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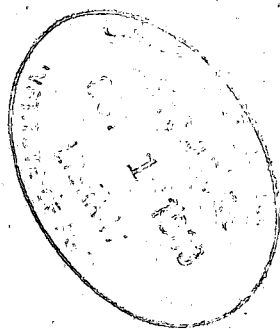
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WHEAT IN THE EUROPEAN ECONOMIC
COMMUNITY

Introduction

THE Treaty of Rome, establishing the European Economic Community, includes a section of ten articles dealing with the extension of the Common Market to agriculture and trade in agricultural products which shall be accompanied by the establishment of a common agricultural policy among the member states. The objectives of this policy are defined in some detail and articles set out the various possibilities and features to take into account, but the Treaty does not specify the precise means by which this common agricultural policy shall be implemented and while indicating that a transitional period will be required it does not set out a precise time schedule. It proposed a special conference of member states in order to formulate the guiding lines of the common agricultural policy and this was held in Stresa from 3 to 11 July 1958. Since that time the Commission of the EEC has prepared detailed proposals for many of the different parts of the agricultural sector which it has submitted to the Council of Ministers. In the case of cereals no final decisions were taken on the Commission proposals by the Council of Ministers until 14 January 1962 when the fundamental system (almost all of which is embodied in Regulation 19) was agreed. The object of the present paper is to describe the position of wheat in the six countries and the operation of Regulation 19 as it affects wheat and to some extent other cereals. In so doing the changes involved for the national wheat policies of each of the six countries will be described and some of the resulting problems considered. Finally some of the decisions yet to be made within the Community and the difficulties involved with these decisions will be discussed. However, no attempt is made to appraise the system itself or to discuss in detail its actual operation so far.

¹ The authors are respectively Assistant Secretary and Associate Economist of the International Wheat Council. The views expressed are entirely those of the authors and do not necessarily reflect those of the International Wheat Council.

Position of wheat in the six countries

Total domestic utilization of wheat in the European Economic Community in the period 1955/6 to 1960/1 has varied between 24 to 27 million tons. Utilization for food (constituting 72 to 83 per cent. of the total) and for seed have remained virtually unchanged throughout this period. In contrast the use of wheat for feeding livestock has varied considerably from year to year depending to a large extent on the size and quality of the crop. Detailed figures showing recent trends in supplies and utilization of wheat within the six countries are set out in Table 1.

TABLE 1. *Supplies and utilization of wheat in EEC countries*

1955/6-1960/1

Item	Thousand metric tons: wheat equivalent					
	1955/6	1956/7	1957/8	1958/9	1959/60	1960/1
Production	24,328	18,730	24,559	24,316	25,814	24,137
Imports: from within EEC .	775	305	922	618	831	692
outside EEC	4,651	6,915	3,899	4,164	3,377	5,888
Exports	3,198	1,525	4,074	2,735	3,117	2,491
Change in stocks	+750	+672	-844	-258	-660	+1,097
Total utilization	25,806	23,753	26,150	26,621	27,565	27,129
Food	20,128	19,661	20,018	20,045	19,835	20,123
Feed	3,350	1,935	3,954	4,454	5,472	4,886
Seed	2,148	1,965	1,949	1,913	1,877	1,786
Industrial use	147	137	155	164	324	278
Loss	33	55	74	45	57	56
Total	25,806	23,753	26,150	26,621	27,565	27,129

Source: *Statistique Agricole, Office Statistique des Communautés Européennes.*

A very important feature of the utilization of wheat within the Community is that although the level of *per caput* consumption for food, i.e. for bread, pastry, biscuits, pasta, &c., may vary widely it is declining in each of the six countries.¹ The wide range in *per caput* consumption is shown in Table 2. Within these averages for each country there are divergent trends, with bread consumption declining but less important specialized products such as alimentary pastes (spaghetti, macaroni, &c.), pastry and biscuits on the increase. The figures in Table 2 may be compared with the United States consumption of 53 kg. *per caput* in 1961. As a result of this steady decline of

¹ This decline is found in many other advanced countries; see Report on Consumption, included in *Review of the World Wheat Situation 1961/2*, International Wheat Council, January 1963.

per caput consumption, increases in the direct consumption of wheat for food can come only from increases in population and in recent years these have only been sufficient to stabilize consumption at around 20 million tons per year.

TABLE 2. *Per caput consumption of wheat flour for food in EEC countries*

1955/6-1960/1

Country	Kilogrammes per caput					
	1955/6	1956/7	1957/8	1958/9	1959/60	1960/1
Western Germany*	62.7	61.1	60.1	58.1	56.6	55.5
Netherlands	76.6	74.7	74.9	73.4	71.6	70.8
Belgium/Luxembourg	94.4	87.7	87.7	85.5	85.1	91.9
France	101.5	96.6	99.4	97.9	98.2	96.4
Italy	121.1	121.2	120.8	120.4	120.4	120.5
All EEC	93.0	90.6	90.4	89.4	88.6	88.0

Source: *Statistique Agricole, Office Statistique des Communautés Européennes.*

* Only in Western Germany is consumption of rye bread of significance and its inclusion for all countries would raise *per caput* consumption in Germany to the level in the Netherlands.

Use for seed accounts for only about 2 million tons and industrial uses are very small. However, the rising standard of living within the Community and the higher *per caput* consumption of livestock products that goes with it has led to increased use of wheat for feed. But as in the main this is in direct competition with lower-priced coarse grains, special arrangements including subsidies on denatured wheat¹ have been used to bridge the price gap with the result that consumption of wheat for feed has risen to a total of 5 million tons per year.

Wheat is an important crop in the agriculture of the EEC and is widely grown on many farms of different types and sizes. Taking the six countries together, one quarter of all arable land is devoted to wheat production. The total area of wheat has been relatively stable at some 11 million hectares out of a total cereal area of 21½ million hectares. Unlike many other arable crops, and particularly coarse grains (barley, oats and maize) a large proportion of wheat production is sold off the farm (and off the 'national farm'). The annual value of

¹ The simple and cheap process of denaturing wheat grains and flour (mainly through colouring) does no harm from the point of view of consumption as livestock feed but removes this wheat from the higher-priced milling wheat market as denatured wheat cannot be used to mill flour for bread and coloured flour cannot be baked for bread for human consumption.

output of bread grains (wheat and rye) averaged U.S. \$1,800 million during 1956-8, or 10.5 per cent. of gross agricultural output. When coarse grains, which are mainly fed to livestock and therefore do not figure so highly in the value of output, are added the percentage increases to 12.2.¹ Although the wheat area has shown little increase in recent years the steady rise in yields of about 3 per cent. per year has increased total production to more than 25 million tons per year.

The major part of domestic wheat production consists of soft wheat and only about 1½ million tons of durum wheat, most of which is grown in Italy. Imports of high-quality hard wheats,² which cannot at present be grown successfully in Western Europe, and further supplies of durum wheat are regularly made. In many years, particularly when the domestic crops are small or of low quality, imports of other types of wheat are made. Details of imports showing major sources of supply and types of wheat are set out in Table 3.

Of the major exporters, Canada has consistently maintained a high level of exports to the Community, followed and in some years surpassed by the United States. Canadian exports consisted of hard spring and durum wheat while the exports of the United States were largely of hard winter wheat.³ Argentina, when her production has been large enough, has been an important supplier of medium hard filler wheat. Imports from Australia, a supplier of soft wheat, were relatively small. Since 1958/9 the U.S.S.R. has increased her share of the market rapidly. Other exporters include the North African and Near East producers of durum.

At the same time as the Community has been a major wheat importer, several countries of the Community have exported considerable quantities of soft wheat and wheat flour amounting to as much as 4 million tons in certain years and averaging around 3 million tons. France has been a traditional exporter while in recent years other countries, including Germany and Italy, have entered the world

¹ These estimates are based on data included in 'Towards a Capital Intensive Agriculture', *Fourth Report on Output, Expense and Income of Agriculture in European Countries*, ECE/FAO Geneva, July 1961.

² In modern bakery practice a proportion of hard and semi-hard wheats is mixed with the soft wheat for milling into bread flour. The proportion of hard wheat varies from country to country and in the EEC is highest in Netherlands and Germany (30-35%) and lowest in France where virtually no hard wheat is used for bread flour.

³ Much of this wheat was exported on a non-commercial basis under the U.S. special programmes (PL 480, &c.), particularly in 1956-7 and 1960-61 when harvests in some countries were below average.

wheat market. A relatively small proportion, in no year more than 900,000 tons, found its way into the markets of the members of the Community. Other markets for wheat and flour originating within the Community have included the United Kingdom and many countries in Africa and Asia.

TABLE 3. *Exports of wheat and flour to EEC countries*

1956/7-1961/2

Type and source	Thousand metric tons					
	1956/7	1957/8	1958/9	1959/60	1960/1	1961/2
<i>Durum</i>						
Canada	257	244	303	491	962	175
U.S.A.	256	4	—	—	27	319
Others	382	751	548	354	269	399
Total	895	999	851	845	1,258	893
<i>Hard wheats</i>						
Canada—Spring . .	1,646	1,518	1,215	897	1,118	1,602
U.S.A.—Spring . .	895	373	335	154	211	341
U.S.A.—Winter . .	1,146	428	290	217	1,396	924
Total	3,687	2,319	1,840	1,268	2,725	2,867
<i>Semi-hard</i>						
Argentina	947	652	593	556	395	1,029
U.S.S.R.	6	16	412	262	621	369
Others	9	64	28	—	—	—
Total	962	732	1,033	818	1,016	1,398
<i>Soft</i>						
Australia	256	—	35	115	580	555
U.S.A.	1,029	31	261	193	111	139
France	94	633	237	498	524	572
Others	396	141	382	234	256	230
Total	1,775	805	915	1,040	1,471	1,496
<i>Flour total.</i> . . .	213	418	325	380	393	489
Total*	7,532	5,273	4,964	4,351	6,863	7,143

Source: based on statistics of exporting countries.

* This total differs from the imports shown in Table 1.

National policies

Overall agricultural policy objectives aimed at a prosperous and productive agriculture have given an important role to the national price support of wheat and other grains. Because of their inter-relationship with the prices of other agricultural products the level of price support for grains tends to determine to a considerable extent the general agricultural price level. Most countries in the Community,

in order to render national price support policies for grains effective, resorted to some form of market regulation with measures such as import licensing, levies, milling quotas in importing countries and export subsidies and state trading in exporting countries.

Within each member state, however, the production trends and the size and pattern of the import and export programmes have been to a large extent a result of the actual national wheat policy in that country. The operation of these policies has differed widely between the countries and the significance and the impact of the introduction of a common policy is clearly related to the particular policy in existence in each country. Many of the general basic principles are similar in each country but the differences are not only in detail but in some cases in the underlying approach.

All six countries maintained a guaranteed price to producers defined 'at the farm' or at a delivery point close to the farm. This guarantee was in the form of a target price in Belgium and a fixed price in Holland which, through various techniques, both governments endeavoured to maintain in the market and the standard price applied throughout the country. In Germany there was a guaranteed price on a regional basis with the highest price in the high-cost farming areas. In the case of France, the government set a guaranteed price delivery for a maximum quantity of sales off farms—sales in excess of this quantity received the lower export price. Payments to farmers varied according to the quantity of wheat delivered, with small wheat producers receiving the full guaranteed price and larger producers a lower price for the additional quantities delivered. In all four countries there were small additional adjustments in the price to encourage orderly marketing by farmers throughout the year but the scale of adjustments differed.

In Italy a two-part system involved a government guarantee to farmers on a compulsory proportion of the crop which had to be delivered to government storage pools, while the remainder of the crop could be sold on the free market. The government guarantee operated through a set of regional prices with lower prices in the north and higher prices in the south and the islands. A higher price was also given for durum wheat which is grown mainly in the south and the islands. With strict control of wheat imports, this system has given the farmer the government guarantee on all his wheat in spite of the consistent reduction in recent years of the compulsory quantity to be delivered.

The techniques used to maintain these guarantees to producers were very different, although each in its way involved some regulation of imports. The most detailed and thorough system operated in Western Germany where the Einfuhr-und Vorratstelle (Import and Storage Agency) controlled imports and operated a stockpiling scheme. This organization intervened on the domestic market by buying and selling in order to maintain the guaranteed prices, although these were compulsory for all purchases by merchants from farmers. At the same time the agency controlled all imports of grains with import quotas for different currency areas or groups of countries. In many cases these import quotas were embodied in bilateral trade agreements and import licences were used to control imports within each quota. A levy, known as *Abschöpfung*, was charged on all imported wheat (with a fixed premium on quality wheat) to bring its price up to the German domestic price level. In order to facilitate exports, an importer had the right to replace imported wheat which had been milled into flour and then exported by a further import of wheat without paying the levy—this system resulted in a fairly large indirect subsidy on exports. There was also a regulation controlling the proportion of domestic wheat to be mixed with foreign wheat for milling and from January 1960 this was set at 75 per cent.

In the case of Belgium and Luxembourg and Holland the price to the farmer was maintained through the strict use of milling quotas, which were carefully varied from time to time to influence the demand for domestic wheat. With the guaranteed price in Holland relatively close to the import price for wheat, only a small duty was levied on imports of wheat and a 3 per cent. *ad valorem* duty on wheat flour on imports exceeding the first 60,000 tons. In Belgium the target price for domestic wheat was considerably higher than c.i.f. prices for imports and the milling quota was also much higher (around 60–75 per cent.) than in Holland where it was in the region of 30–35 per cent. The Belgium farmer did not get a monthly guaranteed price, however, and the actual price received could fall below or rise above this price according to the market situation. In both countries this system was also supported with import licence regulations and government purchasing agencies but such intervention was seldom necessary.

In Italy the government made compulsory purchases of part of the wheat crop which it resold at fixed prices to millers. It also had a monopoly of foreign trade and made extensive use of quantitative import controls and of bilateral agreements for the exchange of

specified commodities. In the main no special incentives have been given to exports of Italian wheat but some incentive has been given to Italian mills to export flour.

The producer price in France was supported through the monopoly powers of the Office National Interprofessionnel des Céréales (National Grain Board) as the sole purchaser of wheat from farmers, from other countries and with control over sales for export. France has been a net exporter for many years and has normally imported only durum wheats. Under these conditions, O.N.I.C. had little difficulty with internal price maintenance although in recent years exports have been subsidised through a tendering system whereby the traders submitted a price for the wheat they wished to export. A similar system operated for the import trade. In some years an additional subsidy has had to be paid to encourage more wheat to be used for livestock feeding.

Establishment of common agricultural policy

The Regulation No. 19 which forms the basis of the common cereals policy came into effect on 30 July 1962. The provisions of this regulation aim at the gradual integration of markets of the member states by 1970 and to this end it establishes a uniform system throughout the Community replacing the duties, taxes, minimum prices, milling quotas and other quantitative restrictions previously in force. They also reduce the monopoly control over imports and exports previously held by government agencies in some countries. The system is designed to provide adequate support to producers and to permit the gradual development towards a single market without discrimination within the Community. The uniform system involves the establishment of target, threshold and intervention prices supported through national intervention agencies. A levy is imposed on trade with third countries and, during the transitional period, on trade between members.

Details of wheat policy¹

Under the common cereals policy the most important price is the basic target price (*prix indicatif*) which for each member country is fixed annually at the wholesale level for the area into which the great-

¹ The following paragraphs refer specifically to wheat but the common cereals policy establishes a uniform system for all other cereals and products with target, intervention and threshold prices, and levies on imports.

est amount of wheat moves, i.e. the greatest deficit area.¹ The target prices, which are established by national governments for a national standard quality during the transitional period, are fixed before the winter sowings and apply from the beginning of the relevant marketing year. A seasonal scale of target prices extending over not less than five and not more than ten months has been introduced in each member state to cover storage costs and interest and thus encourage

TABLE 4. *Target prices for August 1962/3**

EEC countries	Currency	Local currency per metric ton			U.S. \$ per bushel		
		Limits		Actual	Limits		Actual
		Upper	Lower		Upper	Lower	
Belgium . . .	B.fcs.	5,946·1	4,471·3	5,130	3·26	2·45	2·81
Luxembourg . .	B.fcs.	5,946·1	4,471·3	5,850	3·26	2·45	3·21
France . . .	N.F.	587·13	441·50	479·80	3·26	2·45	2·66
Germany, West .	D.M.	475·69	357·70	475·50	3·26	2·45	3·26
Italy . . .	Lire	74,327	55,891	69,000	3·26	2·45	3·03
Netherlands . .	Fls.	430·50	323·72	333·00	3·26	2·45	2·52

Source: Commission of EEC.

* Prices increase on a seasonal scale to take account of storage costs and interest charges.

regularity of marketing throughout the year. In order to give the individual producer a clearer idea of the price he may expect to realize, 'derived' target prices may be fixed where the natural conditions of regional price formation satisfy certain criteria; they have been established for sixteen regional price zones in Germany, five in France and four in Italy. In view of the ultimate objective of price harmonization and in order not to increase the existing differences between national prices, upper and lower limits were set for target prices for the year commencing 1 July 1962. These limits and the target prices actually fixed are set out in Table 4. Under the provision that where member countries have previously applied a quantitative limitation to the price guarantee they may do so during the transitional period, France has restricted the guarantee to a maximum quantity of 7·2 million tons of soft wheat for the year 1962/3.

In order to provide producers with a guaranteed market there is a system of intervention prices (*prix d'intervention*) at the wholesale

¹ These areas in each member country are for wheat as follows:

Belgium	Brussels/Antwerp	Italy	soft wheat, southern Italy
France	Marseilles		durum wheat, northern Italy
Germany	Duisburg	Luxembourg	no area nominated
		Netherlands	Utrecht

price level. These are determined by each member state at levels ranging between 5 and 10 per cent. below the target prices. Intervention prices for 1962/3 are compared with support prices for 1961/2 in Table 5. Derived intervention prices may also be set where derived target prices are in force.

TABLE 5. *Support prices 1961/2 and intervention prices 1962/3*

EEC countries	Cur- rency	1961/2		1962/3			
		Support prices to producers*		Intervention prices at wholesale level for August 1962†			
		Local curren- cies/met. ton	U.S. \$/bush.	Deficit area		Surplus area	
				Local curren- cies/met. ton	U.S. \$/bush.	Local curren- cies/met. ton	U.S. \$/bush.
Belgium . . .	B. frs.	4,500	2.46	4,770	2.61	—	—
Luxembourg . .	L. frs.	—	—	5,550	3.04	—	—
France . . .	N.F.	406.5	2.26	431.80	2.40	419.50	2.33
Germany, West	D.M.	415	2.84	442.50	3.03	426.50	2.92
Italy . . .	Lire	64,500	2.83	64,000	2.81	62,000	2.72
Netherlands . .	Fls.	291	2.20	305	2.31	—	—

Source: Commission of EEC and International Wheat Council.

* These prices are not strictly comparable with the new Community intervention prices but in the main are beginning-season prices subject to additions for storage and interest. Specific definitions are as follows (basis ex. farm except where stated):

Belgium: target price to producers for August 1961

Germany, W.: minimum guaranteed price to producers for
July and August 1961 (Region II)

Netherlands: target price to producers for July delivered
from farms

France: minimum price to producers before deduction of taxes and export levy

Italy: producer price for soft wheat delivered to state pools

} These target prices were
affected through the
operation of compulsory
milling quotas

† Prices increase on a seasonal scale to take account of storage costs and interest charges.

The intervention agencies are obliged to buy from farmers wheat offered to them at the intervention price and may not resell on the domestic market at below the relevant target price. They may arrange for its export at world price levels or for its sale at lower-than-market prices only after it has been made unfit for human consumption. They may also grant holders of wheat, including farmers feeding livestock, a subsidy for denaturing wheat as long as the subsidy does not distort the prices of other feed grains such as barley and maize.

To support this basic target price within each country of the Community, a variable levy (*prélèvement*) is imposed both on wheat im-

ported from another member (EEC) country and from third (non-EEC) countries. The size of this levy is determined in effect by the difference between the import price for foreign wheat and the prices of domestic wheat in the importing country. This calculation is made by reference to the threshold price (*prix de seuil*) in the importing country and the free-frontier price for an EEC exporting country or the most favourable c.i.f. price in the case of imports from a third country. The threshold price is derived from the target price by subtracting the trader's margin and freight costs from a predetermined port of entry to the centre of the greatest deficit area, adding the intra-Community preference (*montant forfaitaire*) and making an adjustment (plus or minus) which relates the quality standard used for the determination of target prices in the importing country to the EEC quality standard (Table 7). Until a common internal price level is reached for all member countries one threshold price is established for all frontiers of each member state, varying monthly with the seasonal scale of target prices (see Table 6).

TABLE 6. *Initial threshold prices for 1962/3**

EEC countries	Currency	Local currencies per met. ton			U.S. \$ per bushel		
		Soft wheat	Durum wheat	Wheat flour	Soft wheat	Durum wheat	Wheat flour
Belgium . .	B. frs.	4,910	5,400	7,954	2.69	2.96	4.36
Luxembourg .	L. frs.	5,810	5,910	—	3.18	3.24	—
France . . .	N.F.	471.70	559.50	768.80	2.62	3.11	4.27
Germany, W.	D.M.	484.00	508.00	740.50	3.32	3.48	5.07
Italy . . .	Lire	68,500	89,120	109,480	3.00	3.91	4.80
Netherlands .	Fls.	333	350	532	2.52	2.65	4.03

Source: Commission of the EEC.

* August 1962—prices subject to increase in accordance with seasonal scale of target prices.

The threshold price of flour is determined, according to rules which provide for protection of the domestic milling industry, by the sum of the following elements:

- the threshold value of the wheat used, calculated at a standard extraction rate, *minus* the *montant forfaitaire*;
- the milling margin;
- the margin of protection (to be progressively reduced each year by $\frac{2}{15}$ per annum);

(d) that part of the *montant forfaitaire* which may exceed the amount resulting from the annual reduction in the level of protection;

minus the value of the offal obtained per ton of flour.

The size of the levy for wheat in intra-Community trade is determined by the difference between the importing country's threshold price and the free-frontier price of the exporting country (minus the *montant forfaitaire*). The free-frontier price is based on the price of the variety which is relatively the cheapest for the importing country, taking account of transport, marketing costs and handling charges up to the frontier. This price is, however, adjusted to the national quality standard and then in turn to the Community standard. The calculation of this free-frontier price is made once a week and, as this price differs in each exporting country, the intra-Community levy differs for each exporting country.

The size of the levy on imports from third countries is determined by the difference between the importing country's threshold price and the most favourable c.i.f. price on the world market. In order to allow for differences in quality, each representative price quotation is adjusted in accordance with a set of quality coefficients.¹ The calculation of the lowest c.i.f. price for wheat (and for all other cereals and products) is made each day by the Commission for application to one predetermined port or entry point in each member country.² The levy applicable in each country is not varied for only small changes in the c.i.f. price.

In order to ensure the gradual and regular development of trade in wheat between member countries, while at the same time avoiding a considerable diversion of previous currents of trade, the levy on

¹ The following are *examples* of quality coefficients (or premiums over the Community standard wheat) used in the adjustment of c.i.f. prices:

Source and type	U.S. \$ per metric ton
Canadian Manitoba Northern No. 1	12.50
No. 3	10.50
U.S. Hard Winters, 14% protein .	12.00
U.S.S.R. 431	9.00
Australia f.a.q. (Eastern States) .	5.75
U.S. Soft Red Winters	3.75
Swedish	1.25

² For wheat these are as follows:

Belgium	Antwerp	Italy	Genoa (durum wheat)
France	Marseilles		Naples (soft wheat)
Germany	Emmerich	Luxembourg	Sterpenich
		Netherlands	Rotterdam

imports from EEC countries is reduced by a fixed preferential amount, the *montant forfaitaire*. For 1962/3 this has been set at 1 accounting unit (U.S. \$1) per ton of wheat and 2.5 accounting units per ton of flour. If in the course of a marketing year intra-Community trade does not develop as envisaged, consideration will be given to revising the *montant forfaitaire*.

An example of the calculation of levies for trade with a third country is shown in Table 7.

TABLE 7. *An example of the calculation of threshold prices and import levies*

August 1962

Item	Belgium		France		Germany	
	B.frs./met. ton	U.S. \$/bush.	N.F./met. ton	U.S. \$/bush.	D.M./met. ton	U.S. \$/bush.
Basic target price*	5,130	2.810	479.80	2.660	475.50	3.260
Transport from Frontier to Deficit Area	60	0.030	13.00	0.072	0.50	0.003
Importer's margin	20	0.010			3.00	0.020
Quality adjustment†	50	0.025			8.00	0.055
Sales tax	240	0.130	—	—	—	—
Montant forfaitaire	50	0.025	4.90	0.027	4.00	0.028
Threshold price	4,910	2.690	471.70	2.615	484.00	3.320
c.i.f. price‡ (as at 4 Aug. 1962)	2,943	1.612	294.01	1.630	239.80	1.644
Levy	1,967	1.078	177.69	0.985	244.20	1.676
Item	Italy		Netherlands			
	Lire/met. ton	U.S. \$/bush.	Fls./met. ton	U.S. \$/bush.		
Basic target price*	69,000	3.03	333.00	2.520		
Transport from Frontier to Deficit Area	1,125	0.05	1.30	0.010		
Importer's margin			2.30	0.020		
Quality adjustment†			—	—		
Sales tax	—	—	—	—		
Montant forfaitaire	625	0.02	3.60	0.030		
Threshold price	68,500	3.00	333.00	2.520		
c.i.f. price‡ (as at 4 Aug. 1962)	37,187	1.633	213.01	1.612		
Levy	31,313	1.367	119.99	0.908		

Source: Commission of EEC.

* On national quality standard.

† Of national standard to EEC standard.

‡ Adjusted to EEC standard using quality coefficients.

To maintain an adequate control of imports and exports and the payment of levies, a system of import and export certificates has been introduced. These are issued to traders on request, valid for the current month and the following three months (four months for flour) and the trader is required to import or export the quantities stated (subject to a tolerance of 5 per cent.) within this period. Import certificates require the deposit of a guarantee which may be forfeited if the importation does not take place within the period of the certificate. The levy payable is that ruling at the time of importation but to allow for forward purchases the levy may be determined in advance. If the current c.i.f. price is higher than that quoted for future delivery, the premium is the difference between the two prices with a minimum of 0.25 accounting units. If the current c.i.f. price is equal to or lower than the price for future delivery there is no premium. Premiums may be set higher if future imports threaten to affect the internal market in a member country. At first the levy could not be determined in advance either for intra-Community trade or imports of flour from third countries, but the difficulties of traders soon led to amendments permitting advance setting of this levy.

To enable exports to be made outside the EEC (i.e. to third countries) on the basis of prevailing world prices, the difference between these prices and those in the member exporting country may be covered by a refund or export subsidy. In respect of third countries, this refund will not, in principle, be higher than the amount of the import levy ruling at the time of exportation, but the export subsidy may be fixed in advance to allow for forward purchases. It will then be adjusted according to the seasonal scale for threshold prices but may not exceed the difference between the threshold price ruling at the time of exportation and the forward c.i.f. prices prevailing when the application for subsidy is made. Refunds may also be granted in the form of an authorization to import, free from import levies, a quantity of wheat equal to the quantity exported, subject to certain provisions. The amount of refund may also be determined on a tender basis. In December 1962 an additional direct subsidy on exports, up to a maximum of U.S. \$8 per ton, was introduced.

Impact of the new regulations

Although several member countries previously operated certain measures now incorporated in this system, the introduction of this comprehensive and uniform system under the common cereals policy

has involved a drastic change in the regulations and marketing and trading practices for most member countries. As far as wheat producers are concerned, the price guarantee is no longer fixed at the farm but in a more flexible form at the wholesale level. However, for 1962/3 at least, care was taken to arrange that target and intervention prices would result in similar (or even higher) average prices to farmers at the farm as in 1961/2. The setting of prices at wholesale levels has required certain adjustments and the replacement of uniform prices throughout some countries by a range of prices from the largest surplus area to the largest deficit area may affect the future production pattern.

The removal of government monopolies and strict control on imports and exports, and the abolition of compulsory mixing regulations which were important in several countries, should allow a freer choice of the type of wheat by millers in these countries, subject to the impact of the levy on imported wheat. The introduction of this levy where none existed previously, the use of import certificates and the removal of quotas (except for state-trading countries) has meant fundamental changes for the import trade. In some countries the increases in the prices of imported wheat resulting from the new levy have so far been offset by the use of consumer subsidies or rebates to millers, thus minimizing changes in the price of bread to consumers.

Due to certain special features the actual level of trade in 1962/3 is of limited significance in assessing the impact of the regulations on the future level of trade in wheat and flour. In the months before the regulations came into force, there was considerable stockpiling in the importing member countries, as a result of which current import requirements have been substantially less than usual. Moreover, domestic production in each member country was very large in 1962—for the Six it totalled 29.4 million tons which is an increase of 6 million tons over the preceding year. These two factors together have seriously reduced the usual import trade including the intra-EEC trade which the Community hopes to develop. Furthermore, the extremely severe winter of 1962/3 has hindered the normal movement of grain off farms, inland from the ports and throughout the canal system which carries much of the intra-EEC traffic. The low level of trade during 1962/3 can therefore be explained as exceptional and with the prospect of a smaller domestic production in 1963 both imports from third countries and intra-EEC trade are likely to increase. The future levels of this trade will depend more on the

decisions yet to be taken about future development of the cereals policy and particularly on the future level of the common prices than on the nature of the measures being used to operate the common policy. These common price levels for grain will not only affect trade in grains, but the ultimate level of farm income support, of consumer prices and of imports of livestock products.

Some difficulties ahead

The common cereals policy has been introduced with little or no change in the level of producer prices (and little change in consumer prices) in each country. A transition period is to follow during which these prices will be brought closer together so that by 1970 there will be a uniform price throughout the Community. Decisions have to be made on the steps to be taken to reach this uniform price for wheat and also the prices for all other cereals. These decisions raise many difficult problems especially when the structure and trends of EEC wheat and coarse-grain production, trade and consumption are considered.

At the present time France has the lowest producer price and Germany the highest (25 per cent. higher than France); the other countries have prices somewhere between this range. France also accounts for over 40 per cent. of the Community wheat production and a large price increase would almost certainly lead to an expansion of the acreage seeded to wheat.¹ Even without changes in prices higher yields per hectare can be expected in the future as producers continue to adopt the latest technical advances, such as better varieties, improved cultivation, more fertilizers and better machinery. Any additional acreage may therefore lead to large surpluses of soft wheat. On the assumption of constant prices and unchanged area, wheat production in the EEC is forecast to increase by one-fifth from an average of 25 million tons in 1957-9 to 30 million tons in 1970.² In view of this trend in wheat production (and also in other cereals, especially barley) it would seem that if the ultimate level of the target price is relatively high, difficulties may arise not only for imports from third countries but also for disposal of the total wheat crop.

The limitations on the utilization of wheat within the Community have already been mentioned and recent increases in Community

¹ H. B. Krohn and C. Mouton, 'Le Marché Commun des Produits Agricoles: Perspectives "1970"', *Communauté Économique Européenne*, Étude 10, Bruxelles, 1962, pp. iii/58-64.

² *Ibid.*, pp. iii/54-56.

production have reduced net imports into the Community. The continued increase in EEC wheat production will tend to narrow the import market still further. The import of high-grade hard spring wheats from Canada for mixing with domestic wheat to produce the type of bread in current demand in Germany, Netherlands, Belgium and to some extent in Italy, and of durum wheats for the manufacture of alimentary pastes, seem likely to continue in the future.¹ But the imports of the lower grades of wheat may suffer. Although the trade policy of the Community does not involve direct restrictive measures on imports, some third countries might find great difficulty in continuing to sell in this market. Furthermore, the steadily increasing wheat production in the Community may impinge on markets of other wheat-exporting countries. It may also require a more extensive use of the levy restitution and possibly direct export subsidies not only for a regular wheat exporter such as France, but perhaps also for Germany, Italy, and Belgium.

Another aspect of the future price level concerns the use of wheat as livestock feed. This is the only growing outlet for wheat but because of the lower price level for coarse grains (rye, oats and barley in F.R. Germany, Netherlands and Belgium together with maize as well in France and Italy) large subsidies must be paid on wheat used in this way. The position is further complicated by the varying spread between wheat and coarse-grain producer prices in each country—the difference in target prices of wheat and barley is roughly 15 per cent. in Western Germany, 17–23 per cent. in France, Belgium and the Netherlands and as much as 67 per cent. in Italy. The problem is therefore not only to arrive at a uniform price for wheat but also for each type of coarse grain while at the same time bringing all grain prices into closer harmony.² The effect of these price changes may be quite considerable on both the pattern of grain production and trade within the Community and on the size and pattern of imports from third countries. Imports of coarse grains from third countries have risen significantly in recent years, and the demand for grains for livestock feeding is likely to increase considerably for many

¹ It is estimated that EEC countries will continue to require regularly 1½ to 2 million tons of quality wheat for blending purposes, see M. Soenen and P. F. Pelshenke, 'Problèmes relatifs à la qualité du blé, de la farine et du pain dans les pays de la CEE', *Communauté Économique Européenne*, Étude 7, Bruxelles, 1962.

² The Commission has proposed that in 1963/4 and 1964/5 the lower and upper limits of target prices for soft wheat should be between 113 and 117½ per cent. of the barley price. In the United Kingdom recent experience has been for the market prices of wheat and barley to be about the same.

years to come. Thus the Community will remain the largest world importer of feed grains. In contrast, the size of wheat imports depends on the crucial decision of the common wheat price, but even if this is set only a little above the current target price in France it seems unlikely that the actual size of the future wheat market in the Community for third countries will be as large as in the recent past.