brought significant changes during 1963/64. The national price system established for barley at the beginning of the crop year provided for five price zones, differentiated not by well-defined and contiguous regions but by groups of departments in roughly similar marketing positions (*78,* p. 6048). The highest target and intervention prices applied to Zone 1 (the Marseille deficit area) and the lowest to Zone V, which included the central grain-surplus departments in which Chartres, Chateauroux, Blois, and Orléans are located (*42c,* Annex, p. 17). The other three price zones, formerly subject to the same derived target and intervention prices as Chartres, were assigned intermediate basic prices for their 1963 marketings. The reasonable implication was that this would, in effect, make higher minimum prices available at the producer level in Zones II–IV. ONIC, however, apparently made no related change in the obligation it had previously placed on finance-aided trading agencies to pay producers in all areas no less than the wholesale intervention price at Chartres minus the 1.30 NF wholesale margin and applicable taxes (*15*). What the effective minimum prices to producers actually proved to be for 1963 barley in local areas of Zones II–IV that had heavy surpluses is not clear, but if these were above the net minimum Chartres price to producers, it was due not to ONIC's questionable controls over prices at the producer level, but to underlying economic forces combined with the higher wholesale intervention prices effectively established in those zones by ONIC's various storage-purchase and export subsidy operations.

In December 1963 the French government responded to the persisting and intensified complaints of other EEC countries by decreeing the establishment of four price zones for *wheat,* effective January 1, 1964 (*79*). The wheat target and intervention prices, and also the seasonal increments adopted for Marseille and Chartres at the beginning of the crop year (Appendix Table IV) remained in effect as the prices for Zones I (highest) and IV (lowest), and prices between

[49] It is not entirely clear whether or not fixed taxes on grain marketings are contrary to Regulation 19. The Regulation is silent on this subject, probably because it is one that depends on harmonization of tax policies. However, in principle such taxes appear incompatible with the idea of price unification, and their disappearance in 1967 is assumed in this study. The 1966 reduction in French storage taxes (Appendix Table III, footnote *e*) seems to point in that direction. On the other hand, a provision in the 1967 finance law, adopted in December 1966, which limits other fixed taxes on wheat to 2 per cent of the wheat price to producers, may imply French expectation that such a tax can be continued (*17d,* p. 3).

these two levels were established for departments assigned to Zones II and III. Intervention prices in the intermediate zones were thus raised by about 2 and 1 per cent respectively above the Chartres level.

The basic price decrees for 1964/65 carried price "regionalization" still further (*80,* p. 5876; *81,* p. 8921); and the regional price structure then established remained essentially unchanged through 1966/67 (*82,* p. 6457; *83,* p. 8787; *95p,* no. 539). For wheat and barley a total of 538 marketing centers were designated in 11 and 7 price zones respectively, with a different target and intervention price specified for each zone; for maize 172 centers were listed in 6 zones; and for rye 62 designated centers were assigned to 6 zones. Each of the new target and intervention prices applied specifically to the marketing center closest to the trading agency concerned, rather than, as earlier, to the agency's own country-storage location, which was typically closer to the producer level. To "compensate" for the additional transport cost this would impose on grain producers and/or the trading agencies (cost of transporting grain from the trading agency to the nearest designated marketing center) the French government raised its 1964 intervention prices in both surplus and deficit centers about 1 per cent, supposedly enough to cover the average additional cost (Appendix Table IV).[50] Thereafter ONIC included this increase with the wholesale margin (as a deduction from the wholesale intervention price) in calculating the implied gross minimum prices to producers, thus leaving the latter essentially unaffected by the new ruling. This minor move away from price-fixing at the producer level was reflected also in ONIC's instructions to financially assisted trading agencies. Its 1965 instructions no longer required those agencies to pay producers a specified gross minimum price, but rather informed them that the spirit of the nation's pricing policy would be violated if they paid less than the wholesale intervention price minus the customary wholesale margin and transport costs (*95l,* no. 73).[51]

In contrast to the moderate weakening that has taken place since 1962/63 in ONIC's price controls at the producer level, that powerful, ingenious Office has continued to make effective use of its "B-Plan" intervention based on "storage-purchase" contracts with trading agencies at prices above the official intervention level. In 1965/66 ONIC made such "purchases" of both wheat and barley at specified offer-prices that appear to have been something like 1.5–2.0 per cent above the corresponding intervention price in the area of greatest surplus (*95k,* no. 46; *95n,* nos. 360, 361).

Changes in grain-marketing taxes and premiums since 1962.—Since the French government is required by the EEC Grain Regulation to discontinue its quantum taxes and presumably other grain-marketing taxes and premiums by the end of the EEC transition period on July 1, 1967, and since there is considerable doubt that even the transitional concessions of the Agreement were intended to cover the type of differentiated surplus-disposal taxes applied to French wheat deliveries of different size, it is important to ask what adjustments have been made in French tax and subsidy programs since 1962. In particular we want to know if the four years through 1965/66 witnessed (a) substantial reduction of the average level of French surplus-disposal taxes, especially on wheat

[50] No change was made in the intervention price for maize in the deficit center.
[51] ONIC reserved the right to inspect the financial accounts of the agencies with this in mind.

and barley, (b) significant weakening of earlier ties between the size of current crop surpluses and the total reabsorption and quantum taxes collected in the same years, (c) evident shift away from differentiated taxing and pricing of wheat deliveries, or (d) substantial reduction of other taxes or subsidies on grain marketings.

The first of these questions can be answered quickly by reference to the combined total collections of quantum and reabsorption taxes (the surplus-disposal taxes) shown in the last two columns of Appendix Table VI. Clearly the most recent four-year average of either the average tax paid per 100 kilos or the total tax collected on wheat and barley, separately, was considerably higher than any corresponding earlier average. The quantum-tax figures for 1964/65 and 1965/66 were certainly the highest on record. Hence there is no room for doubt that surplus-disposal taxes have remained entrenched in the French grain pricing structure and that their role has increased rather than declined during the EEC transition period.

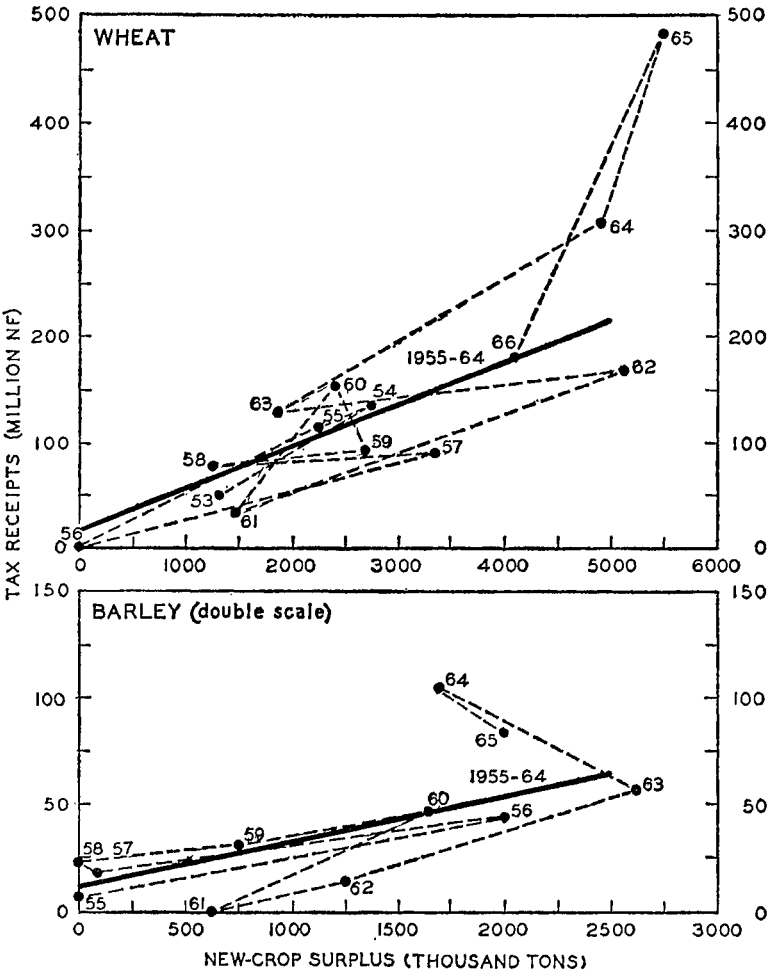
This leaves unanswered the crucial question: has the recently higher level of such tax receipts been about the same as or disproportionately larger than earlier in relation to the size of the wheat and barley surpluses for which financing has been required. Since both the reabsorption tax and the quantum tax were imposed with a view to having producers share the costs of subsidies on exports and (for wheat) on feed use of surplus harvested in the same crop year, it would be desirable to compare the reported tax collection with the total subsidy and storage fees directly attributable to the wheat (barley) surplus of that year. Such detailed cost data, however, are not available to us. The best substitute appears to be that presented in Chart 1, which shows for individual crop years since 1955/56 the surplus-disposal taxes collected on wheat (barley) in relation to the size of the new-crop surplus of the same grain.[52]

Generalization about the quantum tax policy of the French government is made more difficult by the indication in Chart 1 that the policy has differed in different years. In 1962/63 the quantum taxes collected on both wheat and barley were abnormally low in relation to the size of the surpluses to be disposed of. This was presumably due in part to early underestimation of the 1962 crop surplus and to expectations that unsubsidized grain exports to Germany and other EEC countries would be considerably larger than they proved to be. Even so, the government was conceivably motivated also by a desire to move in the direction of curtailing reliance on the quantum tax in line with EEC policy.

The sharply reversed tax-surplus relationship for wheat in 1963/64, however, is disillusioning. Then well over 80 per cent of all French producers (those who delivered 15 tons or less during the year) were called upon to pay a quantum tax actually higher than that imposed on their much larger group marketings of 1962/63; and the differentially high tax rate on larger producers was retained unchanged (Appendix Table III). The official explanation was that since the wheat quantum tax receipts of the preceding year had fallen so far short of cov-

[52] The correlation between these series for the ten crop years ending 1964/65 is represented by $r = .82 \pm .11$ for wheat and $r = .65 \pm .19$ for barley. For wheat the ten-year correlation between above-quantum deliveries and quantum and reabsorption tax receipts is almost the same: $r = .79 \pm .13$. Since quantums were not announced for barley before 1961, no comparable coefficient can be computed.

CHART 1.—NEW-CROP SURPLUSES OF WHEAT AND BARLEY COMPARED WITH RECEIPTS FROM SURPLUS-DISPOSAL TAXES PAID BY PRODUCERS DURING THE SAME YEAR, 1955/56–1965/66*



* Data from Appendix Table VI. "New-crop surplus" is equivalent to the algebraic sum of the net exports, subsidized diversions for feed (wheat only), and the net change in carryover stocks during the same crop year. For the few years for which the sum was negative, the "new-crop surplus" is here shown as zero: the negative figures were included, however, in calculation of the regression line, which applies to the ten-year period 1955/56–1964/65. Individual crop years are indicated by numbers relating to the year of harvest: i.e., "55" refers to 1955/56. For wheat the regression equation is $y = 21.288 + .040x$; for barley, $y = 12.552 + .021x$.

ering the estimated losses on the 1962 surplus and since a large carryover remained, it was essential to set the 1963 quantum tax on wheat at a level that would help finance exportation of a major part of the old-crop stocks (*95j*, no. 263). Such a two-year averaging of the surplus-disposal costs of a large harvest represented a significant modification of the original concept of the quantum tax. It tended to reduce year-to-year variations in the net (tax-paid) prices received by producers while reducing the income-stabilizing effect of the tax.

On the huge deliveries of barley in 1963/64, the quantum tax was distinctly moderate or even relatively low. Despite net exports of record size, the barley carryover was substantially increased for the second successive year, thus leaving part of the surplus-disposal problems of 1962 and 1963 to be handled in 1964/65. Although the barley surpluses produced in 1964 and 1965 were much smaller, and the EEC could then be expected to finance a larger percentage of the subsidy costs of French exports, the quantum taxes imposed on those two crops were unprecedentedly high and the total tax receipts disproportionately large (Chart 1). In part, the record high barley tax of 1964/65 presumably reflected the government's recently accepted policy of distributing the tax effects of large surplus-disposal losses over two or more years, in this instance compensating for the relatively low, inadequate quantum taxes on the two preceding crops. Yet a fuller explanation appears to be needed for the abnormally high quantum taxes on both barley and wheat in 1964/65 and 1965/66, the third and fourth years of the EEC transition period when gradual reduction would have been the appropriate adjustment to EEC policy.

The French government's desire to curb the inflationary price trends then apparent may account in large part for its unwillingness to let the net incomes of grain producers rise as much as they otherwise would have under the combined influence of increased gross prices and near-record grain crops. The government was also extremely anxious to curtail budgetary outlays on grain subsidies, even, if necessary, by discouraging continued rapid expansion of production. Finally, France's delay in adjusting producer prices to the higher levels envisaged in the EEC Grain Regulation, and her increased reliance on the quantum tax may also have reflected the effort of French officials to maintain a strong independent position in the EEC Council, whose disputes over key policies were heading for a crisis.[53]

The French government's decision to raise the average quantum tax on wheat meant that any major move toward elimination of its differentiated character would cut net prices to small producers more noticeably than those to large producers. This would have been politically hazardous. Consequently, it is not surprising that the wheat-quantum tax was differentiated more, not less, in 1964/65. The increased differentiation was effected in three ways: (a) by cutting from 1.28

[53] French officials created a crisis by withdrawing from participation in sessions of the EEC Council at the end of June 1965, when the future financing of the common agricultural policy was discussed. The discussion covered Commission proposals which included the controversial recommendation that the European Parliament be given greater control over the EEC budget (*43b*, p. 45; *43c*, p. 27).

Following appeals later in the year by the other five delegations, France took part in an "extraordinary" Council session in January 1966, and on this occasion submitted proposals that would essentially prevent application of the majority rule in the Council and that would materially restrict the powers and freedom of operation of the Commission (*43d*). Although the Council did not reach full agreement on these proposals, a working basis was established for resumption of most of the activities of the Community, including Council consideration of Commission proposals for 1967/68 unified prices for various agricultural products not previously established. A final step toward reconciliation and full operation was taken on May 11, 1966, when, despite certain unresolved issues, the Council agreed on a specific plan for financing the Community's agricultural programs for 1965/66 and 1966/67 and on the corresponding financial policies to be followed in 1967–69 (*47*, pp. 1–3). Although the May 11 agreement changed little in the Commission's original proposal concerning financing during the remainder of the transition period, France gained an important point with respect to later financing. The provisions in the original proposal concerning "independent Community revenues" after July 1, 1967, and the related proposal for greater budget control by the European Parliament were abandoned, at least for the time being.

NF to .15 NF the tax rate per 100 kilos of the first 7.5 tons delivered, thus pleasing the two-thirds of the nation's wheat producers[54] whose annual deliveries did not exceed 7.5 tons; (b) by more than doubling the rate (from 1.28 to 2.88 NF) on the next 7.5 tons of wheat deliveries, which nevertheless meant a reduced average quantum tax payment for all producers who delivered less than about 13 tons, and which raised only moderately the average tax paid by those whose annual deliveries totalled 14 or 15 tons; and (c) by raising from 2.56 NF to 5.61 NF per 100 kilos the tax rate on all deliveries in excess of 15 tons (Appendix Table III). Thus, the increased tax differentiation of 1964/65 left the average tax payments of roughly four-fifths of the producers either about the same as in the preceding year or actually smaller, and only the payment of large producers greatly increased.

For the second category of producers, however, the advantage gained in 1964/65 was more than wiped out the following year, when the quantum tax rate on the first 7.5 tons was left unchanged, but that on all additional deliveries was increased to almost 20 per cent of the average net price received by large producers. The accompanying tabulation shows the marked changes in the average wheat quantum tax that would have been paid since 1962/63 by individual producers who delivered the different quantities of wheat specified. The reduction of tax differentiation evident in preceding years continued through 1963/64, after which it was sharply increased for two years.

Crop-year deliveries (*Tons*)	Average quantum tax paid (*NF per 100 kilos*)			
	1962/63	1963/64	1964/65	1965/66
5	1.00	1.28	.15	.15
10	1.00	1.28	.83	1.78
15	1.00	1.28	1.51	3.42
25	1.66	1.79	3.15	4.73
50	2.16	2.18	4.38	5.71
100	2.40	2.37	5.00	6.20

Other taxes and premiums on grain deliveries were retained with little revision during the EEC transition period, with the underlying price trend mainly upward (Appendix Table III). The greatest change in fixed taxes came in 1965/66, when a farm welfare tax (BAPSA tax) of .70 NF per 100 kilos was for the first time imposed on all producer deliveries of wheat and barley.[55] Previously only processors of wheat and durum wheat had been required to pay a BAPSA tax (collected at the wholesale level), and in April 1966 this was reduced from 3.59 NF to 2.53 NF per 100 kilos, presumably as one step toward adjustment to EEC price unification. Since a tax of this sort results in reducing

[54] The distribution of producers by size of deliveries is shown in Appendix Table V.

[55] Although initially introduced as part of the record-high quantum tax of 1965/66 (thus raising the rate on the smallest producers from .15 NF to .85 NF per 100 kilograms), this fixed tax was designated from the beginning as a "tax for social action." Several months later it was separated from the quantum tax and thereafter referred to as a "BAPSA tax" (one to finance social welfare expenditures in agriculture). We infer that the French government was primarily interested in obtaining budgetary funds in a way that would keep the net price of wheat to small producers from rising significantly and that would further reduce the net price to other producers, whose net incomes would nevertheless be well maintained or even increased because of the large harvest. This tax was not imposed in 1966/67, but one of the related fixed taxes—the tax for the fund for agricultural progress—was increased from .12 NF to .60 NF per quintal.

the intervention and market prices available to producers (if on deliveries) and in raising the market prices to buyers (if at the wholesale level), the BAPSA taxes will have to be eliminated or greatly changed in form by July 1967 if a unified EEC grain market is then to exist. Further steps in this direction have been taken in the first eight months of 1966/67: the BAPSA tax on producer marketings was eliminated July 1, 1966 (or effectively reduced and changed in name) and the BAPSA tax at the wholesale buyer level was cut January 1, 1967, to roughly two-thirds of the rate previously in effect.

The only special premiums granted French grain producers during the EEC transition period were the "seeding premiums" paid on all deliveries of durum wheat (Appendix Table IIIB) and the special price-supplementing subsidy paid on maize deliveries in 1964/65 as partial compensation for abnormally low yields per hectare. The durum wheat seeding premiums were not only substantial, but were repeatedly raised during 1962–66, from an initial level of 3.50 NF to 8.00 NF per 100 kilos. This appears to be the only price premium for grain marketings clearly in line with EEC policy. Indeed, the Council has already agreed on a Community-wide deficiency payment on durum wheat deliveries in 1967/68 of 10.00 NF per 100 kilos.

Both the durum wheat subsidy at the producer level and the EEC-approved subsidy on the sale of denatured wheat for feed at wholesale reflect the willingness of EEC authorities to protect high-cost production and utilization of selected domestic products that can substitute for grain imports. Both subsidies will continue after the end of the transition period, and will then be financed in full by Community funds.

The Variable Import Levy and Its Relation to Grain Prices

With the introduction of the EEC Grain Regulation, the variable import levy became essentially the sole means of control over French grain imports. The trade monopoly of ONIC was ended and so, for all practical purposes, were the quantitative import controls which the agency had exercised. Though an import levy had long been applied in France, it had played only a minor role in the rigid trade control system which had then existed, serving mainly to equalize foreign and domestic prices to buyers. Under the new EEC regulations, the variable import levy became more important in influencing not only the prices of imported grain, but, indirectly, also the volume and even the origin of imports and the degree of subsidization of exports.

In the EEC grain pricing system, one of the most fundamental principles is defense of the target price. Essentially no foreign grain may be imported at a levy-paid price below the target price at a designated frontier point (raised during the transition period by a preferential protective margin), an import target level referred to as the "threshold price." The tool used to raise the changing c.i.f. prices of imported grain up to or above the threshold price is the variable import levy. Although the basic concept is simple, the method of calculation of the import levy cannot be, because numerous price adjustments must be made to bring into reasonable relation (a) the threshold price for grain of EEC standard quality delivered at the designated frontier location and (b) the various

c.i.f. prices of foreign grain of different types and qualities offered for delivery at many different points of entry in EEC and other European countries.

Until the end of the transition period, the individual governments determine annually (within EEC-set limits) their own national threshold prices for all grains imported, including oats, sorghum, and others not subject to target and intervention prices.[56] The EEC Commission, however, is responsible for determining and announcing daily the comparable current level of the *most favorable c.i.f. price* of each of the same grains, after equalization of all available c.i.f. offer prices by EEC conversion factors that are supposed to adjust for differences in (a) freight costs to the different specified ports of entry and (b) quality differences as between grain of EEC standard quality, on the one hand, and each of the major types and grades of the same grain offered on world markets.[57] Hence the adjusted c.i.f. price selected by the Commission as "most favorable" for a given grain on a given day is the one which, after adjustment to the EEC-quality basis and to the delivery point to which the threshold price applies, is lower than any other adjusted c.i.f. offer for the same day.[58]

The resulting national import levy, obtained by subtraction of the lowest adjusted c.i.f. price from the national threshold price, applies to all current imports of the same kind of grain from all non-EEC sources, regardless of the higher adjusted c.i.f. prices of a large part, sometimes almost all, of those imports. In principle, the levy to be paid is the one in effect on the day of importation. An importer may, however, ask to have the levy fixed in advance when he applies for import license. He then pays the levy in effect on the day of application, adjusted to the threshold price that will be in effect at the time of importation and with the addition of a so-called premium.[59]

Table 6 illustrates the way in which the prices, levies, and subsidies applicable to French trade with non-EEC countries have related to each other during the EEC transition period and also the manner in which the levies and subsidies on French trade with other EEC countries have fitted into the pricing structure. The latter, of course, are destined to disappear in July 1967, when the grain market is unified.

[56] For non-pilot grains the threshold prices must be set at levels that do not threaten attainment of the target price of any pilot grain. Since threshold prices are basically derived target prices, they are raised at specified intervals during the crop year by predetermined allowances for storage costs.

[57] The differentials to be used in adjusting c.i.f. offer prices for various types and grades of non-EEC grain to equivalent prices for EEC standard quality were published initially in EEC Commission Regulation No. 70 (*24*) and were most recently republished in revised form in Regulation 107/63 (*25*), with a few insignificant changes thereafter. Only for wheat do the Commission's adjustments involve large reductions of the quoted c.i.f. prices—e.g., 12.00–12.50 EEC units of account or U.S. dollars per ton are deducted from the c.i.f. prices of the highest grades of North American hard spring and hard winter wheat to adjust to "equivalent" prices for EEC quality grain. Significant, but much smaller downward price adjustments are specified for top grades of Canadian durum wheat and brewing barley—reductions of $2.75–$3.25 per ton and $1.25 per ton respectively. For the most common international types of durum wheat, rye, barley, maize, and other feed grains, either no price adjustment is required or an increase is indicated.

[58] Provided that the "lowest" offer price does not appear to be markedly abnormal in any respect. GATT Committee II was informed that the Commission "will not consider offers of cereals which are not of a fair average quality or offers of small quantities which are not representative of the market . . ." (*104*, p. 15).

[59] The Commission determines such premiums daily for the current month and for three months ahead. Basically, a premium is equal to the difference between the c.i.f. price (North Sea port) on the day of determination of the premium and the c.i.f. price for delivery at the anticipated time of importation. If the latter is the higher one of the two c.i.f. prices, or if it is exceeded by the current c.i.f. price by not more than 0.125 u.a. per ton, then the premium is zero (*34*, Art. 7).

TABLE 6.—RELATIONSHIPS BETWEEN FRENCH DOMESTIC GRAIN PRICES, IMPORT AND EXPORT PRICES, AND CORRESPONDING IMPORT LEVIES AND EXPORT SUBSIDIES, JULY 1965*

Prices, levies, subsidies	Wheat	Rye	Barley	Maize
	NEW FRANCS PER 100 KILOGRAMS			
Trade with non-EEC countries				
Target price[a]	50.23	40.98	42.00	48.54
Costs to port of entry[b]	−1.53	−1.53	−1.53	−1.61
Preferential margin[c]	.54	.54	.54	.54
Threshold price[d]	49.24	39.99	41.01	47.47
Lowest adjusted c.i.f. price[e]	27.88	26.78	31.87	31.41
Import levy[f]	21.35	13.26	9.27	15.97
Export subsidy				
EEC-authorized maximum[g]	21.35	13.26	9.27	15.97
Actual[h]	16.00	—	7.56	15.43
Imports from EEC countries with lower prices[i]				
Threshold price, EEC grain[j]	48.70	39.45	40.47	46.93
Free-to-frontier price in Italy	—[i]	—[i]	—[i]	44.39
Import levy on Italian grain	0	0	0	2.54
Subsidy on exports to EEC countries				
With higher prices[k]	0	0	0	0
With lower prices (EEC maximum)[l]	20.81	12.72	8.73	15.43
	U.S. DOLLARS OR EEC UNITS OF ACCOUNT PER METRIC TON			
Trade with non-EEC countries				
Target price[a]	101.74	83.00	85.07	98.32
Costs to port of entry[b]	−3.10	−3.10	−3.10	−3.26
Preferential margin[c]	1.10	1.10	1.10	1.10
Threshold price[d]	99.74	81.00	83.06	96.15
Lowest adjusted c.i.f. price[e]	56.47	54.24	64.55	63.62
Import levy[f]	43.24	26.86	18.78	32.35
Export subsidy, actual[h]	32.41	—	15.31	31.25
Imports from EEC countries with lower prices[i]				
Threshold price, EEC grain[j]	98.64	79.91	81.97	95.05
Import levy on Italian grain	—[i]	—[i]	—[i]	5.14
Subsidy on exports to EEC countries				
With higher prices[k]	0	0	0	0
With lower prices (EEC maximum)[l]	42.15	25.76	17.68	31.25

* Data from Appendix Table IV, EEC (*42b*), and ONIC (*95m*, no. 109). Conversions to U.S. dollars at EEC rate for Unit of Account (1 NF = $0.20255).

[a] For marketing center of greatest deficit: Marseille, except Lille for maize (see Appendix Tables III and IV). The July maize target and threshold prices are for the 1964 crop and include a seasonal increment of 4.14 NF.

[b] Transport, handling, and other costs to and at the port of entry (c.i.f. level) closest to the designated marketing center of greatest deficit.

[c] Preferential margin for EEC countries (*montant forfaitaire*).

[d] Defined as the target price for the area of greatest deficit, less costs to frontier, plus the preferential margin (*95g*, no. 583).

[e] Basis Marseille, except Lille for maize.

[f] The levy on imports from non-EEC countries approximates the difference between threshold and c.i.f. prices; similarly, the levy on imports from EEC countries approximates the threshold price less the sum of the preferential margin and the corresponding free-to-frontier prices. The levy is not adjusted unless changes in the specified difference exceed 0.30 NF.

[g] Under EEC rules not permitted to exceed import levy.

[h] Subsidy set by ONIC for transactions in the first week of the month: for wheat and barley applicable only on shipments prior to August 1, 1965. Applied on exports to all non-EEC countries except that (a) the EEC maximum subsidy was applied on wheat shipped to most associated African countries, and (b) the July subsidy on maize exports to Spain was 14.93 NF.

[i] For all grains except maize, French prices were the lowest in the Community. Since imports from EEC countries with higher prices would rarely be economically feasible, free-to-French-border

The French threshold prices for major grains have reference to Marseille, except for maize (Dunkerque). They are based on the target prices in the chief deficit centers, Marseille and Lille respectively, reduced by unloading costs, and in the case of maize also by transportation costs between Lille and Dunkerque. To the adjusted target prices is added a preferential margin for protection of EEC exporters. These several items, as well as the resulting threshold prices applicable to trade with non-EEC countries, are shown for July 1965 in Table 6, together with the EEC-determined c.i.f. prices and the differentials between the two sets of prices, i.e., the import levies and the identical maximum subsidies on non-EEC imports.

Table 6 also shows how French import levies and subsidies on intra-Community trade have been determined during the EEC transition period. In such trade the French threshold prices are the same as those for non-EEC imports, reduced, however, by the EEC preferential margin; and the c.i.f. prices for non-EEC imports are replaced by the much higher free-to-French-border prices of grain on sale in the most favorably located markets of potential EEC exporting countries (the latter prices differing for the different member states). Since French market prices of all grains except maize have typically been the lowest in the Community, free-to-frontier prices applicable to possible (but unlikely) French imports of wheat, rye, and barley from other EEC countries have rarely been published. But for maize the situation differs, since lower-priced maize imports can usually be obtained from Italy, and often also from one or more of the Benelux countries. Table 6 shows that the French import levy on Italian maize equals the difference between (a) the Italian free-to-French-frontier price and (b) the French threshold price minus the EEC preferential margin. This levy is only a fraction of that on non-EEC maize imports, which in turn determines the maximum French export subsidy.

The principles for setting *import levies on flour and other grain products* result in additional heavy protection under the EEC levy system. The threshold price for a ton of wheat flour imported from non-EEC countries is equivalent to the algebraic sum of:

(a) the threshold price for 1.4 tons of wheat grain reduced by the EEC preferential margin for wheat grain imports;
(b) the estimated average cost of milling a ton of flour in EEC mills (set at 19.25 EEC units of account or U.S.$19.25);
(c) a specified uniform margin of protection for the milling industry of each country of the Community (applicable to all flour imports whether from EEC or non-EEC countries), which was initially set

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Footnotes for Table 6 (*continued*)

prices for those countries are seldom calculated. If such imports are made without benefit of export subsidy the French import levy would be 0. If an export subsidy is paid, the compensating levy would be as indicated in note *l*.

[j] Lower than threshold price for non-EEC countries by the amount of the preferential margin.

[k] Applicable to all EEC countries in July 1965, since all had threshold prices against EEC imports higher than the corresponding French free-to-frontier prices for export to the country.

[l] Maximum export subsidy permitted on exports to non-EEC countries minus the preferential margin; not applicable to any EEC country in July 1965 (see note *k*). In the exceptional case when this subsidy is granted the importing EEC country must impose its import levy on non-EEC grain minus the preferential margin.

at 18.75 units of account (u.a.) or U.S. dollars per ton of flour and reduced annually beginning July 1962 by two-fifteenths (2.50 u.a.) so that it would disappear before the end of the transition period;[60]

(d) the EEC preferential margin on flour imports from non-EEC sources (*montant forfaitaire*) set at 2.50 u.a. (dollars) for 1962/63 and increased annually by $2.50 so that it would amount to 18.75 u.a. at the end of the transition period, thus offsetting the scheduled annual decline in national protection of flour milling (item c) and leaving unchanged each year the total protection against non-EEC flour provided by elements (c) and (d) combined.[60]

(e) from this gross sum is deducted an allowance for the sale of 372 kilograms of milling offals, figured at the lowest monthly price reported during the preceding year.

The resulting net figure is the threshold price for flour; and the import levy against non-EEC flour is equal to the difference between this price and the lowest c.i.f. price for flour, set by the Commission at the lowest world offer price (adjusted for quality and geographical destination).

The margin of protection against French imports of non-EEC flour is thus nearly 100 per cent of EEC average milling costs, added to full allowance for those same high milling costs and to a fully protected (above-target) price for the wheat contents of the imported flour. This was severely criticized when the EEC grain policy was under discussion in GATT (*104*, p. 75).

Two other aspects of the import levy calculation intensify this protection: the allowance for milling offals is, as stated, based on the *lowest* monthly price during the preceding year, and the c.i.f. price adopted for flour, as for grain, is the *lowest* offer price for each day, quality and place of offer considered. The result is a continuation under the EEC system of the almost prohibitive protection against non-EEC flour formerly attained by most member countries by means of quantitative import restrictions; and in the Netherlands, where protection against non-EEC flour has markedly increased, imports from overseas sources have been severely curtailed, leaving room only for small amounts of special purpose flour.

Subsidies on grain and flour exports to non-EEC countries are an integral part of the EEC pricing system. Designed to bring the prices of French and other EEC exports down to the "world" level, the subsidy on any specified grain

[60] We interpret the explanation of the EEC representative given to GATT Committee II in 1962 (*104*, pp. 73–75) as indicating the following planned changes in protective margins c and d in terms of EEC units of account or U.S. dollars per ton of flour:

Year	National milling industry protection	*Montant forfaitaire*	Total protection against non-EEC imports
1962/63	16.25	2.50	18.75
1963/64	13.75	5.00	18.75
1966/67	6.25	12.50	18.75
July 1969 (original plan)[a]	0	18.75	18.75
After unification[a]	0	...[b]	18.75[b]

[a] The original plan envisaged grain market unification in 1970. Since unification is now scheduled for July 1967, the figures in the bottom row will apply as from that date.

[b] Although the protection against imports of non-EEC flour was apparently expected to remain at 18.75 u.a. after unification, its earlier designation, "montant forfaitaire," may be changed.

is in principle not permitted to exceed the corresponding import levy in effect in the member exporting country on the day of export (*29*), that on flour not to exceed the subsidy on the quantity of grain needed for its production (*30*). However, export subsidies above these "maximum" levels may at times be permitted for either grain or flour, subject to specified procedures (originally specified in *29*; *31*; *30*). In practice, the most important provisions are those allowing the addition of "special" subsidies if needed to meet exceptionally strong export competition in certain import markets—subsidies often referred to as "transport" subsidies because they are larger on exports to distant than to nearby markets.

Since 1962/63 the Community has financed a growing share of the eligible export subsidies paid by member countries as well as an increasing part of eligible expenditures on other price support measures provided for in the common grain policy. This share amounted to one-sixth in 1962/63 and was increased by one-sixth annually until 1965/66, for which the Community's contribution from the Guarantee Fund was put at six-tenths rather than the previously planned four-sixths share, and for 1966/67 it was raised only to seven-tenths, not to five-sixths (*48*). After the EEC grain market is unified in 1967, the Community will pay the complete cost of authorized common market support.

PRICE AND MARKETING POLICIES FOR LIVESTOCK PRODUCTS

Since livestock not only consume grain but also compete with grain for farm land and other resources, and since many farmers face the choice of delivering homegrown grain in the form of grain or of livestock and milk, government price and marketing policies for grain and livestock products require joint consideration. This has been repeatedly stressed in recent years by framers of the agricultural price policies of the European Economic Community. We are therefore presenting here a brief account of French and EEC livestock policies, both past and as anticipated for the future.

Tariffs and Quotas Before World War II

In the interwar period, the French government gave no direct support to livestock or meat prices, though tariffs and import quotas were applied with increasing stringency as the Depression deepened. The moderate tariffs on meat and dairy products, like those on grain, reached their pre-World War I level in 1928 in terms of gold francs, but not in ad valorem equivalent (*5*, pp. 688, 715). Although the specific rates were raised steeply during the next two years, they remained relatively low in ad valorem equivalent—much lower than the rates then in effect for grain (*5*, p. 737)—and they proved unable to prevent a large increase in meat imports. In the second half of 1931 import quotas were therefore placed on live animals, meat, dairy products, and eggs. However, imports from French Empire sources were, as a rule, exempt from such restrictions, and Morocco enjoyed certain duty-free quotas (*5*, pp. 739, 749).

It is difficult to evaluate the relative importance of different kinds of restrictions on livestock products in the mid-thirties. However, repeated increases in tariff rates, imposition of license fees, import taxes, and restrictive import quotas

(apparently also increasing severity of the administration of sanitary restrictions) combined with reduced consumer purchasing power to keep imports well below the level of the preceding years.

Postwar Price Support for Livestock Products Before Adoption of EEC Programs[61]

After World War II government intervention in the French market for meat and dairy products began to take its basic postwar form in 1953. Little was done, however, until after reactivation in the late 1950's of the agencies entrusted with the activities in these fields: SIBEV (*Société interprofessionnelle du bétail et des viandes*) for meats, and INTERLAIT (*Société interprofessionnelle du lait et ses dérivés*) for dairy products, to help implement the "target" price system introduced in 1957. Both were later subordinated to the general agricultural marketing commission FORMA (*Fonds d'orientation et de régularisation des marchés agricoles*), created in 1960. These organizations continued to function in France in the transitional stage of the common EEC policies for pork, cattle and beef, and milk.

FORMA was set up for the purpose of consolidating and strengthening previous efforts to stabilize and support agricultural markets. However, ONIC, as well as the market organizations dealing with wine and sugar, remained quite independent; and FORMA concerned itself mainly with cattle, meat, dairy products, and fruits and vegetables (including potatoes sold for food) operating insofar as possible through already existing organizations such as SIBEV and INTERLAIT. Despite their price stabilizing role, these agencies had little in common with ONIC: they did not administer fixed, guaranteed prices, nor did they channel or control farmers' marketings of the products with which they dealt. Consequently, the price "support" they provided the producer was much less certain or definite.

SIBEV was charged with the responsibility of maintaining domestic wholesale prices of beef and pork between government-fixed minimum and maximum levels by employing (a) import controls and (b) support-purchases of live cattle, beef, and pork, which in turn implied storage and later sale of the meat obtained. In pursuing its obligations, SIBEV intervened in *cattle and beef* markets throughout the country[62] whenever the computed price of beef on the La Villette market in Paris fell below the official minimum level (minimum intervention price plus .10 NF per kilogram). Although only live animals are handled at La Villette, both the officially defined minimum-maximum levels and the reported market prices refer to slaughter weight. All live animals purchased by SIBEV were slaughtered immediately and stored for future sale.[63]

Intervention purchases of beef were heavy in 1961 and 1962—96,000 and 85,000 tons, respectively; and the greater part of the beef then stored was later exported at prices far below SIBEV's purchase price. Schmidt and Stein report

[61] This description is based in large part on the interesting study by Schmidt and Stein (*135*), which accounts for French policies and operations before the common EEC policies went into effect (August 1, 1962, for pork; November 1, 1964, for milk and beef).

[62] There were 43 intervention points for cattle and beef in 1962.

[63] In 1962 the Ministry of Agriculture paid farmers to hold back cattle at times of large marketings to avoid heavy meat storage costs.

the following average prices and costs of these operations in 1961; the total support cost of 4.40 NF amounted to almost 90 per cent of the purchase price.

Price or cost	NF per kilogram
Purchase price	4.92
Storage and transportation	1.06
Total outlay	5.98
Sales price	1.58
Difference	4.40

Declining beef production and strong consumer demand greatly reduced (eliminated) the need for intervention in 1964; since then SIBEV purchases have been light, though they increased moderately in late 1966.

Pork was also subject to intervention purchases on various domestic markets. The minimum and maximum prices determining when SIBEV should intervene were wholesale prices on the Les Halles market in Paris (prices inclusive of certain processing costs). At the designated price floor, whole slaughtered hogs, or parts, were purchased and stored. In total, intervention purchases of pork were small and seasonal; and it was therefore possible to sell most of the stored pork domestically at modest net cost.

Under the price support decree of 1957, *eggs* were also subject to intervention support at stated minimum-maximum prices (p. 27). To what extent intervention purchases were actually made by FORMA or its precursor agency is not clear.[64] Possibly the customs duty[65] in conjunction with the import stops in effect when prices fell below minimum levels (*105,* L/1165, p. 18) generally sufficed to keep egg prices above the specified minimum. The price of poultry was supported chiefly by means of quantitative restrictions on imports,[66] and less frequently by export subsidies, which assumed importance when export surpluses developed in the early 1960's (*133,* p. 31). These measures were supplemented by adoption of a minimum import price for poultry in March 1960 (*97, 1961,* p. xc).

The price support program for *milk* was different from those for meat. The government set annual "guide" or target prices for milk, higher in winter than in summer; these indicated the prices considered desirable for milk producers to receive on the average. Support was only indirect, by active support of the prices of butter, certain specified cheeses, and milk powder. For these products, minimum and maximum intervention prices were set annually (derived from the "guide" prices for milk), applicable to the Paris wholesale market, Les Halles. It was INTERLAIT's[67] task to stabilize these wholesale prices in relation to the

[64] The *Fonds de garantie mutuelle et d'orientation des productiones agricoles* was originally charged with intervention in the egg market (*105,* p. 18). It was absorbed in FORMA in 1960 (*119,* p. 514).

[65] The duty in 1957 was 20 per cent plus a special countervailing duty of 15 per cent (*129,* p. 85). In February 1960 a "tax compensation" was introduced for eggs imported at a price below the minimum (*97, 1961,* p. xc).

[66] The existence and effectiveness of French quantitative import restrictions on poultry before the common EEC regulation for poultry went into effect is suggested by the special provision in the regulation (*37,* Art. 3, Section 2) for calculation of a higher levy in such a situation (*104,* p. 19). This provision found application only in France (*147,* p. 744).

[67] INTERLAIT operates under a basic agreement with the French government. It is organized as a joint stock company, with creameries, cheese factories, dealers in dairy products, and other related groups as stockholders.

minimum-maximum range by utilizing storage contracts and/or direct purchases.

When the price of butter at Les Halles fell below the arithmetic average of the stipulated minimum and maximum, INTERLAIT offered to enter into price-guaranteed storage contracts with its member organizations. Under the complicated rules of such contracts, the maximum price was customarily guaranteed for a specified quota of top-quality butter (e.g., the quota for the summer season 1962, announced early in the season, was 55,000 tons). Whenever the price fell below the specified minimum, INTERLAIT made direct purchases of butter, continuing to do so until the Paris price again rose to the arithmetic average of minimum and maximum prices. Only at or above this average was INTERLAIT authorized to sell butter in the domestic market; otherwise it had to seek foreign outlets. Exports increased substantially after 1959; and the average price obtained for such exports in 1961 was only half the arithmetic average of the minimum and maximum summer price at Les Halles, compared with about 60 per cent the year before (*135,* pp. 78, 63).

The rules concerning storage contracts and intervention purchases of cheese resembled those for butter, but only specified cheeses accounting for roughly half of the total cheese production were subject to storage contracts; and only a few cheeses, accounting for some 5 per cent of the production, were eligible for purchase by INTERLAIT. Although storage contracts were at times concluded for skim milk powder, such support appears to have been less important than direct subsidies granted by INTERLAIT for denaturing skim milk powder for feed use. In 1958–62 this subsidy ranged between .18 NF and .38 NF per kilogram of powder.

All foreign trade in dairy products was either controlled or conducted by INTERLAIT. Schmidt and Stein report that roughly half of the costs borne by FORMA on behalf of the milk and dairy products market were export subsidies (*135,* p. 82).

Support of Livestock Products under EEC Regulations

Though certain to be modified, present EEC livestock programs[68] incorporate many features destined to become permanent EEC policy, while others are designed to facilitate adjustment of national policies during the transition period. Originally scheduled for December 31, 1969, the end of the transition period for the hog and pork program was moved up to July 1, 1967, to correspond with the rescheduled date for unification of EEC grain prices (*43a*; *49,* pp. 5, 6). Unified beef and milk prices are to become effective April 1, 1968.

Hogs, poultry, and eggs.—The three EEC regulations for hogs (live and slaughtered), poultry, and eggs went into effect in 1962 at the same time as the common grain policy, and bear testimony to the fact that these products are basically converted grain (*35*; *36*; *37*). The regulations of 1962 represented a marked departure from the principles underlying earlier French measures, thus

[68] Excellent descriptions of these programs are given in two GATT publications (*104*; *106*) which contain the data presented in GATT consultations with EEC concerning the Community's agricultural policies. The former includes description of the hog policy, the latter of the beef and milk policies.

making direct comparison between the pre-EEC and transitional EEC programs difficult and of questionable value.

Table 7 illustrates the lack of comparability between French administrative prices for hogs (carcasses) in the two periods, and also shows the relative magnitudes of some of the prices and levies that had special national significance during 1959–66. Neither in the table nor in the following discussion is attention given to the differing prices and levies applicable in intra-Community trade: this is due partly to the complexity of the pricing procedures involved and partly to the fact that such national prices and levies are scheduled to disappear when the EEC market for these products, as well as grain, is unified on July 1, 1967.

TABLE 7.—SELECTED FRENCH OFFICIAL PRICES, LEVIES ON NON-EEC IMPORTS, AND WHOLESALE MARKET PRICES OF PORK, 1959/60–1965/66*

(New Francs per 100 kilograms, slaughter weight)

Price or levy	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66
	BELLE COUPE QUALITY						
Indicative price	377	385	385	...	...	...	...
Intervention price							
Minimum	347	355	355	...	...	...	...
Maximum	407	415	415	...	...	...	...
Paris market price	353	388	375	392	472	404	459
	EEC STANDARD QUALITY						
Import levy, non-EEC pork							
General							
Normal	...	...	...	83	84	89	97
Reduced	...	...	...	...	61[a]	...	...[b]
Sluice surcharge	...	...	...	...	...	...	...[b]
Sluice price, non-EEC pork	...	...	...	263	259	261	269
Minimum authorized entry price, duty-paid[c]	...	...	...	346	343	350	366
Adjusted Paris market price ("Reference")[d]		350[e]		366	441	377	429

* Indicative and intervention prices are from *97, 1961,* p. xcvi; Paris market prices prior to 1962/63 are August–July averages from *97, 1964,* p. cviii, and earlier issues; for 1962/63 and later years from various issues of *42,* averages as described for EEC standard quality figures. All EEC standard quality figures are from *97, 1964,* p. cxxiv, and various issues of *42,* averages for August–July years 1962/63 and 1963/64, August–June 1964/65, and July–June 1965/66.

[a] Average including the EEC Commission authorized reductions in October–March (see text).

[b] A sluice surcharge of 15 NF was in effect July 15–September 20, and of 12 NF September 21–October 18 (*22,* July 12, Sept. 18, and Oct. 16, 1965). France was permitted to apply a reduced general levy from late January through March 31, 1966, but the amount of the reduction was not specified (*22,* Jan. 22, and Feb. 18, 1966).

[c] Normal import levy plus the sluice price.

[d] Except as noted in *e,* these figures are August–July averages of monthly "reference" prices computed by the EEC from the Paris market price for *belle coupe* quality. Unlike the EEC standard, *belle coupe* quality excludes the head and is otherwise of higher quality. For recent years the EEC assumes that the head represents 6.4 per cent of the total carcass weight, that its price is 1 NF per kilogram and that 7.00 NF per 100 kilograms should be deducted to approximate EEC standard quality. Hence, if P_b represents the *belle coupe* price, and P_r the "reference" price (both in New Francs per 100 kilograms), the adjustment formula is $P_r = .936\ P_b + (.064)(100) - 7.00$.

[e] Average for the calendar years 1959–61, published by the EEC. The 1959–61 calendar year average of the *belle coupe* series shown in the upper section of the table is 368, which would produce a "reference" price of 345 using the formula for recent years given in note *d.*

Under the EEC system, the import levy is and will remain the chief means by which domestic hog, poultry, and egg prices are supported. All former quantitative controls over marketing and foreign trade have been abolished; and even market intervention purchases have been all but excluded except under disturbed market conditions that include a marked decline in prices.[69] Since July 1962 no target or intervention prices have been in effect for any of these commodity groups either in France or in most other EEC countries; only for pork is any price guide scheduled for the final unified stage that begins in July 1967.

In addition to the general import levy, supplementary protection "against abnormally low-priced imports" is now and will continue to be provided by way of the "sluice" price, an EEC calculated minimum import price (free-at-frontier) designed to assure that no imports of any of these products will enter the Community at a price that "bears no relation to the principal costs of production." Thus, the sluice price is a hypothetical price which the EEC Council regards as the minimum amount required to cover total costs of production, based primarily on rough "world" prices of coarse grains and on a processing coefficient believed to be representative for non-EEC exporting countries, with additional rough allowance for other, less important costs.

If an import offer is made below the sluice price, an extra levy is immediately imposed equal to the difference between the offer price and the sluice price, and this surcharge is then added to the general levy so that, in principle, the increased levy should be applicable to all imports of the same livestock product from all non-EEC countries. As early as 1962, however, EEC representatives indicated that "so long as products offered at prices below the sluice price are imported only from certain third countries, the additional amount may be imposed only in respect of imports from those countries" (*104,* p. 31). And in October 1966 a Commission regulation made specific provision for a differentiated surcharge on eggs and poultry imported by July 31, 1967, a higher surcharge to be imposed on imports from countries exporting at exceptionally low prices (*32*).

Under normal trading conditions, the general import levy (and related export subsidy) is and will be the SOLE *measure of protection against the competitive production and exports of non-EEC countries.* Unlike the sluice price, which has been the same for all EEC countries, the import levy has differed for the six member countries during the transition period, being based in part on the national average prices at which the particular livestock products sold during the pre-EEC reference period, and also on the respective national costs of feed grains in the year immediately preceding that in which the levy was effective.

After unification of grain, hog, poultry, and egg markets throughout the Community, the basic or general import levy on each of these three groups of products will consist of two elements: (a) one which equalizes the high cost of feed grains in the Community with the lower cost in world markets on the basis of specified assumptions concerning the composition and quantities of the grains used in feeding, and (b) another which grants additional protection to the three

[69] During the transition period, individual EEC countries have been permitted to provide market support by means of intervention purchases (at their own expense) if a disturbing price decline appeared to threaten. Small quantities of French pork were reported (*17c*) to have been purchased by SIBEV in 1965, but, on the whole, the general shortage and high prices of beef have been reflected in relatively high pork prices.

branches of farm production equal to 7 per cent of the respective sluice price then prevailing.

Calculation of French import levies during the transition period has been more complex (*104,* pp. 26–30, 47–53, 37–42), though designed to fulfill essentially the same two functions specifically with reference to equalizing French and lower external grain costs and to protecting French livestock producers.[70] The additional sluice levy has been imposed on poultry and eggs most of the time since the programs went into effect, but not until 1965 was it levied on hogs. In contrast, there were periods in 1963/64 and again in 1966 during which the EEC Council permitted France to use a reduced general levy to help restrain French domestic hog prices.

With France in the mid-1960's more than self-sufficient in poultry and egg production, and the Community as a whole self-sufficient with respect to pork (*3,* pp. 494, 498, 502), export subsidies have been and continue to be an important element in the protective system. The maximum subsidy permitted on exports to non-EEC countries is equal to the difference between the French price and the "world" price for the product in question. According to Community authorities, the subsidy may not exceed the total levy on imports of the product, including any sluice surcharge that is currently in force (*104,* pp. 33, 43, 55). This means, in effect, that practically any competition can be met. During the transition period, export subsidies have also been allowed in intra-Community trade, thus permitting France to export to EEC countries with lower prices and to meet the competition of any outside country in such markets (*104,* pp. 34, 44, 55–56).

Cattle and beef.[71]—Since November 1964 the French price support program for cattle and beef has been subject to the common EEC policy which then became effective (*40*). The program has separate, largely similar provisions for calves and veal, but without rules for intervention: though not unimportant, these secondary regulations are not discussed here.

A *guide price* for live cattle, to be supported with the aid of ad valorem duties, import fees, export subsidization, and intervention purchases of cattle and beef, is the pillar of the market support system in the present program. Hence the present system considerably resembles that of the recent past in France, despite the abolition of quantitative import restrictions and the current chief reliance on ad valorem customs duties of 16 per cent on live animals and 20 per cent on meat —supplemented at times by variable import levies. This similarity is reflected in Table 8.

The annual guide price for live cattle, which during the transition period must be set within EEC-designated limits, has wider application than its counterpart of earlier years, the "indicative price." Like the indicative price, it serves as the basis for determination of intervention prices, but in addition, it is one of the factors determining when a supplementary levy must be added to the regular customs duty on imports of cattle and beef. Under EEC regulations, intervention is optional during the transition period, but if a country chooses to inter-

[70] French levies on these products, as on other agricultural products, have provided an element of preference on imports from other EEC member countries.

[71] A good explanation of this program has been published by GATT (*106*).

vene—or to be prepared to intervene—it must set an intervention price between 93 and 96 per cent of the guide price.

The official French intervention price has reference to La Villette market at Paris and becomes effective if the weighted average of the prices of specified qualities of cattle at that market falls to or below the intervention price. Derived intervention prices payable at other centers are reported to be lower to take account of transportation costs. Through the late summer of 1966 neither France nor any other EEC country had made intervention purchases of beef under the common policy, since beef prices, reflecting relatively short supplies from mid-1964 had remained above intervention levels.[72] By September 1966, however, there was growing anxiety about future developments in French beef markets; and to prevent a sharp drop in prices at the end of the 1966 grazing season, the EEC Commission granted France the right to make support purchases of beef at prices above the intervention level (*28*).

The conditions for imposition of a French *levy* on imports from non-EEC countries are clearly defined: if the duty-paid hypothetical "*import price*" for live cattle is lower than the guide price and if the market price of live cattle at La Villette is also lower than the guide price, then a "full" levy is added to the regular French duty, equal to the difference between the guide price and the duty-paid "import price"; if the market price is less than 5 per cent above the guide price, then half of this levy is imposed. The EEC Commission's weekly determination of the "import price" is thus an important link in this program. It is based on a weighted average of specified market prices for live cattle in Denmark, the United Kingdom, and Ireland (50, 30, and 20 per cent weights respectively) plus a lump sum addition for transport costs to the frontier of the Community.[73] During the transition period France has also imposed a levy on imports from EEC member countries, as an addition to the lower customs duties applicable in this trade. Differently calculated, an intra-Community levy may be applied only if France is actively intervening in the beef market, or under certain other specified circumstances.

In 1964/65 French market prices for cattle were high enough relative to the guide price to preclude the use of levies even on imports from non-EEC countries; but when the French guide price was raised for 1965/66 and market prices declined in mid-1965, import levies went into effect. A full levy was applied only for one week during 1965/66 and a half levy during 17 weeks, but the basic uncertainty of this levy made it more disturbing to exporting countries than its modest annual everage amount might lead one to believe. In 1966/67 the average levy was larger than the duty. We expect the levy to be frequently applied after the much higher common guide price becomes effective in 1968.

Under EEC rules France has been able to grant subsidies on cattle and beef exports to non-member countries up to a maximum amount determined monthly by the Commission. This maximum equals the difference between the French average market price and the "import price" (exclusive of transport costs) in a

[72] For France this represented a marked change from the situation in 1962 and 1963, when SIBEV reportedly purchased 85,000 and 20,000 tons of beef respectively (*17c*).

[73] This procedure contrasts with that applied with respect to grains and certain other products, for which the lowest "world" prices are used in determining the import levies.

TABLE 8.—FRENCH CATTLE (BEEF) PRICES, APRIL–MARCH YEARS 1960/61–1966/67, AND INDICATED COMMON GUIDE PRICE 1968/69*

Type of price	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1968/69
	NEW FRANCS PER 100 KILOGRAMS LIVEWEIGHT							
Indicative[a]								
Pre-EEC[b]								
1st quality	243	254	260	270	...	...	...	...
2d quality	193	202	207	215	...	...	...	...
Guide[a]								
Under EEC								
EEC range	...	...	...	...	253–290	284–302	299–307	327.08
France	...	...	...	...	273	287	302	327.08
Intervention								
Pre-EEC[b]								
1st quality								
Bullocks	225–263	234–274	241–283	250–294	263[c]	277[c]	294[c]	...
Cows			226–267	235–277	247[c]	260[c]	276[c]	...
2d quality[d]	177–208	186–218	191–223	198–232	205[c]	219[c]	233[c]	...
Under EEC[c]	...	...	...	...	257	270	287	...
Market average[e]	221	226	243	265	302	306	309	325[f]
"Import price"								
Ex-duty[g]	...	...	...	...	230[h]	229	203	...
Duty-paid[i]	...	...	...	...	267[h]	266	235	...
Levy-paid[j]	...	...	...	...	267[h]	271	274	...
Basic duty								
Ad valorem[k]	...[k]	...[k]	16%	16%	16%	16%	16%	16%
NF/100 kg.	...	...	...	...	37	37	32	...
Import levy[i]	...	...	...	...	0[h]	5[i]	39	...
	NEW FRANCS PER 100 KILOGRAMS SLAUGHTER WEIGHT[b]							
Intervention								
Pre-EEC								
1st quality								
Bullocks	411–482	428–502	438–514	454–534	479[c]	503[c]	535[c]	...
Cows			418–494	434–514	458[c]	481[c]	511[c]	...
2d quality[d]	347–407	364–426	373–437	387–454	501[c]	429[c]	456[c]	...

* Wholesale prices and applicable duties and levies for grown cattle. Pre-EEC indicative and intervention prices are from *97, 1964,* p. cxxiii; 1964–66 guide prices from *42d,* p. 53; 1964–66 intervention prices from the relevant decrees, for example, 1964/65 from Décret No. 64-279 from *68e,* p. 2908; the 1967/68 common EEC price from *44,* p. 10, and *48b,* pp. 7–8; average market prices from *46,* p. 30, and *42d,* p. 57; EEC "import price" and import levy from *42d,* p. 68, and earlier issues; basic duty from *111,* and earlier issues.

[a] For definitions of "indicative" and "guide" prices see text. The "average market quality" reflected in the EEC and French guide prices is indicated in footnote *e.*

[b] Pre-EEC indicative and intervention prices were officially reported only on a slaughter weight basis, as shown for intervention prices in the bottom part of the table. We have converted these to liveweight equivalent by the use of coefficients reported in *42d,* p. 45, weighted as indicated in note *e.*

[c] Nationally established intervention price set in line with EEC transitional rules.

[d] Basic intervention price which France chose to set at 95 per cent of the nationally selected guide price (both within EEC-fixed ranges).

[e] Simple April–March averages of monthly weighted average market prices at Paris calculated by the EEC Commission in accordance with the requirements of the Cattle and Beef Regulation (*40*). The prices are weighted as follows: first quality bullocks and second quality cows—21 and 23 per cent respectively, extra quality bullocks—15 per cent; extra and first quality cows—12 per cent each; third quality cows—9 per cent (*42d,* p. 57).

[f] Our rough approximation in May 1967.

[g] A hypothetical import price calculated weekly by the EEC Commission for non-EEC imports.

[h] November–March average.

[i] Ex-duty "import price" plus the French basic duty.

[j] Duty-paid "import price" plus import levy.

specified earlier period.[74] Substantial as it is—it fluctuated around 80 to 90 NF per 100 kilograms live weight in 1965/66 (*42*)—this maximum subsidy shows a degree of subsidization much lower than that indicated for 1961/62. But after the common beef policy went into effect France enjoyed a preference in other EEC countries, where lower intra-EEC customs duties as well as the rules governing the levy favored imports from France relative to non-EEC imports.

Milk and dairy products.—The common policy for milk and dairy products became effective in France at the same time as the common policy for cattle and beef (*39*). Like the cattle and beef program, it has several features which were also part of the previous French national program (Table 9).

The present annual *target price* for milk is set within EEC-specified limits and represents a hoped-for goal for producers throughout the country to attain as an average for the year. It is no more a guaranteed price than was the corresponding "indicative price" of earlier years but dairy products now, as before, enjoy a degree of government support expected to result in producer prices for milk approximating the target. This support is now provided by means of import levies and export subsidies, geared to threshold prices (minimum import prices) for the products in question. In addition, the butter price is supported by intervention purchases. French milk producers were not directly subsidized prior to 1964, nor can they be under the EEC policy.

For the purposes of the present complex policy, 14 dairy product groups have been designated in EEC regulations as "pilot products," each one representing a group of related products. Two cheeses are dealt with separately. Consequently, at all times there are 16 threshold prices, "import prices," and import levies against non-member countries in effect, as well as 16 corresponding sets of intra-Community prices and levies (*42*).

As the upper determinants of the import levies, the respective annual *threshold prices* in essence indicate target levels for the prices of dairy products. They were set for 1964/65 on the basis of the 1963 French reference prices, determined by EEC (*106*, pp. 6–7). The following tabulation shows the links in the determination of the 1964/65 French threshold price per 100 kilograms of butter.

	New Francs	EEC units of account
Reference price (1963 ex-factory price plus costs to wholesale level)	852.00	172.57
+ preferential margin	24.68	5.00
+ permitted "additional amount"[a]	24.68	5.00
Calculated threshold price	901.36	182.57

[a] Explained as "an element of flexibility" in determination of the threshold price (*106*, p. 87).

[74] EEC may permit higher subsidies, especially if they are judged necessary to permit continuation of a traditional trade.

Footnotes for Table 8 (*continued*)

[k] On cattle for slaughter; French duty through 1966/67, Community duty 1968/69. In 1960/61 and 1961/62 the basic duty of 27 per cent was temporarily reduced to 3 per cent within quota limits.

[l] Average of the weekly levies which were determined and reported by the EEC Commission. In 1965/66 a full levy of 35.28 NF per 100 kilograms was imposed for one week only, a half levy which ranged from 15.48–17.64 NF for 17 weeks, and no levy for the other 35 weeks. The full levy is equal to the guide price minus the duty-paid "import price." The full levy is imposed only when the market price falls to or below the guide price; one-half the levy is charged if the market exceeds the guide by up to 5 per cent; there is no levy if the market is more than 5 per cent higher.

TABLE 9.—FRENCH MILK AND BUTTER PRICES, APRIL–MARCH YEARS 1960/61–1966/67, AND INDICATED EEC COMMON PRICES 1968/69*

(New Francs per 100 kilograms)

Type of price	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1968/69
MILK, 3.7 PER CENT FAT, AT FARM								
Indicative[a b]	35.44	35.44	36.71	39.35	39.35	...	...	...
Target[a]								
EEC range								
Minimum	...	...	...	...	39.25	40.73	42.58	48.14[c]
Maximum	...	...	...	...	51.84	50.85	50.85	
France	...	...	...	...	39.35	42.00	44.75	47.05[d]
Producer	36.50	38.00	40.70	41.90	42.00	...	...	47.00[e]
BUTTER, WHOLESALE								
Intervention								
Pre-EEC								
Ex-factory[f]								
Summer	667–736	667–736	685–756	704–832	704–832	...	...	...
Winter	755–833	780–862	798–882					
Paris equiv.[f]								
Summer	702–771	706–775	724–795	743–871	743–871	...	...	...
Winter	790–868	819–901	837–921					
Under EEC								
At Paris[g]	...	...	...	...	815	822[h]	840	870.16[i]
Actual prices								
Paris market[j]	758	781	843	883	923	887	897	900.00[g]
Threshold	...	...	...	...	901	901	910	944.21
"Import price"								
At frontier[k]	...	...	...	...	480[l]	383	283	...
Levy-paid	...	...	...	...	900[l]	900	905	...
Import levy[m]	...	...	...	...	420[l]	517	622	...

* For milk pre-EEC indicative prices are based on *97, 1964,* p. cxx, EEC target prices are from *42d,* p. 77, and producer prices from *46,* p. 14. Butter intervention prices for 1960/61–1962/63 are from *135,* p. 63, and for 1963/64–1966/67 from the relevant decrees (e.g., 1963/64, Décret No. 63-450, *68d,* p. 4084); actual prices Paris market from *50,* various issues; threshold prices, free-at-frontier prices, and import levies from *42d,* p. 181 and earlier issues. All indicated prices for 1968/69 from *44,* p. 10 and *48b,* pp. 4–7, except as noted.

[a] See text for explanation of "indicative" price (pre-EEC) and "target" price (under EEC).

[b] Approximated from prices officially given per 100 liters of milk with fat content of 3.4 kilograms (*97*). These were multiplied by 1.058 which is the conversion factor indicated for 1964/65, when prices were also shown per 100 kilograms of milk with 3.7 per cent fat.

[c] Approximate farm level target: the common target of 50.85 NF (10.3 u.a.) at creamery, established by the Council July 24, 1966 (*48b,* p. 4) minus Community average collection costs of 2.71 NF (*44,* p. 4).

[d] Equivalent, at French farms, of the EEC target at creamery. The Executive Secretariat of the Commission points out (*44,* pp. 21–22) that the cost of collecting milk in France is about 1.09 NF (.22 units of account) above the EEC average.

[e] Our approximation based on the agreed targets for milk, the intervention prices for milk products, and the discussion in *44,* pp. 18–22.

[f] The intervention price specified in the relevant decrees is ex-factory. However, intervention purchases depend on price developments at the Les Halles market in Paris (under EEC rules as well as under former French rules), and Schmidt and Stein state that the level at Les Halles was 35 NF above the ex-factory price in 1960/61 and 39 NF above thereafter.

[g] The intervention agency pays the price shown when the Paris market price falls below the indicated level; purchases cease when the Paris market price reaches 15 NF above the indicated level.

[h] Raised October 1, 1965, from 815 to 830.

[i] Applicable in all major markets of the Community.

The "*import prices*" which constitute the lower determinants of the levies on imports of dairy products from non-member countries are set weekly by the Commission, free to Community frontier. They are based on the most favorable purchase possibilities, whether expressed in offers to the Community or in offers to certain foreign markets. As shown in Table 9, the French levy on butter that resulted from this policy reached a staggering 220 per cent of the "import price" in 1966/67. (The quantitative controls in effect prior to the common dairy policy were, however, no less restrictive to imports in their effects.) Levies on other dairy products were less high, though several hovered around 100 per cent.[75]

Levies on butter imported from other EEC countries are, of course, much lower than those on non-EEC butter, primarily because EEC offers, free to French border, are much higher priced, but also because the French threshold price against EEC butter is reduced by the preferential margin.

The export subsidies France grants on dairy products going to non-EEC countries are subject to EEC limitations.[76] Determination of the maximum subsidy is simple in principle: it is equal to the f.o.b. price of the product (the ex-factory price plus 2.00 u.a. per 100 kilograms to cover costs of transportation to harbor and loading) minus the EEC-determined "import price" for the same product from non-EEC countries. To this differential is added a lump sum allowed for transport costs beyond the French border: on butter and cheese exports, this extra subsidy has amounted to 2.00, 5.00, or 8.00 u.a. per 100 kilograms, depending on regional destination.

The calculated maximum subsidy on French exports of butter to the third zone (to countries outside of Europe, the Mediterranean, and the Near East) averaged 512 NF in 1965/66,[77] when the import levy averaged 517 NF (Table 9). Since milk surpluses in France and other EEC countries tend to become butter surpluses, the high cost of subsidizing butter exports caused much concern. Efforts to reorient the valuation of milk, placing somewhat greater value on the skim milk component relative to the butter fat content, are reflected in the Commission's dairy proposal for the unified stage: the value ratio of butter fat to skim milk will be 70:30, compared with 73:27 in France in 1965/66 and 84:16 in Germany, where butter had the highest relative valuation (*44*, p. 18.)[78]

Butter is the only dairy product for which intervention is obligatory under EEC rules. In France INTERLAIT must therefore purchase all prime quality

[75] The levies on certain dairy products for which the rates are bound in GATT are adjusted so as to conform to this binding.

[76] During the transition period France may also grant subsidies on products going to other EEC countries with higher prices.

[77] Subsidy here calculated with the aid of data presented to GATT Committee II (*106*, p. 16).

[78] In the Commission's preliminary estimate of the annual cost of the EEC dairy program around 1970—450 million u.a. in total—the skim milk subsidy accounts for no less than 190 million u.a.

Footnotes for Table 9 (*continued*)

[j] Prices on the Les Halles market.

[k] Free-at-frontier prices determined by the EEC on the basis of the most favorable non-EEC import offers, originally once a week, but since October 1965 biweekly. Applicable to imports from non-EEC sources of butter made from sour cream.

[l] November–March average.

[m] Determined weekly by the EEC on butter made from sour cream. Roughly the difference between the threshold price and the free-to-frontier price. For this calculation the free-to-frontier price is reduced by internal taxes imposed on imports. The levy is not modified unless a change of at least 4.94 NF (1.00 units of account) is required.

fresh butter offered to it if the butter price at Les Halles falls below the intervention price. Or alternatively, the agency may offer to finance private storage of such butter, as it did before 1964 and has done more recently (particularly in 1966) on considerable scale. In 1964/65, the first year of operation under EEC, France set the intervention price for butter at the lowest level permitted, equal to the reference price minus the maximum allowed deduction of 7.5 u.a. per 100 kilograms. This intervention price has since been increased relatively less than the target price for milk, perhaps to narrow the wide gap that has prevailed between the producer price of milk and the butter price.

COSTS OF RECENT PRICE SUPPORT PROGRAMS AND INCREASED EMPHASIS ON NON-PRICE MEASURES

Comparative Costs of Price Supports for Grain and Livestock

The direct costs of the various French agricultural price support programs and their financing can, unfortunately, only be approximated in a broad and indecisive manner, considering the nature of French fiscal policies and the form of the French budget.

Part of the uncertainty arises because many commodities which enjoy price support are simultaneously taxed, and some of the taxes (notably those on wheat and other major grains) are paid in part by the very producers who benefit from the price support. This is evident in Appendix Tables II and III, which show the complexity of the tax structure for grain at the producer and wholesale levels. Although we have not studied the taxes on sales of livestock or milk in similar detail, it appears that these are less complex and begin to a greater extent at the wholesale or processing level.

Table 10 represents the attempt of two German economists to estimate the costs of national subsidies for major agricultural price support programs in France during 1959–63. The figures exclude cost of administration and of credit made available to the support agencies at reduced cost, as well as the part of ONIC's price support expenditures that was financed by grain marketing taxes on producers.

Obviously the cost data in Table 10 must be interpreted with caution. Yet it seems safe to conclude that in the early 1960's dairy products required the largest government subsidies, the more so since these products appear to have been free from any tax at the producer level and to have been taxed more lightly than either grain or meat at the wholesale (consumer) level.

Since all national marketing and sales taxes on grain are expected to be eliminated and the full cost of price support is to be borne by the Community when the grain market is unified, it is pertinent to ask how large the *total* cost of support of French grain prices has been in the past. To this question, too, Schmidt and Stein have given a reasonable answer in terms of rough approximations (*135*, p. 100).

	Million NF					Million u.a. or U.S. dollars	
Source of funds	1959	1960	1961	1962[a]	1963[a]	1962[a]	1963[a]
National (incl. EEC) subsidy	178	280	544	655	507	133	103
Taxes on producers and buyers	233	517	429	437	400	88	81
Total cost	411	797	973	1,092	907	221	184

[a] Preliminary.

TABLE 10.—NATIONAL ALLOCATIONS FOR MAJOR FRENCH PRICE SUPPORT PROGRAMS, 1959–63 (INCLUDING EEC REFUNDS FROM JULY 1962)*

(Million New Francs except as indicated)

Commodity; agency	1959	1960	1961	1962 prelim.	1963 prelim. Million NF	1963 prelim. Million U.S.$ or u.a.
Grain (ONIC)[a]	178	280	544	655	507	103
Meat (SIBEV)	155[b]	187[b]	370[c]	425[c]	522[c d]	106
Milk (INTERLAIT)	233[b]	352[b]	586[c]	690[c]	821[c]	166
Meat and milk undifferentiated (FORMA)	...	...	123[e]	131[e]	150[e]	30
Total meat and milk	(388)	(539)	(1,079)	(1,246)	(1,493)	(302)
Sugar (GNIBC)	70	190	173	74	100	20
Fruits, vegetables, others (since 1960 FORMA)	15	75	123	125	175	35
Total						
Million NF	648	1,084	1,928[f]	2,060[f]	2,275	
Million U.S. dollars	131	220	391	417		462

* Data from Schmidt and Stein (*135*, p. 111). Figures exclude costs of administration and of credit made available to the agencies at reduced interest rates, as well as payments to farmers for withholding cattle marketings in periods of surplus. Conversions to U.S. dollars ($) at EEC rate for the unit of account: 1 NF = .20255 U.S.$ or u.a.

[a] Excludes price-support expenditures by ONIC financed by the quantum tax and other grain marketing taxes paid by producers.

[b] Includes the share of the meat tax (paid by consumers) allocated for meat price support: in 1959–60 SIBEV received allocations from the meat tax of 91 and 54 million NF, INTERLAIT received 149 and 59 million NF. From 1961 similar allocations were not designated by commodity program or receiving agency, but the total undifferentiated allocations used for FORMA's support activities (predominantly for meat and milk) are shown below.

[c] Supplemented by an unreported allocation to this program from meat tax funds: this allocation is included in the undifferentiated meat and milk allocation below.

[d] Should be reduced by the amount of income from SIBEV's sales of meat previously purchased for support, but the data are not available. Schmidt and Stein suggest that the income thus received by SIBEV was perhaps around 100 million NF in 1962 and not over 125 million in 1963—apparently somewhat larger than the unknown allocation from the meat tax which should be *added* to the same figures.

[e] Share of the "meat tax" allocated to FORMA for support purposes and presumably reallocated almost wholly for price support of meat and milk.

[f] There is an obvious discrepancy between this total as given by Schmidt and Stein and the sum of the above figures taken from the same source (1,919 in 1961 and 2,100 in 1962).

Although these figures may include some tax proceeds not used for price support, the total cost of grain support almost certainly exceeds that of dairy products support during 1959–63. There is good reason to infer that this has continued to be true. Not only have French producers paid sharply higher quantum taxes on both wheat and barley in 1964/65 and 1965/66 (Appendix Table VI), but ONIC estimated in August 1965 that the government's costs of disposing of wheat and barley surpluses totaled roughly 700 million francs ($142 million) in 1964/65 and would approximate 900 million francs ($182 million) in 1965/66.

Some indication of the cost of the various price support programs in the second half of the 1960's may be gleaned from estimates of the expenditures of the European Agricultural Guidance and Guarantee Fund (EAGGF) shown in Table II.[70] While the figures given for 1964/65 and 1965/66 may be assumed to

[70] This Fund was established in 1962 (*38*) and rules concerning its operations were spelled out in a 1964 regulation (*41*). Its Guarantee Section handles EEC contributions to member countries' price support costs for commodities subject to common policies; the Guidance Section, aid for "structural" improvements (*48d*; *48c*).

TABLE 11.—EXPENDITURES BY THE EUROPEAN AGRICULTURAL GUIDANCE AND GUARANTEE FUND: ALLOCATIONS 1962/63 AND 1963/64 AND ANTICIPATED PAYMENTS 1964/65–"1970"*

(Million EEC units of account or U.S. dollars)

Category	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69	"1970"
				GUIDANCE AND GUARANTEE FUND EXPENDITURES				
Total	38.0	67.8	217	318	590	1,350[a]	1,634[a]	1,615[a]
Guidance[b]	9.1	17.1	54	80	148	285[c]	285[c]	285[c]
Guarantee	28.9	50.7	163	238	442	1,065	1,349	1,330
				GUARANTEE FUND PAID ON				
Fraction of total costs	1/6	2/6	3/6	6/10	7/10	Total	Total	Total
Export subsidy basis	Net	Net	Net	Net	Net	Gross	Gross	Gross
				GUARANTEE FUND EXPENDITURES BY COMMODITY				
Grains ex-rice	28.1	49.0	127	118	160	353	350	343
Pork	.1	.0	8	14	17	30	25	20
Eggs and poultry	.7	1.7	2	3	4	5	5	5
Dairy products	...	...	25	98	133	330[d]	570[e]	570[e]
Beef, veal	...	...	0	0	1	2	2	2
Olive oil, oilseeds	...	...	...	...	96	155	155	154
Rice	...	...	1	0	1	10	10	10
Sugar	...	...	...	4	4	114	106	100
Others	...	...	...	...	25	66	126	126
Total	28.9	50.7	163	238	442	1,065	1,349	1,330

* Data for 1962/63 and 1963/64 are actual allocations from EEC (*26*; *27*). Approximations for all other years are from Agra-Europe (*2*) reportedly based on EEC Commission estimates. Dots (...) indicate that the commodity was not subject to common policy in the year in question and thus not eligible for EEC refund. Support measures permitted but not obligatory under EEC rules during the transition period were not subject to refund. See also note *a*.

[a] These amounts do not include the special compensations to be granted farmers in West Germany, Italy, and Luxembourg for the grain price reduction they will suffer after July 1, 1967.

[b] See text for brief discussion of Guidance Fund.

[c] In May 1966, effective from July 1, 1967, the Council placed an annual limit of 285 million dollars on the Guidance Fund which was previously scheduled to receive one-third as much as the amount allocated each year to the Guarantee Fund.

[d] Certain dairy supports will reportedly not be covered by EEC until 1968/69, the first full year under the unified milk price.

[e] Of this the subsidy on skim milk for feed accounts for 205 million dollars.

rest on a fairly firm basis, the estimates for future years are highly uncertain. For the EEC as a whole the program for dairy products is expected to become the most costly one by far, followed by the one for grain. However, EEC expenditures for French grain may well be higher than for French dairy products.

In 1962/63, the only year for which a complete breakdown of the Fund allocation is available, France received 87 per cent of the grain funds; and it seems safe to assume that as long as refunds are granted on the basis of *net* exports (through 1966/67), the French share will remain at a level of about 85–90 per cent. However, the French share may well decline after the market is unified, since the subsidy then will be on gross exports. Yet even if it should decline to between two-thirds and three-fourths of the estimated total grain payments, the amount at the end of the decade would be on the order of 235 to 265 million units of account or some 1,150–1,300 million francs.[80] France's share of the dairy

[80] These figures are not comparable with those for grains in Table 10, since the latter exclude that part of the export loss which was borne by the producers. They are more nearly in line with the "total costs" given in the tabulation preceding Table 11.

subsidies, on the other hand, may be roughly approximated at about 40 per cent, in line with the importance of French milk production.[81] This would put the estimate for 1968/69 at some 228 million units of account, somewhat below the estimate for grain. However, the general order of magnitude is so similar in the two cases that definite conclusions are not warranted. Despite the great uncertainty that attaches to the figures they are doubtless correct in reflecting increased costliness of both grain and dairy programs in France in the years immediately ahead.

Non-Price Policies Affecting the Farm Economy[82]

The principle of farm support based on price parity (farm prices tied to a series of indexes) was abandoned in France early in 1959 (see pp. 25, 28). It was later partly restored, only to be superseded by provisions in the 1960 Law on Agricultural Guidance (*68b,* Loi No. 60-808), which substituted the principle of income parity. This important law concerned itself primarily with improvement of farm structure and farm productivity as the means to achieve better farm income and attacked these problems on a broad front.[83]

Government interest in structural improvement was not new. Ever since the 1948 revision of the Monnet Plan, provisions for "modernization and equipment" of agriculture had had a growing place in French agricultural policy. However, the 1960 Law on Agricultural Guidance and subsequent laws and appropriations greatly increased the scope and effectiveness of such programs. The SAFER organizations (*Sociétés d'aménagement foncier et d'établissement rural*) created under its articles 15 to 18 appear likely to play an important role. They are operated jointly by government and farm groups and their task is to improve the distribution of rural land through subsidized resale of plots acquired by regular purchase or, if necessary, by right of preemption.[84]

Related laws and decrees implemented, expanded, or supplemented the basic law. One (adopted a few days earlier) complemented its provisions for consolidation of fragmented farmland, increase of farm size, and additional investment in irrigation and reforestation, as well as encouraging other improvements of farm structure. An accompanying law authorized expenditure of over two billion New Francs during 1961–63 for these and related purposes (roughly 135 million u.a. or dollars per year). No less important was the establishment in July 1960 of the *Fonds d'orientation et de régularisation des marchés agricoles* (FORMA) for improving the system of marketing of agricultural products, both in structure and in operation. During the same month, too, a law on education was passed, aimed at bringing rural schooling, general and technical, up

[81] Early EEC approximations for 1964/65 suggest France will receive 38 per cent of the total refund of dairy supports for that year (*7*). Actual allocation has not yet been made.

[82] The legislation discussed here is the subject of four excellent articles in *Berichte über Landwirtschaft* (*119*; *120*; *121*; *122*).

[83] The term "improvement of farm structure" has been used broadly in recent years to cover a wide range of adjustments that alter the form of, or the relation between land, labor, and capital inputs in agricultural production or marketing in a way that increases the productivity or profitability of the farm enterprise.

[84] By the end of 1965 SAFER had reportedly acquired 275,000 acres of land and resold 122,000, yet helped only 1 per cent of the farms in need of more or better consolidated land (*132*). Thus, the SAFER program appears to be a significant but minor stimulant to French land consolidation, which has gradually been occurring for many years, both spontaneously and with government assistance.

to the levels required in the type of modern economy envisaged in France. Moreover, in December 1961 new inheritance rules were adopted, designed to prevent further subdivision of farms remaining in agricultural production.

In the summer of 1962 the Minister of Agriculture, Edgar Pisani, took important new steps to strengthen the competitive power of French agriculture. The authorizing legislation, widely referred to as the *Lex Pisani* (*68c,* Loi No. 62-933), was in form an extension of the 1960 agricultural guidance law. It was adopted when the first stage of EEC common agricultural policy was about to begin, facing French farmers with increased future competition from other Community farmers, and ending the exclusive authority of the French government to deal with domestic farm prices, export subsidies, and related matters.

Pisani's emphasis was on further strengthening of programs to consolidate farms and on the creation of a new kind of marketing organization. In addition, the new law established a "Social Fund" known as FASASA (*Fonds d'action sociale pour l'aménagement des structures agricoles*), for economic as well as social purposes. This provides special old-age assistance to encourage older farmers to give up their farms, and authorizes grants for retraining farmers and farm workers for other occupations, for relocating some in more favorable agicultural areas, and for purchase of abandoned or unused land. In some cases land that becomes available as a result of activities of the Social Fund must be offered to SAFER. Several large regional development plans for problem areas are linked with and supplement operations under the Social Fund.

The marketing organizations created under the Pisani legislation are of two types: (a) "producer organizations," whose members must be engaged in production, marketing, or processing of agricultural commodities; and (b) higher-level "agricultural committees" composed of representatives of the organizations of producers. Each producer organization and agricultural committee is concerned with a single commodity (including processed products); and it must win and retain official recognition from the government in order to operate effectively and to receive financial assistance. These commodity-centered groups have broad powers. They are not only instructed to regulate production and marketing of their respective products in accordance with actual and potential demand in domestic and foreign markets but even to set minimum prices subject to government approval.[85] If market prices fall below the minimum level, supplies of the products in question must be withdrawn from the market. An agricultural committee can request the Minister of Agriculture to make its rules concerning production and marketing obligatory for all producers within its area if two-thirds of the producers accounting for at least half of the production have voted for such a measure.[86] In addition, the organizations and committees

[85] The law specifically states that organizations will be recognized if they are concerned with commodities which are or may become the object of a common EEC program (or with other commodities if specifically decreed). The organizations obviously cannot establish any price or other regulation contrary to an adopted EEC policy. We infer that the intent of the law was to provide the legal basis in France for whatever non-governmental action in the interest of producers might be taken to supplement the common EEC programs. After unification, difficult questions may well arise as to whether some of the resulting organization programs go beyond, and, indeed, even conflict with the intent of EEC policies and legislation.

[86] In many respects these arrangements resemble United States marketing orders for certain agricultural products.

are responsible for initiating and carrying out measures for improving the marketing system for the commodity concerned, thus reducing marketing costs per unit of product marketed.

The purpose in creating such marketing organizations was apparently fourfold: (a) to help French agriculture become more competitive in EEC and foreign markets by making the marketing system more efficient; (b) to ensure that farmers themselves would share in the advantages accruing from better marketing; (c) to place much of the responsibility for "orderly marketing" on these organizations; and (d) to influence production in some measure at a time when the French government was about to lose much of its earlier extensive power to establish and enforce specific farm-level prices and marketing controls.

These purposes appear to have been strengthened with the enactment in 1964 of a law on vertical integration involving specified farm products and/or means of farm production (*68f,* Loi No. 64-678). This goes considerably beyond providing the legal framework for a new type of organization. It explicitly states that the type of farm production subject to a contract concluded under its provisions must be in line with the government's production goals, as well as with demand in domestic and foreign markets; and it specifies also that the contract must contribute to a balanced market for the products involved. Consequently, the government continuously makes available a list of commodities for which such vertical integration contracts are authorized. Although integration with respect to products not listed is not prohibited, these would not be eligible for financial assistance from the government. The clear intention of the law is to modernize French agricultural production and marketing for increased competition, and also to make it possible for the government to influence the composition of the expanded production.

These and other increased French efforts to promote structural improvements in agriculture will receive significant but not heavy support in the future from the Guidance Fund of the European Agricultural Guidance and Guarantee Fund (EAGGF). The first two allocations from the Guidance Fund were made in late 1965 and mid-1966 and had reference to 1962/63 and 1963/64 expenditures. For both years France received 21.5 per cent of the total allocation or a modest 1.95 and 3.69 million u.a. (dollars), respectively, for specified projects.[87] The rules concerning the Guidance Fund place as much emphasis on improvement of storage and marketing facilities for commodities subject to a common policy as on structural improvements at the farm level (*41,* Art. 11, 12). This is reflected in the projects for which France received support for 1963/64. They included construction of grain silos, livestock markets, packing centers for vegetables, etc., as well as land consolidation measures, water engineering, pasture improvement, and construction of cattle sheds. If the Fund remains at 285 million dollars for several years (Table 11, footnote *c*) and France continues to receive a share of more than 20 per cent, the amount will be substantial, though still only a modest share of France's expenditures for such purposes.

[87] Against the sums France receives from the Guidance and Guarantee Sections of EAGGF—the latter being by far most important—must be set her payments to the Fund. Except for Luxembourg, France was the only EEC country that was a net recipient of EAGGF funds in 1962/63–1963/64, receiving a net total for the two years of nearly 48 million u.a. (7, p. 16).

PART II. INFLUENCE OF GOVERNMENT INTERVENTION ON FRENCH GRAIN PRICES

The domestic price of any internationally traded commodity in any country moves more or less in line with "world" prices except as government measures or poor transport isolate the domestic market from world trade influences. The following discussion therefore focuses on such questions as: (a) during what peacetime years of the past four decades and for what grains did French domestic prices move independently of world grain prices? (b) how large were these independent responses? (c) what government policies and programs were primarily responsible? (d) how and why have French grain prices during the EEC transition period (1962–67) differed from earlier nationally controlled prices both in their interrelationships and in relation to corresponding prices on world markets? and (e) what changes in grain price levels and relationships are to be expected in France during the first years of grain and livestock market unification in the European Economic Community?

EVIDENCE OF FRENCH PRICE "PROTECTION" IN THE INTERWAR PERIOD

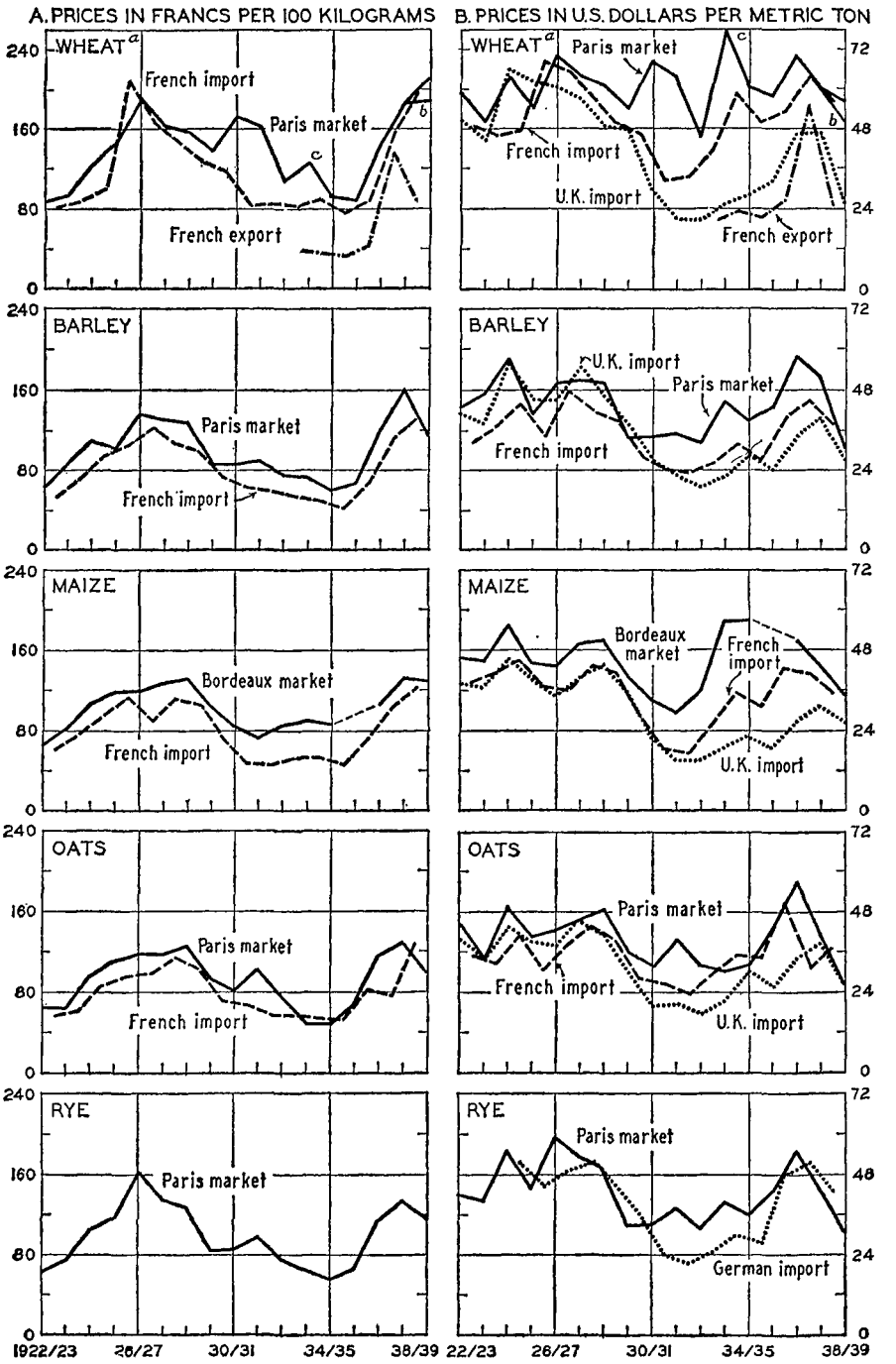
Chart 2 presents pertinent domestic and international price comparisons for the interwar period; and Chart 5, p. 85, throws additional light on domestic *vs.* international grain price relationships during those years.

Interwar Indicators of "World" Grain Prices

In Chart 2B French domestic market prices of the five major grains are shown in comparison with the corresponding average unit values of grains imported into the United Kingdom (Germany for rye). Such import values may be regarded as the best available indicators of "world" prices, because of the representative character and large volume of the imports. Here we refer to these values simply as "British import prices" or "world prices" since they are essentially equivalent to the average c.i.f. prices (European ports) of large, representative quantities of imported grain.

Although similar French import values are also shown in Chart 2, their usefulness in representing international prices is limited, because their course was strongly and frequently affected by the peculiarly protective character of French pricing and trade policies with respect to dependent territories. In the 1930's, for example, French import prices of all grains stood considerably higher than British import prices, reflecting not only the overvaluation of the franc, but also the dominating weight of French imports from North African dependencies and Indochina, whose grain was bid up in price as a result of essentially duty-free access to the protected French markets, from which other imports were almost excluded by direct government controls. If France had been a sizable and fairly consistent net exporter of any of these grains during the interwar period, French export prices might well serve as the best guide to the "world" value of French grain; but since French grain exports were both small and variable, the movements of French export prices warrant little attention here.

CHART 2.—FRENCH DOMESTIC PRICES OF MAJOR GRAINS COMPARED WITH FRENCH AND "WORLD" IMPORT PRICES, 1922/23–1938/39*



* Domestic market prices from official source (*67*) and Bulletin des Halles (Paris). Average unit values for the United Kingdom and Germany are our computations, based on data reported in the respective national publications on foreign trade (*99*; *139*; *108*). Prices in U.S. dollars represent con-

Comparison of French Grain Prices with "World" Prices

An outstanding feature of Chart 2B is its clear indication that French prices of feed grains (including rye)[88] followed the international market much more closely than wheat during most of the interwar period. Not until 1930/31 did the domestic price of any feed grain except maize stand much above the prevailing level of British import prices; and not until several years later did French market prices of any feed grain—even maize—diverge in substantial degree from the general course of world prices. French wheat showed both earlier and greater independence of price movement and also much wider price spreads over world levels. After 1930/31, practically all French grains showed some independence of price movement, wheat much more so than any other.

In French markets, the maximum spread above international prices was registered for maize at Bordeaux. That market was unique because it existed almost solely for the sale of imported grain; and through 1934/35 the only quoted price published was for landed, duty-paid Plata maize, which was a pricing guide for sales of such small quantities of homegrown maize as were marketed. Thus, through 1935 the Bordeaux maize price continuously reflected the full effect of changing French import duties (Appendix Table I) and internal transport costs superimposed on international market prices. This was true even after the French minimum customs duty on non-Empire maize was pushed up to and finally above 100 per cent of the c.i.f. import price in the early 1930's, further widening the price spread between the Bordeaux market and the British import market. After 1935, however, further reductions in French import quotas for non-Empire maize (Table 2, p. 11) and the devaluation and subsequent depreciation of the French franc combined to squeeze non-Empire takings to a trickle, and to stimulate additional imports from Indochina. As a result, Plata maize was no longer imported in quantities large enough to permit it to serve as the base for price quotations in the Bordeaux market; and from 1936 the quoted prices were for maize from Indochina.

Partly because of this shift, and partly because the earlier effective import quotas plus increased duties on maize had raised Bordeaux prices to record heights in the two crop years ending July 1935, the French market price of maize (in United States dollars) declined in 1936/37 instead of rising to new peaks as did oats, barley, and rye. The new price peaks for all grains except maize and the wide spreads that then prevailed between most French grain prices and British import prices may have been partly a response to the French devaluation of September 1936. But in larger measure they appear to have been due to a generally tight international supply position combined with a shortage of grain in metropolitan France and North Africa that was intensified by restric-

[88] Here and elsewhere in the present study rye is regarded as a feed grain; the bulk of the French crop has long been used for feed.

Footnotes for Chart 2 (*continued*)

versions at monthly average exchange rates published by the U.S. Federal Reserve Board.

[a] All prices are for *blé tendre* (i.e., ordinary bread wheat, exclusive of durum).

[b] The lower wheat price shown is the Paris market price minus the marketing tax deductions imposed on producers that year to help finance export and other disposal of the 1938 wheat surplus.

[c] The wheat price officially fixed (and here shown) for 1933/34 was so unrealistically high that lower black market prices prevailed through most of that season.

tive import quotas on grain from non-Empire sources. Only a small degree of official relief was afforded by increase of the import quota for brewing barley and expanded importation of non-Empire oats by the army, which was not bound by import quotas.[89]

Since French rye and oats were "protected" by customs duties roughly the same as or higher than those on maize (Appendix Table I), it may seem odd that domestic prices of those grains did not stand as far above world levels as did the domestic price of maize. This was mainly due to the differing import positions of the three grains (imports of rye and oats being very small) and to the associated greater significance for maize prices of the government's direct import controls. In principle, it is clear that both customs duties and more restrictive direct import controls tend to be most effective in keeping at inflated levels the domestic prices of products imported in large volume. These tendencies show up in surprising degree in French price and trade statistics: the order in rank of the four feed grains based on average price spreads (domestic cf. "world" markets) coincides precisely with their average import rankings, whether by size of imports or by percentage contribution of imports to total domestic use.

The influence of government intervention was even more evident in French wheat markets. Until 1930 the Paris market price of wheat paralleled free international prices at a level typically 10–15 per cent higher, a margin that reflected most, though not all, of the prevailing customs duty plus the costs of moving imported wheat to domestic milling centers. The two crop years beginning August 1924, however, were outstanding exceptions: Paris prices then stood below, not above, world import levels. During 1924/25 the French government suspended the import duty on wheat for a six-month period to prevent a sharp rise in world markets from being fully reflected in prices to domestic consumers; and in 1925/26 the French wheat crop was so big that gross imports were smaller than in any interwar year up to 1936/37.

To bolster the lower domestic prices of 1925/26 and to counter the effects of the subsequent decline of world prices, the government raised the customs duty on wheat in five stages from 14 francs per 100 kilograms (U.S. $6 per ton) during the last half of 1925 to 80 francs (U.S. $32 per ton) after May 1930. As of that date the duty substantially exceeded the currently depressed world price (Appendix Table I). This four-fold increase in duty, apparently aimed at stabilizing the Paris wheat price close to the 1924/25 world peak, succeeded in keeping that price well above world levels; but it did not prevent French prices from drifting downward.

From 1930/31 prices in domestic wheat markets diverged much more sharply than before from world import prices expressed in U.S. currency. Over the six crop years ending in the summer of 1936, Paris prices (in U.S. dollars) fluctuated widely at an average level roughly twice as high as British import prices

[89] Prices on the Paris oats market are reported to have been heavily influenced from year to year by purchases of the army, which was the chief buyer of oats. Although not bound by import quotas, the army apparently purchased the lower priced domestic and North African oats when possible, since annual imports from non-Empire sources averaged only some 4,000 tons during 1933–36, well below the import quota level of 25,000 tons. In 1937, however, the reported imports sharply expanded to 65,000 tons.

and fairly close to the 1924/25 world peak (Chart 2B). The wide price spreads of this period primarily reflected the effectiveness of stringent French restrictions on non-Empire trade, combined with a high customs duty and domestic milling controls, and reinforced by successive devaluations of British, American, and other foreign currencies that further depressed international prices already weakened by spreading economic recession (*137*). Under such circumstances, the major threat to the high French wheat prices of the early 1930's came less from non-Empire export pressure than from three bumper domestic crops and an increasing inward flow of protected wheat from French North Africa. Indeed, domestic wheat surpluses mounted in spite of the sharp curtailment of non-Empire imports, and also in spite of expensive surplus disposal measures and relatively futile efforts at direct price fixing in 1933/34 (pp. 9–12).

The gap between French wheat markets and free international prices narrowed during the two ensuing years. This reflected devaluation of the French franc in September 1936 and its subsequent further depreciation combined with marked strengthening of world wheat prices in response to two successive short world crops. Even then, however, government support measures kept French wheat prices well above the international level, and the protective spread sharply increased again in 1938/39 when "world" prices tumbled under the influence of a bumper world harvest and competitive subsidization of exports by virtually all leading wheat exporting countries, including France (*138,* pp. 39–99). Although the French Wheat Office, organized in 1936 (p. 13), promptly introduced tighter controls over wheat marketings, imports, and utilization, thus effectively maintaining the high official prices, it could not escape the problem of domestic surpluses. Timoshenko estimated that in 1938/39 that agency arranged for subsidized exportation of some 19 million bushels (517 thousand tons) of wheat at a "cost" of around 17 million dollars (*138,* p. 75). How much of this cost was financed by the marketing tax collected from wheat producers that year has not been reported, but the tax is officially estimated to have reduced the average net price received by producers by some 10 per cent (21 francs per 100 kilograms or U.S. $5.60 per ton). This suggests that wheat producers paid roughly a fourth of the total cost of export subsidization.

Price Relationships Among the Major Grains, 1920–39

The government interventions in the interwar period clearly favored wheat relative to other grains, particularly during the early 1930's and again in 1938/39. This favoritism appears in Chart 2B in the much wider spreads for wheat between Paris market prices and British import prices. It is perhaps even more clearly reflected in Chart 5 (p. 85), which shows the prices of the other grains as percentages of the price of wheat on the Paris market, and also on the most representative "world" market.

During most of the 1920's, when French prices were primarily determined by market forces modified only by moderate customs duties, grain price relationships at Paris moved closely in line with those in world trade. But from 1929/30 French wheat prices were fairly well sustained by government action in the face of extreme price weakness in other domestic grain markets. Expressed as percentages of the price of wheat, feed grain prices in France thus declined

from earlier levels of around 80 per cent to less than 60 in the early 1930's, whereas on representative world markets the corresponding price ratios continued to fluctuate around or even above earlier levels, typically approximating 80–90 per cent.

Not until late 1932 or 1933 was significant additional protection given to French rye and feed grains through new tariff increases and the introduction of import quotas (Appendix Table I and pp. 10–11). Even then, however, the degree of protection granted barley, oats, and rye was so much less than that given to wheat that the price ratios for these grains again receded to or below the 60 per cent level in 1933/34. Since French price protection was normally more effective for maize than other grain except wheat, it is not surprising that maize–wheat price ratios in the 1930's tended to depart less from world market patterns than did the price ratios for other feed grains. Only in the first two years of the depression, 1930/31 and 1931/32, before the government sharply raised customs duties and imposed prohibitive import quotas on non-Empire feed grains, did the price of maize at Bordeaux fall as low as 60 per cent of the price of domestic wheat.

Renewed relative strength of feed grain prices in the three years of domestic grain shortage ending in mid-1938 was followed by a sharp decline in 1938/39, when Paris prices of all feed grains were notably low, both absolutely and relative to the artificially high price of wheat. These changes were the reverse of those recorded for British imports, which reflected not only the abnormal international shortage and high prices of wheat (hence low feed grain–wheat price ratios) in 1936–38 but also the renewed wheat surplus conditions and unprecedented export subsidization of wheat at depression levels (hence high feed grain ratios) in 1938/39 (Chart 5).[90] In this final interwar year, therefore, ratios of feed grain to wheat prices were artificially inflated on "world" markets and artificially depressed on French domestic markets.

PRICE INDEPENDENCE UNDER NATIONAL REGULATIONS, 1946–62

From the end of World War II to mid-1962, when the EEC Grain Regulation went into effect, the prices of the major French grains were officially fixed and effectively controlled by the French Grain Office (ONIC) in line with nationally determined economic policies. The purpose was to isolate domestic prices from undesired levels or fluctuations of "world" prices, with a view to attaining certain national goals relating to prices, incomes, and international financial position. In this France did not stand alone among the more highly developed nations of the world. Nor was she exceptional in attempting to resist the normal market effects of underlying technological and economic forces tending within her borders to reduce the "real" price of wheat (and in lesser degree of secondary grains) after about 1949. Partly for these broader reasons the record of French grain prices and of their relationships to "world" prices during 1949–62 is of special interest. By no means least significant is clear evidence that

[90] The widespread subsidization of wheat that took place in 1938/39 was the focus of a special study by V. P. Timoshenko, who concluded that it resulted in depressing British import wheat prices by abount $.10 a bushel (*138*, pp. 39–99).

the grain prices fixed by the French government were substantially influenced by international price developments, though often indirectly and belatedly.

Appendix Table II and Charts 3 and 4 show that after 1949/50, when the immediate postwar transition in French grain prices was essentially completed, prices in current francs were raised to sustained higher levels in two periods, first in 1951/52 and (more gradually) during the three or four years beginning in 1958/59. In contrast, the intervening period—August 1951 through June 1958—was characterized by fairly general stability in both the average net prices received by producers and the wholesale prices paid by buyers (both adjusted for taxes). To what extent did these movements resemble or substantially differ from the price movements reflected in international trade? Did the levels of French grain prices in 1951–62 differ either more or less from representative world levels than they had in the interwar period—if so, why? And do the price records of this period suggest that any single grain was especially favored or discriminated against as a result of French government controls?

"World" Prices After World War II

It is difficult to compare any national grain price series with "world" prices because of the necessity to make adequate allowance for important variable differences in such factors as the quality, location, and timing of sale and delivery of the grains compared. And for roughly five years after each World War and more briefly in the Great Depression, inconvertibility of the major currencies and unrealistic official exchange rates greatly enhanced the incomparability normally existing between domestic and international prices originally expressed in different currencies. Yet extensive research has repeatedly demonstrated the usefulness, up to 1939, of Liverpool grain futures prices and the closely associated British import prices (whether c.i.f. prices to the United Kingdom or unit-import customs valuations) as "world" price indicators and economic guides in most peacetime years.[91]

No similarly meaningful international price series is available for the decade following 1939. Not until the end of 1949, after termination of international allocations of exportable grain supplies and after a host of national currency devaluations (most numerous and general in 1949), can the domestic grain prices of many countries be profitably compared with each other or with any kind of "international" price series—all expressed, of course, in a common currency such as U.S. dollars. Even since 1950 there is reason to question how meaningful and useful "world" price series are, at least for wheat. Multiple pricing of wheat both nationally and in international trade greatly expanded after World War II, creating new problems of statistical measurement as well as special problems in economic analysis and policy formulation. Direct government controls over grain prices, marketings, and foreign trade, officially financed stockpiling and stock releases, and both reported and hidden subsidies on certain types of domestic utilization and exports (including many forms of "surplus disposal" and "foreign aid" exports) have greatly complicated the world wheat price structure

[91] Many of the studies resulting from this appeared in the twenty volumes of *Wheat Studies* published by the Food Research Institute during 1924–44.

of the past two decades. These developments have undoubtedly affected both the level and changes from year to year of "world" commercial prices of wheat as reflected on the British import market.

The International Wheat Agreement (IWA), one of the most visible elements in this postwar price structure, has played a debatable role. Conflicting assertions have been made that this Agreement (with associated government controls) has "raised," "lowered," "stabilized," or "had negligible effect" on world prices. The fact appears to be that it has had each of these results at different times and in modest degree.[92] To interpret correctly the economic significance and possible bias of the "world wheat price" series shown in Chart 3, an understanding of the changing meaning and significance of "IWA prices" *vs.* "concessional prices" is essential. The nature and international roles of these different types of wheat export prices are indicated in the following summary of international pricing developments under the six successive International Wheat Agreements in effect over the past 17 years.

From August 1949 through July 1953 the first agreement provided the basis for an internationally approved two-price system in international trade. Importing countries that signed for specified quotas under the 1949 Agreement paid IWA prices equivalent to the IWA maximum for such quantities of quota wheat as they decided to purchase from participating exporters (the United States, Canada, Australia, and France)—prices continuously held at the top of the price range specified in the Agreement. For additional non-quota purchases ("non-IWA" or "Class II" or "free" wheat) from these same exporters and for all wheat obtained from non-participating exporting nations, typically higher prices were paid. The non-IWA prices, though commonly and incorrectly referred to as "free" were either set by the monopoly marketing boards of IWA exporting countries (Canada, Australia, France) or were based on domestic market prices in the United States, which were artificially inflated during most of the period by high government price supports.

While British imports of the high priced non-IWA wheat were proportionally smaller than on the average for all importing countries combined, Britain also imported a higher percentage of top-grade milling wheats (mainly high-grade Manitobas) than did other countries. It is not surprising, therefore, that our rough calculations suggest that the British import price series for wheat can be accepted as reasonably representative of the average price paid for all wheat moved commercially in international trade in the first two crop years covered by the 1949 IWA. And the same calculations indicate that the British import price was probably not more than $.10 a bushel too low to be similarly representative even in 1951/52, when stockpiling associated with the Korean War was strongest and was further stimulated by evidence of serious shortage of high-quality milling wheat. This maximum distortion of 4 per cent on the low side is barely large enough to be distinguishable on the small scale used in Chart 3.

Since 1953/54 IWA and non-IWA ("free") wheat have sold at the same level; but multiple pricing of wheat in international trade has continued in the

[92] In an earlier article this point was developed in considerable detail with reference to the first two agreements covering the period 1949–56 (*58*).

form of differentiation between "commercial" export sales on the one hand and several different types of "concessional" sales on the other. Such concessional sales are variously referred to as "surplus disposal" exports, "food relief," "development aid," and/or "long-term credit sales" (*56*). Within the "commercial" or full-price category there has been relatively little price differentiation, the most noteworthy being the French-German trade agreement of 1959 which obligated the importer (Germany) to pay increasing annual premiums for specified quotas of French wheat. Otherwise "commercial" price differentiation appears to have been limited to the granting of government transport subsidies (especially on French and German shipments to distant markets), to barter transactions (particularly under the early United States barter program), to government assisted sales-credit arrangements, and perhaps to modest downward shading of prices on large sales of grain to the leading Communist countries (e.g., sales by Australia and France). "Concessional" exports, in contrast, have been both large in volume and also highly differentiated in price (*56*, pp. 221–42). Of these, the major faction has represented sales to a small number of underdeveloped countries in exchange for their own currencies. Although nominally priced at going "commercial" export levels, such sales have contained hidden subsidies large enough to cut the average net price of the grain to half of the reported commercial price or even less.

Because of the enormous magnitude of concessional exports of wheat since 1955/56 and the huge price discounts involved, British import prices, based solely on commercial sales, have been maintained at a higher level than otherwise would have been possible, and substantially too high to be representative of the effective average import price paid for all wheat moved in international trade. Yet there is no question that British wheat import prices since 1950 have been reasonably representative of international "commercial" prices and closer than many nationally fixed prices to a true economic level. Thus, the British import price series can still serve as a useful world "commercial" guide for judging the differing degrees of price protection by the domestic wheat prices of France, the United States, and other commercial trading nations.[93]

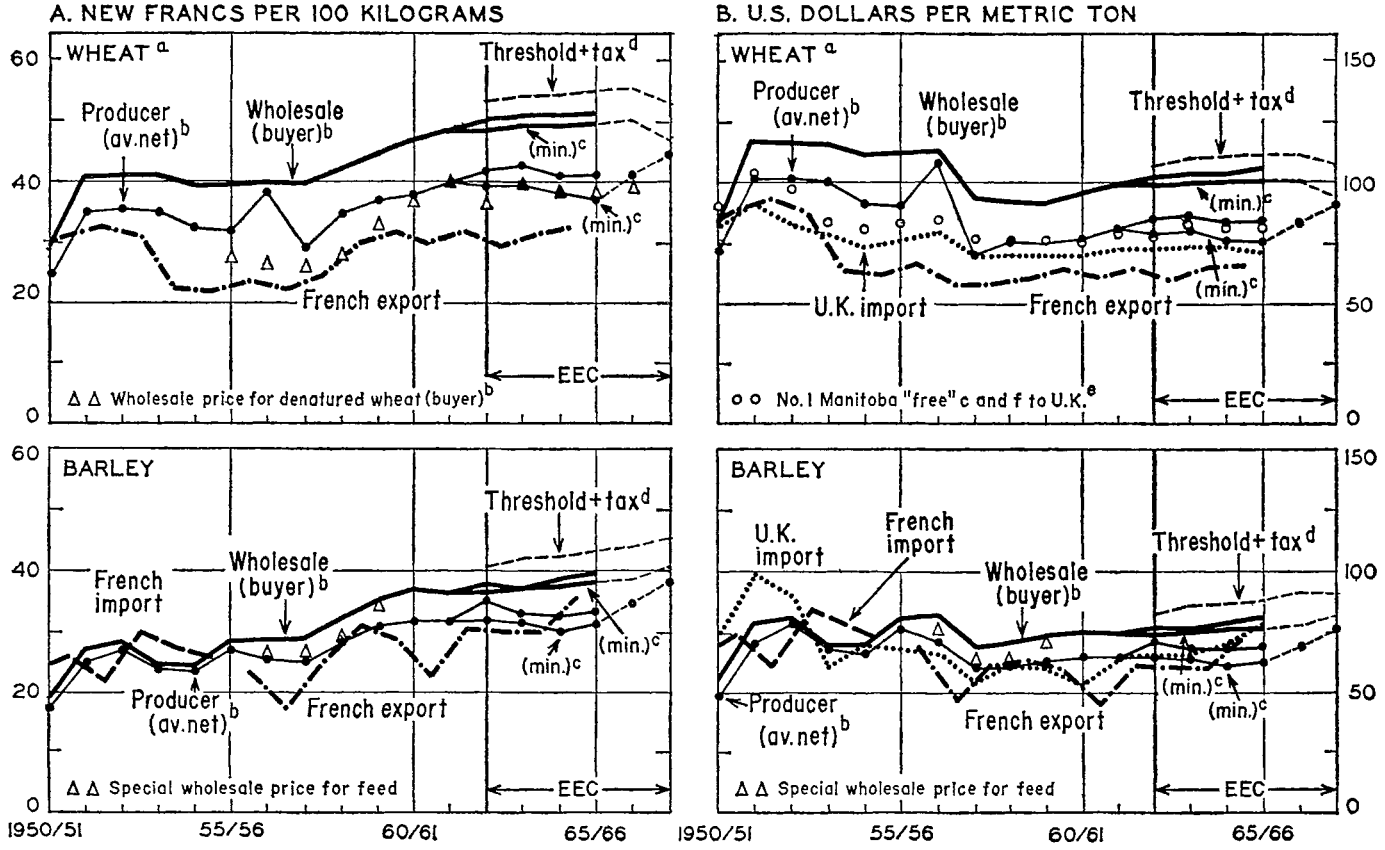
French Wheat Price Developments and International Position Before EEC

The complexity and stringency of French postwar controls over wheat and the economic and political importance of this grain warrant separate consideration of the domestic structure and international position of French wheat prices. The most significant changes in these prices and also in the prices of barley since 1950/51 are shown in Chart 3 and Appendix Tables II and VII. For better perspective Chart 4, which shows the corresponding prices of maize and rye, is presented facing Chart 3, the prices of all four grains being shown not only in New Francs (Section A) but also U.S. dollars (Section B).

Little attention need be given here to postwar wheat prices prior to the sharp advance of 1951/52. The earlier domestic prices had been raised less than "free" world prices, which had advanced markedly during 1949–51 under the joint in-

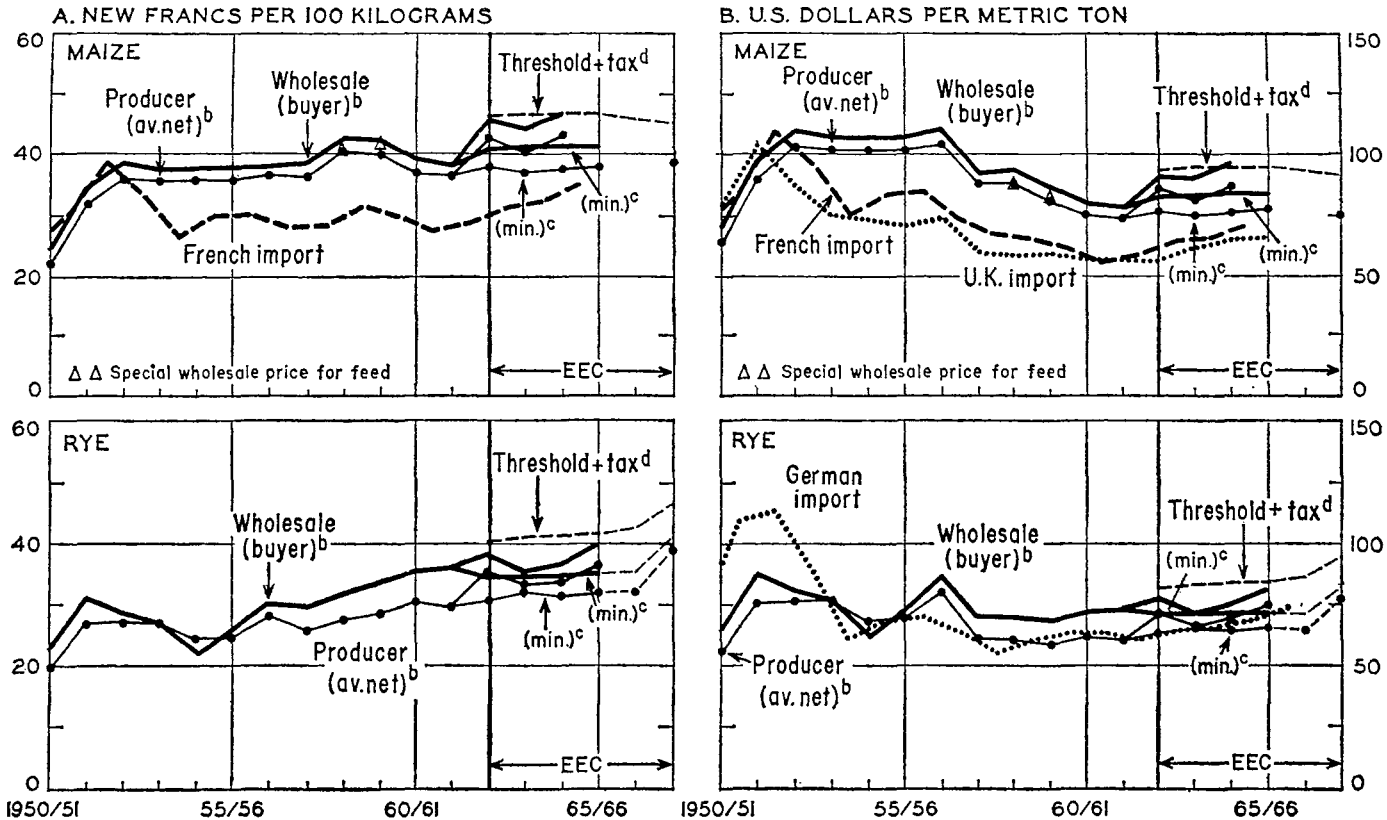
[93] In such comparisons one has to make rough allowance for differences in the quality and location of the grain priced and the differing export-import positions of the respective countries.

CHART 3.—AVERAGE TAX-PAID PRICES OF FRENCH WHEAT AND BARLEY TO PRODUCERS AND TO DOMESTIC BUYERS COMPARED WITH "WORLD" PRICES, 1950/51–1966/67 AND ANTICIPATED 1967/68*



* For footnotes see p. 80.

CHART 4.—AVERAGE TAX-PAID PRICES OF FRENCH MAIZE AND RYE TO PRODUCERS AND TO DOMESTIC BUYERS COMPARED WITH "WORLD" PRICES, 1950/51–1966/67 AND ANTICIPATED 1967/68*



* For sources and description of price series, see notes to Chart 3 and source *107* (German import prices). The higher of the two producer price series from 1962/63 represents approximated average net market prices in producing areas (Appendix Table III, note *g*).

fluences of widespread currency devaluations, large foreign-aid purchases of grain, and fear of possible spread of the Korean War. The sharp increase of French wheat prices in 1951/52 thus represented in part a response to earlier and concurrent advances in world grain prices. Equally or more important, however, was the determination of French officials to encourage domestic grain production with a view to saving and even earning foreign exchange. So motivated, the government not only raised the basic wheat price of the preceding year by a third, but also added to the price paid for producer marketings a special premium of about 6 per cent. This raised the effective average price to French producers in 1951/52 to a farm-level price roughly equivalent to the "free" c.i.f. price of No. 1 Manitoba, North European ports (Chart 3B).[94] And this meant that despite France's position as a signed exporter under the 1949 Wheat Agreement and despite repeated official intentions to expand grain exports, French producers were guaranteed a price equivalent to the high non-IWA import price for the world's top-quality wheat—an import price then at a peak in reflection of temporary shortage of good quality grain in a year of heavy stocks-building associated with fears of spreading warfare and inflation. The new French prices clearly implied that in the absence of early devaluation of the franc, export subsidies would be required not only to sell France's small, lower-priced IWA export quota, but also to move prospective larger non-IWA exports. The government-fixed wholesale price to French millers and other domestic buyers was raised even more in 1951/52 than either the "basic" or net average price to producers—by 41 per cent as compared with 32 and 38 per cent, respectively. Most of this difference reflected an increase in the farm welfare tax imposed on all wholesale purchases of wheat, a tax partly offset by a special bread subsidy paid to bakers (p. 22). No such tax was imposed on buyers of any other grain except rye, from which it was removed at the end of 1951/52. Thus this special tax represented an additional element of rigidity in the wheat pricing system and had a marked influence on price relationships between wheat on the one hand and feed grains on the other (all tax-paid to buyers).

[94] All such conversions of French francs to hard currencies necessarily reflect the changing degree of overvaluation of the franc. This was less important in 1951/52, however, than it subsequently became before the basic devaluation of 1957.

Footnotes for Chart 3

* Based on data in Appendix Tables II, III, IIIA, IV, and VII. See note *b* regarding change in nature of domestic prices and markets from 1962/63.

[a] All prices are for *blé tendre* (i.e., exclude durum).

[b] Through 1961/62 weighted averages of government fixed prices (tax-paid), uniform throughout the country; from 1962/63 the two plotted series for producers and the two wholesale series for buyers apply predominantly or wholly to prices in the surplus area (see note *c*).

[c] Of the two price series shown for producers from 1962/63, the lower represents the weighted average net *minimum price* in the market center of the area of greatest surplus, the higher one the average net *market price* actually received by producers in 16–30 surveyed markets. Similarly for wholesale prices to buyers, the lower represents the average tax-paid minimum price, the higher one the average price paid in surveyed markets in the surplus area (see Appendix Table III). All four series include allowance for taxes paid.

[d] Threshold prices represent the lowest representative c.i.f. prices from non-EEC sources (basis EEC quality, Marseille) plus the current EEC-fixed import levy. Since such grain, once imported, is also subject to the same internal taxes imposed on domestic grain at the wholesale level, the applicable internal tax has here been added to each of the threshold prices shown.

[e] Price of No. 1 Manitoba at Fort William plus loading and transport costs to United Kingdom ports. Through 1952/53 the "free" or Class II price applied on sales outside the International Wheat Agreement.

Once incorporated in the French wheat price structure, the high "basic" price of 1951/52 (uniform throughout the country) and the still higher tax-paid wholesale price to millers remained virtually unchanged for six years (Appendix Table II). But as world wheat surpluses increased and international prices declined, the gap between "world" prices and French domestic prices widened; and French export prices, previously favored by being mainly for higher priced sales outside the International Wheat Agreement, proved much too high to compete for the larger export outlets needed by the French after the first IWA expired in mid-1953. Between 1952 and 1954, therefore, French export prices of wheat were reduced much more sharply than "world" prices, the cut amounting to $29 (U.S.) per metric ton as compared with declines of only $13 in British import prices and $19 (U.S.) in the Class II or "free" price of No. 1 Manitoba, c.i.f. British ports. The sharp downward adjustment of French export prices greatly increased the cost of export subsidies, which in 1953/54 began to call for heavy budgetary outlay.[95] In that year French wheat exports expanded to well over a million tons at the very time that a new world wheat surplus emerged, a surplus that persisted, with only temporary relief, for more than a decade.

To help defray the prospective large costs of such subsidies in the two following years of big harvests, the government not only removed the special premium paid on all wheat marketings during the three crop years ending in 1953/54, but also raised the progressive reabsorption tax collected from producers marketing more than 2.5 tons in 1954/55 or 5.0 tons the following year. The guaranteed "basic" price for the 1955 crop was limited to a specified volume ("quantum") of deliveries; and individual producers received progressively lower prices for deliveries in excess of their designated share of the specified quantum.

Thus was initiated the quantum tax system, which became firmly entrenched in the French wheat pricing structure and later was extended to barley, maize, and rye on a uniform, not progressive, tax basis (pp. 20–29). For above-quantum deliveries, the prices received by producers were supposedly tied to the average price earned on exports. But this tie appears to have been tenuous, particularly after the first few years; and both in operation and economic effect the quantum tax differed little from the reabsorption tax which it temporarily supplemented and later supplanted.

In every postwar year in which a sizable wheat surplus has existed in France, large producers have received considerably lower prices than small producers for

[95] The cost of French wheat-export subsidies in 1947–57 has been reported as follows, in billion old francs, differentiated by source of payment (*61*, p. 15).

	Government	Producers levy
1947–50	—[a]	—[a]
1950/51	—[a]	1
1951/52	—[a]	2
1952/53	—[a]	2
1953/54	11	5
1954/55	29	14
1955/56	21	11
1956/57	—[a]	—[a]

[a] Zero or negligible. In 1956/57 the premium-supplemented price to producers was far above the export level, but French exports were of negligible size in reflection of the poor domestic harvest.

their wheat marketings. The prices to large farmers declined progressively with increases in deliveries above the first 2.5 to 15.0 tons as variously specified in different years. This extremely important feature of the French price structure is more fully discussed in the following section.

Except for the abnormal year 1956/57, which brought one of the worst wheat crop reverses in French history and a special government price premium on wheat marketings,[96] the period 1953/54 through 1957/58 was one of near-record surpluses both of domestic wheat and of all grains combined. Under these circumstances, the noteworthy feature is not that taxes on wheat marketings were increased and average net producer prices reduced—most sharply in 1957/58—but rather that the basic price of French wheat was lowered only 3 per cent in domestic currency between 1951/52 and 1957/58 and the weighted average net price to all producers combined declined no more than 16 per cent, while British import prices were falling 25 per cent and North American "free" export prices some 30 per cent. Primarily responsible for the more moderate reduction of French producer prices expressed in local currency was the devaluation of the French franc in August 1957.[97] This resulted in sharp downward adjustment of French grain prices in terms of convertible international currencies such as the American dollar (Chart 3), thus narrowing the previous wide gap between French producer prices and "world" prices and reducing the export subsidy required to compete actively in international trade. At the same time, as a corollary effect, it permitted the French government to keep domestic wheat prices essentially unchanged in terms of francs so long as the budgetary burden of surplus disposal was not markedly increased either by excessive expansion of domestic surpluses or further decline in "world" prices.

During the remaining years of the pre-EEC period, dollar prices of both French domestic and export wheat were relatively stable (Chart 3, Section B). Expressed in French francs, these prices increased sharply between 1958/59 and 1959/60, but dollar prices did not. The devaluation of the franc in December 1958, the result of renewed inflation, accounts for this divergence in movements. Despite efforts to abandon index-tied grain pricing (p. 28), the government was unable to resist pressures to raise grain prices during this period.

In the diversified wheat price structure of France, the price reduced least between 1951/52 and 1957/58 and then increased most during the four following years was the general wholesale price to buyers (Chart 3). This reflected the government's unaltered decision to pass on to consumers a major part of the costs of the domestic wheat program, except to the extent that it appeared politically and economically desirable to control bread prices by a special "bread

[96] Bad weather at seeding time and subsequent heavy abandonment held the French wheat crop of 1956 to scarcely more than half the average harvest of the two preceding years. Unprecedented spring plantings of feed grains, however, more than doubled the production of barley and resulted in a new record output of all grains combined. To offset the adverse income effects of the small 1956 wheat marketings, the government authorized ONIC to pay producers a special price premium of 310 old francs per 100 kilos on all wheat marketings and an additional 242 francs per 100 kilos on deliveries up to 7.5 tons. This was, in effect, the quantum tax operating in reverse gear.

[97] In this first stage of the French devaluation the lower franc value was made applicable to only a limited number of commodities, including all grains. The same new rate was extended to all other foreign trade transactions in the spring of 1958, and a second general devaluation of smaller magnitude was effected at the end of December 1959 preparatory to shifting to the New Franc introduced January 1, 1960.

subsidy" to bakers. As domestic wheat surpluses grew after 1953, however, the demand restricting effect of the high price to buyers became troublesome, and in 1955 the government introduced a feed subsidy as a partial offset to the inflated official wholesale price. This permitted the denaturation and sale of wheat for feed at a discount of some 30 per cent from the price to millers and roughly 14 per cent from the weighted average tax-paid price received by producers. Broadly similar discounts were available in later years of the pre-EEC period, though the discount rate varied from year to year with the supply position and was sometimes, as in 1956/57 and 1961/62, applicable only to limited quantities or qualities of wheat (see Appendix Table II, footnote *w*).

Even at the lower subsidized price, denatured wheat was not a particularly cheap feed. Sales were therefore rather small except in such unusual years as 1957/58 and 1959/60, when the quantities sold for feed totaled some 900,000 and 720,000 tons, respectively (Appendix Table VI). These sales were considerably less than half the size of subsidized wheat exports of the same years, and only moderately larger than the maximum amounts denatured under subsidy in the early 1930's, when commercial production of mixed feeds was negligible. It seems clear that a large part of the wheat benefiting from denaturation subsidies of the 1950's was sold to the mixed-feed industry (without actual denaturation) and that the growth of mixed-feed production from scarcely more than half a million tons in 1950 to 2.0 million in 1958 (*21*, p. 113) and 3.8 million in 1964 (*97, 1964*, p. 435) substantially increased the utilization of such wheat.

Although the French devaluations of 1957 and 1958 together with elimination of the bread subsidy and increases in the taxes on buyers of wheat during 1957–62[98] reduced the budgetary strain of wheat subsidy programs, the large size of the subsidized surplus meant that the national treasury could not escape part of the financial burden of maintaining prices to producers so far above world levels. Even as reduced by roughly 20 per cent (in U.S. dollars) during the decade ending 1961/62, the average net wheat price received by French producers in interior markets was on a par with the c.i.f. price of No. 1 Manitoba wheat (Chart 3B), which continuously commanded a high premium over the average value of British import wheat in contrast to the 13 per cent discount recorded for French wheat on British markets.

When allowance is made for France's usual net export rank, wheat quality differentials, and all the costs involved in moving French wheat from surplus producing areas to an f.o.b. export position, it appears that the average net prices received by French producers during the last five years of the pre-EEC period were something like 40 per cent above world parity.[99] This single figure, which includes hidden transport subsidies partly associated with the nationally uniform fixed prices, obscures significant differences in the margin of price support avail-

[98] The increased burden on consumers was large, since the bread subsidy alone had amounted to about 130 million NF in 1957 and 80 million NF on the average in the three preceding years.

[99] This figure includes allowance for the hidden transport subsidies enjoyed by producers in the major surplus area and in lesser degree by producers in the Marseille region and other areas nearer ports of export. In calculating the approximate "margin of price support," inevitable uncertainties exist about the precise allowances that should be made for quality differentials and various transport, handling, and merchandising costs. Although we have made an effort to obtain reasonable approximations for such allowances, the degree of uncertainty in the suggested 40 per cent figure remains fairly large (see also pp. 120–24).

able to producers in different regions as well as the much larger price benefits enjoyed by small *vs.* large producers. In the two following sections special attention is given to these and other forms of French wheat price differentiation in the late pre-EEC period, as contrasted with the situation in the following transitional stage of the Common Market and with the EEC unified prices now in prospect for 1967/68.

Feed Grain Prices and Relationships on Domestic and World Markets

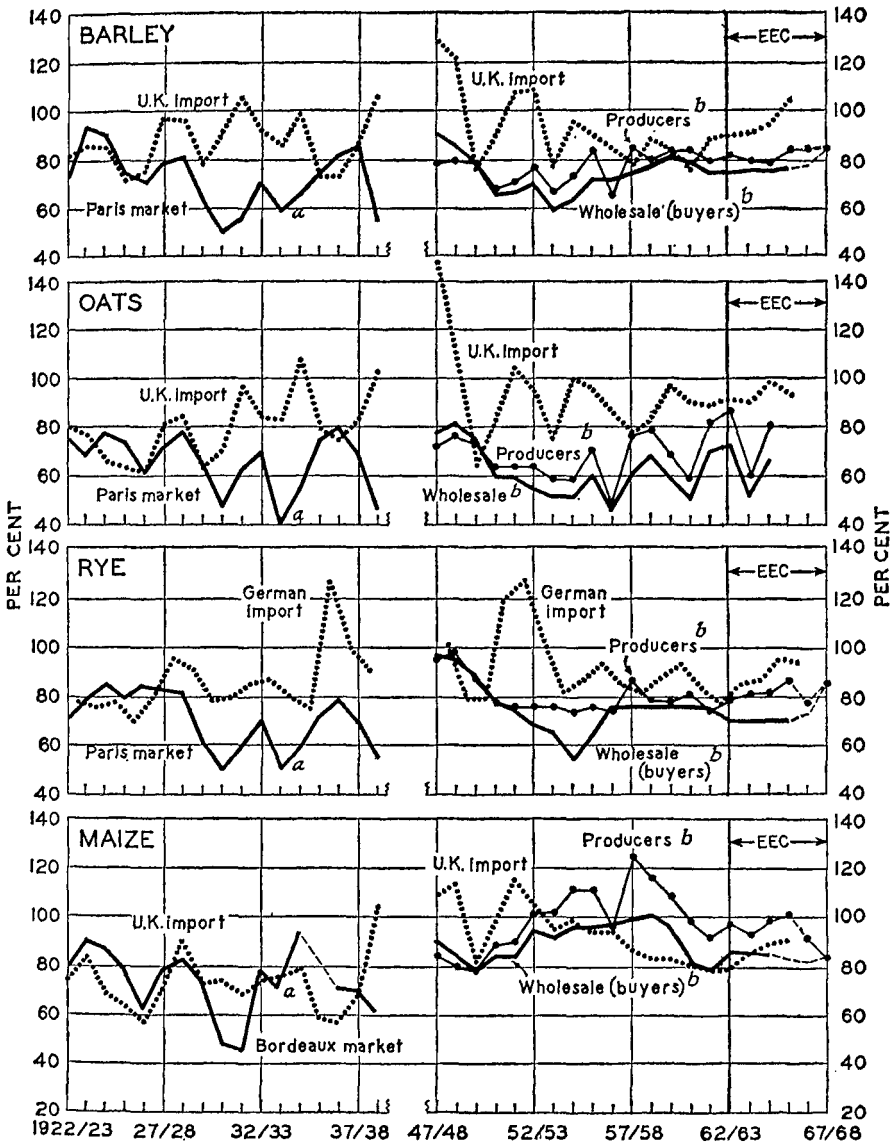
Throughout most of the postwar period, as in the 1930's, French domestic prices of rye, barley, and oats were less inflated than wheat and maize relative to "world" prices (Charts 3, 4, and 5). The French government raised its basic prices for maize, as for wheat, during 1949–52 in line with or even more than the sharp increases recorded on international markets, and then maintained these high levels for roughly five years as "world" prices receded from their 1951/52 peaks. The two favored grains were continuously subject to rigidly *fixed* government prices through 1960/61 and were effectively supported by high "minimum" price guarantees in 1961/62, guarantees enforced by ONIC as essentially fixed rather than minimum levels. In some years producers found these prices actually favoring maize over wheat, partly because no surplus disposal tax was collected from maize producers in any year except 1960/61 (Appendix Table II). Hence French producer prices of maize continuously stood far above "world" import levels after 1952/53—often farther above than the corresponding tax-paid prices of wheat. Even during the last three years of the pre-EEC period, 1959/60–1961/62, when France ranked as a small net exporter of maize, producer prices of maize stood close to 100 per cent of the price of wheat, as contrasted with a ratio of only about 82 per cent on the British import market (Chart 5).

Among the other major grains, oats were least effectively supported in the postwar period—in some years not at all—and barley and rye were priced only moderately above international levels. Whereas in the interwar period the Paris market price of oats had usually been higher than the average British import price, in postwar years the position was often reversed. Not only was there a reduced market demand for oats for horses but French officials were not interested in maintaining prices for a grain that yielded less feed per hectare than competing crops and was used primarily by the producers who grew it.

French barley, greatly improved in yield and quality following postwar introduction of new varieties, was not only increasingly productive on most farms, but was also in greater commercial demand on foreign as well as domestic markets. French pricing and trade policies thus naturally favored barley over rye and oats, and barley benefited from sizable export subsidies after the mid-fifties. Like the export subsidies on wheat and unlike those on maize, the barley subsidies were partly financed by a quantum tax which reduced the net prices received by producers in years of sizable export surplus. However, the quantum tax on barley was uniform per ton marketed, and therefore did not favor small producers over larger ones as did the progressively higher quantum tax on wheat. Government expenditures on barley subsidies probably reached a pre-EEC peak in 1956/57, when the French treasury reportedly paid out the equivalent of 170

CHART 5.—RATIOS OF RYE AND FEED GRAIN PRICES TO THE PRICE OF WHEAT IN FRANCE AND ON THE LEADING "WORLD" MARKET, 1922/23–1966/67 AND ANTICIPATED 1967/68*

(*Price of same weight of wheat = 100*)



* Ratios based on prices in Charts 2, 3, and 4, and Appendix Tables II, III, and VII.

[a] Ratio for 1933/34 is too low because high government wheat price was widely disregarded.

[b] Through 1961/62 all French grain prices except oats are *fixed* or essentially fixed tax-paid prices, uniformly applicable in all French markets; from 1962/63 all except oats are *minimum* tax-paid prices in the market center of the area of greatest surplus (five-year average ratios of actual market prices differ little except for maize which are about five percentage points higher). Oats prices from 1950 are Paris market prices as reported by FAO in *Monthly Bulletin of Agricultural Economics and Statistics*.

million NF to finance exportation of a sizable fraction of the current surplus, an outlay additional to the 40 million NF derived from taxes on producers (*61*, p. 15).[100]

In all years since 1951, French price ratios between feed grains, on the one hand, and wheat on the other, have been significantly higher to producers than for buyers, primarily as a result of the high farm welfare tax collected from buyers. For most economic analysis the price ratios to producers are the more significant and useful, particularly, of course, if the problem relates to incentives in either production or marketing. One must recall, however, that from the early fifties these figures (based on average net prices) exaggerate the relative lowness of the feed grain prices to large producers, who had to pay progressively higher surplus disposal taxes on increased marketings of wheat but not of other grains. In any case, the French wholesale (buyer) prices are of small significance even as an indication of the relative cost of the different grains to buyers: for consumers of bread, the tax-raised wholesale price of wheat was offset by a bread subsidy through 1958; and most commercial buyers of wheat for feed could obtain it at the substantially lower prices quoted for denatured wheat in seven of the eight years beginning 1955 (Appendix Table II).

An outstanding feature of grain price relationships during the 1950's was the pronounced tendency for non-wheat prices to rise relative to wheat on French domestic markets and to decline on world markets (see Chart 5). These diverse movements, by no means uniform in degree, pattern, or timing for the different grains, generally brought French and international price ratios closer to a common level by the beginning of the 1960's. Underlying both movements was a tendency to adjust wheat prices, in particular, to more realistic values, the earlier wheat prices having been artificially low on the British import market[101] and artificially high in France (the latter most notably from 1951/52 through 1956/57). Thus, after the early postwar grain shortage had ended, giving way to commercial surpluses, feed grains no longer commanded an abnormally high premium on the British import market; and the French government, burdened by an overvalued currency and increasing subsidies on overpriced French export wheat, moderately lowered the average net price of wheat to producers (mainly by increasing marketing taxes), lowered other grain prices less if at all, and finally devalued the franc in 1957 and 1958, thus reducing all French grain prices in terms of American dollars and bringing them closer to international levels.

During the last five years of the pre-EEC period (the five preceding 1962/63) the French government maintained producer prices of barley and rye slightly above 80 per cent of the price of wheat (tax adjusted) and only a little below comparable ratios on the international market. Even at this level, however, the French ratios reflect relative overpricing of domestic wheat, which was much lower in quality than the average types sold on the British import market. Maize, the single feed grain that was overpriced as much as or more than wheat

[100] Only in the last year of the pre-EEC period, 1961/62, were subsidized barley exports equally large. The barley crop was then smaller, and much of the "surplus" came from stocks built up in the two preceding years, financed in part by quantum taxes collected in those years.

[101] By international allocations of wheat and the Canadian–United Kingdom Agreement in the immediate postwar years, followed by Britain's favored position under the International Wheat Agreement through 1952/53.

to French producers during 1952–56, stood at a record price premium of 25 per cent above domestic wheat in 1957/58, as contrasted with a 17 per cent discount on the British import market. Subsequent gradual elimination of the premium left French maize prices at roughly 98 per cent of the price of wheat by the end of the pre-EEC period, a ratio fairly close to the basic feeding value of the two grains, though still significantly higher than the 82 per cent ratio on the British import market—higher even after full allowance for the better average quality of British import wheat cf. French wheat. The unfinished task of adjusting French overpricing of both wheat and maize thus remained for further action in the EEC period.

CHANGES IN FRENCH PRICING AND "PROTECTION" OF GRAINS UNDER EEC TRANSITIONAL REGULATIONS, 1962–67 AND OUTLOOK

The Common Market Grain Regulation of 1962 represented an important milestone on the road to economic integration of the diverse grain markets of the six member countries. Containing many economically sound, market-liberating features but also disturbing threats of higher barriers against imports of non-EEC grain, it is a document of which the effects were bound to be largely determined by the nature of successive administrative decisions and ways of enforcement. Operations under this Regulation have continued for almost five years and the end of the EEC transition period for grains has been advanced from 1970 to July 1, 1967. The time is ripe to ask how the former complex, rigid structure of French grain prices has changed since 1962, and to assess the economic significance of the changes both for the planned market organization of the six-nation European Community and for non-member exporters of grain and related livestock products.

Successful operation of the internally free unified grain market envisaged for the European Community in the Rome Treaty and more specifically outlined in EEC Regulation 19 (*34*), would appear to require the following adjustments in the French grain pricing system as it existed at the end of the pre-EEC period:

1. A shift from government fixed and controlled prices at all marketing levels to an essentially uncontrolled marketing system with minimum support prices at wholesale in central markets;

2. A shift from uniform prices in all national markets to regionalized price guarantees based on such economic factors as transport costs and differing market supply positions;

3. The elimination of all special national taxes and subsidies that (a) resulted in different prices to different producers selling the same type and quality of grain in the same market, or (b) differentially lowered or raised the effective intervention price of any grain or product below or above the EEC-approved and officially announced intervention level, or (c) would prevent consumers from buying grains at essentially the same basic wholesale prices received by producers, except as some broadly based tax or subsidy might be widely applicable—e.g., a Community-wide sales tax and/or EEC-refunded subsidies on durum wheat production and on sales of denatured wheat and rye for feed;

4. The elimination of ONIC's monopoly powers and quantitative controls

over foreign trade in grain, with subsequent full reliance on the EEC variable import levies as the sole barrier to grain imports and as the determinant of the maximum basic subsidy on exports.

Part I of the present study describes the establishment of the legal framework required for most of these adjustments and also the nature of many of ONIC's basic policies and regulations. Here attention will focus on the changes that have occurred since 1961/62 in French grain price levels and internal price relationships, and on the changes in the "margin of French price support" for individual grains as compared with corresponding "world" prices.

Shift from Fixed Uniform to Regionalized Minimum Prices

The unequivocal EEC requirement that grain price supports should be based on minimum price guarantees at the wholesale level rather than on government fixed prices at all marketing levels was promptly accepted in principle by the French. Indeed, government officials made partial preparations for this shift a year in advance by setting minimum rather than fixed basic prices for the 1961 crops of wheat, rye, barley, and maize—the four "pilot grains" that were to continue to receive market price support under the EEC system. ONIC, however, operated throughout 1962/63 in a way that essentially transformed these pre-EEC minimum prices into fixed prices comparable with those of earlier years (Appendix Table II).[102]

Since the French gross minimum producer prices of 1961/62 were accepted by the EEC Commission as the basis for calculating the lower limit of the EEC target price range for 1962/63 for each of the "pilot grains" except maize (pp. 33–37), and since the corresponding upper limit, based on German prices, was set a third or more higher, French officials were left free to place their new minimum price guarantees to producers in major surplus areas at values slightly below, equal to, or sharply above the levels they themselves had established a year earlier (Table 5 and Appendix Tables II–IV).

For wheat and barley they chose not to change the gross minimum price guarantees of the preceding year, and the effective changes were minor for maize and rye.[103] These decisions related to the basic minimum prices to producers and purchasers in the major producing areas of France—i.e., the area of "greatest surplus" for each pilot grain. France was also required to set target and intervention prices for durum wheat (*blé dur*); and in this instance, too, French officials put the intervention price at a level reflecting to producers and buyers the same gross minimum price as the year before. In line with EEC policy, no minimum price was set for oats, which had been essentially free from French government support since 1954.

More significant for the French system of grain pricing was the establishment (as required by EEC) of higher target and intervention prices for each of the

[102] ONIC's supervisory powers and controls were used not only to keep grain prices up to the prescribed minimum levels but also to prevent ONIC-tied trading agencies from paying producers or charging buyers more than the minimum prices (minus or plus fixed taxes and margins) except in limited deficit areas and under "unusual" conditions (*95c*).

[103] Although the gross minimum price for rye was reduced 5 per cent in the surplus area, this was a technical reduction associated with cancellation of the abnormal quantum tax of 1961/62: the new tax-paid price to producers was 5 per cent higher rather than lower (see text discussion of Table 5, also Appendix Tables II and III).

pilot grains at the officially designated "marketing center of the greatest deficit area" of the country—i.e., Marseille for wheat and barley, Orléans for rye, Dunkerque for maize. To producers and buyers at these centers the gross minimum prices for 1962/63 were increased 3 to 5 per cent over the preceding year for wheat, barley, and rye, and 9 per cent for maize.

These changes implied an important shift from fixed, nationally uniform prices to minimum prices higher in the chief deficit area than in the major surplus area, and they seemed to foreshadow increased marketing freedom for French producers who would supposedly be allowed to deliver their grain to competing trading agencies of their choice. It thus seemed reasonable to expect the French intervention prices of 1962/63 to function as true minimum wholesale prices in an economically integrated and relatively free national grain market. But as the crop year advanced, accumulating evidence indicated that the grain marketing system was still operating under strong, distorting price controls. Contrary to EEC pricing policies, ONIC continued to require every trading agency dependent on its guarantees, no matter where located, to pay each producer a gross minimum price at least equal to the official intervention price applicable in the central market of the area (typically Chartres) less the wholesale margin allowed in the preceding year. No account was to be taken of different transport costs to the central market.

Not until after July 1963 (as late as December for wheat) did the government establish any secondary pricing areas or zones. This meant that until January 1964 precisely the same gross price guarantee for wheat was available to every producer who sold wheat anywhere in France beyond a very small area around Marseille. Free economic movement of wheat between surplus and deficit markets was therefore possible only to the extent that prices in major central markets could be bid up far enough above the minimum level to cover the costs of moving grain from collecting and intermediate markets protected by precisely the same minimum price guarantee. In several centers, the demands of local millers and EEC importers could be counted on to establish price premiums high enough to move a substantial amount of wheat of specially desired qualities from producing centers a considerable distance away. But all buyers would try to obtain needed wheat at the lowest total cost, including transport charges, thus drawing it from the nearest shipping stations with stocks of desired quality, and leaving excess stocks piled up at the least favorably situated centers.

To avoid the heavy financial and management responsibilities associated with later direct purchase, shipment, and disposal of such surplus, out-of-position stocks, ONIC set its subsidies on export and denaturation of wheat at levels permitting exporters and feed mixers to pay prices above the obligatory intervention level at specifically designated locations. And it negotiated "purchase-storage" contracts permitting private and cooperative storage agencies to pay similarly attractive prices for surplus grain that ONIC wanted to have moved to new positions and withheld from the market for some weeks or months.[104]

[104] Under such purchase-storage contracts, the responsible storage agencies financed and managed the purchase, holding, and resale of surplus grain in accordance with ONIC's instructions, and in turn received specified rates of payment for expenses and services, with the guarantee of compensation for any loss due to price decline and assurance that all profits could be retained (*95h*, no. 606; *14*, pp. 27–28).

Such voluntary intervention by ONIC at prices above the official intervention level has been widely referred to in France as "preventive intervention" or "Plan B intervention," being thus contrasted with direct official purchase of surplus grain at the officially designated intervention price. In 1962/63 Plan B intervention was much used to keep the huge French wheat surplus moving smoothly through domestic marketing channels to export, feed, and long-term storage.[105] And in the following year similar operations removed from the markets a considerable amount of surplus barley and low-weight, sprouted wheat (*17a*; *17b*). For these operations ONIC paid prices reported to exceed the official intervention levels by some 4 per cent in 1962/63 and 3 per cent the following year.

This type of voluntary intervention clearly violated the spirit of the EEC Grain Regulation. It meant that ONIC was exercising undue discretionary controls over national grain marketings and prices, supporting producer prices and free-to-frontier export prices to EEC countries above the levels reflected in official intervention prices, and increasing the costs of French surplus disposal subsidies financed in part by the EEC.[106] These unorthodox intervention operations and the related failure of the French government to make adequate progress toward the development of an economically structured price system brought strong protests from the governments of other EEC countries in the autumn of 1963. They were directed at the non-regionalization of French wheat prices and at ONIC's methods, not at the level of prices reached. Indeed, even higher French market prices (and hence higher surplus disposal costs) would have been approved as a step toward Community price integration if these had resulted from outright increase of French official target and intervention prices, expanded price regionalization, and greater market freedom.

Although small steps toward regionalization of French barley and maize prices had been taken during July–October 1963 and a four-zone wheat price system was established January 1, 1964, the major changes in the direction of regional price differentiation came at the beginning of 1964/65. Then the number of price-differentiated zones was increased to 11, 7, 6, and 4, respectively, for wheat, barley, maize, and rye, and derived intervention prices were specified for several hundred individual marketing centers. Thereafter intervention pricing ceased at marketing points closer to producers than the nearest of the designated centers. And the additional transport cost thus shifted to producers was supposedly compensated for "on the average" by increases of roughly 1 per cent in practically all grain intervention prices.

Despite these improvements, grain price regionalization in France has many deficiencies even today. Of these, perhaps the most significant is that the differences between intervention prices at designated markets are often too small to cover the costs of moving grain in line with market demand-supply conditions.

[105] The stocks of wheat held under ONIC storage-purchase contracts on July 1, 1963 (378,000 tons), were larger than any subsequently reported (*54*, pp. 28–29; *95o*, no. 531); on July 1, 1966, the corresponding holdings totaled 194,680 tons of wheat and 162,302 tons of barley.

[106] In November 1963 Vice-President Mansholt of the EEC Commission strongly opposed the principle of government intervention at any price other than the official intervention level, stating that the Commission would soon propose relevant revision of Regulation No. 19, Article 7, to clarify this point. He added, however, that under special circumstances, intervention at prices above official intervention levels might be possible if the Commission were consulted and the cost borne wholly by the government of the country concerned and not by the EEC.

One of the most important inter-market spreads for wheat and barley is that between the intervention prices at Marseille (chief deficit center) and Chartres (chief surplus center). These spreads are shown in the accompanying tabulation in comparison with the much larger inter-market spread between the corresponding target prices, which EEC rules required the government to set at levels providing an adequate margin for shipping costs. Also shown in the tabulation is the spread of 3.27 NF used by the EEC Commission in setting the July 1967 intervention prices for these two market centers. The clear implication is that the total cost of moving wheat or barley from Chartres to Marseille must have amounted to at least 3.25 NF per 100 kilos in recent years and perhaps to 4.00–4.25 NF or more. If so, surplus stocks of wheat or barley purchased by ONIC at the intervention price at Chartres could not possibly move freely to Marseille unless the market price there was above the official intervention level at Marseille by at least 2 NF per 100 kilos or, say, 5 per cent. Under these circumstances, it is scarcely surprising that ONIC is reported to have made new storage-purchase arrangements for both wheat and barley as late as the spring of 1966 at offer prices appreciably above the corresponding intervention level (*95n*, nos. 360, 361).

	Inter-market spread (NF/100 kilograms)			
	Wheat		Barley	
Date	Intervention	Target	Intervention	Target
August 1962	1.23	3.35	1.59	3.35
July 1963	1.33	3.50	1.95	3.80
July 1964	1.29	3.96	2.00	4.26
July 1965	1.25	3.96	1.95	4.26
July 1966	1.20	3.96	1.90	4.26
July 1967	3.27	...	3.27	...

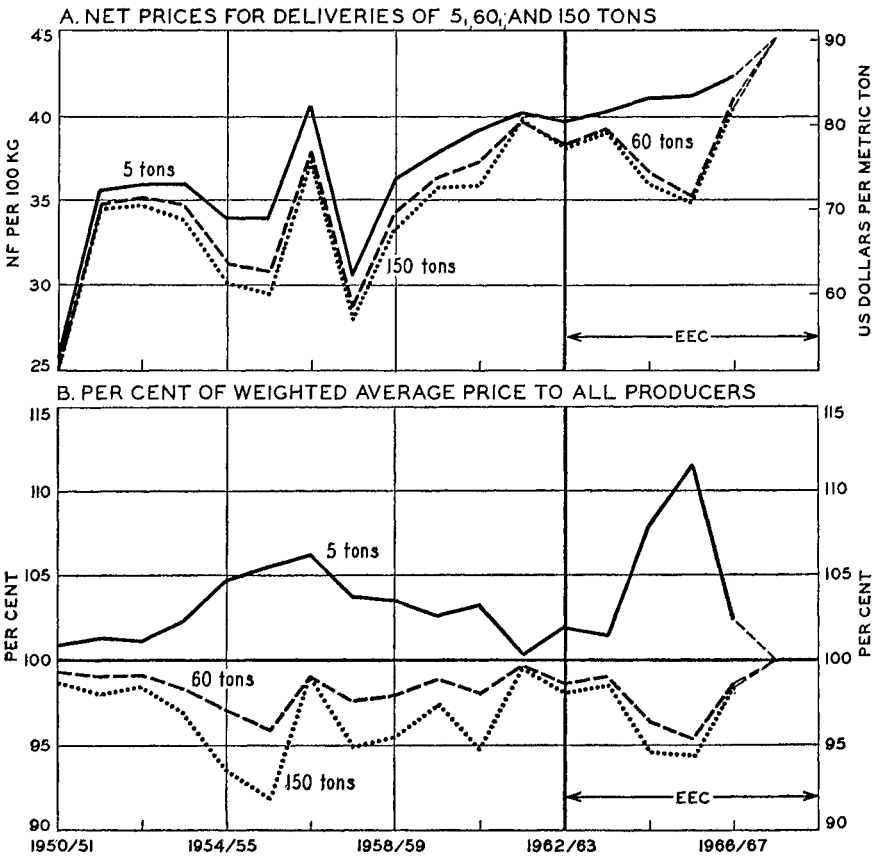
Although inadequate regionalization of French intervention prices may have been primarily responsible for the frequency and urgency of ONIC's "preventive intervention," it does not necessarily follow that even the best regionalized structure of intervention and target prices could have functioned successfully during the past five years. Not only was there pressing need of additional well-placed storage facilities and structural improvements in many parts of the marketing mechanism, but no controlled system of multiple government-fixed intervention prices could be expected to move surplus grain supplies to domestic, export, and storage positions as effectively as more freely moving market prices. By "preventive intervention" techniques involving additional subsidies, ONIC succeeded in putting out many small "market fires" before they became big ones, but such emergency operations probably often did more toward delaying than speeding correction of the basic defects in France's grain marketing system.

Multiple Pricing of Grain to Producers and Buyers

Price differentiation, the very antithesis of unified common market pricing, has remained a prominent feature of the French system throughout the EEC transitional period. Most buyers have continued to pay higher prices for wheat, barley, rye, and maize than producers have received in the same wholesale mar-

kets; most buyers of wheat for feed have been favored, as in earlier years, by a special denaturation subsidy; and even more important, the net price guarantees available to small producers of wheat (not of other grains) have continuously stood above the minimum prices available to large producers (Appendix Tables III and IIIC). Since the EEC Grain Regulation left little room for doubt that all such multiple pricing except Community-wide subsidies for durum wheat and approved denaturation programs would have to end on, if not before, the date of EEC market unification, it seemed reasonable to expect the French government to reduce pre-existing price differentials gradually. The extent to which

CHART 6.—AVERAGE NET (TAX-PAID) PRICE GUARANTEES TO INDIVIDUAL PRODUCERS WHOSE WHEAT DELIVERIES TOTALED 5, 60, OR 150 TONS: (A) ABSOLUTE PRICES, AND (B) PER CENT OF WEIGHTED AVERAGE PRICES TO ALL PRODUCERS, 1950/51–1967/68*



* Data from Appendix Table IIIC. Through 1961/62 the net prices were administratively fixed and therefore are essentially equivalent to the average prices actually received. From 1962/63 they represent net *minimum* price guarantees to producers in the greatest surplus area: somewhat higher minimum guarantees have been available in other zones, particularly since 1964/65; and in each of the zones market prices have apparently stood around 5 per cent above the corresponding minimum level. May 1967 reports suggest that quantum taxes paid in 1966/67 may be refunded because of the unexpectedly small size of deliveries from the poor 1966 harvest: if so, the net price to large producers will be the same as to small producers.

[a] Converted at rates applicable since 1962/63.

such earlier differentials have been modified during the EEC transitional period and the economic implications of this are the key questions to be considered here.

Chart 6 illustrates the widely different net wheat prices guaranteed to small *vs.* larger producers of French wheat. It is illustrative in the sense that it shows only three prices—the net (tax-paid) price guarantees to individual producers whose crop-year deliveries amounted to 5, 60, or 150 tons. Since only 2–4 per cent of French producers delivered 60 tons or more (scarcely 1 per cent as much as 150 tons), the two latter groups are here referred to as "large producers."

Although in most years the 5-ton price was applicable to all deliveries of less than 5 tons, therefore representing the net price received by roughly half of all French producers, there were a host of successively lower net average prices to producers who delivered between 5 and 150 tons. Even the 150-ton net price was not the lowest; but the various prices below it were so similar in most years that the one for deliveries of, say, 2,000 tons or more would be barely distinguishable as a separate line if plotted in Chart 6.

From general inspection of this chart one can see that multiple pricing of wheat to French producers not only continued during the EEC transition period, but was characterized by some price spreads that exceeded the largest of earlier years. The price differentiating policy of the French government appears not to have been the same, however, in all five years of the transition period. In 1962/63, when the new-crop surplus and total wheat deliveries were of record size, French officials appeared to be following the EEC policy of minimizing differential marketing taxes. In that year the difference in net minimum price guarantees on deliveries of 5 *vs.* 150 tons was the smallest in a decade; and the weighted average tax deduction on all wheat deliveries combined was moderate by earlier standards, closely approximating the decade-average level in percentage terms. Moreover, essentially the same price spreads were retained the following year when a much smaller crop was harvested; and although this was officially explained as being based on the government's new policy of "averaging" the price effects of a large crop over a two-year period, it was in effect a move in the direction of reduced price differentiation.[107]

In 1964/65, however, these Community-oriented pricing tendencies were reversed: the French quantum tax was not only raised but was again sharply differentiated—and this despite a somewhat smaller new-crop surplus, smaller deliveries, and considerably smaller above-quantum marketings than in 1962/63. Whether deliberately so timed or only coincidently effected, this policy change occurred at a time when strains were beginning to build up between the French and other EEC member governments over agricultural and financial proposals for the Community. In any case, the 61 per cent of French producers who marketed less than 7.5 tons of wheat during 1964/65 were guaranteed a higher net minimum price than in either of the two preceding years, whereas those who delivered 150 tons suffered a price cut of roughly 9 per cent (Chart 6A). The

[107] The factors behind the decision were apparently complex (see pp. 41–42). Since political considerations make it difficult to reduce net price guarantees sharply to small producers in a year of bumper harvest, any attempt to cover the total subsidy costs during one crop year increases the probability of resorting to price differentiation that pushes the bulk of the burden on the 12–15 per cent of French wheat producers whose individual deliveries exceed 20 tons, and who together account for some three-fifths of the total marketings (Appendix Table V).

gap between these two net prices thus widened to 13 per cent of the weighted average minimum price guarantee to all producers and was practically as large as the earlier record price differential of 1955/56.

Still greater diversity characterized French producer prices in 1965/66, when the favored 60-odd per cent of smaller producers again enjoyed a small price increase for deliveries of unprecedented size in the face of a second round of price reductions to all larger producers. Those reductions carried the net price guarantee for marketings of 150 tons down to the lowest level since 1960/61. There was a widening of the differential price gap to 17 per cent of the weighted average price, by far the biggest differential in French grain-price history of the present century.

With the new wheat harvest of 1966 and estimated marketings substantially reduced, with France's recent boycott of EEC Council meetings ended and market unification assured for 1967/68, and with EEC plans finalized for the payment of seven-tenths of France's grain-export subsidies in 1966/67, it is not surprising that the schedule of French wheat price guarantees for that year provided net increases for all producers. The largest increases were scheduled for the large producers who had borne the brunt of the preceding price cuts. Chart 6 shows that the current net minimum prices for wheat are the highest of the postwar period and well on the way toward adjustment to the EEC unified intervention levels planned for 1967/68. Although multiple pricing of wheat to large *vs.* small producers still exists in France, the current 4 per cent differential on marketings of 150 tons is the smallest in all but three of the twelve preceding years; and even this small differential may be further reduced by later refunds of 1966/67 quantum tax payments.

Throughout the EEC transition period French buyers of the pilot grains continued to pay considerably higher tax-paid prices than producers received (Charts 3 and 4). Moreover, except for rye the buyer-producer price spreads were not only typically wider than in pre-EEC years, but tended to increase through 1964/65 (maize and barley) or 1965/66 (wheat). Of these differentials, the largest was for wheat, roughly 20 per cent of the average tax-paid minimum wholesale price to producers, followed by that for barley, almost 15 per cent. In contrast, the spread rarely exceeded 6 per cent for maize or rye.

Differences in producer-buyer price spreads for the different grains reflected the government's taxing policies: since 1962 surplus disposal taxes on producer marketings have normally been confined to wheat and barley, and only wheat has had to bear a "farm welfare" tax collected from buyers. Since these taxes lowered the net prices received by wheat and barley producers while simultaneously raising the net price paid by wheat consumers, the producer-buyer margin has inevitably been wider for these two grains than for maize and rye, on which only the more broadly shared "fixed taxes" have been collected from producers, with buyers free from all taxes except the storage tax on maize (eliminated in 1965/66).

From 1960/61 the only price differentiation to different domestic buyers was that between wheat for general use (typically milling) and wheat sold for feed under the denaturation program. The lower prices at which French barley and maize had occasionally been offered for feed use in earlier years were essentially

ruled out by the provisions of the EEC Grain Regulation, which, however, specifically authorized subsidies for denaturation of wheat and rye and prescribed the conditions and terms applicable. Probably partly because of the restrictiveness of these terms,[108] the minimum sale price of denatured wheat in the EEC transition period was never as low in relation to the average net price received by producers as it had been in the late 1950's (see Chart 3 and Appendix Tables II and IIIA). But even in the absence of such restrictions, the less costly export outlet available for French wheat in EEC countries after 1962, the active demand for French exports to non-EEC commercial markets (especially Communist China and Eastern Europe), and the expanding domestic market for feed grains, would have lessened the financial incentive for the French government to reestablish the larger denaturation discounts of the preceding decade. It is impressive but scarcely surprising, therefore, that the price discount on denatured wheat fell from an average of 31 per cent during the five years ending 1959/60 to roughly 23 per cent during the EEC transition period, and that the differential between the price of denatured wheat to buyers and the minimum net wholesale price to producers declined from 20 to 4 per cent.

When these complex details are fitted together and viewed in broad economic perspective, we obtain a meaningful picture of the French grain pricing system of the past 15 years. From its beginning, price differentiation has been based on the government's desire to maintain high prices of grain to domestic producers without excessive strain on the national budget. Producers and buyers of most of the major grains have therefore been taxed to secure funds to help finance the storage, exportation, and (in the case of wheat) denaturation of surpluses that otherwise would press on domestic markets. The multiple pricing system thus developed has kept net prices to producers—particularly small wheat producers—at incentive levels far above "world" prices. At the same time it has operated as a double tax on domestic consumers, forcing them to pay not only the inflated prices reflected in the announced "basic" grain prices but also supplementary taxes to help finance the costs of the price-support program. Of the consumer taxes, the greatest has been the "farm welfare" or BAPSA tax on wheat, which in essence has been a regressive "bread tax," falling most heavily on low-income families. Through December 1958 the French government partially offset the effects of this discriminatory tax by paying a bread subsidy to bakers; but no such "corrective" subsidy has since been authorized.

From these and certain other standpoints the French multiple pricing system has been economically objectionable. Yet it has simultaneously operated as a demand-supply adjuster by channeling more surplus wheat to domestic feed use and by pushing down closer to the "world" level the net wheat prices received by the 15–20 per cent of larger producers who typically marketed some two-thirds of the domestic wheat crop. Such economic "corrections" would not have been needed in the absence of marked overpricing of French grain surpluses relative to world prices. Nor would they have been relied on so heavily if the French government had not had to meet the burdensome financial strain of

[108] The two major requirements applicable to France were that denatured wheat (rye) should not be priced so low as to prevent attainment of the target price of barley or discourage normal retention and feeding of wheat on farms where grown.

heavy export subsidies, despite increasing refunds from the EEC since 1962/63. These basic facts are worth recalling as Europeans and overseas exporters alike attempt to assess the economic gains and losses and the prospective effects on French grain production and utilization of future unification of the EEC grain market.

Levels and Trends of Average Market Prices cf. Minimum Prices

With the shift of French grain prices from geographically uniform, fixed values to regionalized minimum values, the economically effective prices to which producers and consumers responded were no longer the announced guarantees (tax adjusted), but the actual tax-paid market prices received or paid. How then have these market prices differed in level and trend from the concurrent official minimum prices? How close have the market prices come to the official target levels (tax adjusted)?

Although sufficient information is available to compute with confidence the net average *minimum* prices of the pilot grains to producers and buyers in the chief surplus and chief deficit centers of France, no similarly trustworthy record of comparable *market* prices has been published or can be computed. Even so, the general picture of market price developments in recent years appears fairly clear, particularly for wholesale prices to buyers. Table 12 shows the interrelationships since 1962/63 between the average official minimum and target prices and the reported market prices at the wholesale buying level in the department of greatest surplus (all prices inclusive of the taxes paid by buyers).

Clearly the average market prices of all grains have stood significantly above the official minimum levels since 1962/63. Except for barley and rye in 1963/64, these prices have been closer to the target level than to the minimum. Among the four pilot grains, maize has shown the greatest relative strength, apparently selling above its target level in every year, a position largely attributable to the EEC levies and heavy demand for imported maize. More surprising is the fact that rye, too, appears to have sold at higher premiums over the tax-paid minimum level than either barley or wheat, the two grains that benefited most from ONIC's "preventive intervention" at above-minimum prices.

Much greater uncertainty exists about the level of market prices received by producers. The only available survey data on tax-paid prices to producers are those for wheat and barley shown in Appendix Table III (see footnote *g*). Since the crop-year averages were derived from unweighted monthly prices in an unspecified number of markets in 16–30 unspecified departments, close comparison between these averages and the weighted minimum producer prices at Chartres might be more misleading than informative. In general there is reason to suppose that the reported market prices would stand somewhat above comparable Chartres prices if for no reason other than that an uncertain number of markets outside the most surplus area are presumably included. And since the reported market prices are unweighted, they are probably about 1.00 NF per 100 kilos too high for comparison with our other series of producer prices, all of which are weighted by monthly deliveries and therefore reflect the influence of the typically early marketings sold at seasonally low prices. We infer that in most years of the EEC transitional period tax-paid producer prices of wheat and

TABLE 12.—REPORTED MARKET PRICES OF THE MAJOR GRAINS COMPARED WITH CORRESPONDING MINIMUM AND TARGET PRICES (ALL TAX-PAID TO BUYERS) IN THE DEPARTMENT OF GREATEST SURPLUS, 1962/63–1966/67*

Grain and crop year	Crop year average price (*NF per 100 kg.*)			Price difference (*NF per 100 kg.*)		Per cent over minimum price	
	Minimum	Market	Target	Market over minimum	Target over market	Market	Target
Wheat							
1962/63	48.07	49.93	50.75	1.86	.82	3.9	5.6
1963/64	48.79	50.65	51.52	1.86	.87	3.8	5.6
1964/65	49.22	50.48	51.50	1.26	1.02	2.6	4.6
1965/66	49.75	51.56	52.06	1.81	.50	3.8	4.8
1966/67	49.24	...	51.58	...	...	...	4.8
Barley							
1962/63	36.01	38.00	38.15	1.99	.15	5.5	5.9
1963/64	36.86	37.26	39.06	.40	1.80	1.1	6.0
1964/65	37.20	38.70	39.04	1.50	.34	4.0	4.9
1965/66	38.17	39.65	40.06	1.48	.41	3.9	5.0
1966/67	38.56	...	40.50	...	...	...	6.1
Maize							
1962/63	40.59	45.14	42.99	4.55	−2.15	11.2	5.9
1963/64	40.74	44.24	43.14	3.50	−1.10	8.6	5.9
1964/65	41.12	46.75	43.12	5.63	−3.63	13.7	4.9
1965/66	41.12	46.97	43.12	5.85	−3.85	14.2	4.9
1966/67	40.54	...	42.54	...	...	...	4.9
Rye							
1962/63	34.30	38.12[a]	37.87	3.82[a]	−.25[a]	11.1[a]	10.4[a]
1963/64	34.61	35.40[a]	38.25	.79[a]	2.85[a]	2.3[a]	10.5[a]
1964/65	34.97	36.87	38.25	1.90	1.38	5.4	9.4
1965/66	35.15	39.41	39.85	4.26	.44	12.1	13.4
1966/67	35.68	...	39.44	...	...	...	10.5

* Based on data in Appendix Tables III and IV.

[a] Since market prices of rye were reported for only nine months, the resulting comparisons are open to question.

barley stood 4 to 6 per cent above the corresponding tax-adjusted minimum level and well above the middle of the range between that minimum and the corresponding target. Only for maize do French producers appear to have received net prices higher than the target.

The average tax-paid market prices received by French producers and paid by domestic buyers for all major grains were slightly to substantially higher in the last years of the EEC transitional period than in the two crop years preceding it even though the government's net minimum price guarantees to producers remained essentially unchanged in the areas of greatest surplus (see Charts 3 and 4). Most of the advance in market prices came in 1962/63, promoted by the initial shift from essentially fixed to partially regionalized minimum prices combined with shortage of feed grains and ONIC's "preventive intervention" purchases of wheat. Since 1962/63 little change appears to have occurred in the average tax-paid market prices received by producers in the chief surplus area, except as prices have varied modestly from year to year in response

to changes in supplies and associated quantum tax deductions. Market prices to buyers, on the other hand, have mostly continued upward at a slow pace—a trend likely to be arrested in 1966/67, at least for wheat and maize, owing to lower taxes.

More substantial changes in producer and buyer prices have occurred in other parts of the country, not only the small "areas of greatest deficit" affected by the token price regionalization of 1962/63, but also the areas of lesser deficit where higher minimum prices have been introduced since January 1964. For the country as a whole, therefore, the tax-paid average market prices of the various grains appear to have risen by 10–20 per cent since the last two years of the pre-EEC period, wheat and barley increasing much less than rye or maize.

Maize prices excepted, further substantial advances of grain prices at the intervention and target levels are already scheduled for 1967/68. These sizable increases, however, throw little light on prospective changes in tax-paid market prices to French producers on the one hand and to buyers on the other. Since practically all market and sales taxes on French grains will presumably be eliminated on July 1, 1967, significant increases in the net prices received by producers can then occur without any change (or even with a reduction) in the tax-paid prices to buyers. This unusual type of price relationship will be most evident for wheat; its average tax-paid market prices appear likely to *rise* by something like 14 per cent to producers between 1964–66 and 1967/68 but to *decline* by roughly 3 per cent to buyers. Nor should tax-paid market prices of either barley or rye increase much more than 7–10 per cent to buyers compared with 1964–66, even though it seems reasonable to anticipate net market price increases to producers of around 19 and 14 per cent respectively. Indeed, only for maize do the net market prices to both producers and buyers appear likely to change by roughly the same percentage as the planned intervention and target prices; and only for maize do we expect these prices to be barely sustained or to show a small net decline in 1967/68.

Grain and Grain-Livestock Price Interrelationships on Domestic and World Markets

Most of the interrelationships among French grain prices in the last two or three years of the pre-EEC period have since remained practically unchanged in general level and pattern. This is evident from the grain price ratios in Chart 5, p. 85. Some of the most important relationships and changes, however, show up more clearly in the supplementary data of Table 13, similarly expressed as percentages of the corresponding price of wheat. Although the French price ratios in Chart 5 and Table 13 are based on tax-paid minimum prices since 1962/63, these do not differ substantially from ratios based on tax-paid market prices.[109]

Throughout the EEC transition period, as in earlier years, barley and rye were priced lower in relation to wheat on French than on international markets, primarily because wheat was so much more heavily protected by French pricing policies. On the other hand, since those policies favored domestic maize as much

[109] For the maize-wheat ratios the difference is by no means negligible. Based on market prices, the average level of this ratio series would be raised roughly five percentage points from 1962/63.

TABLE 13.—RATIOS OF FEED GRAIN PRICES TO THE PRICE OF WHEAT GUARANTEED TO FRENCH PRODUCERS AND BUYERS, 1958–62, 1962–67, AND ANTICIPATED 1967/68, COMPARED WITH RATIOS OF "WORLD" PRICES AND OF REPORTED FEEDING VALUES*

A. PRICES (*price of same weight of wheat = 100*)

Price ratio	Barley to wheat			Maize to wheat			Rye to wheat		
	1958–1962[a]	1962–1967[b]	1967/68	1958–1962[a]	1962–1967[b]	1967/68	1958–1962[a]	1962–1967[b]	1967/68
To French producers									
Small									
5 tons delivered	80	78	85	101	92[c]	86	76	78	86
Large									
60 tons delivered	83	84	85	105	99[c]	86	79	84	86
150 tons delivered	85	85	85	107	100[c]	86	81	85	86
All (weighted average)	82	82	85	104	96[c]	84	78	82	86
To French buyers[d]									
General	78	76	85	89	83[c]	84	76	71	86
"Special" for feed	99	98	...	115	107[c]	...	100	92	...
French threshold price[e]	...	83	86	...	90	85	...	82	88
On "world" market	84	95[f]	...	82	85[f]	...	85	88[f]	...
EEC proposed Nov. 1963		87			88			88	
EEC 1967 Target, Duisburg			86			85			88

B. FEEDING VALUES (*feeding value of same weight of wheat = 100*)

Classification	Barley to wheat	Maize to wheat	Rye to wheat
For hogs			
U.S. data	87	97	78
German data[g,h]	89;89	103;102	98;95
For cattle			
U.S. data			
Dairy cows	95	95	86
Cattle fattening	84	95	90
German data[g,i]	95;90	110;102	99;91
For poultry			
U.S. data	76	95	[j]
Weighted U.S. average	86	95	81

* Ratios of prices guaranteed to French producers and buyers are based on data described in Appendix Tables II, III, and IIIA: all prices used are net (taxes paid), those through 1961/62 being fixed, nationally uniform market prices, whereas prices for later years are minimum guarantees applicable to the most surplus marketing center of the country. "World" market prices (U.K. import values for all grains except rye for which German import values were used) are from Appendix Table VII. U.S. feeding values are from Jennings (*117*, p. 74) based on feed values published earlier by Morrison (*126*; *127*); U.S. weighted average is Jennings' estimate, based on the same feed values weighted by U.S. animal numbers and feeding patterns. German feeding values are from Kellner and Becker (*118*, pp. 271, 277–78), and K. Richter (*134*, p. 90).

[a] Average for the crop years 1958/59–1961/62.

[b] Average for the crop years 1962/63–1966/67.

[c] If based on average tax-paid market prices rather than tax-paid intervention prices, the level of the maize ratios would be 4–6 percentage points higher, whereas the ratios for other French grains would not differ materially from the figures shown.

[d] The low "general" price ratios of 1958–62 and 1962–67 reflect the influence of the BAPSA tax on wheat sold mainly for domestic milling. The "special" prices for wheat sold for feed under the denaturation program (Appendix Tables II and IIIA) yield price ratios that appear unrealistically high.

[e] Based on crop-year average French threshold prices through 1966/67; on planned EEC unified threshold prices at Rotterdam for July 1967 plus our approximations to the seasonal increments for 1967/68.

[f] Average for four years ending 1965/66.

[g] First estimate shown is that of Kellner and Becker (*118*); the second is that of K. Richter (*134*).

[h] Based on "*Gesamtnährstoff*," a concept similar to "Total Digestible Nutrients" (*118*, p. 64).

[i] Based on the German "starch unit" system of feed evaluation, which is similar to net energy or calorie value.

[j] Many American feeders agree with Ewing's view that rye upsets the digestion of poultry (*55*). Jennings presents no feeding values of rye as a poultry feed.

as or more than wheat, maize–wheat price ratios to producers were generally higher in France than in world trade—higher than could be explained by the substantially lower average quality of French wheat than of British import wheat.[110]

Table 13 shows significant differences in the price relationships reflected back to large as compared with small French producers as a result of the differentiation in French wheat taxes and the associated higher net wheat prices received by small producers (Appendix Table IIIC and Chart 6). With guaranteed net minimum prices for barley and rye only 78 per cent of the average price of wheat during 1962–67, small producers presumably had no incentive to plant more barley or rye than crop rotation and other farm management considerations dictated. Indeed, even large producers must have found barley growing less attractive than wheat except perhaps in 1965/66, when they faced such heavy wheat-quantum taxes that the barley–wheat price ratio was pushed up close to 90 per cent. This conclusion is broadly supported by French acreage records of 1958–66. Except in years when planned sowings of winter wheat could not be fulfilled because of bad weather, the area planted to barley expanded almost entirely at the expense of oats, which became less and less competitive as the number of horses declined and as improved varieties of barley were introduced. Nor did the continued high maize–wheat price ratios of 1962–67 do more than maintain total maize plantings close to the high 1961 peak (a weather-based peak). Perhaps no more could be expected in view of rising labor costs and the limited area in France climatically favorable for maize growing. Yet the extremely high level of the maize–wheat and maize–barley price ratios of 1962–67 remains impressive; and their influence on the grain plantings of large producers is suggested by the continued geographic spread of maize into the Paris region and other parts of north central France where large farms predominate.

The French government's policy of collecting heavier taxes from buyers of wheat than from buyers of feed grains was continuingly reflected in price ratios of feed grain to wheat differentially lower for buyers than for any group of producers, even the smallest wheat producers. Yet the tax-inflated wheat prices to buyers had little effect on the demand-supply position. Consumers of bread and other wheat products did not significantly reduce their purchases; and wheat feeding was not curtailed since the government's denaturation program permitted sizable sales of wheat for feed at prices roughly on a par with the wholesale price of barley.

Whereas "world" prices of feed grains rose in relation to wheat during the EEC transition period, no such general tendency was evident in France. Barley–wheat price relationships in France remained close to their average level in the four years ending 1961/62; maize price ratios (both minimum guaranteed and market prices) stood significantly lower than earlier; and rye also sold relatively lower to wholesale buyers even though it was priced irregularly higher to producers (i.e., higher relative to wheat, as indicated in Table 13). Broadly

[110] During the nine years ending 1965/66 French wheat imported into Great Britain sold at a discount of 13 per cent under the weighted average price of all imported wheats. This discount reflected high moisture content and generally lower milling quality. No such sizable price discounts were registered for French barley or maize.

viewed, most of the recent changes in French grain prices represented small moves toward establishing the price relationships envisaged by the EEC Commission for the unified Community grain market. However, the gaps still to be bridged in adjusting French domestic price guarantees to the EEC agreed levels for 1967/68 remained sizable (Appendix Table III and Charts 3–6).

Outlook for Price Changes After Market Unification

In 1967/68 the majority of all French wheat producers, properly classifiable as "small" producers, will no longer be favored by higher wheat price guarantees than are available to large producers. This change, however, will be brought about not by lowering the wheat prices recently received by small producers, but by raising them less than the net prices to large producers (Chart 6, p. 92). Taken in conjunction with the intervention prices scheduled for barley, rye, and maize for 1967/68, this means that "small" producers, who have recently delivered 10–12 per cent of French wheat marketings, will have somewhat less incentive than before to maximize plantings of wheat in preference to barley and rye. For larger producers, however, the barley–wheat and rye–wheat relationships will change little, if at all, suggesting that total land use shifts from wheat to feed grains are likely to be very modest unless further encouraged by early introduction of still more promising barley varieties and/or by EEC establishment of specially attractive premiums for malting barley. This conclusion is further supported by the implication of Table 13 that in 1967/68 both small and large producers will find maize prices less attractive than recently in relation to prices of other grains.

The price situation and outlook for maize is unique. The EEC unified intervention price of maize for 1967/68 is expected to be of minor importance since the great bulk of the Community's maize comes from non-member countries and "the price on the internal market is largely determined by the threshold price" (*43a,* p. 13). The announced Community threshold price for 1967/68, however, offers little encouragement to French maize producers, who have long been specially favored by national price policies. Not only will the EEC intervention price probably bring a slight reduction of the net minimum guarantee to French producers, but the EEC threshold price determining the French import levy on non-EEC maize cannot be expected to do more than sustain the price at which such imported maize has been allowed to enter France since 1963. There would thus seem to be no question that the effective tax-paid market price of maize to French producers will be materially reduced in relation to the prices of competing grain crops in the first year of market unification.

In preparing its price proposals for the unified grain market, the EEC Commission gave close attention not only to the initially differing grain prices and agricultural policies and structures of the different member states, but also to the relative feeding values of the individual grains and to the different degrees of EEC self-sufficiency in these and other agricultural products. In addition, it seems clear that the Commission's highly qualified economists, acutely aware of the importance of international trade to the Community, were planning for a viable livestock-grain economy in which the price relationships among indi-

TABLE 14.—SELF-SUFFICIENCY PERCENTAGES FOR MAJOR GRAINS AND LIVESTOCK PRODUCTS IN THE EEC AREA, THREE-YEAR AVERAGES ENDING 1952/53, 1959/60, AND 1963/64*

Product	1950/51–1952/53	1957/58–1959/60	1961/62–1963/64
Wheat	79	93	95
Other grains[a]	82	78	75
Barley	...	(76)	(94)
Maize	...	(63)	(51)
Rye	...	(99)	(85)
All grains	81	85	84
Beef and veal	95	92	92
Milk	101	103	102
Pork	103	100	100
Poultry	100	93	91

* Data from EEC (*45*, p. 13; *54*, p. 25).
[a] Includes oats and minor grains as well as those specified.

vidual grains and between grain and livestock products would not differ markedly from representative "normal" relationships and trends on world markets. Pertinent "world market" price ratios and the relative feeding values of major grains are shown in Table 13; and the Community's self-sufficiency levels for wheat, feed grains, and important livestock products are given in Table 14.

Because of the desire of EEC authorities to raise farm incomes on the one hand, and to minimize market intervention and surplus disposal costs on the other, their long-term goal has always been to shift production emphasis in the Community from wheat to feed grains and from milk to beef. With this in mind the Commission early sought to determine the price relationships likely to bring about the desired shift of agricultural resources; and its successive proposals for the unified Community market represented a continued effort to establish price ratios between feed grain and wheat and between livestock products and wheat as close to the desired relationships as was politically and economically practical in view of world price levels, international trade considerations, the special agricultural-adjustment problems of certain member countries, and the opposing pressures exerted by producer groups and domestic consumers.

Unfortunately, these multiple guidelines did not all point to the same price recommendations, particularly for maize, which is rated relatively higher in feeding value than by price on world markets. Differing feed-value ratings complicate the problem. The lower section of Table 13 shows that two of the best known German sources rate the feeding value of rye and maize considerably higher in relation to wheat than does the best known American source, presumably partly because of differences in the qualities of the grains used for the basic experiments as well as in the methodology applied. This does not explain, however, why both German and American feed-value ratios of maize to wheat and maize to barley should be so much higher than the corresponding price ratios registered on the British import market during the past decade.[111]

[111] In earlier postwar years maize-wheat price ratios on the British import market were closer to the reported feeding values—102 and 93 per cent in the three years ending 1953/54 and 1957/58 respectively.

The exceptionally high milling value of most British wheat imports suggests part of the answer, and the large proportion of brewing barley in British imports combined with the conviction of northern Europeans that barley produces better pork than does maize presumably also are significant features. Yet perhaps even more important are the relatively lower production costs of the imported maize, which comes predominantly from the United States.

Faced with such complex pricing guidelines, the EEC Commission and Council finally approved for the unified grain market of 1967/68 price ratios of rye and feed grains to wheat that differed little either from each other or from ten-year average price relationships on "world" markets (Table 13, section A). At the new target price levels, maize obviously ranks as relatively the cheapest feed grain: its target price is lower relative to those of wheat and barley than any of the feed-value ratings in Table 13. In making this fundamental price decision (of indirect benefit to overseas exporters, particularly the United States) the EEC Commission and Council presumably gave primary consideration to the important role of moderate-priced maize in Italy's agriculture and general economy and to the limited area of the Community suitable for maize production outside of Italy and southwest France.[112] Moreover, although French producers have complained loudly about the "lowness" of the new maize prices, these will be "low" only by comparison with the still more highly protected prices maintained in France and Germany through 1966/67. In the Benelux countries, the 1967 maize target and threshold prices will mean considerably higher domestic prices of maize, higher costs to livestock feeders, and higher prices of livestock products to consumers.

The key role of grain prices in the farm price structure in EEC countries required that the future level of the grain prices be determined first. Once a compromise had been reached on the politically sensitive grain prices, particularly that of wheat, the target prices of milk, cattle, and related products could be set in relation to them.

Since the EEC Commission had found that the relationship between wheat and milk prices to producers in member countries had commonly been about 1 to 1 in recent years, with milk production "only slightly more than the minimum needed to make the Community self-sufficient in milk," it accepted this ratio as "a suitable compromise between the interests of the producer, the consumer and foreign trade" (*44*, pp. 9, 15). And since the Commission had also found that a beef–milk price relationship of 7 to 1 had tended, as desired, to encourage beef relative to milk production, this ratio, too, was proposed as part of the basis for unified pricing from 1968.[113] In the Council's final struggle to reach agreement on these and other prices, however, the proponents of higher

[112] Since Italy not only accounts for the great bulk of the Community's maize production but also now ranks as one of the three largest maize importers in the world, the Commission would appear obliged to give maximum weight to the role of maize in the Italian economy. And since Italian maize prices have continuously stood far below the high French levels, the Italian government naturally protested EEC establishment of the 1967 unified maize target at a price essentially equivalent to that currently prevailing in France. The EEC Council therefore adopted a proposal to permit Italy to defer until 1972/73 the establishment of domestic maize and barley prices fully equivalent to the Common Market levels. On sea-borne imports of these grains Italian import levies may be held below the official EEC levies by as much as $10.62 (or u.a.) per metric ton in 1967/68, by $10.00 in the two following years, and by $7.50 in 1970/71 and 1971/72 (*43a*, p. 14).

[113] This refers to the market price for live cattle of average quality and to the producer price for milk of 3.7 per cent fat content at farm.

milk prices won sufficient support to establish a relationship of 6.8 to 1.0. That modification threatens expansion of the milk and milk product surpluses of the Community and increase in the Commission's forecast of 450 million u.a. as the annual cost of its own milk price proposal (*44*, p. 12). The most recent revised forecast appears to be 570 u.a. (Table 11, p. 64).

In addition to the protection unified dairy and beef prices will receive from import levies based on high threshold prices tied to EEC target and guide prices, these products will also be supported by direct interventions in domestic markets. It may be assumed that the intervention price for beef cattle will be set close to 96 per cent of the guide price, serving as a guaranteed minimum price at specified markets in the Community (*44*, pp. 32–33), and that additional premiums for quality will be paid for a high percentage of French beef cattle, which are reported to be above average quality in the Community (*43f*, p. 40). The target price for milk will be supported by intervention in the butter market and direct price support for skim milk, skim milk powder, and certain cheeses. The Council may consider the possible need for additional support measures up until January 13, 1968 (*1*).

Although much uncertainty remains about the future operation and regional aspects of the Community's unified price measures for cattle, milk, and grains, we infer from the Commission's comprehensive reports, supplemented by information from various government and trade journals, that these measures will result in modifying French prices by roughly the magnitudes indicated in Tables 8 and 9 (pp. 58 and 60) and Appendix Tables III and IV. The most significant livestock price changes we envisage, and their relationships to expected changes in the comparable prices of wheat, are summarized below in Table 15 and Chart 7.

In view of the differing nature of some of these price series and of the uncertainty that attaches to most of our price approximations for the first year of market unification, only the broadest comparisons and generalizations are warranted. There appears to be little doubt, however, that cattle and butter prices will rise less than wheat and barley, with somewhat the largest price advance expected for barley. Even so, many large wheat producers, freed from heavy quantum taxes, will find their net returns per ton increased more for wheat than for barley and far more than for maize. All told, little prospect appears that the Commission's desire for a general increase in feed grain prices relative to wheat will be fulfilled in striking degree in France.

Whether the market price of slaughter cattle to French producers will rise more or less than the price of milk during 1968–70 is by no means clear. Although we expect the French guide price for cattle to be slightly higher in relation to the target price of milk in 1968/69 than on the average in 1964/65–1966/67, and also anticipate a sizable increase in the intervention price of cattle relative to the intervention price of butter, there is no assurance that the market price relationship between cattle and milk will be similarly favorable to producers of beef cattle. Much will depend on the rate of growth of consumer demand for beef in the Community, which in turn will depend partly on general economic conditions. Certainly the threat of expensive milk surpluses persists in France and, indeed, in the Community as a whole. Yet this does not rule out

TABLE 15.—ANTICIPATED CHANGES IN FRENCH PRICES AND PRICE RELATIONSHIPS OF SLAUGHTER CATTLE, BUTTER, AND MAJOR GRAINS IN THE FIRST YEAR OF MARKET UNIFICATION (1967/68 OR 1968/69) AS COMPARED WITH RECENT YEARS*

Product and specified price	Per cent change to unified price[b] from		Price ratio to wheat[a]		
	1964–67[c]	1965/66	1964–67[c]	1965/66	1st year of unification[b]
Cattle (Paris, average quality)					
Guide price	14	14	6.7	7.0	6.6
Intervention price	14	14	6.7	7.0	6.8
Average market	7[d]	6	7.1[d]	7.1	6.7
Milk					
Target price	12	12	.98	1.02	.94
Butter					
Threshold price	4	5	17.7	17.6	17.6
Intervention price (Paris)[e]	5	6	20.4	21.3	18.8
Average market (Paris)[e]	0[d]	2	21.2[d]	20.7	18.5
Wheat					
Threshold price	5	5	1.0	1.0	1.0
Minimum to producers (tax-paid)					
Average of all deliveries	15	21	1.0	1.0	1.0
For deliveries of 5 tons or less	7	8	1.1[f]	1.1[f]	1.0[f]
For deliveries of 150 tons	20	28	1.0[f]	.9[f]	1.0[f]
Market to producers (tax-paid)[g]	14[d]	13	1.0[d]	1.0	1.0
Barley					
Threshold price	8	8	.84	.84	.86
Minimum to producers (tax-paid)	19	22	.83	.84	.85
Market to producers (tax-paid)	19[d]	17	.82[d]	.83	.86
Maize					
Threshold price	0	0	.90	.90	.85
Minimum to producers (tax-paid)[h]	−1	−1	.97	1.02	.84
Market to producers (tax-paid)[h]	−2[d]	−1	1.05[d]	1.04	.91

* Based mainly on data in Tables 8, 9, III, IIIC, and IV.

[a] For each price series the most economically meaningful wheat price was used for construction of the price ratios, with emphasis on obtaining net price relationships similar to those reflected back to producers in the major grain surplus areas south of the Paris Region. For example, the cattle guide price was divided by the crop year average target price of wheat at Chartres, minus the taxes paid by producers; the intervention prices of cattle and butter were divided by the minimum net (tax-paid) wholesale price of wheat to producers in the most surplus center; and the market prices of cattle and butter were divided by the reported tax-paid market prices received by producers in representative markets (see Appendix Table III) plus the current wholesale margin.

[b] Price now indicated for the first year of EEC market unification: July–June 1967/68 for grains; April–March 1968/69 for slaughter cattle and butter. Varying degrees of uncertainty exist with respect to all of our approximations to the "unified" prices, but particularly to the unified *market* prices. Despite such uncertainties, we believe that the differences indicated reflect the general direction and order of magnitude of the changes to be expected.

[c] Average 1964/65–1966/67.

[d] Average 1964/65–1965/66.

[e] Through 1966/67 wholesale intervention and market prices of butter (Paris) included a processing or sales tax paid by buyers, and the producer-equivalent prices were presumably equal to the wholesale price minus the tax. Since available published sources do not specify the size of this tax and since we assume the unified price of 1968/69 will be tax free, the intervention and market prices of butter to producers in 1968/69 (and the corresponding ratios to wheat) will presumably be higher relative to the prices of 1964–67 and 1965/66 than the figures here suggest.

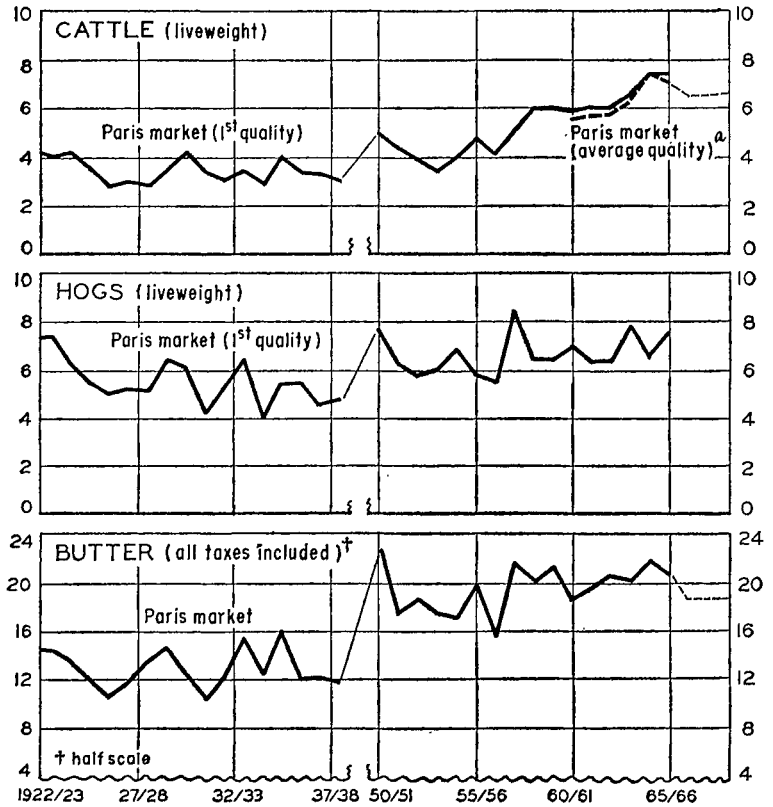
[f] Ratio to weighted average net minimum price to all producers.

[g] Weighted average for all deliveries: values for large cf. small producers differ by magnitudes similar to those shown immediately above.

[h] The minus figures in the first two columns and the price ratios in the last column are based on the assumption that the high French seasonal increment for maize will be reduced as indicated in Appendix Table III, implying a compromise between French and Italian pricing preferences.

CHART 7.—RATIOS OF LIVESTOCK AND BUTTER PRICES TO THE PRICE OF WHEAT, 1922/23–1965/66 AND ANTICIPATED 1968*

(Price of same weight of wheat = 1)



* Paris market prices of slaughter cattle, hogs, and butter are from official French and EEC sources (e.g., *65*, 1965; *66*, 1966; *67*, 1949; *50*, 1966). All prewar prices (including wheat) are for calendar years, postwar for August–July or July–June years (unweighted averages of monthly prices). Recent livestock prices correspond closely with those shown in Tables 7–9 when adjusted for differences in marketing years (beef and butter); postwar wheat prices are from Appendix Tables II, III, and IIIC. Where necessary, conversions from slaughter weight to liveweight have been made at 55 per cent for cattle and 75 per cent for hogs.

Wheat prices used for prewar ratios are wholesale prices, Paris market (*65*, 1961). For postwar ratios, the wheat prices through 1961/62 are the weighted average tax-paid producer prices shown in Table II plus the wholesale margin; the wheat prices for 1962/63 through 1965/66 are officially reported average net market prices to producers in 16–30 departments (Table III) plus the wholesale margin; for 1966/67 and 1968 the figures are our rough approximations to similar market prices to producers.

[a] Prices for "average quality" beef are averages of the prices of the various types and grades weighted as officially indicated.

anticipation that the cattle–milk price ratios of 1967–70 will be sufficiently high to contribute to further substantial improvement of the composition of the French cattle herd with increased emphasis on beef production. Cattle prices were unusually attractive during 1964–66 (Chart 7), and the expected large future increases in farm wages and feed-grain costs will represent a relatively heavier burden on milk production. In view of these considerations, and because the economic effect of possible rationalization measures is likely to be less in milk

production than beef production (*44*, p. 15), there is reason to believe that the French slaughter-cattle industry will not be seriously handicapped by the cattle–milk and cattle–grain price ratios that appear in prospect for 1968/69.

Unified prices of pork, poultry, and eggs will be tied closely to the prices of grain, in much the same manner as in the recent past (see pp. 53–55). From 1967/68 each will be mainly protected by (1) an import levy that equalizes EEC target and world grain prices, (2) an additional industry-protecting margin of 7 per cent of the sluice price, and (3) a levy-surcharge if import offers are made below the corresponding EEC sluice price (official minimum import price based on world grain prices and on processing coefficients considered representative for non-EEC exporting countries). Since the Community's unified grain prices for 1967/68 mean substantially higher French prices for all grains except maize, the related EEC levies on pork, poultry, and eggs may be expected to result in higher French prices for these products also from 1967/68. At various times during the next few years, however, Community market prices of pork, poultry, and eggs may well be restrained by pressure from expanding domestic surpluses. Under such circumstances, subsidized exports of these products are likely to be made, further supplemented by intervention purchases of pork if hog prices fall below the EEC-designated critical level.

Thus it appears that the unified Community prices of agricultural products already scheduled for 1967/68 and 1968/69 mean sizable increases in French prices to producers for all major grains except maize, more or less similar increases for poultry, pork, and eggs, and smaller advances for slaughter cattle and most dairy products. In view of France's large agricultural resources and past developments, these planned prices seem certain to stimulate production of both grain and livestock products, with wheat and barley apparently favored most by the new price-cost structure.

French Import Levies and Export Subsidies on Grain: Price "Equalization" or Discrimination?

For almost five years French grain markets have been protected against lower-priced imports solely by national import levies calculated as part of the EEC variable levy system described on pages 45–49. The levy system thus replaced many previously existing forms of quantitative trade restrictions, import-source discriminations tied to bilateral trade agreements, and variable duties unilaterally determined by the French government. It therefore represented a significant step toward less discriminatory, more predictable, and somewhat freer competitive trade in grain. Yet this system also has economically objectionable features which warrant detailed consideration.

Since the complex transitional system of intra-Community levies on grain will be eliminated when the EEC grain market is unified on July 1, 1967, we confine attention here to the operation and protective effects of the import levies and export subsidies applicable to French trade with non-EEC countries. And because of the much greater importance of wheat, barley, and maize than of other grains in the international trade of France and of the Community as a whole, discussion centers on these three unmilled grains, with supplementary attention

to the even more highly protected milled products, particularly wheat flour and semolina.

Underlying arithmetic of the EEC levy-subsidy system.—The technical features and administrative judgments involved in operating the EEC levy and subsidy system are less simple, and also more important in their effects than most general surveys of the Common Market agricultural program suggest. These operational aspects can be understood and evaluated, however, only if the basic principles and simple arithmetic underlying the system are kept in mind.

In essence, all EEC import levies on non-EEC grain are intended to raise the *minimum* landed price of imported grain (adjusted for quality differences) up to the corresponding domestic target price level, supplemented during the pre-unification period by an additional preferential margin of $1.00–$1.10 per ton. In line with this basic principle, French import levies on the four major EEC grains (wheat, rye, barley, and maize) and their processed products have been calculated five times a week since July 31, 1962, as the arithmetic difference between (1) the corresponding French "threshold price" (derived domestic target price f.o.b. a specified port plus the preferential margin) and (2) the lowest equivalent c.i.f. import offer on world markets.[114] Levies on imports of oats and various minor grains have been similarly based on the difference between their respective threshold and equivalent "low c.i.f." prices. But for these grains, for which no French target prices were set, the thresholds were fixed at levels judged adequate to defend the target prices of the major grains.

The threshold price of each unmilled grain has served as one of the chief elements in determination of the import levy on processed products of that grain. Thus, calculation of the French import levy on wheat flour starts with the threshold price of 1.4 tons of wheat grain, to which is added the estimated average net cost of wheat processing in EEC mills supplemented by a liberal protective margin for the domestic milling industry (pp. 48–49). For France, as for other EEC countries, the resulting import levy on wheat flour and other processed grains has been extremely high, thus continuing earlier heavy protection of domestic mills and effectively prohibiting all but the smallest amount of specialty imports—mainly semolina in French trade.

The EEC grain import levies of 1962–67 also served as the maximum "basic" amounts at which the individual member governments were permitted to set their national subsidies on exports of the same grains to non-EEC destinations. For France this function has been more important than for other EEC countries and more important for wheat and barley than for other grains. Although the national import levy on each unmilled grain thus automatically determined the maximum allowable basic export subsidy on that grain, no such double function was served by the import levies on processed products. On French exports of wheat flour, for example, the maximum allowable basic export subsidy was essentially equivalent to the prevailing import levy on the estimated amount of grain required to produce the quantity and quality of flour exported. As thus

[114] Although calculated daily, Monday through Friday, the French levy was not changed from its previously existing value unless the calculation indicated that a change of at least 30 NF ($.608) per ton was warranted. The levy thus determined was applicable the following day, and the levy effective on Saturday was applicable through the following Monday.

determined, the maximum allowable basic subsidy was notably high, but less so than it would have been if it had been set equivalent to the import levy on wheat flour, which included a still larger protective margin for the domestic milling industry. As high as the maximum basic export subsidies on unmilled and processed grains were, they could be further increased up to EEC-specified limits to meet "special conditions" of foreign competition in certain markets (see below), thus permitting export price differentiation similar to that made possible by earlier French "transport subsidies."

Reported changes in French import levies and export subsidies since 1962, and basic questions concerning them.—Chart 8 shows the chief elements in the import-levy and export-subsidy system for French wheat, barley, and maize from August 1962 to January 1967. For comparative purposes it also shows the "quality equivalent" price of at least one internationally representative type of each of the three grains. All of the plotted prices, levies, and subsidies apply to grain of EEC standard quality, basis Rotterdam (R), Dunkerque (D), or Marseille (M), all c.i.f. prices having been adjusted by the quality equivalent coefficients and location differentials used by the EEC Commission.

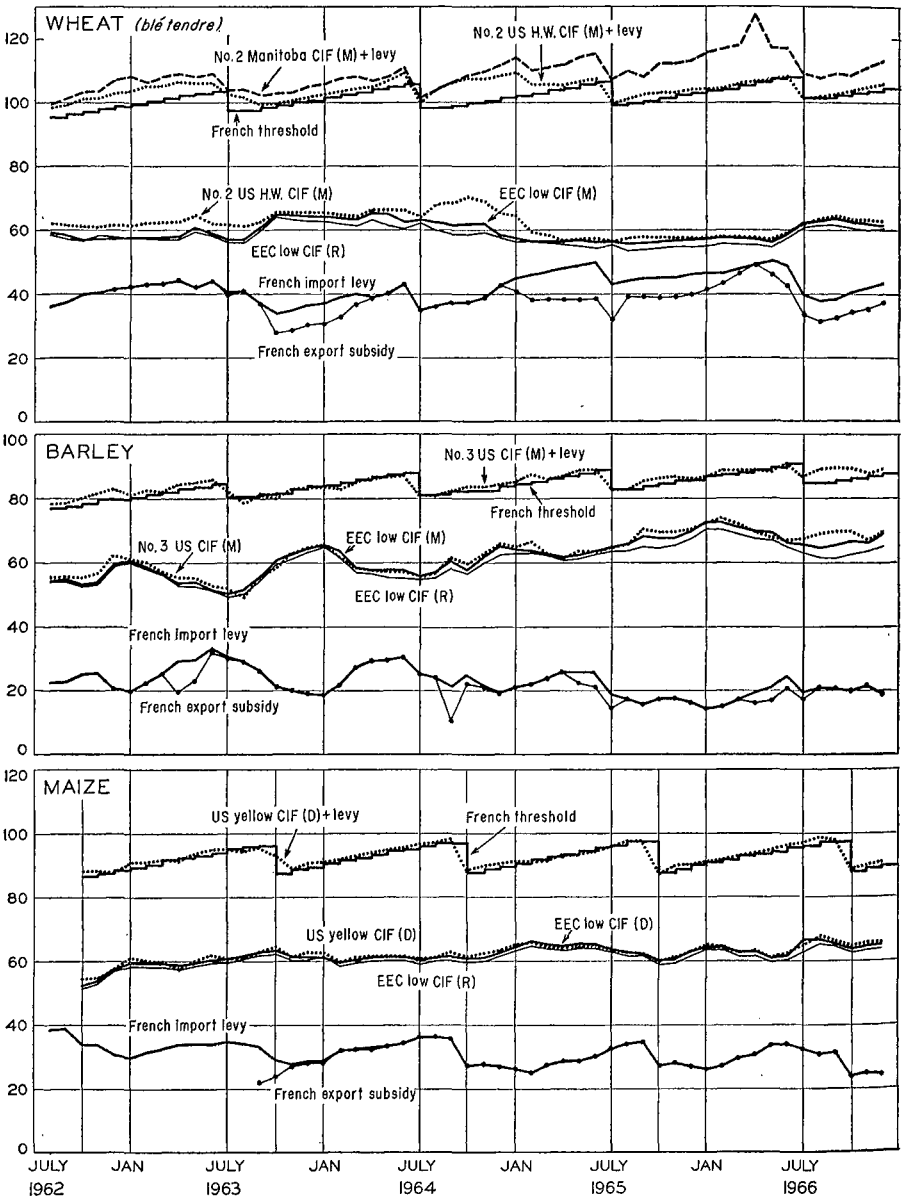
Clearly indicated in Chart 8 is the arithmetic dependence of each import levy on its two determinants: the threshold price and the "low c.i.f." price. Thus, the levy shows a compensating rise whenever the gap between these two prices widens and a compensating decline when the gap narrows. Particularly impressive is the persistent narrowing of the threshold-c.i.f. gap for barley and the associated decrease in the barley import levy between July 1963 and July 1966, as contrasted with the concurrent widening of the threshold-c.i.f. gap and increase in import levy for wheat.

One of the most interesting features of the chart lies in the relationships between the levy-paid c.i.f. prices of representative North American export grain (adjusted to EEC standard quality by EEC coefficients) and the corresponding French threshold prices. The notably high premium continuously paid for No. 2 Manitoba, basis EEC quality equivalent, raises questions about the validity of the quality equivalent coefficients used by the EEC. And since the important "low c.i.f." determinant of the import levy is heavily dependent on the validity of the EEC quality equivalent coefficients, these persisting premiums clearly warrant investigation.

Indeed, if we are to understand and assess the importance of some of the more complex, disturbing features of the variable levy system, we must focus attention not only on this question, but also on others concerning the "low c.i.f." price: How much has this differed from representative average c.i.f. prices based on world market valuations? How realistic are the location differentials used by the EEC for determination of the "low c.i.f." price? How much has this price varied from day to day and month to month? Has its variation or the predetermined seasonal increase in the threshold price been primarily responsible for the measured variability of the import levy? Finally, a broader, more fundamental question must be raised: has either the method of calculation or the Commission's use of the "low c.i.f." price resulted in import levies that discriminated against any one or more types or grades of any grain or against any exporting country relative to others?

CHART 8.—FRENCH THRESHOLD PRICES, IMPORT LEVIES, AND EXPORT SUBSIDIES FOR WHEAT, BARLEY, AND MAIZE, COMPARED WITH SELECTED CIF PRICES (ADJUSTED TO EEC STANDARD QUALITY), JULY 1962–DECEMBER 1966*

(EEC units of account or U.S. dollars per ton)



* Threshold prices, import levies, and EEC "low c.i.f." prices at Rotterdam (R), Marseille (M), and Dunkerque (D) are from the EEC (*42*). Export subsidies are monthly averages of daily rates published by ONIC (*95*). Rotterdam c.i.f. prices of U.S. and Canadian grains are from the following sources, here adjusted to approximate price equivalents for EEC standard quality (adjustment factors from *25*):

No similarily important questions need to be answered about the upper determinant of the national import levies of 1962–67—the threshold price. Its nature and defects have already been discussed. Its highly protective level—the most objectionable feature—and its marked seasonal increase are inevitable reflections of the same characteristics of the respective target prices, supplemented by the transitional preferential margin which added $1.00–$1.10 per ton to the grain threshold prices of 1962–67. Although this preferential element will be eliminated when the EEC grain market is unified, the new Community threshold prices will be considerably higher than earlier French threshold levels, reflecting the higher EEC target prices.

In view of the great expansion of French exports of wheat and barley during 1962–66, the French (EEC) export subsidy system also warrants special scrutiny. This begins but does not end with investigation of the determinants of the import levies, which, under EEC rules, could not be exceeded by the "basic" export subsidies. Chart 8 shows only part of the French export-subsidy picture—the generally applicable "basic" subsidy on unmilled grain—the only export subsidy for which continuous published records are available. Pressing questions about the calculation and operation of French export subsidies therefore remain to be answered. To what extent were France's basic export subsidies on unmilled grain differentially increased or decreased on shipments destined for designated markets where "special conditions" were encountered with respect to world market competition? Was the "basic" export subsidy on wheat flour (the only form of processed grain heavily exported) much the same as on the quantity of grain required for the milling of such flour, or were flour exports specially favored? Was a "special conditions" supplement more frequently added to the basic export subsidy for flour? These questions all warrant consideration even if conclusive answers cannot always be found.

EEC's "low c.i.f." price: its calculation, characteristics, and differential effects on the pricing of imports from different countries.—Since the basic purpose of the EEC levy system is to prevent imported grain from selling on domestic markets at prices below the target level (quality considered), the Commission's experts have to approximate the Rotterdam price equivalent of a host of differently priced c.i.f. offers to numerous market destinations in various parts of the world. As the basis for these calculations, the EEC Commission early established a schedule of quality equivalent coefficients for each of the major grains and also specified the procedure for determining market location differentials.

No EEC schedule of location equivalent differentials has ever been published. This is by no means surprising, since shipping rates and other transport cost differentials between markets vary widely from one month to the next and even

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Footnotes for Chart 8 (*continued*)

Wheat—No. 2 Manitoba and No. 2 Hard Winter (usually 12 per cent) from the International Wheat Council through February 1966 (*116*) and thereafter from EEC (*42*);
Barley—No. 3 U.S. from the EEC (*50*);
Maize—U.S. Yellow through June 1965 and No. 2 U.S. Yellow thereafter (*50; 42*).

CIF prices of North American grains at Marseille represent our approximations based on the quality-adjusted CIF prices of these grains at Rotterdam plus the difference between EEC's corresponding "low c.i.f." prices at Rotterdam and at Marseille.

from week to week. Partial clues to the Commission's market equivalents, however, are afforded by the published "low c.i.f." prices of various grains at Rotterdam, Marseille, Genoa, and other Community centers to which national threshold prices applied during 1962–67. From these we infer that the Commission has typically used transport cost differentials of the recent past in all of its market-equivalent pricing of c.i.f. offers.[115] Thus, Chart 8 shows substantial variations in the Commission's "low c.i.f." price spreads between Rotterdam and Marseille for both wheat and barley, the maximum differential recorded for wheat being a transport premium of $3.38 per ton for Marseille in October 1964, as contrasted with an abnormal discount of $.84 per ton in November 1962.

TABLE 16.—COMPARISON OF EEC QUALITY COEFFICIENTS WITH WORLD MARKET PRICE DIFFERENTIALS FOR SIX LEADING IMPORT WHEATS (BASIS FRENCH MILLING WHEAT), SELECTED PERIODS 1959/60–1964/65*

(U.S. dollars or EEC units of account per ton above price of French milling wheat at same location)

Source	No. 2 Manitoba	No. 2 Hard Winter (U.S.) 14% protein	No. 2 Hard Winter (U.S.) 12% protein[a]	Argentine, Up River[b]	Australian, f.a.q.	No. 2 Red Winter (U.S.)
EEC quality coefficient	12.00	12.00	9.00	9.00	5.75	3.75
U.K. import market (c.i.f.)						
Average 1959/60–1964/65	15.22	12.95	...	8.28	7.31	3.29
Average 1962/63–1964/65	16.51	14.75	...	8.84	7.46	3.45
Maximum (annual) since 1959/60	17.69	17.76	...	11.00	10.27	4.05
Minimum (annual) since 1959/60	12.70	10.89[c]	...	5.29	4.11	.77
Rotterdam import market (c.i.f.)[d]						
Average 1959/60–1961/62	13.51	...	8.22	7.34	...	3.08
Maximum (annual) 1959–62	15.30	...	10.13	9.77	...	5.80
Minimum (annual) 1959–62	11.34	...	5.24	4.87	...	.20

* EEC quality coefficients unchanged since established by Commission Regulation No. 70 in 1962 (*24*): they are the adjustment factors used to approximate the price equivalent for wheat of EEC (French) standard quality, basis 75 kg./hl., 16 per cent moisture. C.i.f. price differentials at U.K. ports and Rotterdam are based on unweighted averages of monthly prices for August–July crop years published by the International Wheat Council (*116*): the differentials represent premiums over average c.i.f. prices of French milling wheat of 77/78 kg./hl.

[a] Or "ordinary" No. 2 Hard Red Winter (without protein guarantee) to which the same EEC coefficient apparently applies; protein percentage not indicated for published Rotterdam prices in these years (*116*).

[b] U.K. c.i.f. prices apply specifically to 63½ pound wheat for the most recent years covered and perhaps throughout the entire period.

[c] Although a lower differential would result from use of the 1959/60 prices published by the IWC, the price for No. 2 Hard Winter was not designated as applicable only to 14 per cent protein guarantee and we consider it too low to be representative of the prices presumably paid for such wheat in that year.

[d] No c.i.f. prices of French wheat were quoted for Rotterdam/Antwerp or Hamburg after the EEC Grain Regulation became effective in August 1962; and the free-at-frontier prices thereafter applicable to imports of French wheat into the Netherlands reflected French domestic price levels, not the international export price of French wheat.

[115] As here used, the term "transport cost" includes demurrage and other costs incurred at ports where unloading or storage facilities are either temporarily or chronically inadequate, making it necessary for incoming grain ships to wait several extra days before unloading.

In contrast, the Commission's quality equivalent coefficients for the major grains have been about as constant and inflexible since August 1962 as its location differentials have been variable. Although the original 1962 schedule of quality coefficients (*24*) has been extended by the addition of other types and grades of the major grains, practically all of the coefficients initially established have remained unchanged. Only for wheat do the quality coefficients require large downward adjustment of any c.i.f. offer prices to bring these to an approximated EEC quality basis—adjustments as large as $12.00–$12.50 per ton for high-protein North American bread wheats. For maize and barley, on the other hand, the maximum downward adjustment prescribed is $1.25 per ton, and even this is confined to high-grade brewing barley and to Plata, South African, and Rhodesian maize. It is therefore the coefficients for wheat that require scrutiny.

Table 16 shows how the EEC quality coefficients for six internationally traded wheats compare with world market price differences between these wheats and French milling wheat. On an overall rough basis, the EEC quality coefficients appear to correspond fairly well with recent three-year and six-year average price differentials on international markets. Not only is the rank order of the six wheats the same in the coefficients as in the market averages, but almost a third of the market averages differ by less than 10 per cent from the corresponding EEC coefficients.

Despite this broad, general agreement, there are noteworthy discrepancies that warrant attention. Most important is the clear indication that the EEC coefficients undervalue high-protein North American wheats (particularly the higher grade Manitobas) and Australian f.a.q. grain, whereas they apparently somewhat overvalue the average run, and particularly the lower qualities, of imported Argentine wheats, U.S. No. 2 Hard Winters without protein guarantee, and the leading U.S. soft wheat, No. 2 Red Winter.[116] This differential under-

[116] Many different types and grades of wheat that usually sell for somewhat different market prices are blanketed together in several of the seven EEC quality equivalent groups. Such grouping increases the tendency for the type and grade of wheat most overvalued by the EEC coefficients (overvalued as compared with international market prices) to be chosen as the "low c.i.f." price. The seven EEC quality coefficients currently applied to c.i.f. offers of designated wheats are shown below in EEC u.a. per ton.

EEC quality coefficient	Country of origin, type, and grade of wheat
12.50	Canada, Manitoba No. 1
12.00	Canada, Manitoba No. 2;
	U.S., Dark Nor. Spring Nos. 1, 2; Dark Hard Winter Nos. 1, 2 (14 per cent protein); Hard Winter Nos. 1, 2 (14 per cent protein)
10.50	Canada, Manitoba No. 3;
	U.S., Dark Nor. Spring No. 3; Nor. Spring Nos. 1, 2
9.00	Argentina, Southern (Bahia Blanca; Necoshea); Up River (Rosa Fe); Down River (Buenos Aires);
	Australia, Semi-Hard No. 2;
	Canada, Manitoba No. 4;
	U.S., Dark Hard Winter Nos. 1, 2 (without protein guarantee); Hard Winter Nos. 1, 2 (without protein guarantee)
	U.S.S.R., Type 431
5.75	Australia, f.a.q.
3.75	U.S., Red Winter Nos. 1, 2; Western White No. 2
0	Sweden (all);
	U.K., English milling

valuation and overvaluation of specific types and grades of the major internationally traded wheats has been a significant element in EEC determination of its "low c.i.f." price and hence of the related import levy. The wheats chronically and substantially underrated by the EEC's quality coefficients were presumably rarely if ever priced low enough on the international market to result in their selection (after EEC adjustment) as the "lowest" c.i.f. price. On the contrary, it was the wheats most overvalued by the EEC quality coefficients that repeatedly played this key role.

Which of the typically overvalued wheats most often became the EEC "low c.i.f." in any given year depended heavily on which was then selling farthest below its average price differential either because of exceptionally low quality that year or because of substantially expanded export supplies and increased marketing pressure. Although all classes and grades of wheats vary in baking quality, both from year to year and within individual years, some wheats—usually the less specifically defined types—vary much more widely than do others. Of the import wheats represented in Table 16, the least variable in quality is No. 2 Manitoba, followed at some distance by No. 2 Hard Winter with 14 per cent protein guarantee, the latter varying considerably more in protein quality than Manitoba. At the other end of the quality variability scale are the less specifically defined wheats, Argentine Up River, Australian f.a.q. (fair average quality of the current harvest), and No. 2 Red Winter. "Ordinary" U.S. Hard Winter, graded but without protein guarantee, is also one of the less well defined wheats, and it is typically more variable than the same grade with a 12 per cent protein guarantee. Most of these quality variation differences are reflected in a broad way in the percentage spreads between the maximum and the minimum price differentials shown in Table 16—spreads determined by a combination of factors, among which quality and supply variations were presumably the most important.[117]

In any case, it seems clear that price variation factors tend to reinforce the underlying tendency of the EEC quality coefficients to base the EEC "low c.i.f." price primarily on the lowest priced qualities of major Argentine wheats, U.S. soft Red Winters, and some ordinary Hard Winters without guarantee.

How much the trade of individual exporting countries is disturbed or discriminated against as a result of imperfections in the EEC quality coefficients and variations in the "low c.i.f." prices depends in large part on how the Commission selects and uses its "low c.i.f." price. If the Commission habitually based that price on the very lowest c.i.f. offer on the world market (lowest after adjustment by EEC location and quality coefficients) disturbing variability and general discrimination against all non-EEC import wheats would result. If this c.i.f.-selection process were followed, it would mean that the Commission was often basing its "low c.i.f." price on abnormally low-quality shipments of the type and grade of wheat specified, that the EEC quality coefficients seriously overvalued such shipments, and that the resulting EEC import levies were accordingly both higher and more variable than EEC "quality equalizing" prin-

[117] Other factors deserving attention include variations in total wheat supplies, the relative international shortage or abundance of "hard" *vs.* "soft" bread wheats, variations in the effective demand for P.L. 480 and related exports, and changes in the "commercial" export pricing policies of various governments.

ciples imply. EEC representatives have countered concern about such hazards by insisting that the Commission is well aware of the potential pitfalls and avoids them by excluding from consideration "offers of cereals which are not of a fair average quality or offers of small quantities which are not representative of the market" (*104,* p. 15).

We interpret the record of successive changes in EEC "low c.i.f." prices and also the relationships between these prices and average c.i.f. quotations for representative import wheats (Chart 8 and supplementary data) as evidence that the Commission has acted about as responsibly in this respect as is operationally feasible. Thus, although the "low c.i.f." principle of levy determination and the defects of the EEC's quality coefficients may reasonably be protested, it is important to emphasize that one of the greatest hazards of the system—excessive, unpredictable variability of the "low c.i.f." price and import levy—has thus far been minimized by the Commission's method of operation. Additional support for this view is provided by Hirsch's study of selected monthly and daily fluctuations of EEC levies between August 1962 and March 1965 (*112a*). Not only did Hirsch conclude that "temporal variation of the grain levies has been remarkably small," but he also noted that changes in the monthly average levy rates "apparently have been strongly influenced by changes in threshold prices," with variations in the "low c.i.f." prices probably playing "a somewhat secondary role" (*112a,* pp. 39, 40). Comparison of the threshold, "low c.i.f.," and levy lines in Chart 8 leaves no room for doubt that monthly changes in the French threshold prices of wheat and maize have been considerably more important than variations in the "low c.i.f." prices in determining monthly variations in the levies since late 1962. This fact alone, however, has very limited significance. Since the seasonal changes in the threshold prices were known in advance, whereas the variations (including daily variations) in the "low c.i.f." price were much less predictable, the latter presumably remained potentially more disturbing and discriminatory in international trade.

Two other operational features of the EEC system have also helped to allay early fears of seriously disturbing fluctuations in the levies. Frequent small changes have been directly prevented by the EEC rule that no established levy rate might be altered unless change in the difference between the "low c.i.f." price and the respective threshold warranted an increase or decrease of the levy greater than a predetermined minimum amount, which had to be set by individual member countries within the EEC range of .45 to .75 u.a. per ton. Germany is reported to have chosen the lowest authorized figure, Netherlands the highest, and France one halfway between (.60 u.a.). Equally or more important in reducing exporters' early objections to the variability of the EEC levies have been the favorable terms under which import licenses could be obtained and import levies could be prefixed for specified periods of up to three months (see p. 46).

All this does not mean that complaints against the EEC import levy system have ceased. There remains the critical question as to whether it has significantly discriminated against some non-EEC exporters or export wheats as compared with others. And there is, of course, the persisting criticism that the levies and associated export subsidies have been and still are excessively high and

variable, permitting little or no effective price competition from non-member exporting countries.

Community representatives have repeatedly stated that their levy system was designed to "equalize" EEC and world prices, that it was liberal and non-discriminatory toward non-member countries, and that the related export subsidies were "designed to enable member States equally to compete with third countries in world markets" (e.g., *104*, p. 69). Although there is no question that the EEC import levy system is based on a price-equalization principle, the intent has never been to equalize average world import prices and average EEC prices, but rather to raise the lowest world import price (quality considered) to the high domestic target level, further raised during the transition period by a preferential (discriminatory) margin of 1.00–1.10 u.a. per ton. On these grounds alone, "equalization of EEC and world prices" and "equal competition in world markets" would appear to be rather euphemistic descriptions of the EEC levy system. Yet the claim that the EEC levies are "non-discriminatory" toward individual non-member exporting countries warrants further consideration.

Even aside from the problem of possible frequent EEC overvaluation of the quality of "low c.i.f." wheat, import levies based on the "lowest" c.i.f. offer push up the levy-paid prices of all other imported wheats to quality-adjusted levels that exceed the corresponding wheat threshold prices by varying amounts. This is clearly evident in Chart 8 with respect to No. 2 Manitoba and No. 2 Hard Winter (12 protein). Since the EEC "low c.i.f." was lower than the quality-adjusted price of either of these grades throughout the entire period from August 1962 to January 1967, their levy-paid, quality-equalized prices were continuously above the French threshold price, with the margins of excess varying widely in different months. Some economists, including Hirsch (*112a*), have referred to this effect of the levy system as discrimination against the grains thus raised above the threshold level. There is, indeed, no question that such pricing of the great bulk of imported wheat at quality-adjusted levels above the highly protected EEC threshold prices gives additional preferential protection to EEC grain vis-à-vis most imported grain, thus overprotecting the domestic target prices. But since precisely the same import levy is imposed on all types and grades of imported wheat, it does not discriminate against or in favor of any particular import wheat in any way other than does a single specific tariff duty, except to the extent that inequities exist in the quality coefficients used. Indeed, it seems reasonable to say that the types and grades of foreign wheat most discriminated against by the Common Market levy system are those that are most overvalued by the EEC quality coefficients, since such wheats are allowed less competitive price flexibility than wheats undervalued by the coefficients. Thus, exporters of high-grade Manitobas and other "undervalued" wheats typically have a wider margin for price reductions before triggering an increase in the EEC levy than do exporters of common Argentine wheats, U.S. soft red varieties, "ordinary" U.S. Hard Winters, and other wheats frequently overvalued by the EEC adjustment factors. Moreover, on an ad valorem basis the top grades of Manitobas and other premium varieties are favored relative to low-priced import wheats.

Despite these and other minor discriminatory features of the EEC levy sys-

tem, its single import levy is far superior in international equity to any of the most commonly suggested alternative import arrangements that would give comparable, stable protection to the high EEC target prices. Certainly it discriminates less among individual non-member exporters of grain than did the combination of government import controls, bilateral trade agreements, and less systematized variable levies which it supplanted. And certainly it is less discriminatory and imposes less restraint on competition among foreign suppliers than would any multilateral grain agreement that includes either (1) specified grain-import quotas for individual exporting countries, or (2) a high minimum basic import price for wheat and perhaps also for maize or barley, with fixed price differentials for the different types and grades of each major grain (*60a,* pp. 1–15).

"Basic" export subsidies and "special" subsidy supplements.—The export subsidy system of the Community, though directly tied to the import levy, left much more discretion to the individual member governments during the EEC transition period. While the import levy, arithmetically determined by the national threshold price and EEC "low c.i.f." price, had to be applied without modification to all imports of the same grain arriving on the same day,[118] the French export subsidy could be and was substantially differentiated with respect to shipments to different destinations.

Only the maximum levels of national export subsidies were fixed by Community regulations. These were separately prescribed for two quite different subsidy elements: (1) the "basic" export subsidy, which could not exceed the corresponding import levy; and (2) the "special conditions" supplement applicable only to domestic grains specified by the Commission at the beginning of each crop year. Since the "special conditions" supplement was designed to add enough to the "basic" subsidy to permit EEC exports to meet international competition in various markets "taking cost of transportation into consideration" (*31*), the maximum supplements prescribed by the Commission were geographically differentiated and typically higher for more remote areas. It is not surprising, therefore, that the "special conditions" supplement has often been referred to in trade circles as a "transport subsidy," even though other special conditions of competition—e.g., the credit arrangements applicable to Australian and Canadian exports to certain communist countries and the attractive terms available to many Asian, Latin American, and African countries under various U.S. export programs may often have been more important in determining the extent to which such subsidy supplements have been authorized and used. Not subject to EEC maximum limitation were export subsidies fixed by member countries at the lowest subsidy offer submitted under a tender system; but we infer that tender calls have not been extensively used since 1962/63. Since December 1962 "special conditions" supplements appear to have been authorized fairly continuously by the EEC Commission for unmilled wheat and wheat flour (at least on shipments to certain geographical regions, including the Far East, Latin America, Africa, and the state-trading area of Eastern Europe), and this has probably been so also for barley. Yet only the scantiest information has been published

[118] Exclusive of imports on which the subsidy had been prefixed on a similar non-discriminatory basis.

regarding the coverage and magnitude of the Commission's authorization of "special conditions" supplements or the extent to which such supplements have been offered by ONIC as effective additions to the French basic subsidies.

Chart 8 shows only the general basic export subsidies fixed by ONIC for unmilled French wheat, barley, and maize. These rates served as the total effective export subsidies to all destinations except as the French government authorized larger (supplemented) subsidies to a few specially designated countries.[119] Of the three major French grains represented in Chart 8 (p. 110), maize is the only one for which the French basic export subsidy has been maintained since late 1963 at the maximum level authorized by the EEC, i.e., equal to the prevailing import levy. In contrast, the basic export subsidy for wheat has been substantially lower than the authorized maximum during 30 of the 39 months reported since October 1963, the average difference amounting to 4.67 u.a. or U.S. dollars per ton. In view of the record high French exports of wheat during this period (to non-EEC countries as well as in total) this relationship suggests that the French wheat import levy was too high to support the frequent claim of Community representatives that the levy system merely "equalizes" domestic and world prices. For this discrepancy, three factors were jointly responsible: the preferential margin of $1.10 in the threshold price; the excessive lowness (unrepresentativeness) of the "low c.i.f." price; and the ability of grain exporters to deliver domestic wheat to Marseille and other French ports at prices below the derived target level. This conclusion is not invalidated by the supplements which ONIC added to the basic French subsidy on wheat shipments to certain destinations.

Increasing information regarding export subsidy supplements has been published by ONIC during the past few years (*95*); and it appears to be most nearly complete for 1965/66, even though still excluding any reference to the pricing of exports for Communist China or to the generally important, supplementary subsidies on wheat flour. Since French wheat exports rose to a new record peak in 1965/66, the subsidy information available for that year is particularly pertinent. And since the broad picture it yields is consistent with scattered reports in the trade press not only for 1965/66 but for a number of earlier months as well, some of the more prominent details warrant summarization. In that year, when the French import levy on unmilled wheat and hence the *maximum allowable basic export subsidy* under EEC rules averaged 46.46 u.a. or U.S. dollars per ton, the *actual basic subsidy* made available to French exporters of wheat grain averaged 41.56 u.a.: this meant that the French subsidy on wheat exports to all destinations not specifically designated by ONIC was $4.90 less than the maximum basic rate authorized by the EEC. At the same time, the *effective export subsidy* on unmilled wheat (apparently including all subsidy supplements applicable) was considerably higher on shipments to the Associated African States and Madagascar, for which it was usually equal to the prevailing French import levy; the same higher rate was briefly quoted on shipments to Tunis, Syria, Angola, and East Germany; subsidies on exports to specified Eastern European countries were lower than the French import levy but well above the French general basic subsidy rate; and similar intermediate subsidy rates were quoted on shipments to

[119] As noted below, ONIC frequently made a reduced subsidy available on wheat shipments to the United Kingdom.

Algeria and Morocco. Only ONIC's announced subsidy on exports to the United Kingdom was below the generally applicable national subsidy. Many but not all of ONIC's subsidy rates that differed from the French basic level (including the reduced rate to the United Kingdom) were noted to be for export under "special conditions"—a term apparently used to cover several different types of special arrangements, including a few long-term bilateral agreements (*116a,* pp. 17–18).

Thus, the basic level and differentiated pattern of the French wheat export subsidies of 1965/66 is clear. The generally applicable subsidy rate on exports of unmilled wheat was considerably lower than the import levy and therefore correspondingly lower than the maximum basic rate the French government might have put into effect under EEC rules. To this generally applicable subsidy rate were added differing subsidy supplements for various African and other states currently or formerly associated with France, for several other countries in Africa and Southwest Asia, and for a number of state-trading countries in Eastern Europe and presumably (though not mentioned) Communist China. *Even the largest of the announced supplements, however, did not raise the total effective subsidy on any wheat shipments higher than the corresponding French import levy.* And the lowest effective subsidy—that on exports to the United Kingdom —was the only one set at a discount below the generally applicable subsidy rate, presumably in order to avoid the British import tax on grain priced below the British designated "minimum import level."[120]

Although the French government kept its basic export subsidy on unmilled wheat below the EEC allowable rate not only in 1965/66, but also during most of the preceding period from October 1963, the French basic subsidy on exports of wheat flour was continuously fixed at the maximum level authorized. This meant that the excessively high import levy on wheat grain (including the *montant forfaitaire*) was always used as the basis for calculation of the basic flour subsidy (see p. 50). Moreover, according to trade sources, "special conditions" subsidy supplements were much more extensively employed by the French government to aid exports of domestic flour. This is by no means surprising, since world flour-import markets have long been characterized by abnormally heavy government-subsidized competition. And for many exporting countries, as for France, published records do not reveal either the magnitude of the effective flour subsidies or how generally they are applied.

On the basis of scanty evidence, we infer that in the past few years the French basic export subsidy on a ton of flour of average quality has moderately exceeded the import levy on 1.4 tons of wheat grain and has been further increased by a "special conditions" supplement that added another 10–12 per cent to the basic subsidy allowed on flour shipments to the Far East and Latin America, 8–9 per cent on shipments to tropical African countries, and roughly 3 per cent on exports to non-European Mediterranean countries and probably also to state-trading countries of Eastern Europe.[121] Thus, there is no question that the effec-

[120] Although this reduced subsidy was associated with the 1964 United Kingdom grain agreement with foreign suppliers, it was not without precedent. As early as mid-1963 reduced subsidies were granted on shipments of French barley to the United Kingdom in order to circumvent the British anti-dumping duty introduced in 1961.

[121] Based mainly on information supplied by the Foreign Agricultural Service of the U. S. Department of Agriculture (*145a*). For 1965/66 the following "special conditions" subsidy supplements per ton of flour exports were reported to have been authorized by the EEC Commission: (1)

tive French export subsidies on domestic flour were not only extremely high but also discriminatory during 1963–66, encouraging competitive exports to many distant commercial markets, which on a comparative cost basis would have been supplied by other exporting countries. Yet it is important to note that the differentiated export subsidy supplement that made such discriminatory pricing possible was not new to French exporters, who had been assisted in the pre-EEC period by a somewhat similar ONIC "transport subsidy."

The Margin of Protection of Major French Grains

Economists have long known that many uncertainties are encountered in attempts to measure the protective effects of national import duties, export subsidies, quantitative trade restrictions, and other programs designed to support the domestic prices of certain products above "world" levels. At best, the resulting estimates have substantial margins of error. Yet such estimates are needed as tools for national economic planning, for analysis of the effects of existing government programs on domestic prices and producer incomes, and for international negotiations of various sorts, prominently including GATT Rounds aimed at lowering barriers to world trade. For these differing purposes, several different measures would be appropriate.

Here we attempt to provide rough estimates suitable for answering two specific questions. First, what degree of import protection and export subsidization did non-EEC grain exporters face during the past four crop years as a result of the French (EEC) import levies and export subsidies then effective (Table 17)? Second, how large was the overall "margin of support" received by French grain producers from all forms of government intervention directly relating to grain? —a more complex question to which the answer can be only in terms of very rough approximations (Table 18).

Two skilled, well-informed groups of commodity economic analysts—the secretariats of the FAO Group on Grains and the Commonwealth Economic Committee—have presented figures showing the grain levies of individual EEC countries as percentages of the corresponding EEC "low c.i.f." price (*64a*, p. 3; *111a*, p. 197). Similarly constructed percentages relating to the French levies on wheat, barley, and maize in the four crop years ending 1965/66 are shown in Table 17. Since both the FAO Group and the Commonwealth Committee have specifically stated or indirectly implied that these percentages "provide an indication of the relative support levels and of the degree of protection for particular grains in individual countries," the figures deserve close attention, particularly in comparison with the other measures of "degree of protection" shown in Table 17.

The French levy on wheat has continuously represented a much higher percentage of the EEC "low c.i.f." price than has the French levy on either of the major coarse grains. Even the maize levy, which has stood second highest, has never been less than 10 percentage points lower, and in the two most recent years it was as much as 25 and 33 points lower than the wheat figure. These differences, we believe, seriously exaggerate the greater degree of protection given to

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to the Far East, Indian Ocean, Latin America, $8.00; (2) to tropical Africa, $6.00; (3) to non-European Mediterranean countries, $2.00. Within these limits, the specific magnitude and destinations of such supplements were decided by ONIC.

TABLE 17.—FRENCH GRAIN IMPORT LEVIES AND EXPORT SUBSIDIES AS PERCENTAGES OF "WORLD" PRICES, 1962/63–1965/66*

	1962/63	1963/64	1964/65	1965/66
WHEAT (*blé tendre*)				
Levy as per cent of				
"Low c.i.f."[a]	71	61	72	82
U.S. No. 2 Hard Winter, c.i.f.[b]	58	52	59	69
No. 2 Manitoba, c.i.f.[b]	54	49	54	58
U.K. import price[c]	57	52	58	64
Basic export subsidy as per cent of				
French export price[c]	68[d]	57	58	63
BARLEY				
Levy as per cent of				
"Low c.i.f."[a]	44	43	38	26
U.S. No. 3, c.i.f.[b]	45	44	38	26
U.K. import price[c]	38	38	33	23
Basic export subsidy as per cent of				
French export price[c]	38[d]	41	32	21
MAIZE[e]				
Levy as per cent of				
"Low c.i.f."[a]	60	51	47	49
U.S. yellow, c.i.f.[b]	59	50	47	49
U.K. import price[c]	59	50	46	46

* Based on data in citations *42, 50, 95, 98, 99, 116,* and *139.*

[a] French "low c.i.f." price calculated by EEC.

[b] Reported c.i.f. price, basis Rotterdam, adjusted to French port position by location differential reflected in EEC "low c.i.f." price for Rotterdam, compared with "low c.i.f." price for designated French port.

[c] U.K. import prices and French export prices are the average unit values shown in Appendix Table VII (means of calendar years for French export price).

[d] Export subsidies are available only for December–June.

[e] Export subsidy as per cent of export price not shown since the small maize exports have gone mainly to other EEC countries.

wheat relative to maize or barley—a view supported by the other levy-price ratios in Table 17 and also by the price relationships shown in Charts 3B and 4B, pp. 78–79.

The strong tendency of the levy-"low c.i.f." ratios to overestimate the degree of levy protection to wheat primarily results from the special peculiarities of the EEC "low c.i.f." price of wheat—its unrepresentative lowness, which mainly but not solely reflects "quality adjustment" (see above). Only for wheat are large reductions from the quoted c.i.f. prices made by the EEC Commission in estimating the c.i.f. price equivalent of EEC (French) standard quality grain: therefore only for wheat does the EEC "low c.i.f." price not closely resemble the quoted price of the type and grade of grain on which it is based. Moreover, since market price spreads for different qualities of wheat are much wider and more variable than for different qualities of maize or even of barley, the changing type and grade of wheat selected by the EEC for its "low c.i.f." price is likely to be considerably less representative of current average market prices than are the "low c.i.f." prices of the major feed grains. The very fact that the EEC "low c.i.f." price of wheat is a distinctly low, artificially adjusted price, whereas the

French import levy (like all EEC grain levies) is imposed on quoted, not adjusted, c.i.f. prices, means that the levy-"low c.i.f." ratio for wheat is too high to serve as a valid measure of the "margin of protection" of French wheat.

This margin can more reasonably be measured either as the ratio between the French import levy and the average price (unit customs value) of wheat imports, or as the ratio between the French export subsidy and the average price (unit customs value) of French exports. These two measures—the first an estimate of the levy protection against imports, the second of aid to exports—are both important. Both warrant close attention in international negotiations to promote freer multilateral trade. Yet since France is a large net exporter of wheat and barley, and her gross imports are relatively small and specialized,[122] the export subsidy ratios for these grains would normally be of greater economic significance than levy protection ratios based on French imports. Two statistical shortcomings of the export aid ratios in Table 17, however, warrant special mention: (1) the substantial quantities of French wheat and barley exported to other EEC countries since July 1962 have been valued at protected free-to-frontier prices, not at world levels; and (2) the reported export subsidies do not include the special subsidy supplements paid on certain shipments. Both of these statistical characteristics operated to lower the export subsidy ratios in Table 17, which therefore somewhat underestimate the degree of export aid granted on French shipments of wheat and barley to non-EEC destinations. No export subsidy ratios are presented for maize, because a larger proportion of the much smaller maize exports went to EEC countries, valued at artificially high domestic prices.

Since French imports of wheat, barley, and maize are primarily limited to relatively small quantities of specific qualities, whereas British imports are large and broadly representative of international commercial transactions, we believe that the best measure of French levy protection against non-EEC imports is the ratio of the French import levy to the average British import price of the same grain. For wheat and barley such import ratios differ little from the export subsidy percentages in Table 17. For maize the corresponding import levy ratios closely resemble both the levy-"low c.i.f." ratios and the percentage levy on American maize—relationships that reflect the dominant position of American maize in all import markets.

In general, then, we conclude that the ratios between French (or other EEC) import levies and EEC "low c.i.f." prices of the same grain are not acceptable measures of the degree of levy protection against foreign imports or of French aid to domestic exports. Indeed, these ratios seriously distort the picture of the differing degrees of protection given to the different grains. They yield inflated estimates of recent French-EEC protection to wheat and, in lesser degree, of the protection to barley; whereas they reflect reasonably well the values for maize.

In 1962/63 and 1963/64 the degree of levy protection afforded wheat was about the same as for maize, but the margin in favor of wheat increased in the next two years as "world" wheat prices weakened and feed grain prices advanced. Throughout the EEC transition period, French barley has received con-

[122] Here, as elsewhere in the present study, the unmodified term "wheat" refers to non-durum types: high-protein bread wheats represent the bulk of French imports.

siderably less levy protection than either wheat or maize; and the trend of barley protection has been downward, primarily as a result of rising world prices.

The preceding discussion of the "degree of levy protection" of French grains is in line with common thinking about and measurement of the direct price effects of simple tariff duties and export subsidies. Domestic prices to producers, however, are rarely, if ever, affected to the same extent. And it is the *overall margin of support to producers* which the EEC Commission declares should serve as the basis for GATT negotiations relating to national levels of protection on agricultural products. In view of the many different types of agricultural protection encountered in the world today, European Community leaders reasonably assert that GATT negotiations aimed at liberalizing specific techniques of protection—tariff duties, variable levies, import quotas, export subsidies, direct subsidies on marketing, etc.—will remain confusingly complex and essentially ineffective as long as the individual governments are left free to shift to other established or new techniques to attain the same protective goals. And since the primary goal in most developed countries has recently been to stabilize and support the total net return domestic producers receive for a few important marketed products (most commonly grain and milk), Community representatives believe that international negotiations should focus on measuring and binding recent national margins of support for those products, while continuing the traditional efforts to reduce and bind duties on commodities for which duties are the chief form of protection.

This concept has been described in broad and simple terms as the difference between the total average return which domestic producers receive for a marketed unit of a given product and an internationally accepted "world" reference price (adjusted for differences in quality and location). The resulting absolute margin of support becomes more meaningful for international and inter-commodity comparisons when it is expressed as a percentage of the correspondingly adjusted world price. Thus, the equation is

$$M = \frac{P_d - P_w}{P_w}$$

with M representing the "margin of support," P_d the total average net return per unit received by producers (market price plus any direct subsidy payment on production or marketings minus any producer tax on marketings), and P_w representing the most comparable adjusted "world" price (which might be the adjusted equivalent of either an agreed hypothetical price or an agreed actual average market price). Most important is selection of an economically realistic "world" price that at minimal levels of national protection would induce economic adjustments tending to balance world grain supplies and effective demand. The formula makes no allowance for other taxes or subsidies that directly affect the cost of inputs used in production, but the underlying assumption is that only "commodity-neutral" subsidies on inputs would be allowed.

Table 18 represents our attempt to estimate the margin of support received by French producers of wheat, barley, and maize since 1958/59. This margin was measured not with reference to a hypothetical constant "world" price, but on the basis of actual import and export prices in the same crop year. The specific price

TABLE 18.—ESTIMATED "MARGIN OF SUPPORT" TO FRENCH PRODUCERS OF WHEAT, BARLEY, AND MAIZE, AS A PERCENTAGE OF THE "WORLD" PRICE, 1958/59–1965/66*

Crop year	Wheat		Barley		Maize[a]
	Imports	Exports	Imports	Exports	Imports
1958/59	29	46	4	17	56
1959/60	26	37	11	23	42
1960/61	31	41	27	46	37
1961/62	33	48	6	43	36
1962/63	38	54	12	34	55
1963/64	39	58	5	30	35
1964/65	33	47	0	21	39
1965/66	37	47	0	8	39

* Estimated total subsidy or protection to French producers calculated as the difference between the average tax-paid wholesale price to producers and the average "world" price. Through 1961/62 producer prices are the average net prices shown in Appendix Table II plus the wholesale margin; from 1962/63 they are the average tax-paid market prices to producers in Appendix Table III plus the wholesale margin. For calculation of the margin of support on exports, the net price to producers in the surplus center was increased by the estimated average cost of transport to f.o.b. port position (costs typically covered by the liberal export subsidies paid by ONIC). The "world" import price is the crop-year unit value of British imports (unmodified for barley and maize, reduced by 13 per cent for wheat as an approximate adjustment to French wheat quality equivalent); "world" export price is the average unit value of French exports (means of calendar years): both series are from or based on Appendix Table VII.

[a] Export percentages not shown because of abnormalities in the data.

series used are described in the general footnote to Table 18. Although each price series selected was believed to be the most suitable available, and certain ones were roughly adjusted to insure greater comparability with respect to pricing location and grain quality, the resulting estimates are rougher approximations than could have been made if needed transport cost data had been available and more computation time had been used.[123]

Despite their limitations, the estimates in Table 18 are sufficiently trustworthy to warrant several basic conclusions.

1. Margin-of-support figures, like the levy and subsidy ratios in Table 17, clearly indicate that French wheat and maize have been much more heavily protected than barley; but the relative positions of wheat and maize are not clearly established.

2. Table 18 provides no statistically significant evidence of trend changes in the margin of support to French grain producers over the past eight years. Even so, the four-year average margin for wheat was distinctly higher and the margin for barley lower after introduction of the EEC levy and export subsidy system in 1962. For wheat this primarily reflected firmness of domestic market prices, which were partially supported above minimum levels by ONIC intervention; for barley the dominant factor was greatly increased strength in world markets, unmatched in domestic markets despite ONIC financing of barley storage contracts and barley export subsidies.

[123] For example, the annual estimates based on export prices could be improved by use of crop-year rather than calendar year data, and since 1962/63 by use of export unit values based on exports to non-EEC countries only.

3. For grains heavily exported to non-EEC countries—e.g., wheat and barley —export-based estimates of the margin of support are the most economically significant series (good export price data assumed) and also the most important for use in international negotiations aimed at binding and, hopefully, reducing relatively high margins of support.

4. Although import-based calculations of the margin of support involve more questionable adjustments for differences in grain quality and location, such margins deserve primary consideration for products which are imported but not exported in large quantities. In comparisons of import-based estimates for some commodities or countries and export-based estimates for others, however, adequate recognition needs to be given to the general tendency for export-based margins to exceed those based on import prices, a relationship primarily due to f.o.b. valuation of exports and c.i.f. valuation of imports.

5. Margin-of-support measurements typically yield somewhat lower percentage figures (based on world prices) than do EEC levies or export subsidies or national tariff duties. The reasonable implication is that most levies, subsidies, and duties are not fully effective as protectors of domestic prices—an implication supported by many years of tariff experience.

In general, it seems reasonable to conclude that improved estimates of national margins of support offer a much more promising basis for comparison of the protective effects of widely differing national grain programs than does any measure now in common use. Sponsorship of the margin-of-support concept by the European Economic Community has been encouraging. And the expressed willingness of Community leaders to join with other countries in GATT agreements to bind and perhaps later reduce existing margins of support on major agricultural products is, we believe, one of the most constructive proposals yet made to bring realism and effectiveness to GATT negotiations relating to international trade in such products. Even though the Community's own tabled offers for such negotiations in the Kennedy Round were disappointing, and the negotiations ended without any constructive step being taken to reduce the excessive national protection of major grains in any of the participating countries, the potential usefulness of the margin-of-support concept should not be overlooked or underrated.

THE ROLE OF THE FRENCH GOVERNMENT AND THE EEC IN PRICING FRENCH GRAIN: A SUMMARY VIEW OF 1920–70

The French government has long played a highly important though varying role in the pricing of French grains. This role was significantly but not greatly modified under the transitional grain regulations of the European Economic Community during 1962–66 and will be further and more substantially altered after unification of the Community grain market on July 1, 1967. The following recapitulation of developments covering the past half century emphasizes the chief price effects of the most important peacetime changes in French controls over grain pricing, marketing, utilization, and trade. It also brings into perspective the most significant features of the price outlook for the next few years.

The Period of National Programs, 1920–62

For the four decades prior to July 1962, when the initial EEC grain regulations went into effect, nine generalizations seem to warrant special attention either because they are historically important or particularly pertinent at the present time.

1. During the first five or more years after each World War, the French government did little to support domestic grain prices above going "world" import levels. Given the short national and world grain supplies and a disrupted national economy, the government's greater immediate concern was to protect consumers. After World War II, but not in 1920–24, direct government controls were prominently invoked for this purpose, including fixed grain prices and additional planting premiums to producers, government marketing and milling regulations, official rationing of bread, government subsidies to bakers, and direct controls over foreign trade in grain and grain products. These measures held French grain prices to producers (including added premiums) close to the prevailing high "world" prices, while permitting consumers to benefit from a special subsidy on bread.

2. At the beginning of the 1950's, as in the mid-1920's, world grain prices rose to a high peak that French officials allowed most domestic prices to follow or even (for wheat) to exceed. In both periods, too, the government subsequently resisted the influence of declining world prices by raising import duties and/or by establishing high fixed domestic prices, reinforced by foreign trade controls and other supplementary measures.

3. Import duties lost their earlier price significance as quantitative trade controls and government-fixed prices became the effective tools of French price support in the course of the 1930's. This lasted until 1962. During the late 1930's and throughout the postwar period up to 1962 the National Grain Office (previously the National Wheat Office) exercised almost complete control over the French grain (or wheat) market. Import levies and quantitative import restrictions were imposed in a highly flexible and often discriminatory way, different arrangements being made for various government-approved deals. Not only was trade with dependent (or formerly dependent) territories generally favored, but grains were also often included in discriminatory bilateral trade agreements negotiated with independent nations. In all instances the Grain Office controlled the internal distribution and sale price of imported grain in line with the government's domestic price policy. French export subsidies were set in a similarly flexible way, being granted in whatever amounts were needed to move surplus grain to government-approved foreign markets.

4. The margin of price protection to French grain producers was proportionately smaller in the decade ending July 1962 than in the period of unprecedented economic depression in the 1930's. This presumably reflected both the more acceptable level of the postwar "world" prices and also the striking postwar shift of France to a persisting net export position, first for wheat and later also for barley, a trade position necessitating the payment of costly export subsidies.

5. Wheat and maize received relatively more price protection than other

French grains both in the 1930's and during 1950–62. But whereas French wheat producers were favored considerably more than maize producers in most interwar years and again in the early 1950's, this was not so in later years of the pre-EEC period.

6. Government-fixed prices of domestic grains (particularly wheat) remained complex and confusing throughout the two decades following World War II. The widely quoted official "basic" prices frequently bore little resemblance to the crop-year average prices actually received by French producers. For this three factors were primarily responsible: (1) through 1949, while bread grain was in short supply, additional planting bonuses were paid on all areas sown to wheat and rye, significantly raising prices to producers; (2) in several of the following eight years, special price premiums were paid on marketings of certain grains, most often wheat and maize, either as compensation for a small harvest or as a temporary incentive to production; and most important (3) in all postwar years the "basic" prices to producers were subject to taxes on grain marketings, some relatively stable and uniform per ton delivered, others variable and, for wheat, also differentiated as between large and small producers (the most significant being the "reabsorption" and "quantum" taxes designed to make producers pay part of the cost of surplus disposal of large harvests).

7. The prices paid by domestic buyers of grain during 1950–62 were also affected by special taxes and subsidies. Wheat was taxed more consistently and more heavily than any other grain, buyers being required to pay a large "farm welfare" tax on wheat alone (except in the two initial years, when a similar lighter tax was collected on rye). Until 1959, however, consumers of bread were shielded from the major force of this tax by a "bread subsidy" paid directly to bakers. Although buyers of wheat for feed were supposedly charged the same "farm welfare" tax, they were usually able to purchase denatured wheat at subsidized prices as low as or lower than the average price of barley, which in turn was sold in some years at officially reduced prices available only for feeding purposes.

8. As a result of such taxes and subsidies and also of the direct pricing and trade controls exercised by the National Grain Office (ONIC), differentiation of grain prices was greatly extended after 1951 and still further developed after grain surpluses accumulated in the mid-1950's. This was reflected in abnormally wide margins between the tax-paid prices received by producers and those paid by buyers, most prominently for wheat and secondarily and later for barley and rye, in lower tax-paid prices to large than to small producers of wheat (but not of other grains), in different prices to buyers of grains for different uses, in lower prices for export sales than for sales to domestic buyers or for purchases from producers, and in higher export prices to some countries than to others.

9. Although the level and complexities of the French wheat prices of 1950–62 directly reflected the nature and goals of national grain programs, those programs in turn were substantially influenced by the changing levels and differentiated character of world wheat prices. After France became a regular net exporter of wheat in the mid-1950's, French officials undoubtedly felt compelled to keep net prices to producers closer in line with export prices in order to limit the budgetary costs of export subsidies. At the same time the government in-

creased efforts to negotiate bilateral trade agreements that would promote access of French grain to certain import markets, most notably Germany, and it approved special arrangements for heavily subsidized grain exports to certain Eastern European countries and Communist China, in whose markets there was no competition from United States exports, either commercial or concessional.

The EEC Transition Period and Outlook for the First Years of Market Unification, 1962–70

When the French government cooperated with other members of the European Economic Community by casting an affirmative vote in the Council for Regulation No. 19 (the EEC Grain Regulation of 1962), French officials signed away some of their cherished rights and powers. They could no longer unilaterally determine and control the basic level or differentiation of French grain prices, import levies, and export subsidies; they could no longer direct the allocation and channeling of marketed grain to various domestic uses, stocks positions, and specific foreign destinations; nor could they continue to control the volume and sources of imports by direct quantitative restrictions and discriminatory import levies. The revolutionary EEC Grain Regulation, effective July 30, 1962, did not cancel all these rights overnight, but provided for a maximum transition period of eight years to permit gradual adjustment of national prices to EEC-determined unified levels and gradual reorganization of the six diverse, national grain markets to a unified Community market.

Although the end of the transition period was originally scheduled for 1970, it was later pushed forward to July 1, 1967, with certain temporary concessions, primarily to Italy. Since 1966/67 is therefore the last crop year of the transition period and since agreement has already been reached by the EEC Council on the level of unified grain prices to become effective in July 1967, the salient features of the transitional adjustments made in France can now be viewed in the light of substantial though incomplete knowledge of what grain prices, market relationships, and trade regulations are likely to be in the first years of the unified market. This view is broadly sketched in the following seventeen-point summary.

1. Domestically, the most notable progress made in French grain market organization and pricing since mid-1962 has been a shift from rigidly fixed and officially controlled prices at all stages of grain marketing to a system of EEC-approved minimum intervention and target prices at specified wholesale markets. For these and other marketing centers the new minimum prices were intended (under EEC rules) to be such as to permit free movement from surplus to deficit areas within the country. But although significant progress has been made in this direction, ONIC's earlier firm control over grain prices and marketings has been only slowly curtailed and not eliminated. At the end of the 1962–67 transition period, therefore, merely a rough semblance of economically regionalized prices and market freedom will exist in France.

2. Even less "progress" has been made since July 1962 in raising the net prices of wheat, rye, and barley received by French producers up to the minimum levels planned for the unified Community market of 1967/68. While the official *gross* minimum prices of all grains except maize were raised by modest

annual increments during the transition period, the taxes previously collected on marketings of producers and on purchases of buyers were nevertheless continued, and indeed typically increased. Moreover, differentiation in the quantum tax on wheat and hence in the net prices received by large as compared with small producers reached its greatest magnitude ever in 1965/66, despite official recognition that this and all other taxes on grain marketings and sales would have to be eliminated by the end of the transition period. The resulting *net price guarantees* to grain producers in the chief surplus area thus remained essentially unchanged or even declined on a weighted average basis through 1965/66, with the largest declines indicated for the largest wheat producers (Charts 3, 4, and 6). Not until 1966, when the quantum tax on barley was eliminated and an unexpectedly small wheat crop brought a sharp cut in the quantum tax on wheat, did the average tax-paid minimum prices of these two grains rise significantly above their previous peaks in 1961/62.

3. The French government's reluctance to let tax-paid minimum prices to grain producers rise before the very last year of the transition period was due primarily to its reluctance to risk assumption of the obligation to absorb possible larger future costs of subsidized disposal of grain surpluses prior to "satisfactory" settlement of EEC Guarantee Fund financing. Other factors, however, doubtless contributed to this decision, including official fears of price inflation and official desires to strengthen the French government's position in the EEC Council's financial debate.

4. Throughout the transition period French producers received *market* prices higher than the official intervention levels. For wheat and barley the average tax-paid market prices exceeded the net minimum guarantees by around 5 per cent, for maize and rye by a margin closer to 10 per cent. These approximated country-wide averages reflect wholesale market prices that were generally closer to the respective targets than to the intervention prices—for maize even well above the target. For the two regularly exported French grains, wheat and barley, the government's policy of "preventive intervention" at prices above the legally specified intervention levels was probably partly responsible for the relatively favorable market prices. Though contrary to the intent of the EEC Grain Regulation, this policy was adopted to prevent large-scale intervention purchases of out-of-position stocks later in the year, a threat persisting throughout the transition period as a result of deficient price regionalization and inadequate pricing freedom.

5. Grain price relationships in France changed little during 1962–67 as compared with the last two or three years of the pre-EEC period. Barley and rye continued to sell lower in relation to wheat on French than on international markets, reflecting the much heavier price protection given to French wheat. And maize, the only non-wheat grain similarly protected, continued to return tax-paid prices to French producers practically on a par with wheat (even above the wheat price received by large producers) and considerably higher than barley or rye, which brought less than 80 per cent of the net price of wheat to "small" wheat producers and roughly 85 per cent to "large" producers.

6. In determining the grain target and intervention prices proposed for the unified Community grain market of 1967/68, the EEC Commission considered

not only the special adjustment problems faced by individual member countries, but also other pricing guidelines, including (1) the Community's higher self-sufficiency percentage for wheat than for all feed grains combined; (2) the relative feeding values of the different grains; (3) their recent prices and price relationships in international trade; (4) the estimated effects of different prices on Community production and utilization of the various grains and associated livestock products; and (5) the prospective influence of the proposed prices on farm incomes, on food prices to consumers, and on EEC expenditures for market support and export subsidies. In weighting these various factors, the Commission was strongly influenced by the desire to promote the development of an efficient, competitively viable grain-livestock economy within the Community—a goal requiring some shift of resources from wheat growing to the production of feed grains and livestock products. For this reason, the Commission gave primary consideration to the establishment of acceptable target and intervention prices for wheat and to the determination of economically suitable price ratios to wheat that could be used in setting the unified prices of other grains and livestock products. The key role thus assigned to wheat in the Community's agricultural price structure warrants the closest attention of all government officials, economists, and farm and trade representatives interested in GATT agricultural negotiations or in proposals for a new International Wheat (or Grains) Agreement.

7. The specific target and intervention prices approved for the EEC unified grain market of 1967/68 imply price ratios to wheat of 85–88 per cent for feed barley, maize, and rye, thus differing little from average ratios on British and German import markets during 1958/59–1965/66 (Table 13). But since the international price of wheat of EEC (French) standard quality is at least 10 per cent lower on the average than the weighted value of the higher quality wheats imported by the United Kingdom and West Germany, the EEC unified grain prices of 1967/68 continue to overvalue wheat more than other grains. At the price relationships indicated for the EEC unified prices, maize ranks as relatively the cheapest feed grain for hogs, poultry, and slaughter cattle. This reflects not only the relatively higher feeding value of maize, but also the fact that French maize, previously more highly protected than any grain except wheat, is the only major French grain for which no increase in intervention or threshold price is indicated for 1967/68.

8. With the prospective elimination of all French taxes on grain marketings and purchases effective July 1, 1967, the net prices received by many French producers will rise more than the prices paid by French buyers. Indeed, for wheat, the grain previously taxed most heavily to both producers and buyers and the only grain taxed at progressively higher rates to producers delivering increased quantities, we expect the tax-paid market prices of 1967/68 to average almost 15 per cent higher than in 1964–67 to all producers as a group, and to decline about 3 per cent to French millers. Even more significant is the anticipated net price increase of almost 20 per cent to many of the larger wheat producers, as contrasted with one of only 7 per cent to small producers who customarily marketed five tons or less (Table 15). Different price changes are also anticipated for French producers and buyers of feed barley, the increase to producers approximating 20 per cent, to buyers 7 per cent. Only for maize are the effective French market

prices to both producers and buyers likely to remain at recent average levels or even to decline in 1967/68.

9. Since livestock products represent varying degrees of converted grain, and grain competes with livestock and fodder crops for agricultural resources, grain and livestock prices and production are necessarily interdependent. Keenly aware of this, the EEC Commission framed its price proposals for livestock and livestock products by applying to the approved grain prices the ratios it regarded as most suitable in the light of past price and production records. Thus, the Community's unified prices of pork, poultry and eggs will be closely tied to the unified prices of the grains assumed to be used in their production: they will be protected at the border (as in the recent past) by import levies and sluice-gate prices primarily designed to equalize the estimated effect on feeding costs of the difference between world grain prices and the high grain-target prices of the Community. Even for beef cattle and milk, the Commission's price proposals were based on past price relationships to wheat. Postwar price and production records reportedly indicated the desirability of a milk-wheat price ratio (average prices to producers) of 1:1 for the same weight of milk and wheat of EEC reference quality, and a ratio of 7:1 between producer prices of slaughter cattle and milk (hence also between slaughter cattle and wheat). The prices finally adopted by the Council were somewhat more favorable to milk.

In France, ratios of livestock prices to wheat prices (net to producers) have been generally higher over the past 15 years than in the interwar period, and relatively higher, too, than the increased feed grain ratios. Moreover, French prices of cattle and milk have risen more rapidly than wheat prices during the postwar years, reflecting, among other factors, the less advanced level of technology and heavier labor costs characteristic of the French livestock industry. Although the EEC unified prices now scheduled for all major livestock products imply still higher market peaks, such advances as may occur seem likely to be smaller than comparable price increases for barley and wheat (tax-paid average market prices to producers). Thus, most livestock–wheat price ratios to French producers may level off or decline from their high levels of recent years. And for large French wheat producers, in particular, the incentives to maximize wheat and barley production appear to be definitely established by price expectations for the near future.

10. Internationally, the most important postwar change in French grain policies—indeed, in the grain policies of all member countries of the European Economic Community—came in August 1962, when the EEC system of import levies and export subsidies was put into operation. This supplanted many restrictive national controls over the quantities, sources, destinations, and special pricing of grain imports and exports. And it left to the French government only four major pricing decisions (limited to the transition period) that could substantially influence the volume of French trade in grain: (1) determination of the national target prices and hence "threshold" prices of the major grains and related grain products—targets that had to be set within EEC-prescribed price ranges; (2) determination of the general "basic" export subsidies to be paid on French grains, with the maximum rate on each limited to the amount of the prevailing import levy; (3) determination as to what extent and to what desti-

nations "special" subsidy supplements would be paid on French grain exports, up to EEC-specified maximum limits; and (4) decisions relating to negotiation of limited bilateral agreements providing credit terms (essentially commercial credit terms) on specified possible exports of French grain mainly to state-trading countries (*116a,* pp. 17–18). Although the highly protective threshold prices in the Community levy system are open to serious criticism, the system itself, with its built-in economic guidelines and restraints, appears to be far superior as a pricing and trading mechanism to the more arbitrary, less predictable, and more discriminatory quantitative controls which it supplanted. In this light we interpret the change in French trade regulations and pricing methods under the EEC system as a first important, if only halting step toward potentially freer multilateral trade in grain.

11. Since all EEC grain import levies and maximum "basic" export subsidies represent the arithmetic difference between the corresponding threshold price (nationally fixed during 1962–67) and the lowest "quality equalized" c.i.f. offer on the world market, any economic appraisal of the French or general EEC levy system must focus on these upper and lower limits. Similarly, any realistic proposal for improving the system, without eliminating it, must provide for constructive change of one or both of these basic determinants. The nature and defects of the threshold prices of major grains are readily apparent. Being nothing more or less than derived domestic target prices at a designated port, further raised during the transition period by an EEC preferential margin, the threshold prices have all of the defects of the excessive, seasonally varying target prices which underlie them plus the added EEC discriminatory margin. The French threshold prices of 1962–67 were therefore substantially higher than French market prices of the same grains (maize excepted) and still higher than the tax-paid market prices received by domestic producers, which in turn stood far above equivalent world levels. French threshold prices were thus heavily protective to domestic grain markets, assuring that the delivered "quality equalized" prices of the great bulk of foreign grain would stand well above the prevailing high prices of domestic grain on French markets.

12. Additional protection to French and other Community grain markets has been assured by prescribed selection of the *lowest* "quality equalized" c.i.f. offer as the second determinant of the EEC import levies. This "low c.i.f." principle of levy determination raises serious questions about the degree of realism and representativeness reflected in the quality equalizing coefficients used by the EEC Commission, about the size of the gap between EEC "low c.i.f." prices and representative average world market prices, and about possible excessive variability of the levies resulting from occasional, abnormally low prices for unrepresentative grain shipments. Our detailed examination of the EEC quality coefficients and of the "low c.i.f." prices reported for wheat, barley, and maize since 1962, brings considerable reassurance regarding the answers to most but not all of these questions. In general, the EEC Commission appears to have acted about as responsibly as possible in selection of the c.i.f. offer used for its "low c.i.f." price: there is no question that the Commission has tried to exclude from consideration the offering prices for grain shipments notably abnormal in any re-

spect. Largely for this reason and because prefixing of import levies and export subsidies has been facilitated by the Commission, disturbing variability of the EEC levies has been minimized.

Only for wheat is there reason for concern about apparent adverse effects from use of the Commission's quality coefficients. These appear generally to undervalue high-grade Manitobas, other high-protein varieties, and Australian f.a.q. wheat, and somewhat to overvalue common Argentine wheats, average and below-average qualities of American soft red wheat, and ordinary U.S. Hard Winters without protein guarantee. It seems clear that the wheats thus overvalued are the ones most commonly chosen (by the basic formula) for the EEC "low c.i.f." price. And to the extent that the selected "low c.i.f." price reflects overvaluation (relative to average world market values during a representative period of years), the EEC import levy is increased beyond the amount apparently intended by EEC-announced principles. For wheat, which is more highly differentiated in type and grade than any other grain, with each type varying markedly in desired qualities from year to year, frequent overvaluation of the EEC "low c.i.f." price appears almost inevitable. Thus, in any given year, the "low c.i.f." price of wheat may be unrepresentative of general market movements over many days or even weeks.

13. Since each EEC grain import levy is in principle applied equally, on a tonnage basis, to all types and grades of the same grain concurrently imported from non-EEC sources, it is as non-discriminatory toward individual non-EEC exporting countries as any specific tariff duty would be. Like such a duty, however, it favors the highest priced types and grades of each grain on a percentage-of-value basis. For wheat this means that the EEC levy system tends to favor imports of high-grade high-protein wheats, particularly from Canada—the kind EEC millers are most anxious to mix with soft local varieties to improve the quality of their bread flour.

14. Since the maximum "basic" export subsidies which EEC member governments were authorized to pay on domestic grain during 1962–67 were equal to their corresponding import levies, such subsidies would appear to have been higher than necessary to accomplish the reported EEC intention "to enable member States equally to compete with third countries in world markets" (*104,* p. 69). Three factors were jointly responsible for this: (1) the EEC preferential margin (*montant forfaitaire*) of $1.00–$1.10 per ton in the threshold prices; (2) the excessively low level of the EEC "low c.i.f." price, particularly for wheat; and (3) the below-target levels at which domestic grains could be delivered for export at major French and other EEC ports. Belief that the EEC-authorized maximum export subsidies have been unduly high during the last few years, at least for French wheat and probably barley, is strongly supported by the record large exports of these two grains to non-EEC countries at effective basic subsidy rates significantly below the maximum levels authorized. Indeed, for reported months since October 1963, the French general basic export subsidy on wheat has averaged $4.67 per ton less than the maximum that could have been granted under EEC rules. And although "special" subsidy supplements have been paid on French wheat exports to various countries formerly in the French Empire, to

several other African and Asian states, and to a number of Communist countries, even the largest of the *reported* supplements did not raise the total export subsidy on any shipment of wheat grain above the authorized "basic" rate.

In contrast, the French basic export subsidy on wheat *flour* is officially reported to have been maintained at the maximum level, and also to have been supplemented by the maximum "special" subsidy allowances. Since the EEC-fixed "special" subsidy supplements, on grain as well as flour, are highly differentiated on a geographical basis (ranging up to $8.00 per ton on flour shipped to the Far East or Latin America), they appear to run counter to basic GATT principles of "fair competition" in international trade. On the other hand, they could probably not be challenged successfully unless other major exporting countries, including the United States, showed willingness to negotiate downward their own excessive (partly hidden) export subsidies.

15. Several possible measures of the "margin of protection" of French grains have been presented and discussed (pp. 120–25). All clearly indicate that French wheat and maize have been more heavily protected against world market influences in recent years than has barley. On the other hand, the measures differ as to the degrees of protection given to these three grains, and also as to the magnitude and even direction of the changes in such protection between the first two years of the EEC transition period and the two following ones ending June 1966. We conclude that the measure most widely used for calculating the protection afforded individual grains in EEC countries during 1962–67—i.e. the national import levy expressed as a percentage of the corresponding EEC "low c.i.f." price —yields a distorted picture of the relative degrees of protection given to the different grains. Specifically, it results in substantially inflated estimates of recent French-EEC protection to wheat and, in lesser degree, of the protection to barley; whereas it yields fairly realistic estimates for maize.

The degree of French protection against non-EEC wheat imports can more reasonably be measured as the ratio between the national import levy and the average unit value of French wheat imports (if sufficiently large from non-EEC sources to be representative of world-market prices), or, alternatively and often better, as the ratio between the French import levy and the average unit value of wheat imported into the United Kingdom. In general, however, the degree of protection to a grain heavily exported under subsidy can best be approximated by the ratio between the effective export subsidy and the average unit value of national exports. For France this would presumably be the most useful measure of protection for both wheat and barley, particularly if the available export subsidy figures included the "special" subsidy supplements. In any case, it appears significant that French "import protection" ratios for wheat and barley (representing the French import levy as a percentage of the British import price) and the French "basic export aid" ratios for these grains show close agreement during the four crop years ending June 1966 (Table 17). Both series suggest margins of protection approximating 55–65 per cent for wheat and 30–40 per cent for barley, with the latter sharply cut (down almost to 20 per cent) in the last crop year. For maize the average "import protection" ratio of 50 per cent is the only meaningful measure, since French maize exports to non-EEC countries were too small to be representative of world prices.

16. The measures of "import protection" and "export aid" described above have very limited application in the world today. For France and other European Community countries, they can be calculated only since 1962/63; and they are additionally applicable only to the few other countries that rely on tariff duties or variable levies as the sole protection against imports, with perhaps supplementary support from export subsidies. What is needed, therefore, is a broader, more universally applicable measure of domestic market protection. It should indicate, at least roughly, the differing degrees of government support available for the major agricultural products for which a wide variety of protective techniques are currently in common use in different countries. And it should be chosen with emphasis on its usefulness as a reflector of changes over time in the degree of protection thus provided to specified products in the individual countries.

We believe the most promising measure is a properly designed "margin of support" ratio that focuses on the government protection reflected back to producers in the "total price" they receive for each designated product—the "total price" representing the domestic market price plus all additional payments and subsidies and minus all taxes directly tied to the marketing (and sometimes production) of the product concerned. The suggested margin of support ratio, then, is simply the difference between the "total price" to domestic producers and an economically realistic "world reference" price (adjusted for differences in product quality and location), a net figure which is then divided by the adjusted world price. Such margin-of-support ratios could throw significant light on changes in the effective protection afforded producers of wheat and other grains in major trading nations, even in the face of changing government programs. And they could be usefully employed in multilateral international negotiations and agreements aimed at binding and gradually reducing the heavy and widespread government protection that currently restricts and distorts the channeling of international commercial trade in grains and related livestock products. The great need for such future negotiations has been pointed up by the virtual failure of the Kennedy Round to deal constructively with this problem.

17. The excessive EEC grain target prices of 1967/68 are subject to reconsideration and revision in future years. However, we believe the EEC Commission will be reluctant to recommend the reduction of any of these prices except in response to (1) mounting drains on the EEC Guarantee and Guidance Fund for market intervention, or (2) opportunities for economic gain to the Community from participation in a general multilateral agreement to reduce excessive national margins of support on a broad group of agricultural commodities (particularly wheat, feed grains, dairy products, and meat).

At present, the prospect for either of these developments appears remote. Price inflation seems likely to offset much of the cost reducing influence of expected technological and cultural improvements; and the intermittent threat of spreading warfare encourages emphasis on the desirability of Community self-sufficiency in grain and livestock products. Moreover, if the reported wheat pricing and shared "grain-aid" arrangements of the Kennedy Round result in a substantially higher world price of wheat and in increased French grain exports

for food aid, the task of maintaining the inflated EEC target prices of the major grains in the face of expanding French production will prove easier, not harder than was previously envisaged. This raises the threat of further increases in EEC grain target prices.

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APPENDIX TABLES

Prepared with the collaboration
of Rosamond H. Peirce

FOOTNOTES FOR APPENDIX TABLE I (*continued*)

—in whole or in part—on wheat imported between that date and June 30, 1925, provided the flour produced therefrom was sold to bakeries (i.e., for bread making, not for pastries, etc.).

[d] Rates calculated, based on provision in decree that they were to be raised by 30 per cent.

[e] Another 30 per cent increase was decreed. Although the basic decree did not specifically exclude any grain, the composite evidence from several sources strongly suggests that the increase was not applied to wheat, rye, or barley (e.g., *5*, p. 711; *113*, p. 89).

[f] Law of December 29, 1929, extended the government's authority to change duties by decree if the parliament was not in session.

[g] Decree gave the duties applicable to "other maize" only, and specified that (a) corresponding rates for industrial maize should be 35 per cent lower, and (b) the effective minimum for Bessarabian maize should be 40 per cent lower.

[h] In May 1933 a license tax of 25 francs was imposed on imported barley, bringing the effective minimum duty plus license tax up to the basic minimum duty on other secondary grains.

[i] Approximate duties calculated on the basis of a decree calling for 13 per cent increase.

[j] Decree required that some tariff rates be raised 14 per cent instead of previous 13 per cent. Rates given here as published by the International Institute of Agriculture (*113*, p. 136).

APPENDIX TABLE I.—EFFECTIVE FRENCH IMPORT DUTIES ON GRAINS, 1881–1937*

(Francs per 100 kilograms)

Initial date effective[a]	Wheat		Rye	Barley	Oats	Maize		
	Import price	Duty				Bessarabian	Industrial	Other
1881 May 8	30.00	.60	0	0	0		0	
1885 March 29	19.20	3.00	1.50	1.50	1.50		0	
1887 March 30	19.60	5.00	1.50	1.50	3.00		0	
1890 July 9	20.90	5.00	1.50	1.50	3.00		3.00	
1891 July 2	23.00	3.00	1.50	1.50	3.00		3.00	
1892 Jan. 11	22.00	5.00	3.00	3.00	3.00		3.00	
1894 Feb. 27	14.00	7.00	3.00	3.00	3.00		3.00	
1914 July-Aug.	25.00	0 [b]	3.00	0 [b]	0 [b]		0 [b]	
1915 Oct. 16	36.40	7.00	3.00	0 [b]	0 [b]		0 [b]	
1919 June 18	90.00	7.00	3.00	3.00	3.00		3.00	
1921 July 4	108.00	14.00	6.00	6.00	6.00		6.00	
1924 Jan. 7	85.00	7.00[c]	6.00	6.00	6.00		6.00	
Aug. 1	85.00	14.00[c]	6.00	6.00	6.00		6.00	
Sept. 21	85.00	14.00[c]	6.00	3.00	6.00		6.00	
Dec. 24	85.00	0–14.00[c]	6.00	3.00	6.00		6.00	
1925 July 1	120.00	14.00[c]	6.00	3.00	6.00		6.00	
1926 April 7[d]	209.00	18.20	7.80	3.90	7.80		7.80	
Aug. 15[e]	209.00	18.20	7.80	3.90	10.20		10.20	
1927 Sept. 3	166.00	25.00	11.00	3.90	10.20		10.20	
Nov. 17	166.00	35.00	15.00	3.90	10.20		10.20	
1928 March 15	148.00	35.00	15.00	15.00	15.00		10.00	
1929 May 24	127.00	50.00	15.00	15.00	15.00		10.00	
1930 Jan. 19[f]	116.00	50.00	15.00	15.00	21.00		10.00	
May 20	116.00	80.00	15.00	15.00	21.00		10.00	
July 19	116.00	80.00	21.00	15.00	30.00		10.00	
Sept. 12	116.00	80.00	21.00	15.00	30.00	16.80	24.00	
1931 April 29	81.00	80.00	35.00	15.00	30.00	16.80	24.00	
July 14								
General	81.00	160.00	70.00	30.00	60.00	33.60	48.00	
Minimum	81.00	80.00	35.00	15.00	30.00	16.80	24.00	
1932 Sept. 17								
General	84.00	160.00	80.00	30.00	80.00	0	52.00	80.00[g]
Minimum	84.00	80.00	40.00	{15.00[h] / 40.00[h]}	40.00	24.00	26.00	40.00[g]
1937 Feb. 1								
General	157.00	170.60	87.40	84.00	87.40	53.20	57.40	87.40
Minimum	157.00	85.30	44.70	43.00	44.70	27.60	29.70	44.70
July 9[i]								
General	157.00	192.70	98.70	94.90	98.70	60.10	64.80	98.70
Minimum	157.00	96.30	50.50	48.50	50.50	31.10	33.50	50.50
Sept. 11[j]								
General	157.00	192.70	99.60	95.70	99.60	60.60	65.40	99.60
Minimum	157.00	96.30	50.50	49.00	50.50	31.40	33.80	50.50

* Duties and wheat-import prices—the latter for the calendar year in which the duty was adopted—from official sources (*68* and *65* respectively, except as otherwise noted). Imports from certain French Empire sources were admitted duty-free (see footnote 1, p. 6 of text).

[a] Date usually refers to date of publication in the *Journal officiel*; but in the few cases for which a later effective date was specified, this is given. Under the so-called "padlock law" of 1897, tariff changes on grains became effective on the date on which the legislative bill was introduced; if the bill was not passed, any excess paid was refunded.

[b] The duties on the different grains were suspended on different dates during this period; but the rye duty appears not to have been changed.

[c] The wheat rate was reduced to 7.00 francs from January 7 through July 31, 1924, and then returned to 14.00 francs. A law of December 24, 1924, authorized reimbursement of the wheat duty

APPENDIX TABLE II.—BASIC AND AVERAGE PRODUCER PRICES, AND APPROXIMATE WHOLESALE PRICES OF FRENCH GRAINS, 1947/48–1961/62*

(Francs per 100 kilograms for grains of standard quality)

Crop year	Average price to producers						
			Taxes levied on producer			Seasonal increment[e]	Average net price[f]
	Basic price[a]	Special premium	One-half storage[b]	Other fixed[c]	Surplus disposal[d]		
			WHEAT (*blé tendre*)				
1947/48	1,650	300[g]	—	17	—	—	1,933[g]
1848/49	2,300	127[g]	—	25	—	—	2,402[g]
1949/50	2,500	—	—	22	—	—	2,478
1950/51	2,600	—	14	25	22	—	2,539
1951/52	3,445	155	15	30	47	16	3,524
1952/53	3,445	155	—	30	39	17	3,548
1953/54	3,445	155	—	33	80	26	3,513
1954/55	3,400	—	32	33	176	64	3,223
1955/56	3,400	—	32	32	177[h]	46	3,205
1956/57	3,450	347[i]	28	35	—	79	3,813
1957/58	3,350	—	32	32	388[h]	50	2,948
1958/59	3,596	—	27	42	121	88	3,494
1959/60	3,800	—	30	40	122[h]	54	3,682[j]
1960/61	4,000	—	30	40	220[h]	76	3,786
1961/62	(4,065)[k]	—	50	40	48[h]	72	(3,999)[k]
			RYE				
1947/48	1,600	300[g]	—	17	—	—	1,883[g]
1948/49	2,185	200[g]	—	25	—	—	2,360[g]
1949/50	2,185	—	—	22	—	—	2,163
1950/51	2,000	—	—	25	—	—	1,975
1951/52	2,700	—	—	30	—	—	2,670
1952/53	(2,700)[l]	—	—	30	—	—	(2,711)[m]
1953/54	(2,700)[l]	—	—	30	—	—	(2,670)[n]
1954/55	(2,550)[l]	—	—	10	—	—	(2,390)[n]
1955/56	(2,550)[l]	—	—	10	—	—	(2,445)[m]
1956/57	2,760	—	—	25	—	72	2,807
1957/58	2,680	—	—	32	125	50	2,572
1958/59	2,877	—	—	42	150	85	2,770
1959/60	3,040	—	—	40	200	54	2,854
1960/61	3,200	—	—	40	200	89	3,049
1961/62	(3,252)[k]	—	—	40	300	62	(2,974)[k]
			BARLEY				
1947/48	1,550	—	—	17	—	—	1,533
1948/49	1,955	—	—	25	—	—	1,930
1949/50	1,955	—	—	22	—	—	1,933
1950/51	1,750	—	—	25	—	—	1,725[o]
1951/52	2,400	—	—	30	—	—	2,500[p]
1952/53	(2,400)[l]	—	—	30	—	—	(2,719)[m]
1953/54	(2,400)[l]	—	—	30	—	—	(2,370)[n]
1954/55	(2,450)[l]	—	—	10	—	—	(2,340)[m]
1955/56	(2,450)[l]	—	—	10	10	—	(2,693)[m]
1956/57	2,415	218	—	25	133	60	2,535
1957/58	2,620	—	—	25	120	43	2,518
1958/59	2,914	—	—	42	135	71	2,808
1959/60	3,250	—	—	40	150	44	3,104
1960/61	3,320	—	25	40	155	75	3,175
1961/62	(3,220)[k]	—	45	40	—[q]	55	(3,190)[k]

See pp. A-6 and A-7 for footnotes.

APPENDIX TABLE II.—BASIC AND AVERAGE PRODUCER PRICES, AND APPROXIMATE WHOLESALE PRICES OF FRENCH GRAINS, 1947/48–1961/62 (*continued*)*

(*Francs per 100 kilograms, except as otherwise indicated, for grains of standard quality*)

Crop year	Approximation of wholesale price to buyers: Wholesale margin[a]	Farm welfare tax[t]	Seasonal increment[u]	Wholesale price: General[v]	Wholesale price: Special feed[w]	U.S. dollars per metric ton[r]: Producer price: Basic[a]	Producer price: Average net[r]	Wholesale price: General[v]	Wholesale price: Special feed[w]
				WHEAT (*blé tendre*)					
1947/48	—	—	—	2,125	—	96	113[g]	124	...
1948/49	—	—	—	2,423	—	72	75[g]	76	...
1949/50	—	—	—	2,631	—	72	71	76	...
1950/51	74	104	105	2,897	—	74	73	83	...
1951/52	80	252	130	4,077	—	98	101	116	...
1952/53	80	252	130	4,062	—	98	101	116	...
1953/54	80	252	142	4,074	—	98	100	116	...
1954/55	96	238	142	3,908	—	97	92	112	...
1955/56	104	238	142	3,916	2,750	97	92	112	79
1956/57	104	241	142	3,965[s]	2,650[w]	98	109	113[s]	76[w]
1957/58	109	235	190	3,916	2,600	80	70	93	62
1958/59	120	252	201	4,196	2,801	78	76	91	61
1959/60	125	266	201	4,422	3,301	77	75	90	67
1960/61	130	280	218	4,658	3,693	82	77	95	75
1961/62	130	345	218	(4,808)[k]	3,968[w]	(83)[k]	(82)[k]	(98)[k]	(81)[w]
				RYE					
1947/48	—	—	—	2,068	—	93	110[h]	121	...
1948/49	—	—	—	2,307	—	68	74[h]	72	...
1949/50	—	—	—	2,313	—	63	62	67	...
1950/51	74	80	105	2,259	—	57	56	65	...
1951/52	80	162	130	3,072	—	77	76	88	...
1952/53	80[x]	—	—	2,821	—	(77)[l]	(77)[m]	81	...
1953/54	80[x]	—	—	2,675	—	(77)[l]	(76)[n]	76	...
1954/55	96[x]	—	—	2,142	—	(73)[l]	(68)[n]	61	...
1955/56	104[x]	—	—	2,559	—	(73)[l]	(70)[m]	73	...
1956/57	104	—	142	3,006	—	79	80	86	...
1957/58	109	—	190	2,979	—	64	61	71	...
1958/59	120	—	201	3,198	—	63	60	70	...
1959/60	125	—	201	3,366	—	62	58	69	...
1960/61	130	—	218	3,548	—	65	62	72	...
1961/62	130	—	218	(3,600)[k]	—	(66)[k]	(61)[k]	(73)[k]	...
				BARLEY					
1947/48	—	—	—	1,907	—	90	89	111	...
1948/49	—	—	—	2,075	—	61	61	65	...
1949/50	—	—	—	2,081	—	56	56	60	...
1950/51	74	—	95	1,919	—	50	49[o]	55	...
1951/52	80	—	130	2,738	—	69	71[p]	78	...
1952/53	80[x]	—	—	2,829	—	(69)[l]	(78)[m]	81	...
1953/54	80[x]	—	—	2,417	—	(69)[l]	(68)[n]	69	...
1954/55	96[x]	—	—	2,446	—	(70)[l]	(67)[m]	70	...
1955/56	104[x]	—	—	2,817	—	(70)[l]	(77)[m]	80	...
1956/57	104	—	121	2,858	2,650[w]	69	72	82	76[w]
1957/58	109	—	150	2,879	2,650[w]	62	60	68	63[w]
1958/59	120	—	184	3,218	2,934[w]	63	61	70	64[w]
1959/60	125	—	190	3,565	3,440[w]	66	63	73	70[w]
1960/61	130	—	207	3,682	—	68	65	75	...
1961/62	130	—	207	(3,602)[k]	—	(66)[k]	(65)[k]	(73)[k]	...

See pp. A-6 and A-7 for footnotes.

APPENDIX TABLE II.—BASIC AND AVERAGE PRODUCER PRICES, AND APPROXIMATE WHOLESALE PRICES OF FRENCH GRAINS, 1947/48–1961/62 (*continued*)*

(*Francs per 100 kilograms for grains of standard quality*)

Crop year	Average price to producers: Basic price[a]	Special premium	Taxes levied on producer: One-half storage[b]	Other fixed[c]	Surplus disposal[d]	Seasonal increment[e]	Average net price[f]
			OATS				
1947/48	1,300	100	—	17	—	—	1,383
1948/49	1,840	—	—	25	—	—	1,815
1949/50	1,840	—	—	22	—	—	1,818
1950/51	1,650	—	—	25	—	—	1,625[o]
1951/52	2,300	—	—	30	—	—	2,270[o]
1952/53	(2,300)[i]	—	—	30	—	—	(2,270)[n]
1953/54	(2,100)[i]	—	—	30	—	—	(2,070)[n]
1954/55	(1,950)[i]	—	—	10	—	—	(1,877)[m]
1955/56	(1,900)[i]	—	—	10	—	—	(2,244)[m]
1956/57	(1,888–2,000)[i]	—	—	10	—	—	(1,840)[n]
1957/58	(2,000)[i]	—	—	10	—	—	(2,251)[m]
1958/59	(2,200)[i]	—	—	10	—	—	(2,730)[m]
1959/60	(2,300)[i]	—	—	10	—	—	(2,495)[m]
1960/61	(2,500)[i]	—	—	10	—	—	(2,240)[m]
1961/62	(2,400)[i]	—	—	10	—	—	(3,240)[m]
			MAIZE				
1947/48	1,650	—	—	17	—	—	1,633
1948/49	1,955	—	—	25	—	—	1,930
1949/50	1,955	—	—	22	—	—	1,933
1950/51	2,250	—	—	25	—	—	2,225
1951/52	3,200	—	—	30	—	—	3,170[o]
1952/53	3,600	—	—	30	—	23	3,593
1953/54	3,600	—	—	30	—	—	3,570
1954/55	3,400	200	—	30	—	—	3,570
1955/56	3,400	200	—	30	—	—	3,570
1956/57	3,400	200	—	32	—	78	3,646
1957/58	3,350	250	—	32	—	115	3,683
1958/59	3,968	—	—	42	—	125	4,051
1959/60	3,850	—	—	40	—	171	3,981
1960/61	3,680	—	25	40	115	198	3,698
1961/62	(3,385)[k]	200[v]	45	40	...[v]	160	(3,660)[k]

See pp. A-6 and A-7 for footnotes.

APPENDIX TABLE II.—BASIC AND AVERAGE PRODUCER PRICES, AND APPROXIMATE WHOLESALE PRICES OF FRENCH GRAINS, 1947/48–1961/62 (*continued*)*

(*Francs per 100 kilograms, except as otherwise indicated, for grains of standard quality*)

Crop year	Approximation of wholesale price to buyers				U.S. dollars per metric ton[r]			
	Wholesale margin[s]	Seasonal increment[u]	Wholesale price		Producer price		Wholesale price	
			General[v]	Special feed[w]	Basic[a]	Average net[f]	General[v]	Special feed[w]
				OATS				
1947/48	—	—	1,632	—	76	81	95	...
1948/49	—	—	1,959	—	58	57	61	...
1949/50	—	—	1,964	—	53	52	57	...
1950/51	74	22	1,746	—	47	46[o]	50	...
1951/52	80	31	2,411	—	66	65[o]	69	...
1952/53	—	—	2,221	—	(66)[t]	(65)[n]	63	...
1953/54	—	—	2,129	—	(60)[t]	(59)[n]	61	...
1954/55	—	—	1,983	—	(56)[t]	(54)[m]	57	...
1955/56	—	—	2,358	—	(54)[t]	(64)[m]	67	...
1956/57	—	—	1,825	—	(54–57)[t]	(53)[n]	52	...
1957/58	—	—	2,370	—	(48)[t]	(53)[m]	56	...
1958/59	—	—	2,860	—	(48)[t]	(59)[m]	62	...
1959/60	—	—	2,630	—	(47)[t]	(51)[m]	54	...
1960/61	—	—	2,380	—	(51)[t]	(46)[m]	49	...
1961/62	—	—	3,380	—	(49)[t]	(66)[m]	69	...
				MAIZE				
1947/48	—	—	1,913	—	96	95	112	...
1948/49	—	—	2,044	—	61	61	64	...
1949/50	—	—	2,050	—	56	56	59	...
1950/51	74	105	2,429	—	64	64	69	...
1951/52	90	132	3,422	—	91	91[o]	98	...
1952/53	90	132	3,822	—	103	103	109	...
1953/54	150	—	3,750	—	103	102	107	...
1954/55	150	—	3,750	—	97	102	107	...
1955/56	150	—	3,750	—	97	102	107	...
1956/57	104	132	3,836	—	97	104	110	...
1957/58	109	159	3,868	—	80	88	92	...
1958/59	120	168	4,256	4,018[w]	86	88	93	87[w]
1959/60	125	230	4,205	4,080[w]	78	81	86	83[w]
1960/61	130	253	3,878[s]	—	75	75	79	...
1961/62	130	253	(3,813)[k,y]	—	(69)[k]	(75)[k]	(78)[k,y]	...

See pp. A-6 and A-7 for footnotes.

FOOTNOTES FOR APPENDIX TABLE II

* Data for basic producer prices, premiums, taxes, and seasonal increment rates are from annual decrees on grain prices and taxes in *68*. The average incidence figures shown for the variable reabsorption and above-quantum taxes on wheat and for seasonal increments to producers on all grains are as published by the EEC in *51*, pp. 15–22. Paris market prices used as designated in footnote *v* are from *64* and *60*. Figures for 1960/61 and 1961/62 originally stated in new francs (NF) are here shown for comparability in terms of old francs (1 NF = 100 old francs).

[a] Geographically uniform fixed prices except for (a) the minimum prices established for the 1952 and 1953 crops of rye, barley, and oats; (b) the intervention prices for the 1954 and 1955 crops of rye and barley and the 1954–61 oats crops; and (c) the minimum prices for the 1961 harvest of all grains other than oats, which remained subject to intervention operations. From 1955/56 the basic prices for wheat applied only to designated quantities of deliveries (quanta), and lower prices were paid on nonquantum wheat (see text and footnote *h*).

[b] Half of the storage tax was levied on producers, the other half on millers and processors until 1960. In 1960/61 and 1961/62 the latter was levied on the purchase and storage agencies and included in the wholesale (retrocession) price; for comparability it has been included in the wholesale price in all years in this table.

[c] The statistical tax, and the small tax for the fund for agricultural progress.

[d] Reabsorption tax, except as noted *h* for wheat, *q* for barley, and *y* for maize. For wheat, the average incidence of a tax that increased with size of deliveries. For other grains a uniform tax on all deliveries.

[e] Average incidence on all sales made during the crop year (officially computed).

[f] Basic producer price plus premium and seasonal increment, minus taxes; subject to premiums or discounts in accordance with quality variations. See notes *m* and *n* for rough approximations for years for which minimum or intervention prices were in effect (such prices are shown in parentheses).

[g] Including roughly approximated price supplements (granted in the form of premiums on wheat and rye plantings) to producers who agreed to deliver their total marketings to the official agency. Assuming that practically all wheat and rye producers participated so far as their reported areas and yields were concerned, these supplements at 1,000 francs per hectare in 1947 and 2,300 in 1948 amounted to approximately 100 and 127 francs per 100 kilograms for wheat, and 100 and 200 francs for rye. The average prices to producers shown above probably remain too low, since it is believed that both area and yield were understated and that sales of the additional grain at black market prices were common in both years. In 1947/48 a specified premium of 200 francs per 100 kilograms was also paid to wheat and rye producers.

[h] In 1955/56 reabsorption tax of 162 francs plus average incidence of deductions for above-quantum deliveries amounting to 15 francs; in 1957/58, reabsorption 110, above quantum 278. In 1959/60 through 1961/62 above-quantum deductions only.

[i] The premium includes 37 francs, the average incidence of a special premium of 242 francs for certain categories of small producers paid at the end of the crop year, in addition to the 310 francs paid to all producers. Neither of these payments were passed along to the consumer in the wholesale price.

[j] Includes 20 francs for exceptional average quality.

[k] "Basic" price established for 1961 crop was a *minimum*, in contrast with the *fixed* basic prices for all earlier crops in the case of wheat and maize and for all earlier crops except 1952–55 for rye and barley and 1952–61 for oats. The 1961/62 minimum price merely gave the officially approved storage and sales agencies permission to pay producers a little more than the basic price and to pass on the increase to consumers; and the agencies were informed that ONIC expected the minimum prices to be exceeded only in deficit areas and in special situations. Thus the minimum prices of 1961/62 did not represent an attempt to put domestic prices of grain on a freer, less controlled basis—as was true of the essentially less rigid minimum prices of rye, barley, and oats in 1952/53 and 1953/54.

[l] Basic prices for the 1952 and 1953 crops of rye, barley, and oats were in effect, though not in name, minimum prices. Still less rigid minimum "intervention" prices (guarantees that ONIC would buy the remaining stocks of sales and storage agencies at the specified price at the end of the season) were established for the same grains in 1954 and 1955 and remained operative for oats through 1961/62.

[m] Rough estimates taken as equivalent to the wholesale market price (crop-year average price on the Paris commercial exchange) minus the wholesale margin indicated for wheat and other small grains and minus specified direct taxes on producers.

[n] Basic minimum intervention price (end-of-season except for 1952 and 1953 crops), minus specified taxes on producers, and except for 1952 and 1953 minus the 150 francs allowed by the ONIC for "handling costs" of the stocking agencies.

[o] Probably understated. In 1950/51 barley producers were permitted to sell at up to 320 francs above the basic price, and in 1951/52 maize producers were permitted to sell at up to 25 per cent above the basic price, but the amounts so traded are not known. Scattered evidence suggests that oats prices in 1950/51 and 1951/52 may have been understated in somewhat the same way.

[p] Rough approximation taking account of the fact that producers were permitted to sell at up to

FOOTNOTES FOR APPENDIX TABLE II (*continued*)

25 per cent above the basic price (average producer price increased by the amount that the Paris quotation exceeded the calculated wholesale price).

[q] Actual deliveries were below the fixed quantum, and the initial deduction was refunded.

[r] Converted to U.S. dollars at August-July average exchange rates as published by the Federal Reserve System.

[s] Wholesale, or retrocession, margin set annually by decree.

[t] This is frequently referred to as the "BAPSA tax," based on its technical designation as: "*budget annexe des prestations sociales agricoles.*"

[u] Approximate average incidence. The actual average incidence is not available; the figures given are the arithmetic averages of the fortnightly increments.

[v] The price at which the trading agencies resold grain of standard quality to millers and other users except as noted below and in footnote *b*: agency sales were priced at a uniform level throughout the country. Wholesale prices were set by decree for all grain crops of 1947–49. Paris commercial exchange quotations are given here as mainly or fully effective at the wholesale level for the following crops: rye 1952–55, barley 1951–55, and oats 1952/53 and following. For all other crops and years, the wholesale prices here shown are estimates of the Food Research Institute calculated as follows: basic producer price, plus special premiums except as otherwise noted, plus the authorized wholesale margin, the average seasonal increment at wholesale level, one-half the storage tax (see note *b*), and, for wheat and rye, plus the farm welfare tax collected through the purchase and storage agencies.

[w] For wheat the maximum legal price at which denatured wheat might be sold for feed by the trading agencies. Processors of mixed feeds could generally buy undenatured wheat on similar terms. The price for 1956/57 was applicable only to small quantities of wheat showing signs of deterioration because of high moisture or other reasons. Prices include the seasonal increments in 1958/59–1961/62. The price shown for 1961/62 is for 1960-crop wheat; for the 1961 crop the price was 100 francs higher, and this grain could be purchased only by processors of mixed feed for chickens.

For barley, the prices at which the trading agencies were directed to sell barley for feed in 1956/57 and 1957/58; in 1958/59 the beginning-of-season specified feed price of 2,750 francs plus the average seasonal increment; in 1959/60 a similar authorized initial feed price of 3,100 francs, raised to 3,250 (by decree of October 30), supplemented by seasonal increments.

Feed maize was to be sold at a beginning-of-season price of 3,850 francs in both years plus seasonal increments which resulted in the calculated averages shown.

[x] Assumed to be equivalent to the wholesale margin for wheat, as was true in other years.

[y] When the maize crop turned out smaller and the need for feed grains larger than originally expected, the above-quantum deduction (2 NF) was refunded, and two premiums of 1 NF each were granted. The latter were not to be included in calculating the wholesale price.

[z] The storage and sales agencies were allowed to sell maize for *all* uses at a reduced price of 36.25 NF plus seasonal increments. This price is presented in the table rather than a price calculated according to the general rules.

APPENDIX TABLE III.—MINIMUM PRICES OF MAJOR GRAINS TO PRODUCERS AT SPECIFIED MARKETS AND CORRESPONDING MINIMUM WHOLESALE PRICES TO BUYERS COMPARED WITH AVERAGE MARKET PRICES, 1962/63–1966/67 AND APPROXIMATIONS FOR 1967/68*

(New Francs per 100 kilograms for grains of standard quality, except as otherwise indicated)

Year and deliveries	Calculated minimum price to producers: Gross, July[a b] Surplus center[c]	Gross, July[a b] Deficit center[d]	Fixed taxes[e]	Quantum deduction	Seasonal increment[f]	Net, yearly average Surplus center[c]	Net, yearly average Deficit center[d]	Market price to producers yearly[g]
WHEAT (*blé tendre*)[h]								
1962/63								
Up to 15 tons	40.65	41.88	.90	1.00	.86	39.61	40.84	...
Over 15 tons				2.65		37.96	39.19	...
Average				1.75		38.86	40.09	41.73
1963/64								
Up to 15 tons	41.49	42.82	1.05	1.28	1.04	40.20	41.53	...
Over 15 tons				2.56		38.92	40.25	...
Average				1.85		39.63	40.96	42.65
1964/65								
Up to 7.5 tons	41.49	42.78	1.05	.15[i]	.72	41.01	42.30	...
7.5 to 15 tons				2.88		38.28	39.57	...
Over 15 tons				5.61		35.55	36.84	...
Average				3.18		37.98	39.27	40.81
1965/66								
Up to 7.5 tons	42.21	43.46	1.70[j]	.15	.80	41.16	42.41	...
Over 7.5 tons				6.69		34.62	35.87	...
Average				4.40		36.91	38.16	41.13
1966/67								
Up to 7.5 tons	42.93	44.13	1.48[j]	—	.80[k]	42.25	43.45	...
Over 7.5 tons				1.79		40.46	41.66	...
Average				1.00[k]		41.25	42.45	...
1967/68[l]	43.73	47.00	—	—	.82	44.55	47.82	...
DURUM WHEAT (see Appendix Table IIIB)								
RYE								
1962/63	30.83	33.85	.40	—	.79	31.22	34.24	35.04
1963/64	31.48	34.63	.40	—	1.05	32.13	35.28	32.92
1964/65	31.49	34.69	.42	—	.56	31.63	34.83	33.53
1965/66	31.67	35.23	.42	—	.79	32.04	35.60	36.30
1966/67	32.20	35.76	.90	—	.75[k]	32.05	35.61	...
1967/68[l]	37.65	...	—	—	.75	38.40	...	...
BARLEY								
1962/63	32.20	33.79	.85	.50	1.03	31.88	33.47	35.00
1963/64	33.22	35.17	1.00	1.37	.86	31.71	33.66	33.07
1964/65	33.23	35.23	1.00	2.90	.77	30.10	32.10	32.83
1965/66	34.20	36.15	1.70[j]	2.21	.78	31.07	33.02	33.84
1966/67	35.17	37.07	1.28[j]	—	.86[k]	34.75	36.65	...
1967/68[l]	37.04	40.31	—	—	.86	37.90	41.17	...
MAIZE								
1962/63	36.35	39.17	.85	—	2.30	37.80	40.62	42.35
1963/64	36.35	38.66	1.00	.73[m]	2.25	36.87	38.78	40.37
1964/65	36.35[n]	38.26[n]	1.00	—	2.03	37.38[n]	39.29[n]	43.01
1965/66	36.35	38.26	1.00	—	2.30	37.65	39.56	43.50
1966/67	36.35	38.26	.80	—	2.00[k]	37.55	39.46	...
1967/68[l]	36.32	36.32	—	—	1.00	37.32	37.32	...

See pp. A-10 and A-11 for footnotes.

APPENDIX TABLE III.—MINIMUM PRICES OF MAJOR GRAINS TO PRODUCERS AT SPECIFIED MARKETS AND CORRESPONDING MINIMUM WHOLESALE PRICES TO BUYERS COMPARED WITH AVERAGE MARKET PRICES, 1962/63–1966/67 AND APPROXIMATIONS FOR 1967/68 (*continued*)*

(New Francs per 100 kilograms for grains of standard quality, except as otherwise indicated)

Year	Wholesale price to buyers: Calculated minimum: July[b o] Surplus center[o]	July[b o] Deficit center[d]	Seasonal increment[b]	Yearly average Surplus center[o]	Yearly average Deficit center[d]	Market, yearly average, S.C.[o q]	U.S. $ or u.a. per ton, yearly: Producer Net min., S.C.[o]	Producer Market[g]	Wholesale, S.C.[o] Market[q]	Wholesale, S.C.[o] Minimum
				WHEAT (*blé tendre*)						
1962/63[r]	45.90	47.13	2.17	48.07	49.30	49.93[e]	79	85	97	101[e]
1963/64[r]	46.96	48.29	1.83	48.79	50.12	50.65[e]	80	86	99	103[e]
1964/65[r]	47.39	48.68	1.83	49.22	50.51	50.48[e]	77	83	100	102[e]
1965/66[r]	48.13	49.38	1.83	49.75	51.00	51.56[e]	75	83	101	104[e]
1966/67[r]	47.84	49.04	1.83	49.24	50.44	...	84	...	100	...
1967/68[s]	45.48	48.75	1.83	47.31	50.58	...	90	...	96	...
				DURUM WHEAT						
1962/63	51.80		2.49	54.29		57.63	108	...	110	117
1963/64	52.98		2.10	55.08		58.57	114	...	112	119
1964/65	53.25	54.47	2.10	55.35	56.57	60.59	113	...	112	123
1965/66	54.47	55.69	2.10	56.57	57.79	59.68	121	...	115	121
1966/67	55.74	56.93	2.10	57.84	59.03	...	132	...	117	...
1967/68[s]	56.66	58.01	2.10	58.76	60.11	...	133	...	119	...
				RYE						
1962/63	32.13	35.15	2.17	34.30	37.32	38.12	63	71	69	77
1963/64	32.78	35.93	1.83	34.61	37.76	35.40	65	67	70	72
1964/65	33.14	36.34	1.83	34.97	38.17	36.87	64	68	71	75
1965/66	33.32	36.88	1.83	35.15	38.71	39.41	65	74	71	80
1966/67	33.85	37.41	1.83	35.68	39.24	...	65	...	72	...
1967/68[s]	39.30	...	1.83	41.13	...	...	78	...	83	...
				BARLEY						
1962/63	33.95	35.54	2.06	36.01	37.60	38.00	65	71	73	77
1963/64	35.12	37.07	1.74	36.86	38.81	37.26	64	67	75	75
1964/65	35.46	37.46	1.74	37.20	39.20	38.70	61	66	75	78
1965/66	36.43	38.38	1.74	38.17	40.12	39.65	63	69	77	80
1966/67	36.82	38.72	1.74	38.56	40.46	...	70	...	78	...
1967/68[s]	38.69	41.96	1.74	40.43	43.70	...	77	...	82	...
				MAIZE						
1962/63	38.10	40.92	2.49	40.59	43.41	45.14	77	86	82	91
1963/64	38.25	40.56	2.49	40.74	43.05	44.24	75	82	83	90
1964/65	38.63	40.54	2.49	41.12	43.03	46.75	76	87	83	95
1965/66	38.63	40.54	2.49	41.12	43.03	46.97	76	88	83	95
1966/67	38.05	39.96	2.49	40.54	42.45	...	76	...	82	...
1967/68[s]	38.02	38.02	1.74[t]	39.76	39.76	...	76	...	81	...

See pp. A-10 and A-11 for footnotes.

FOOTNOTES FOR APPENDIX TABLE III

* Data are based on publications of EEC and ONIC (*42*; *43a*; *95*). Except for maize, data are for August-July in 1962/63, for July-June thereafter. All maize data refer to October-September years. Conversions to U.S. dollars ($) are at EEC rate for the unit of account (u.a.): 1 NF = .20255 U.S.$ or u.a. Dots (. . .) indicate that data are not available, dashes (—) zero.

[a] French wholesale intervention price (Appendix Table IV) less wholesale margin, and from 1964/65 less certain transport costs. These deductions amounted to 1.30 NF per 100 kilograms for all grains through 1963/64; the combined deductions in 1964/65 were 1.75 NF for all wheat, 1.65 for rye and barley, and 1.70 for maize. In calculating 1965/66 and later years we have used the same deductions as for 1964/65.

[b] For all grains other than maize, August rather than July in 1962; for maize October all years.

[c] Marketing centers in the area of greatest surplus (S.C.) except for 1967/68. Except for maize, prices through 1966/67 were applicable to Chartres all years (Mont-de-Marsan for maize), although the relevant decrees specify the following surplus centers:

Year	*Wheat*	*Durum wheat*	*Rye*	*Barley*	*Maize*
1962/63	Chartres	Carcassonne	Orléans	Chartres	Chateaudun
1963/64: to Jan. 1	Chartres	Carcassonne	Orléans	Zone V	Zone III
1963/64: after Jan. 1	Zone IV				
1964/65	Blois	Castelnaudary	Orléans	Chateauroux	Mont-de-Marsan
1965/66 and 1966/67	Blois	Carcassonne	Orléans	Chateauroux	Mont-de-Marsan
1967/68	Tours	Toulouse	Orléans	Chateauroux	All

For durum wheat the Carcassonne price was applicable for the whole country in 1962/63 and 1963/64.

[d] Marketing center in the area of greatest deficit; except for maize prices applicable in Marseille (for maize, Dunkerque 1962/63, Lille thereafter). In 1963/64 specified as Zone I for barley and maize, and after December for wheat also. See note *c* concerning durum wheat in 1962/63 and 1963/64.

[e] Including one-half storage tax, as follows in NF (not applicable to rye):

Grain	1962/63	1963/64	1964/65	1965/66	1966/67
All wheat	.50	.65	.63	.58	.58
Barley and maize	.45	.60	.58	.58	.40

The 1966/67 tax shown for barley and maize was, in fact, the full storage tax since none was charged to the buyers.

[f] Weighted by deliveries: our computation. Deliveries for 1966/67 not yet available, but monthly increments continue at the same rate as in 1962/63—.40 NF per 100 kilograms for wheat and rye, .46 NF for durum wheat, and .38 NF for barley from September 1 through June 1; .46 NF for maize from November 1 through August 1.

[g] For wheat and barley, annual averages of published monthly prices; for rye and maize, our rough approximations based on the wholesale market prices described in note *q*. The monthly prices of wheat and barley, credited to INSEE, are described as weighted averages for 16–30 departments of prices received by producers after deduction of taxes (*50*).

[h] The average quantum tax deduction (officially forecast for 1965/66, our rough approximation for other years) is weighted by the actual or approximated size of deliveries by individual producers.

[i] Approximate net deduction for small producers after refund of most of the originally scheduled 2.88 N.F.

[j] In 1965/66 includes a special tax of .70 NF for farm welfare. In 1966/67 this tax was abandoned, but partially compensating changes were made in other fixed taxes.

[k] Our rough approximation.

[l] Approximate. "Surplus center" minimum prices for wheat and barley apply to Chartres, the market to which all earlier prices apply; in 1967/68, for the first time, slightly lower derived prices are scheduled for one or more other markets in the surplus area (Appendix Table IV, note *e*). Minimum prices for maize will presumably apply at all major markets (Appendix Table IV, note *i*). For durum wheat the minimum price shown is the lowest scheduled, specifically applicable to Toulouse: it may be slightly higher at Chartres, the surplus center to which earlier prices applied (see note *c* above and Appendix Table IV, note *g*).

[m] The originally decreed quantum tax of 1.50 NF per 100 kilograms was partially refunded by a payment to producers of .77 NF.

[n] Exclusive of supplementary payments (totalling 30 million francs) made to growers in departments where 1964 yields were 25 per cent or more below 1963 (February 15 and 28, 1965, issues of *95*).

[o] Through 1966/67 French wholesale intervention price (see Appendix Table IV) plus one-half storage tax except for barley and maize in 1966/67 and for rye in all years (see note *e*); farm welfare (BAPSA) tax also added to wheat (*blé tendre*) in all years (3.45 NF in 1962/63; 3.52 NF in

FOOTNOTES FOR APPENDIX TABLE III (*continued*)

1963/64 and 1964/65; 3.59 NF July 1, 1965–April 21, 1966, and 2.53 NF April 22–June 30, i.e., 1965/66 average 3.38 NF; and 2.58 NF July–December 1966 and 1.72 NF January–June 1967, i.e., 1966/67 average 2.15 NF). For 1967/68 it is assumed that there will be no taxes.

[p] Unweighted average, assuming sales evenly distributed over the year.

[q] Unweighted average of reported monthly wholesale prices in the department of greatest surplus, plus the taxes specified in note *o*. For grains of commercial quality except wheat, see note *s*. Corresponding market prices reported for the area of greatest deficit were irregularly quoted, but typically higher—for wheat roughly 1.00 NF higher.

[r] Approved agencies could sell denatured wheat at lower prices made possible by government subsidies (see Appendix Table IIIA).

[s] For wheat of standard quality. Commercial quality wheat quoted from February 1963 on was as follows:

	Feb.–July 1963	1963/64	1964/65	1965/66
NF per 100 kg.	51.82	50.59	51.60	51.68
U.S.$ per ton	104.96	102.47	104.52	104.68

[t] Assumed the same as for barley.

APPENDIX TABLE IIIA.—SUBSIDIES AND APPROXIMATE MINIMUM WHOLESALE PRICES OF DENATURED WHEAT, 1962/63–1966/67*

Year	New Francs per 100 kilograms					U.S.$ or u.a. per ton		
	Unsubsidized price			Subsidized price			Subsidized price	
	Surplus center	Deficit center	Subsidy	Surplus center	Deficit center	Subsidy	Surplus center	Deficit center
1962/63	48.07	49.30	11.64	36.43	37.66	24	74	76
1963/64	48.79	50.12	9.26[a]	39.53	40.86	19[a]	80	83
1964/65	49.22	50.51	11.52[a]	37.70	38.99	23[a]	76	79
1965/66	49.75	51.00	11.80[a b]	37.95[c]	39.20[c]	24[a b]	77[c]	79[c]
1966/67	49.24	50.44	10.57[d]	38.67[c]	39.87[c]	21[d]	78[c]	81[c]

* Minimum crop-year wholesale prices for wheat of "standard quality" from Appendix Table III; government subsidies from ONIC *Bulletin* (*95*). Subsidized prices are approximated as a difference and are somewhat too high, since the wheat denatured was presumably below "standard quality" in all years. Conversions to U.S. dollars ($) at EEC rate for the unit of account (u.a.): 1 NF = .20255 U.S.$, or u.a.

[a] Computed on the assumption that denaturing was evenly distributed over the year. The subsidy was 10.42 NF per 100 kilograms in 1963/64, except from October 11 to April 17 when it was 8.17 NF; in 1964/65 it was 11.25 NF from July 1 to February 21, and 12.00 NF thereafter; in 1965/66 it was 12.00 NF from July 1 to April 21 and 11.00 NF thereafter.

[b] The initial subsidy of 12 NF was effective for Grades I and II (specific weight 74 and 73 kilograms per hectoliter with maximum impurities 4 per cent and 6 per cent respectively), the eligible grades closest to, but still below, "standard quality." A 10.50 NF subsidy was available for Grade IV (70 kilos specific weight with maximum impurities of 12 per cent); for intermediate Grade III the subsidy was 11.50 NF. Each of these subsidies was reduced by 1.00 NF effective April 22.

[c] Definitely too high since the specific weight of the "standard quality" wheat priced in columns one and two was 75 kilograms per hectoliter, whereas the stated subsidy applied to lower qualities with specific weights of 70–74 kilograms (see note *b*).

[d] The initial subsidy of 11.00 NF was effective for Grades I and II; a 9.50 NF subsidy was available for Grade IV and 10.50 NF for Grade III (see note *b*). Each of these subsidies was reduced by .86 NF effective January 1.

APPENDIX TABLE IIIB.—MINIMUM PRICES OF DURUM WHEAT TO PRODUCERS, 1961/62–1966/67, AND APPROXIMATIONS FOR 1967/68*

(New Francs per 100 kilograms, for grain of standard quality)

Year	Gross, July[a b]		Special payments[u]	Fixed taxes[e]	Seasonal increment[f]	Net, yearly average	
	Surplus center[c]	Deficit center[d]				Surplus center[c]	Deficit center[d]
1961/62	50.00		3.50[v]	.90	.25	52.85	
1962/63	50.00		3.50	.90	.66	53.26	
1963/64	51.03		5.65	1.05	.79	56.42	
1964/65	50.87	52.09	5.65	1.05	.53	56.00	57.22
1965/66	52.14	53.36	8.00	1.00	.83	59.97	61.19
1966/67	53.41	54.60	12.50	1.48	.77[k]	65.20	66.39
1967/68[l]	54.91	56.26	9.87[w]	.00	.77	65.55	66.90

* See Appendix Table III for footnotes, except *u*, *v*, and *w* below, and for prices in U.S. dollars per ton. There has not been any quantum deduction on durum wheat. Data for 1961/62 from *51*, p. 17.

[u] For 1962/63–1966/67 a seeding premium for the encouragement of production was paid as an official subsidy on all deliveries, and not passed along to the consumer in the wholesale price. For 1967/68 see note *w*.

[v] Subsidy on purchased seed, here assumed to average the same as the 1962/63 seeding premium which was officially considered as roughly equivalent (*95i*, no. 721).

[w] Deficiency payment to be financed by the EEC—i.e., the difference between the EEC target price and the EEC guarantee to producers.

APPENDIX TABLE IIIC.—AVERAGE SURPLUS-DISPOSAL TAXES PAID, AND AVERAGE TAX-PAID PRICE GUARANTEES TO SPECIFIED WHEAT PRODUCERS, 1950/51–1967/68*

(New Francs per 100 kilograms)

Year	Average surplus-disposal taxes[a] paid by individuals who delivered			Average tax-paid guarantee to individuals who delivered		
	5 tons or less	60 tons	150 tons	5 tons or less	60 tons	150 tons
1950/51	.00	.41	.58	25.61	25.20	25.03
1951/52	.00	.81	1.16	35.71	34.90	34.55
1952/53	.00	.68	.97	35.87	35.19	34.90
1953/54	.00	1.35	1.94	35.93	34.58	33.99
1954/55	.24	2.67	3.81	33.75	31.32	30.18
1955/56	.00	3.08	4.37	33.82	30.74	29.45
1956/57	.00	.00	.00	40.18[b]	37.76[b]	37.76[b]
1957/58	2.78[c]	4.59[c]	5.38[c]	30.58	28.77	27.98
1958/59	.00	1.98	2.83	36.15	34.17	33.32
1959/60	.30	1.65	2.22	37.74	36.39	35.82
1960/61	1.00	2.95	4.18	39.06	37.11	35.88
1961/62	.35	.61	.66	40.12	39.86	39.81
1962/63						
Surplus center	1.00	2.24	2.48	39.61	38.37	38.13
Deficit center				40.84	39.60	39.36
1963/64						
Surplus center	1.28	2.24	2.43	40.20	39.24	39.05
Deficit center				41.53	40.57	40.38
1964/65						
Surplus center	.15	4.59	5.20	41.01	36.57	35.96
Deficit center				42.30	37.86	37.25
1965/66						
Surplus center	.15	6.14	6.47	41.16	35.17	34.84
Deficit center				42.41	36.42	36.09
1966/67						
Surplus center	.00	1.57	1.70	42.25	40.68	40.55
Deficit center				43.45	41.88	41.75
1967/68[d]						
Surplus center	.00	.00	.00	44.55	44.55	44.55
Deficit center				47.82	47.82	47.82

* Averages for *all* producers are in Appendix Tables II and III. Rates by size of deliveries for reabsorption taxes and quantum deductions prior to 1962/63 are in the basic decrees referred to in Appendix Table II; quantum rates for 1962/63–1966/67 appear in Appendix Table III. The *average* taxes take account of the fact that each producer paid taxes at the lower rates for part of his deliveries, e.g., in 1962/63 at 1.00 NF per 100 kilograms on his first 15 tons, and at 2.65 NF on the remainder.

[a] Reabsorption taxes only 1950/51–1954/55, and 1958/59; reabsorption taxes and quantum deductions 1955/56 and 1957/58; quantum deductions only 1959/60–1966/67.

[b] There was no reabsorption tax and no quantum deduction in 1956/57, but producers who delivered 7.5 tons or less were given a special premium of 2.42 NF per 100 kilograms.

[c] Taxes shown include the quantum deduction although it was levied on all producers at a flat rate of 2.78 NF per 100 kilograms.

[d] See Appendix Table III, footnote *l*.

APPENDIX TABLE IV.—WHOLESALE TARGET, INTERVENTION, AND THRESHOLD PRICES FOR GRAINS OF EEC STANDARD QUALITY AT THE BEGINNING OF THE CROP YEARS 1962/63–1967/68*

A. New Francs per 100 Kilograms

Date	EEC target		France				Threshold non-EEC grain
			Target		Intervention		
	Minimum	Maximum	Surplus center[a]	Deficit center[b]	Surplus center[a]	Deficit center[b]	
			WHEAT (*blé tendre*)				
August 1962	44.15	58.71	44.63	47.98	41.95	43.18	47.17
July 1963	44.15	58.71	45.52	49.02	42.79	44.12	48.26
July 1964	44.15	58.71	45.52	49.48	43.24	44.53	48.49
July 1965	44.15	58.71	46.27	50.23	43.96	45.21	49.24
July 1966	46.27	58.71	47.02	50.98	44.68	45.88	49.99
July 1967[c]	52.46		...[d]	...[d]	45.48[e]	48.75	...[f]
			DURUM WHEAT				
August 1962	...	...	54.30		51.30		55.99
July 1963	...	...	55.39		52.33		57.13
July 1964	...	...	55.39	57.89	52.62	53.84	56.90
July 1965	...	...	56.73	59.23	53.89	55.11	58.24
July 1966	...	...	58.07	60.57	55.16	56.35	59.58
July 1967[c]							
Wholesale	61.71		...[d]	...[d]	56.66[g]	58.01	...[f]
Guarantee[h]	71.58		...	...	66.53	67.88	...
			RYE				
August 1962	32.44	53.40	35.70	39.05	32.13	35.15	38.24
July 1963	33.43	53.40	36.42	39.92	32.78	35.93	39.16
July 1964	33.43	53.40	36.42	40.38	33.14	36.34	39.39
July 1965	33.43	53.40	37.02	40.98	33.32	36.88	39.99
July 1966	37.02	53.40	37.61	41.57	33.85	37.41	40.58
July 1967[c]	46.28		...[d]	...[d]	39.30	...	...[f]
			BARLEY				
August 1962	35.26	50.88	35.64	38.99	33.50	35.09	37.98
July 1963	35.63	50.88	36.72	40.52	34.52	36.47	39.76
July 1964	35.63	50.88	36.72	40.98	34.88	36.88	39.99
July 1965	35.63	50.88	37.74	42.00	35.85	37.80	41.01
July 1966	35.63	50.88	38.76	43.02	36.82	38.72	42.03
July 1967[c]	45.05		...[d]	...[d]	38.69[e]	41.96	...[f]
			MAIZE				
October 1962	30.81	...	40.05	43.05	37.65	40.47	42.74
October 1963	32.39	...	40.05	44.40	37.65	39.96	43.33
October 1964	32.39	...	40.05	44.40	38.05	39.96	43.33
October 1965	32.39	...	40.05	44.40	38.05	39.96	43.33
October 1966	32.39	...	40.05	44.40	38.05	39.96	43.33
August 1967[c]	44.74		...[d]	...[d]	38.02[i]	38.02[i]	...[f]

* Data from EEC sources (*23* for EEC target ranges; *43a*, pp. 12–13, for July 1967 prices except as otherwise noted; *42a* for all French prices except July 1967; and *48a* for 1967 Rotterdam threshold prices). Conversions to United States dollars ($) at EEC rate for the unit of account (u.a.): 1 NF = .20255 U.S.$ or u.a. See text for discussion of quality standards—EEC and national.

[a] Marketing center in the area of greatest surplus; see Table III, note *c*.

[b] Marketing center in the area of greatest deficit; see Table III, note *d*.

[c] Common EEC target price (Duisburg) and derived intervention prices accepted by the Council December 15, 1964, and confirmed July 1966 (*43a*, pp. 12–13). The only target price in the Community is that for Duisburg. From it have been derived the corresponding EEC threshold prices basis Rotterdam and intervention prices for various market centers. Intervention prices valid in Duisburg are the same as those shown in the table for the chief deficit center of France with the exception of rye, for which the Duisburg price is 43.20 NF per 100 kilograms, or $87.50 per ton. See note *i* regarding maize.

[d] No target price has been, or will be, established for any center except Duisburg, the market center to which the EEC target price specifically applies.

[e] For Chartres, the center to which prices for all earlier years apply. For 1967/68, for the first time, prices lower than those applicable in Chartres were specified by the EEC as follows:

Specified center	Wheat Tours	Barley Chateauroux
NF per 100 kilograms	45.35	37.94
U.S. dollars per ton	91.86	76.85

APPENDIX TABLE IV.—WHOLESALE TARGET, INTERVENTION, AND THRESHOLD PRICES FOR GRAINS OF EEC STANDARD QUALITY AT THE BEGINNING OF THE CROP YEARS 1962/63–1967/68 (*continued*)*

B. U.S. Dollars or EEC Units of Account per Metric Ton

Date	EEC target		France				Threshold non-EEC grain
			Target		Intervention		
	Minimum	Maximum	Surplus center[a]	Deficit center[b]	Surplus center[a]	Deficit center[b]	
			WHEAT (*blé tendre*)				
August 1962	89	119	90	97	85	87	96
July 1963	89	119	92	99	87	89	98
July 1964	89	119	92	100	88	90	98
July 1965	89	119	94	102	89	92	100
July 1966	94	119	95	103	90	93	101
July 1967°	106		...[d]	...[d]	92[g]	99	...[f]
			DURUM WHEAT				
August 1962	...	...	110		104		113
July 1963	...	...	112		106		116
July 1964	...	...	112	117	107	109	115
July 1965	...	...	115	120	109	112	118
July 1966	...	...	118	123	112	114	121
July 1967°							
Wholesale	125		...[d]	...[d]	115[g]	117	...[f]
Guarantee[h]	145		...	...	135	137	...
			RYE				
August 1962	66	108	72	79	65	71	77
July 1963	68	108	74	81	66	73	79
July 1964	68	108	74	82	67	74	80
July 1965	68	108	75	83	67	75	81
July 1966	75	108	76	84	69	76	82
July 1967°	94		...[d]	...[d]	80	...	...[f]
			BARLEY				
August 1962	71	103	72	79	68	71	77
July 1963	72	103	74	82	70	74	81
July 1964	72	103	74	83	71	75	81
July 1965	72	103	76	85	73	77	83
July 1966	72	103	79	87	75	78	85
July 1967°	91		...[d]	...[d]	78[g]	85	...[f]
			MAIZE				
October 1962	62	...	81	87	76	82	87
October 1963	66	...	81	90	76	81	88
October 1964	66	...	81	90	77	81	88
October 1965	66	...	81	90	77	81	88
October 1966	66	...	81	90	77	81	88
August 1967°	91		...[d]	...[d]	77[i]	77[i]	...[f]

[f] The EEC threshold prices at Rotterdam (which will be used to compute the common levies on grain imports to all EEC countries) have been indicated as follows (*48a*, p. 12):

	Wheat (*blé tendre*)	Rye	Barley	Maize
NF per 100 kilograms	51.32	44.94	43.72	43.45
U.S. dollars per ton	103.95	91.03	88.55	88.01

[g] Specified for Toulouse; the EEC source cited does not give a price for Carcassonne or Chartres, the centers to which the earlier prices apply.

[h] For durum wheat an EEC guaranteed price to the producer at the wholesale level was also adopted, to be financed by an EEC deficiency payment to producers. The payment-supplemented prices for France are our approximations.

[i] For maize a single derived intervention price of 38.02 NF per 100 kilograms ($77 per ton) was established, applicable throughout the Community, but the specific centers for which it is to be valid have not yet been announced (*43a*, p. 12). It seems reasonable to suppose that, if needed, intervention purchases will occur at this level not only in the previously designated French surplus center, but also at the chief deficit center.

APPENDIX TABLE V.—PER CENT OF WHEAT PRODUCERS AND OF TOTAL WHEAT DELIVERIES BY SIZE OF INDIVIDUAL DELIVERIES, 1959/60–1964/65*

Tons delivered and specified totals (except as indicated)	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65
			PER CENT OF PRODUCERS[a]			
0 – 5	61.5	57.5	58.7	48.4	53.9	48.1
5 – 7.5	10.7	11.6	11.3	12.4	12.1	12.6
Subtotal	72.2	69.1	70.0	60.8	66.0	60.7
7.5– 15	14.1	15.5	15.4	20.0	17.8	19.7
Subtotal	86.3	84.6	85.4	80.8	83.8	80.4
15 – 20	4.2	4.5	4.0	5.5	4.7	5.4
20 – 40	5.8	6.4	6.1	7.8	6.8	7.8
40 – 60	1.7	2.1	2.0	2.5	2.1	2.7
60 – 80	0.8	1.0	.9	1.2	.9	1.3
80 –100	.4	.5	.5	.6	.5	.7
over 100	.8	.9	1.1	1.6	1.2	1.7
			PER CENT OF DELIVERIES			
0 – 5	16.2	13.2	12.7	9.1	11.2	8.6
5 – 7.5	7.3	7.0	6.8	5.9	6.9	5.9
Subtotal	23.5	20.2	19.5	15.0	18.1	14.5
7.5– 15	16.0	16.3	15.9	16.8	17.3	16.0
Subtotal	39.5	36.6	35.4	31.8	35.4	30.5
15 – 20	7.9	7.3	6.7	7.3	7.3	6.9
20 – 40	17.4	17.6	16.3	16.8	17.0	16.2
40 – 60	9.2	10.5	9.5	9.4	9.4	9.8
60 – 80	5.5	6.4	5.9	6.3	5.9	6.6
80 –100	3.6	4.2	4.0	4.3	4.1	4.6
over 100	16.9	17.4	22.2	24.1	20.9	25.4
			TOTAL PRODUCERS AND DELIVERIES			
Number of producers (*thousand*)[a]	796.6	753.8	654.7	777.6	643.4	730.5
Volume of deliveries (*thousand tons*)	7,362	7,690	6,762	10,069	7,071	9,790

* Data from France, Ministère de l'Agriculture, *Statistique agricole, 1960,* and later issues.
[a] Producers reported to have delivered wheat to officially recognized trading agencies.

APPENDIX TABLE VI.—ANNUAL WHEAT AND BARLEY DELIVERIES, CURRENT CROP SURPLUSES, AND SURPLUS-DISPOSAL TAXES, 1950/51–1965/66, AND APPROXIMATIONS FOR 1966/67*

(Million metric tons, except as noted)

	Deliveries			Current crop surplus					Reabsorption and quantum tax	
					Net exports and subsidized feed					
July-June	Total	Quantum	Above quantum	Total	Total	Net exports	Subsidized feed	Change in carryover	Av. per 100 kg. (*NF*)	Total receipts (*million NF*)
					WHEAT (*blé tendre*)					
1950/51	5.4	—	—	.38	.92	.92	—	−.55	.22	12
1951/52	4.9	—	—	.20	.01	.01	—	+.19	.47	23
1952/53	5.5	—	—	.58	.37	.37	—	+.21	.39	22
1953/54	6.3	—	—	1.30	1.03	1.03	—	+.26	.80	51
1954/55	7.8	—	—	2.73	2.49	2.38	.11	+.24	1.76	137
1955/56	7.1	6.8	.3	2.28	2.73	2.47	.26	−.45	1.62	115
1956/57	4.3	6.8	−2.5	−.93	−.92	(1.05)[a]	.13	−.01	—	—
1957/58	8.2	6.8	1.4	3.36	3.16	2.26	.90	+.20	1.11	90
1958/59	6.5	7.2	−.7	1.24	1.38	.82	.56	−.14	1.21	78
1959/60	7.4	6.8	.6	2.69	2.47	1.75	.72	+.22	1.22	91
1960/61	7.8	6.8	1.0	2.40	1.94	1.45	.49	+.47	2.20	155
1961/62	6.8	6.8	—	1.47	2.12	1.82	.30	−.65	.48	34
1962/63	10.1	7.2	2.9	5.11	3.63	2.89	.74	+1.48	1.75	177
1963/64	7.1	7.5	−.4	1.88	2.81	2.31	.50	−.94	1.85	129
1964/65	9.8	8.1	1.7	4.90	5.19	4.42	.77	−.29	3.18	312
1965/66	11.0	8.7	2.3	5.50	5.00	4.11	.89	+.50	4.40	484
1966/67	9.0[b]	8.7	.3	4.10[c]	...	...	...	...	2.00	180
					BARLEY					
1955/56	.6	—	—	−.25	−.25	(.25)[a]	—	+.00	.10	6
1956/57	3.0	—	—	2.01	2.01	1.51	...[d]	+.50	1.33	40
1957/58	1.4	—	—	.09	.55	.55	...[d]	−.46	1.20	17
1958/59	1.7	—	—	−.02	−.14	(.14)[a]	...[d]	+.12	1.35	23
1959/60	2.2	—	—	.75	.37	.37	...[d]	+.38	1.50	33
1960/61	3.0	—	—	1.65	1.08	1.08	—	+.57	1.55	47
1961/62	2.2	3.0	−.8	.62	1.58	1.58	—	−.96	—	—
1962/63	2.9	2.7	.2	1.25	.97	.97	—	+.28	.50	14
1963/64	4.1	2.8	1.3	2.62	2.25	2.25	—	+.37	1.37	56
1964/65	3.6	3.0	.6	1.71	2.24	2.24	—	−.53	2.90	104
1965/66	3.9	3.2	.7	2.00	1.84	1.84	—	±	2.21	86
1966/67	4.5[b]	...[e]	—	...	...	...	...	...	—	—

* Through 1961/62 total deliveries are from *51*, pp. 15, 19; for later years from various issues of *97*. The announced quantums for wheat through 1961/62 are from *51*, p. 15; wheat for later years and barley all years (none announced prior to 1961/62) from various issues of *95*.

Net exports computed for July-June years from various issues of *99* and *98*. Subsidized feed wheat considered equivalent to sales of commercialized wheat for feed from *10*, p. 36; *53*, p. 49; and for 1959/60 and later from various issues of *95*.

Changes in old crop stocks, August 1 through 1954/55, July 1 thereafter (through 1958/59 including minor amounts of durum wheat). Through 1953/54 from *116*, 1965 issue, p. 46, adjusted to exclude new-crop wheat; for 1955/56–1958/59 from grain balance tables in various issues of *52*; and for 1954/55 and from 1959/60 to date from various issues of *97*.

Average quantum or reabsorption tax rates are from Appendix Tables II and III. Total tax receipts are our rough approximations computed as total deliveries times the tax rates shown.

All computations have been made from less rounded data and hence items shown do not necessarily add to the rounded totals.

[a] Net imports.

[b] Official forecast as revised October 18, 1966.

[c] Center of range of our rough approximations.

[d] Although a subsidy was available on sales for feed, the total quantity so used was presumably not substantially increased.

[e] The same as actual deliveries.

APPENDIX TABLE VII.—REPRESENTATIVE "WORLD" PRICES OF MAJOR GRAINS COMPARED WITH AVERAGE NET PRICES TO FRENCH PRODUCERS, 1950/51–1965/66*
(U.S. dollars per metric ton)

August-July	Wheat						Barley			Maize		
	U.K. import value		Export prices		France		U.K.	France		U.K.	France	
	All wheat	French wheat	Canada No. 1 Manitoba	U.S. No. 2 H.W.	Export value[a]	Net producer	import value	Imp. or export value[a]	Net producer	import value	Import value[a]	Net producer
1950/51	83	...[b]	73[c] 66[d]	62[e]	89[b]	73	75	(74)	49	79	83	64
1951/52	92	...[b]	85[c] 68[d]	67[e]	93[b]	101	99	(62)	71	105	109	91
1952/53	83	...[b]	81[c] 68[d]	68[e]	88[b]	101	91	(85)	78	88	96	103
1953/54	79	69	70[c] 70[d]	69[e]	64	100	61	(78)	68	75	76	102
1954/55	74	65	65	62	62	92	70	(73)	67	74	84	102
1955/56	76	64	64	57	67	92	68	68	77	71	85	102
1956/57	79	...[b]	64	58	59	109	67	47	72	74	74	104
1957/58	69	58	62	56	59	70	54	61	60	59	67	88
1958/59	70	64	63	54	61	76	62	64	61	58	64	88
1959/60	71	65	64	54	65	75	59	59	63	59	61	81
1960/61	70	60	62	55	61	77	53	46	65	57	55	75
1961/62	73	66	66	57	65	82[f]	64	62	65[f]	57	58	75[f]
1962/63	73	62	67	59	60	79[f]	66	62	65[f]	57	64	77[f]
1963/64	74	60	69	60[g]	65	80[f]	66	62	64[f]	62	66	75[f]
1964/65	74	63	68	58[g]	67	77[f]	70	73	61[f]	65	71	76[f]
1965/66	73	62	68	53[g]	67	75[f]	78	83	63[f]	66	66	76[f]

* Crop-year averages (except as noted in footnote *a*) of monthly prices or unit values of trade from Appendix Tables II and III (French producer prices) and the following sources: United Kingdom (*139*); Canada, Wheat Board export price of No. 1 Northern at Fort William (*9*; *8*); United States, No. 2 Hard Winter, Kansas City, minus IWA subsidy on shipments from Gulf Coast to Europe (*144*; *143*; *110*); France, import and export values for calendar years (*99*, December issues; *98*). Prices originally in foreign currencies have been converted to dollars at monthly average exchange rates published by the Federal Reserve Board.

[a] Calendar year averages applicable to the last year of each crop year specified. For barley, figures in parentheses are unit *import* values; the following figures are unit *export* values, reflecting the shift of France from a net import to net export position in 1956.

[b] French exports (especially those to the United Kingdom) were too small to yield meaningful unit values.

[c] Class II price for sales outside the International Wheat Agreement.

[d] Price for sales under the International Wheat Agreement.

[e] Approximate August-July average for exports under the International Wheat Agreement (i.e., average market price minus export subsidy). In 1953/54 the non-Agreement price was only slightly higher.

[f] Average minimum price to producers in the surplus area: July-June years from 1963/64 as contrasted with August-July earlier. Market prices actually received by producers (taxes deducted) appear to have been at or very close to the minimum level in 1961/62 but typically $4–$7 per ton higher for wheat and barley and $7–$10 higher for maize in the four following years (see Appendix Table III).

[g] Including value of export certificates purchased by exporters ($9 per ton in 1964/65 and $11 in 1965/66).

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