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CENTRE FOR
EUROPEAN AGRICULTURAL STUDIES

THE WORLD COMMODITY SCENE AND THE COMMON AGRICULTURAL POLICY

SIMON HARRIS

WYE COLLEGE
(University of London)
ASHFORD, KENT
1975

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Director

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THE WORLD COMMODITY SCENE AND THE COMMON AGRICULTURAL POLICY

by

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FOREWORD

During recent months the Common Agricultural Policy has undergone some important modifications and has been subjected to a major stock-taking with a view to possible future changes. New and far-reaching arrangements have been made with many non-member countries.

Contrary to much general opinion, the CAP has shown remarkable flexibility in dealing with a situation which has changed drastically since it was originally devised. A situation of relative monetary and economic stability changed with dramatic speed to one of increasing instability. Concurrently, apparent chronic surpluses gave way to overall shortages.

Thus, more attention is now being focussed on the CAP, not so much in terms of the farmers' problems as those of the consumers who wish to have assured supplies of food and raw materials, and those of the Governments battling with inflationary pressures.

It was with this background in mind that the Centre for European Agricultural Studies asked Mr. Simon Harris to contribute to the current discussion. The author is Economist and Adviser on EEC matters with S. & W. Berisford, Ltd., a major international food group.

The Occasional Paper is presented as part of the on-going work in one of the fields of prime interest to the Centre. It is aimed at the exchange of ideas and information upon the problems and opportunities confronting European Agriculture in its relations with the Third World.

April 1975

Ian G. Reid
Director

THE WORLD COMMODITY SCENE AND THE COMMON AGRICULTURAL POLICY

Introduction

Since the European Community's Common Agricultural Policy (CAP) was originally devised the world has changed drastically. From a situation of relative monetary and economic stability with fixed exchange rates and declining real prices for primary products as experienced in the decade from the mid-1950's, we have moved in the 1970's to a scene of vastly increased monetary and economic instability with commodity prices at levels undreamed of by those proponents of the theory, so fashionable in development circles during the 1960's, that primary product producers would always suffer from declining real prices. The reactions of the European Community to these changes are of importance, not only to the Community's own citizens, but also to the rest of the world because of the Community's role as the world's foremost trading bloc[1].

The violence of the changes occurring in the early 1970's has brought home to the Community the uncertainties inherent in the world situation during the previous two decades. These changes have emphasised that the economic strength which the Community's statisticians and policy-makers delight in flourishing (the Community's share of world trade, iron and steel production, etc.) can not be taken for granted quite so confidently as hitherto. In a world of increased uncertainty, policies relating to the provision of the fundamentals for human life and employment (food, energy, raw materials) take on an increased importance. Not that the CAP, as one of the Community's only two fully developed common policies, ever lacked for attention, but certainly at the beginning of the 1970's Community attention was beginning to turn increasingly towards other areas of development such as the Common Social and Regional policies.

I am grateful to those staff and students who gave a courteous reception to this paper, and suggested many improvements in it when first given at seminars at Wye College and the University of Reading. Without being able to list all those consulted because of their number, may I also thank those in Brussels and Whitehall who kindly gave their time to answer my questions. Of course I alone am responsible for all remaining errors.

As a result of the changes in the world situation, however, renewed attention has been paid to the CAP, not so much in terms of the farm problems of the 1950's and 1960's as in terms of the new consumer problems of assuring adequate food supplies and of helping Community governments in their attempts to reduce the inflationary pressures in their economies. Increasing attention has also been paid to the Community's external image: examples include the Common Commercial Policy, the Policy on Aid and Development, and the proposed Raw Materials Policy. This trend was apparent even before U.K. accession to the Community made it necessary for the enlarged Community to expand and codify its relationships with third countries. The world changes of the early 1970's served merely to underline the importance for the Community of maintaining harmonious relationships with its trading partners and recognising a common interest in stable international trading conditions. The CAP is again of importance here, firstly because it covers an area of primary product trade where many of the Community's trade partners want concessions on conditions of access to Community markets, and secondly because international action to stabilize the conditions of primary product trade and to further liberalize world trade in general will involve commodities covered by the CAP.

This paper is a first attempt at describing some of the changes which have occurred to the CAP, in both its domestic and external faces, as a result of the changes in the world commodity situation during the early 1970's. Not all the changes, especially in the CAP's external face, can be solely ascribed to the changes in the world situation. Indeed many of these changes, as mentioned above, were in train in any case. What the changed world commodity situation may have done, however, is to emphasise the link for the Community between the conditions of agricultural trade and general economic and political relationships with its trading partners, and also the inter-relationships between agricultural trade and the Community's domestic objectives.

Although this paper is devoted to the world commodity scene and the CAP, the use of the phrase 'commodity scene' must be taken as being a shorthand for the whole complex of inter-related problems which have arisen in the early 1970's. Included here would be the problems of world-wide inflation, and increasing monetary and political uncertainties, as well as those of commodity, food and petroleum shortages which have beset the world.

Thus the Community's reactions have been to the whole world trading and raw material picture rather than solely to its commodity aspects.

The World Agricultural Situation in the '50's and '60's

When the foundations of the CAP were being laid at the beginning of the 1960's[2], the major problem as seen by Community policy-makers, in common with policy-makers in most of the world's other developed countries[3], was the need to improve returns to factors engaged in agricultural production compared with factor-returns in the rest of their economies. In addition, but as a separate aspect of the same problem, there was the need to slow the rate of labour migration from the land in order to avoid too great social disruption. The phenomenon of declining returns to factors engaged in agriculture was common to most developed countries and arose from the output-increasing nature of modern technology coupled with the generally limited scope for volume increases in food consumption. Given the constant tendency for output to increase faster than demand, market prices were depressed and agriculture's productivity gains accrued to consumers with consequent farmer discontent and pressure for governments to act in support of agriculture.

As might have been expected the result of the support systems which the wealthier nations of the world were able to afford for their domestic agricultural industries was the creation of surpluses[4] of agricultural commodities as farmers responded to the price incentives and subsidised inputs which they were being offered. These surpluses were then dumped on world markets by major agricultural exporters in the first instance as a means of exporting their problems to other nations. From here the problem intensified as other traditional exporters had to offer equivalent subsidies in order to be able to compete - equivalent in value, if not in form, that is - and the pressure on those importing countries with open access to their markets intensified. Then, in turn, these latter nations were forced to erect import barriers to protect their own producers whilst, towards the end of the 1960's, a major traditional importer, the European Community, emerged as a substantial generator of surpluses in its own right. These surpluses had to be pressed on to world markets with the aid of export subsidies[5].

Thus at the end of the 1960's the 'conventional wisdom' of academic commentators, and in turn agricultural policy-makers, had come to relate to a world of seemingly assured food supplies (at least in the developed nations), large stocks for some major agricultural commodities generated by domestic agricultural support programmes, and world prices for substantial periods of time maintained at levels below long run costs of production. International trading relations in agriculture had gone from bad to worse and, indeed, had very nearly caused the failure of the Kennedy Round of G.A.T.T. negotiations because of the inability of the U.S.A. and the Community to agree on matters of agricultural trade[6].

As a contrast to the problems of the developed countries, the main problem of the developing countries was (and is) to expand agricultural production at a fast enough rate to keep up with their population growth. But for those few developing countries with export capabilities in agricultural commodities the problem was one of gaining access to developed country markets and of securing reasonably remunerative prices for their products in an age when world prices were depressed because of the surpluses generated by developed countries. Favoured answers were to seek the development of multilateral International Commodity Agreements and/or bilateral agreements with importers, on the one hand to assure market access, and on the other hand to raise price levels. One development here was the introduction of General Preference Schemes (G.S.P.) by the developed countries[7] as a result of such pressures, although on the agricultural front G.S.P. schemes have not been all that significant in their impact.

The Commodity Price Explosion

The explosion in world commodity prices during 1972/74 has no recent parallel[8], except perhaps in events during and just after the Korean War. Between the first quarter of 1973 and the first quarter of 1974 world commodity prices as a whole, almost doubled (Table 1) while some individual commodities showed price rises very much larger than these. Over the rather longer period between the end of 1971 and the beginning of 1974 posted prices for oil more than quadrupled, while world wheat and rice prices considerably more than doubled[9]. Since the peak of the commodity boom, in the first quarter of 1974, many individual commodity prices have come well back (Table 2) as the deepening world depression has decreased the demand for industrial raw materials and the pressure of speculative money has been withdrawn from commodity markets on profit-taking. Despite these reductions in individual commodity prices, the overall U.N. commodity price indices have hardly come back at all, and indeed continued to rise slightly until the end of 1974 (Table 1), although much of this divergence in trends came from the continuing depreciation of both the dollar and sterling in terms of the world's other major trading currencies.

The reasons for this price explosion are complex, but worth examining in summary at least, because of their effect for any view of future world market developments. Taking the general world-wide factors first, mention must be made of the general boom in demand for all industrial raw materials and fuels as a function of the unprecedented rise in world output of some 8 per cent in 1973 as against an annual average of 5.5 per cent in the decade 1961/1971. There again in 1973 the general rate of inflation accelerated throughout the world: the 1973 rate of inflation in the O.E.C.D. countries was some 7.7 per cent as against an average of 3.7 per cent in 1961/1971. In the G.A.T.T.'s view[10] the higher commodity prices were, in general, the result of these inflationary pressures rather than the other way round. The situation was aggravated, as Sir Alec Cairncross pointed out in The Times (July 8, 1974), by "... a speculative boom touched off by monetary uncertainties, an outpouring of dollars and distrust in floating currencies". Indeed Sir Alec emphasised that because the policies followed by governments and monetary authorities contributed to the decline in international willingness to hold money as a store of value, governments had only themselves to blame if asset-holders were wary of holding currencies and preferred to find other seemingly safer havens for their funds.

In some specific commodity instances, however, G.A.T.T. accept the view that physical shortages contributed to rising prices. Thus in the case of cereals, forming the world's major human foodstuff, and along with grass providing one of the world's two main animal feedstuffs, there were major changes in supply and demand between the 1960's and the 1970's. By the beginning of the 1970's most of the major developed country grain exporters had come to accept that it was their domestic agricultural support policies which were principally responsible for creating the large and costly surpluses they were finding so difficult to eliminate. Consequently the U.S., Australian and Canadian governments had all gradually taken action to reduce their surpluses by the beginning of the 1970's[11]. Unfortunately they were perhaps too successful. Cereal stocks were gradually run-down as a proportion of total world consumption and acreage diverted from cereals so that when a series of poor harvests in inter-related commodities as diverse as Peruvian anchovies, West African groundnuts, Russian and Chinese cereals and S.E. Asian rice hit the world in 1972, the stocks were not available to absorb the shock to the world's trading system.

On the demand side there was a general increase in consumption, at a marginally faster rate than world production during the 1960's, as the increasing real wealth of many countries led to a rise in the demand for livestock products and, in turn, for the necessary feed grains to support the livestock population. The significance of this change for cereal demand arises from the fact that it takes several pounds of cereals (varying from 2-6½ lbs, according to livestock type, under U.S. conditions) to produce one lb of meat. Additionally there were also some extremely significant policy changes at the beginning of the 1970's with the Russians, in particular, deciding on a policy of massive livestock expansion to improve consumer diets, and on a policy of grain-importation in whatever quantities were necessary to make up for any crop shortfalls of their own, whenever these were to occur[12]. These policies represent a switch from their former policies of making consumers tighten their belts in times of reduced harvests, and of slaughtering livestock, rather than import large quantities of grains. Although some relaxation in this policy had already occurred in the 1960's with the U.S.S.R. importing substantial quantities of wheat for human consumption in 1963/64 and 1965/66.

Finally that commodity prices can oscillate quite so violently as happened in the early 1970's, is an indictment of the state of world markets with the increasing significance of institutional barriers to prices being able to perform their proper equilibrating functions[13]. The main barriers are represented by government policies to insulate producers and consumers from world price movements. An example of the effectiveness of such policies quoted by Professor Hillman[14] is taken from the E.E.C. where between 1971 and early 1974 grain prices in national currencies rose by only some 10 per cent, except in Italy, while world grain prices were more than doubling in the same period. We are here witnessing a vicious cycle with governments quoting the instability of world markets as a reason for insulating their peoples from the effects of world price changes, even though the effect of such insulation is to increase the volatility of world markets.

Changes in the CAP

It is against this background that changes in the CAP have to be judged. Whereas in the 1960's it could be said that the CAP stood out as an island of high prices in a world of low prices, it can now be equally said that it stands out as an island of low prices in a world of high ones. This statement is, of course, a sweeping generalisation, but it does convey some of the flavour of a situation where at the time** of writing, CAP institutional prices have been rising at markedly slower rates than world ones for several years. For example, CAP institutional prices were increased some five per cent annually between 1970/71 and 1973/74, as against a rise in world agricultural prices of around 20 per cent annually over approximately the same period[15]. During 1974/75 there was, however, an acceleration in the rate of rise in CAP institutional prices with a total rise of some 14 per cent (8.7 per cent in March 1974 and some 5 per cent in October 1974).

Before turning to the effect on the CAP's internal and external faces of the explosion in world commodity prices, two more general effects[16] need emphasising. Firstly, the reduction in the relative importance of modifications in the CAP for the U.K.'s 'renegotiation' aims has meant that other matters have risen to greater prominence, in particular the U.K.'s share of the Community Budget and the loss of sovereignty issue. This is not to say that the CAP changes do not still form an important part of these aims - see for example a restatement by the Prime Minister of the U.K.'s 'renegotiation' aims quoted in The Times (9th December, 1974) where U.K. aims for the CAP were given as being "... major changes in the CAP, so that it ceases to be a threat to world trade in food products, and so that low-cost producers outside Europe can continue to have access to the British food market". But the operation of the CAP during 1972/74 has very much moderated the force of these demands in the light of the dramatic changes in the world situation already discussed. It is significant that a Government Minister said in answer to an oral Parliamentary question (Hansard, 6 November, 1974, col. 1058) that access to the E.E.C. was marginally keeping down the cost of British food rather than the other way

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** January 1975.

round. Presumably had the effects for feed prices been fully included then the positive effects for the U.K. would have been rather larger. This happy outcome for the U.K. arose because world prices for cereals, rice, oilseeds and sugar surged far above full Community levels during 1973 and 1974. As a member of the Community, however, the U.K. had access to Community production at levels below world ones. According to another Parliamentary question it was only in the dairy and lamb sectors at the end of 1974 that third country produce would have been cheaper for the U.K. to import than Community production (Hansard, 13 November, 1974, col. 150). It should also be remembered, of course, that the U.K. has only gradually been phasing-in full Community institutional price levels over the five-year transitional period, so that the transitional bridging mechanisms (the accession compensatory amounts) have also acted to help keep down U.K. price levels.

A further positive factor for the U.K. has been the monetary arrangements made to stop the unified Community agricultural market being eroded by the differential rates of inflation in Member States and the consequent alterations in exchange rates. The effect for the U.K. has been that it trades in the agricultural sector as if the pound sterling was worth some earlier higher value rather than its current value. Up to October 1974, for example, the U.K. was trading in the agricultural area as if the pound still had its January 1973 value - although for technical reasons the U.K. did not obtain the full benefit of this arrangement at that time. Since then, however, this technical qualification has been removed although the U.K. now has to trade at an effective agricultural exchange rate which takes account of part of sterling's devaluation since January 1973.

Linked to this first general area of effects is the second area relating to the point that the U.K. and German suggestions in specific policy areas are far more easily incorporated within the CAP framework now that the CAP as a whole no longer looks so high-priced in relation to world levels and there is an opportunity to disentangle the major policy objectives being fulfilled by the common pricing arrangements. Thus the policy objectives served by the common prices are not only the need to stabilise market prices, but also the need to maintain resources in the agricultural sector by setting the common prices at a high level in relation to world prices. Historically the initial high levels of CAP prices were necessary in order to get agreement amongst the Member States before the common institutional prices could be brought into operation in 1967. Then, as now, agreement was only obtainable on the lowest common denominator of the proposals before the Council, and this generally involved taking the highest of the price proposals for each commodity and combining them in a package giving something to everyone[17].

Now that in money terms world prices have overtaken CAP levels in many areas, or are at very similar levels, CAP institutional prices no longer have the main burden of maintaining the incomes of Community farmers and there is the opportunity for setting common prices in the future so that they do not diverge so markedly from world levels, while the burden of supporting farmers can instead be transferred to the guidance sector of F.E.O.G.A. and the Community's Social Policy. That such an opportunity should present itself at a time when the general discontent with the CAP had reached a point where even the Germans were demanding a 'stock-taking' of the CAP seems singularly fortunate. It is to be hoped that the opportunity is not missed. Such a shift in policy would be especially important for the U.K. because of its dependence on imported food and hence its relatively heavy contributions when import levies are significant. Inevitably a reduced dependence on agricultural levies for Community Budget funding would mean a swing away from funding-shares based on Member States' propensity to import from third countries towards shares based more on the relative sizes of their economies.

The CAP's domestic face

Turning to the CAP's domestic face, this is the obvious area where changes have occurred as a result of developments in the world commodity situation. While world prices were well below Community ones, as at the end of the 1960's when generally Community cereal prices were double world levels and milk products considerably higher[18], both Community producers and consumers were insulated, but at a high level, from developments on world markets. In the commodity price explosion of 1973 and 1974, however, world prices for cereals, rice, sugar and oilseeds surged above Community institutional levels and the Community was suddenly faced with a situation where it would have paid their farmers to export on world markets, even with a nil export subsidy, rather than sell domestically. Had Community farmers been allowed to do this then undoubtedly there would have been substantial sales on world markets and internal Community market prices would have been dragged up to somewhere near world levels.

It was the potential inflationary effects if such price rises had been allowed to happen and also the fear of the Community physically running short of certain commodities[19] which pushed the Community into first introducing export taxes in the summer of 1973. These taxes continue in an upward direction what import levies do in a downward direction; they cover the difference between Community price levels and world market levels so that there is no incentive left for sales of Community produce on world markets. That their introduction has been successful in terms of moderating Community food prices can be inferred from the fact that food prices in Community Member States were rising at generally slower rates than their overall indices[20] of consumer prices in the year ending September 1974, whereas in the U.S.A. food prices "... rose four times as rapidly during 1973 as did non-food items ..."[21] and this faster increase of food prices continued into 1974. Although even this simple comparison is complicated by the differing importance of the food distribution and processing sectors in the retail cost of food in the U.S.A. and the Community, as the distribution and processing sectors will be subject to economy-wide general inflationary factors rather than the specific effect of rising commodity prices. Another indicator of the successful effect of these export taxes, at least in Community terms, is the assertion by the French Prime Minister (quoted by Sir Christopher Soames in January 1975)[22] that had France been able to sell her grain and sugar outside the Community then "... she would have been £1,500 million better off"; presumably her export earnings would have been increased by this amount.

The Community's actions in effectively stopping and/or only very slowly allowing out exports of some commodities, the result varying according to the level at which export taxes have been set in relation to world prices, do mean that the Community has been exporting its shortage problems to the rest of the world. Not that the Community has been alone in such action, far from it - other traditional exporters such as the U.S. with maize and the Thais with rice applied complete export bans for periods of 1973, while the U.S. in 1974 asked the Community, Japan and the U.S.S.R. all to observe a 'voluntary' restraint in their purchases of American grain and, if possible, to cut somewhere near 10 per cent from their expected levels. Of course, as always, politicians find it very much easier - whether deliberately or otherwise - to export such economic difficulties, as inflation, unemployment and commodity shortages, to other countries whose electors are no concern of theirs, rather than impose unpalatable action on their own electors.

Whereas one can see the provisions for export taxes under the CAP remaining a permanent part of the policy, another innovation - the introduction of import subsidies for commodities in short supply within the Community (in this case sugar) - seems more likely to be used only sparingly as a future feature of the CAP, each case being taken on its own merits. Because of the disastrously poor Community sugar beet harvest in 1974/75 the Community was about $\frac{3}{4}$ million tons of sugar short on likely consumption as against actual beet production and contracted imports. As a result of this shortfall and the unprecedently high world sugar prices the Community introduced a system of granting subsidies for the importation of sugar, for a limited period at the end of 1974 and during early 1975: these subsidies covering the difference between world prices and Community price levels. Such an ad hoc development - very much against the views of the traditionalists of the CAP who, in 1972, would not allow the negotiation of an arrangement whereby the U.K.'s accession compensatory amounts could have acted as import subsidies under the appropriate circumstances - was another step in the mutation of the CAP. The importance of these import subsidy arrangements for the U.K. has been acknowledged by the British Secretary of State for Prices and Consumer Protection, Mrs. Shirley Williams, who stated that had the U.K. been forced to buy sugar at full world prices then it would have meant in early 1975 a British retail price of some 40-50p for a 2 lb bag[23]; as against an actual U.K. retail price of 28-30p for a 2 lb bag at that time.

Further moves to help Community consumers have taken the permanent form of making the CAP's intervention mechanisms more flexible. Thus there has been the introduction of schemes to sell intervention stocks at reduced prices to "institutions and bodies of a social character" (e.g. hospitals, prisons, etc.). There has also been the introduction of butter and beef 'tokens' for "certain categories of consumers", in effect, those who are old and/or poor, as a way of allowing them to pay less than full shop prices.

These 'tokens' which are used by the recipient as part payment of the retail price, can be redeemed by the retailer at their face value. Finally there has been the introduction of general consumer subsidies on butter, partly paid for out of Community funds, as a way of increasing consumer demand.

These changes have been justified politically in terms of making the benefit of any Community over-production of agricultural commodities available to Community consumers rather than to third country consumers[24] as happened with the Community's notorious sale of 50,000 tons of intervention stocks of beef to the U.S.S.R. in 1974[25]. There again insofar as consumer subsidies and 'tokens' lower the market price facing Community consumers and thereby increase demand they can be justified in terms of making the need for intervention in support of Community producers less likely. The use of consumer subsidies is a new departure for the CAP and an innovation which should not be underestimated in any future view of the possible development of the CAP. Much of the original Community's objections to consumer subsidies for food arose from the view that such subsidies caused market prices to be kept down for consumers and this in turn meant a major distortion of the conditions of competition between industries in different countries insofar as lower food prices were translated into lower money wages. Mr. Lardinois, the Community Commissioner for Agriculture, has pointed out that the philosophy behind the Treaty of Rome related to an earlier period when expenditure on food formed some 40 to 50 per cent of total consumer expenditure[26]. In his view, now that expenditure on food (excluding its processing and distribution costs) was generally down to some 10 per cent* of consumer expenditure there was a place for consumer subsidies within the CAP. This has been confirmed by the Commission statement in the "stock-taking" that "... the Commission believes that more use could with advantage be made of consumer subsidies"[27].

What appears to be behind this shift in Commission thinking on the CAP is the realisation that food subsidies could be a viable method of disposing

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* This figure would be 20 to 25 per cent <u>including</u> its processing and distribution costs.

of Community agricultural surpluses, whenever they occur, for the benefit of Community consumers. Although it would appear that the Commission are only envisaging that the CAP should fund such subsidies up to the level of costs that would have been involved with alternative methods of disposal, and that Member States should be expected to provide any further national subsidies they feel to be necessary as a supplement, as has happened in the U.K. with butter subsidies[28].

These changes in the CAP as a result of the inflationary storm that hit the Community in 1973 and 1974, along with the price explosion for commodities, seem likely to mark a permanent shift towards a market-stabilisation policy for both producers and consumers. The future CAP can be foreseen as a policy devoted to assuring security of food-supplies, whether imported or domestically-produced, for consumers with prices at wholesale levels regulated in a band forming the core of a managed market system. Whether such a completely managed-market extension of the CAP to consumers can be taken to quite such lengths as that for producers seems dubious, however, given the potential budgetary costs that could be involved. Even so a continuation of present developments with the more flexible nature of intervention being permanent, export taxes being used more readily, and import subsidies being held as a last reserve, would seem probable. In which case one can hypothesise a structure of CAP measures as below, with the most important objectives being to assure food supplies for consumers and to stabilize prices within a band at wholesale level for both producers and consumers (not that the Community has, as yet, introduced maximum prices for consumers on the lines of the existing minimum prices for producers). This is not to say that all these measures would be operational concurrently, but they would be part of a graduated series of measures available in cases where prices, and in more extreme cases quantities, had gone outside the permitted ranges.

The parallelism of treatment between producers and consumers is apparent in the range of measures employed. For producers on the external side there are import levies to bring the price of third country products up to the Community's threshold prices, which represent the minimum prices at which third country imports can be allowed entry if market prices received by Community producers are to reach target price levels. Of course, since measures at frontier become the less effective the greater the commodity self-sufficiency ratio, there are in consequence a series of

Community Market Measures in the Food and Agricultural Sectors

Beneficiary Group	External		Internal	
	(Institutional Price)	(Policy Measures)	(Institutional Price)	(Policy Measures)
Consumers	Threshold Price	1. Import Subsidies 2. Export Taxes	Target Price	1. Consumer subsidies 2. Consumer tokens 3. Cheap intervention sales to non-profit making bodies
Producers		3. Import Levies 4. Export Subsidies 5. Food Aid	Intervention Price	4. Aids to private storage 5. Support buying and other aids to permanently remove supplies from markets

Note: Threshold prices are at the at-frontier equivalent of the Community's internal target prices, and are normally lower by the amount of the transport costs between the Community's external frontiers (mainly sea-ports) and the internal centre where the target prices are defined. Target prices are the level which Community producers are meant to receive from the market. Intervention prices are set some way below target prices (for most of the commodities covered by this system, about 7 to 10 per cent) and represent support levels at which the Community will buy produce from the market in an effort to stop producer returns dropping below the target levels.

domestic market measures as well. Firstly there are aids for private storage as a means of temporarily removing surpluses from the market when it is under pressure and reselling them later when prices have recovered. Secondly intervention buying[29] occurs when market prices have dropped to intervention levels and it is judged necessary to remove production permanently from the domestic market. Such intervention purchases can be sold to third countries with the aid of export subsidies to bring prices down to, or just below, world levels. A further means of surplus disposal has been Food Aid, used by the Community along with other developed countries which are agricultural exporters. The Commission has suggested, however, that the Community's Food Aid should be part of a continuing programme to help developing countries in a way which can be relied upon by them whatever the relationship of Community prices to world prices, rather than a series of irregular actions to eliminate Community surpluses[30]. This is very much in line with the U.K. Government's inclinations.

For consumers the major developments in the CAP have already been summarised, but in essence the same sort of measures are used as for producers. Thus when world prices are high there are export taxes in order to retain supplies within the Community, which has the effect of taxing Community producers by preventing them taking advantage of world levels. Conversely when world prices are low consumers are taxed through the market prices they pay to transfer resources to producers. In effect the CAP has been transmuted from a policy of merely supporting producers, for reasons discussed earlier, to a policy for stabilising market prices for both producers and consumers. As such it can be seen as an elaborately constructed policy for transferring resources between different classes of people within Community economies according to external constraints i.e. the availability of and price levels for food products on world markets.

The CAP's External Face

Having discussed the CAP's domestic face in terms of the development of a managed market system for both consumers and producers (which happens to use external measures) the direction of this paper turns to the CAP's external face per se. Here the theme of recent developments has been the increasing interaction between the CAP and the Community's other external policies, and the development of ideas similar to those underlying the CAP in the whole area of Community energy/raw materials/food security.

The modifications that have occurred in the CAP's external face were generated by two main pressures, firstly the need to renegotiate all the Community's existing Trade and Co-operation agreements to take account of its enlargement (indeed many Community obligations were not assumed by the U.K. until these agreements had been renegotiated). Secondly there has been the Community policy of maintaining its traditional links with many developing countries and of helping them with their development. As a first step in development many of these countries have created their own agricultural processing industries with the consequence that one of the first things demanded of the Community have been trade concessions for their agricultural exports. Undoubtedly there has been a good deal of genuine altruism in the Community's wish to help the development of less fortunate areas (even though this has not as yet extended equally to all developing countries). But there has also been a strong element of enlightened self-interest, since many of the developing countries associated with the Community represent significant markets for Community exporters, as well as being actual or potential suppliers of raw materials and energy for Community industries and energy and food for Community consumers. This, of course, does not make the trade and aid concessions made by the Community of less value to the recipients; it merely helps to explain why the Community has entered into such a wide series of trade and/or association arrangements with third countries.

CAP Themes in the Proposed Raw Materials Policy

For example an explicit statement of this view was contained in an internal Commission Document discussing an overall Raw Materials Policy for the Community[31]: "The electors of Western Europe's democracies are no longer concerned that it is their duty, as citizens of developed countries, to help citizens of developing countries to attain a growth rate in excess of that which European countries experienced during their era of industrialisation. If they are to support the efforts of their governments, if they are to finance public expenditure, and contribute to international co-operation in the field of primary products, they expect in return to obtain assurances, not merely that producers fix stable and fair prices for their products, but also that, as developed countries' consumers, they will have a certain supply guarantee." There again writing of the E.E.C.'s Commercial Policy in the Agricultural Sector[32], the Commission has suggested that in terms of co-operation between governments of countries that are partners to an agreement in the context of the negotiations with the Mediterranean Basin countries, and the African, Caribbean and Pacific countries (ACP) there is a need "for genuine reciprocity" in the field of trade.

The point here is that the Community has made many more concessions in the agricultural sector than it would have felt able to prior to the world commodity explosion, as part of these trade arrangements. The Commission has also felt it necessary to propose the creation of a Community Raw Materials Policy (although this has not, as yet, been formally adopted as Community policy) for several reasons including among them the vastly more uncertain nature of the world in the 1970's as compared with the preceeding two decades and its fear that other primary product-producers would attempt to form cartels following O.P.E.C.'s example. In its proposals the Commission appears to have taken several of the ideas and measures used in the CAP for application in a wider field. Measures discussed by the Commission have included[33]:

Internal Measures - the encouragement of long-term contracts, the creation of stock-building systems, support for programmes of prospecting and substitution, encouragement of private overseas investment in the developing countries in the areas of raw material production and processing.

External Measures - the promotion of international rules of good conduct to prevent discrimination and limit export restrictions, for some products the negotiation of International Commodity Agreements (including the institution of bufferstocks and the joint financial responsibility of both producers and consumers), the conclusion of bilateral technological and industrial co-operation agreements with third countries in return for regular supplies of raw materials.

The Commission in its Raw Materials Policy proposals[31] attempted to define a global approach to four primary product categories. For tropical products (included here, coffee, cocoa, tea, bananas, spices/vanilla) the Commission felt that some sort of global export revenue stabilisation scheme on the lines of the Community's own arrangement with the ACP countries, might be considered internationally. On the renewable industrial raw materials (wood, leather and skins, rubber, cotton, wool, jute, heavy fibres), the Commission suggested more technical assistance and investment in developing country producers, but warns against "recourse to unilaterally-imposed solutions and export prohibitions by producers".

The Commission's greatest worries were for the non-renewable industrial raw materials (copper, tin, iron ore, bauxite, phosphates, manganese ore, tungsten), but even here there were opportunities for the Community to economise, to recycle, and to diversify sources of supply. Finally for agricultural food products (fresh meat, oilseeds, citrus, dairy products, sugar, wheat, rice, other grains and tobacco), the Commission's thinking was on the lines of international commodity agreements with rules for international discipline to apply to both importers and exporters. Implicit is the proposition that if consuming countries respect minimum world prices the producing countries must guarantee supplies. Table 3 gives some figures for Community dependence on developing countries for supplies of these commodities (although unfortunately energy raw materials are omitted)[34] and they underline the Commission's fears about being held to ransom by developing country suppliers.

If there were to be a widespread and effective operation of International Commodity Agreements (I.C.A.'s) then the Community's task in using the CAP as a stabilization policy would be made much easier in two major respects. Firstly, given a measure of operational success with I.C.A.'s then the amplitude of price fluctuations on world markets would be reduced and it would be much easier to discern long-term price trends which would remove much of the confusion for policy-makers when trying to compare Community and world price trends. Secondly, it would seem very likely that any effective I.C.A. would have the effect of basing the lower edge of any permissible price band used within the Agreement on some concept of long-run cost, which could mean that cost pressures in producing countries would have a fairly direct effect on prices insofar as the lower edge of the price band was raised to take account of these cost pressures, just as happens within the Community where there is an examination of cost trends before the annual institutional price proposals for agriculture are presented. Although the rate of increase in CAP prices has been slower than that in world prices during the late 1960's and early 1970's, one danger could be that in the future institutional prices for Community agriculture were raised faster than world trends[35] so that a large gap opens again between CAP and world price levels. In my view such a development is unlikely for reasons discussed later, but obviously operating a managed market in the Community at "reasonable" price levels in relation to world prices would be easier if it were within the setting of various I.C.A.'s devoted to stabilizing world prices and imposing obligations of supply on producing countries and market access on consuming countries.

Given the unsuccessful past history of I.C.A.'s there must be reasonable grounds for doubt as to whether any new I.C.A.'s applied in the second half of the 1970's will be any more successful then previous ones. A counter-argument to this proposition is that such has been the increase in world uncertainties in the 1970's that consumers will be more prepared to make I.C.A.'s work and producers, having seen O.P.E.C.'s success, will be more prepared to stick together on their side.

Returning to the Community's proposed Raw Materials Policy, however, the thinking on such a policy must interact with that related to the future of the CAP. Many of the suggestions that have been put forward echo measures and/or themes associated with the CAP such as the need to assure security of supplies, the support for substitution programmes (e.g. the Community's policy for encouraging domestic production of soya beans and the increases in Community agricultural self-sufficiency which have occurred - Table 4) and the need to arrange I.C.A.'s to stabilize world markets. In turn efforts to improve Community access to overseas commodity supplies (whether food, industrial raw material or energy) impinge on the CAP's image for third countries.

Obviously the more generous the Community is with CAP concessions the more likely third countries are to be helpful over long-term supply arrangements. But the external image of the CAP has, in any case, undergone a significant change under the impact of the world commodity boom and the CAP concessions that have already been made; much of the steam has gone out of the issue of the CAP as a highly protectionist and disruptive force in world trade. Thus most of the countries demanding compensation for the enlargement of the Community under G.A.T.T. rules - (Article XXIV, (6)) when the enlargement of a customs union gives rise to changes in bound customs duties, the contracting parties must maintain the general level of tariff concessions at a level as favourable as before enlargement - were satisfied by the agricultural concessions made by the Community, apart from the world's major cereal exporters, with whom there was a general agreement to disagree[36] over the Community's import regime for cereals. This is to be discussed further in the context of the Tokyo Round of G.A.T.T. negotiations.

A Hierarchy of Community Trade Relations

It is apparent from those third countries to which different agricultural concessions have been offered by the Community in international negotiations that there is a definite hierarchy in the Community's trading relationships with, in general, ex-colonies of Community Member States being treated the most favourably and developed countries the least favourably. Of course it must be emphasised that these concessions are improvements on the most-favoured-nation (m.f.n.) treatment which applies to all G.A.T.T.-signatory countries. Below is a Table which classifies the hierarchy of Community trading relations[37].

The Community's Trading Relationships

Group of Countries	Trade Provisions
1. The enlarged European Communities	Free trade in all goods, plus a common customs tariff against all third countries.
2. The remaining members of E.F.T.A. (Seven countries)	Free trade in manufactures.
3. The African, Caribbean and Pacific (ACP) countries (19 Yaounde Associates, 3 Arusha Associates, 18 Commonwealth Countries, 6 African countries of equivalent development. 46 countries in total).	Duty-free access to the Community market for all industrial and agricultural goods, plus some concessions for leviable agricultural products.
4. The remaining dependencies of Community Member States. (28 dependencies).	Duty-free access to the Community market for all industrial and agricultural goods.
5. The Mediterranean countries (Under the Community's Mediterranean Policy all the countries bordering the Mediterranean are eventually meant to be covered).	General duty-free access to the Community market for industrial goods with some duty concessions for agricultural goods. Greece and Turkey which are moving towards full membership of the Community will also get concessions on leviable agricultural goods in due course.

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The Community's Trading Relationships (continued)

Group of Countries	Trade Provisions
6. Other developing countries.	Under the Generalized Preference Scheme (G.S.P.) limited duty-free access to the Community market for industrial goods with some duty concessions for agricultural goods.
6a. Asian developing countries (India, Pakistan, Sri Lanka, Bangladesh, Indonesia, Philippines, Thailand, Singapore, Malaysia).	Limited commodity agreements, especially for textiles. Commonwealth countries covered by the Joint Declaration of Intent negotiating Commercial Co-operation Agreements.
6b. Latin American developing countries (Uruguay, Brazil, Argentina).	Non-preferential trade agreements, but with concessions on a few agricultural goods (principally beef).
7. Other developed countries.	Most-favoured-nation treatment if G.A.T.T. signatories.
7a. Additionally New Zealand receives	Concessions on a few agricultural goods (butter and cheese).

The three major sets of concessions offered by the Community to third countries are those contained in the Lome Convention for the ACP countries, the Community's Global Mediterranean Policy for countries bordering the Mediterranean, and the Generalized Preference Scheme (G.S.P.) for other developing countries of the world. Under the Lome Convention the Community has negotiated a successor Agreement to the preceding Yaounde Conventions, which includes many of the developing countries of the Commonwealth. Under the Yaounde Conventions agricultural concessions were given to the ex-colonies of the original Community Member States for the following agricultural products: tobacco, groundnut oil, coconut oil, palm oil, beef, rice, grapefruit segments and canned pineapple[38]. Under the Lome Convention these concessions have been increased in scale and expanded to cover more products. The new feature of the Lome Convention, however, is the inclusion of an export revenue stabilization agreement (known as Stabex)[39]. Under this scheme the Community gives a guarantee of the monetary value of export sales to the Community for certain primary products which are particularly susceptible to price fluctuations and on which many of the ACP countries are dependent for a significant share of their total export earnings. Although there is no explicit supply commitment by the ACP countries for the Stabex scheme the scheme does represent a way of ensuring the maintenance of raw material supplies to the Community insofar as if deliveries are allowed to drop, then any funds which may be forthcoming for revenue stabilization will be that much lower (in due course) as stabilization is only available on an average of past deliveries to the Community.

For the countries bordering the Mediterranean the Community has devised a Global Mediterranean Policy as a means of tidying up the hotchpotch[40] of varied arrangements it already had prior to U.K. accession and as giving a common framework for all the individual country agreements as they were renegotiated to take account of the Community's enlargement. In general the agricultural concessions (discussed later) were not so generous as those for the ACP countries, although there seems more chance of a generalised sharing of the Community market with the Mediterranean countries for specific agricultural commodities. Again the Mediterranean countries are important to the Community in terms of raw material access (Moroccan phosphates, Algerian oil) as well in the Community's wish for good relations with the countries on its Southern borders. An indicator of Mediterranean thinking here was the Algerian suggestion, towards the end of 1974, that the Community should think about the implications of a long-term deal where Algeria agreed to supply oil to the Community, and the Community contracted to supply wheat to Algeria. Such a deal could possibly fit-in with a suggestion made in the Commission's CAP Stocktaking Document that the Community should enter into long term contracts with third countries to supply agricultural commodities[41].

Finally under the Community's Generalized Preference Scheme (G.S.P.) which applies to most other developing countries in the world, there are a certain number of duty concessions for agricultural products. These concessions have been extended in part to take account of the interests[42] of the Asian Commonwealth Developing countries covered by the Joint Declaration of Intent[43] in the Treaty of Accession, but even so are still not all that generous. A sober assessment of the Community's G.S.P. might be that despite all the idealism that went into its creation, it has so far only operated to reduce the domestic prices for Community users of imported raw materials, without affecting any of the Community's vital interests in agricultural production or processing.

A Hierarchy of Agricultural Concessions

To parallel the hierarchy of trading relationships within the Community it is also possible to construct a hierarchy of agricultural products according to the measures used for third country imports. At one extreme the commodities for which imports are the most significantly affected by import measures are the variable levy commodities, while at the other extreme there are the many agricultural commodities which, whilst coming within the scope of Annex II to the Treaty of Rome, only have the normal ad valorem duties of the Common Customs Tariff plus a general safeguard clause. In the Table below such a hierarchy is presented:

The Community's Import Measures for Agricultural Products

	Products	Import Measures
1.	Cereals, Rice, Milk Products, Sugar, Pigmeat, Poultrymeat, Eggs and first-stage processed derivatives of these products.	Variable levies to bring world prices up to threshold prices (of some sort).
2.	Beef, Olive Oil.	Hybrid Regime - subject to both ad valorem duties and variable levies.
3.	Wine, Fresh and Preserved Fruit and Vegetables, Fish.	Ad valorem duties, but with regular provision for countervailing-type duties; in some cases exporter agreement to the use of minimum import prices in return for duty concessions.
4.	Miscellaneous products covered by Annex II of the Treaty of Rome.	Ad valorem duties, but with provision made for the possible use of a safeguard clause.
5.	Mutton and Lamb, Potatoes, Cork.	Products not yet subject to a common market organization. Member States may still use national measures in addition to the duties in the Common Customs Tariff.

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The Community's Import Measures for Agricultural Products (continued)

Products	Import Measures
6. Second-stage processed agricultural products, derived from the basic products in group 1 above, and not covered in Annex II to the Treaty of Rome.	Fixed levies based on averages of those being applied for the basic products.
7. Agricultural raw materials such as wool, rubber and cotton. These products are not covered in Annex II to the Treaty of Rome.	Treated as being industrial products by the Community i.e. only ad valorem duties.

With the aid of these two hierarchies and the detail given in Table 5 it is possible to generalise with a certain amount of confidence as to concessions on the treatment of agricultural imports provided by the Community. Products covered by variable levies (group 1) or by variable levies and duties (group 2) are the most difficult for third countries to obtain concessions from the Community as to import treatment - luckily, however, most of the products concerned are temperate ones for which developing countries are not significant exporters. As can be seen from Table 5 only the ACP countries have had concessions with these two groups of products, and in the main these concessions have been confined to duty exemptions.

The only significant exemptions to this are for beef and sugar - products both of which are produced in the Community and also exported in some quantity by ACP countries. On beef there is an exemption for ACP exports to the Community when the safeguard clause is in operation. Such a concession does create problems as between developing countries because the two main ACP beef exporters (Botswana and Swaziland) are favoured on the Community market, under such circumstances, against other developing country exporters such as Argentina and Uruguay. The problem for the CAP on beef is that the beef cycles of the world's major producers have become relatively synchronised so that when one country is short, all are short, and vice-versa. In a shortage situation for beef ("penury" in Community jargon) the Community tries to retain its domestic production and to import as much as it can, and conversely in a surplus situation.

This has lead to the embarassing situation for the Community where, since mid-1974 there has been a suspension of the issuing of licences to import beef, in effect an import ban. The Community is not alone in applying such measures; as at the beginning of 1975 Japan was also applying an import ban for beef, while Canada had introduced a quota system for beef-imports and the U.S.A. had re-introduced its "voluntary" restraint system (in effect also a quota system). Nevertheless the Community has not been happy at having had to apply an import ban, especially in the light of its desire to improve its trade relationships with third countries. It would seem possible that future CAP developments for beef might well be in the direction of some form of Community market-sharing arrangement. Under such a system third-country suppliers would guarantee to deliver a given quantity of beef, whatever the world market situation, while the Community, for its part, would guarantee to give access for this quantity of beef, whatever its own market situation.

Something on these lines has already been concluded for the ACP sugar producers, although the precedent was there in terms of the Commonwealth Sugar Agreement. As part of the Lome Convention, but in a separate Protocol of indefinite duration, the Community has agreed to allow annual access for up to 1.4 million tonnes of ACP sugar, whatever the state of its own market, and furthermore to guarantee a price for sugar within the band of prices paid to its own sugar beet producers. For the sugar arrangement to be used by the Community as a model for beef would be an innovation as it would probably involve countries other than ACP members - e.g. Argentina and Uruguay - being given concessions for a leviable agricultural product. But such a development for beef could fit in with several strands of current policy preoccupations including supply-security, improving the CAP's external image, stabilizing market price fluctuations and giving both Governments and producers the chance to plan ahead.

It is in group 3 of the hierarchy of agricultural products that the Mediterranean countries come into their own. Here there are many duty-concessions for fresh fruit and vegetables from the Mediterranean in the Commission's negotiating mandate, although many of these concessions are on a seasonal calendar - that is the duty concessions only apply between certain dates in the year, with no concessions when Community production is available. Again here there seems to be an opportunity for extending the

CAP towards some form of market sharing for many of these products on the basis of differing seasonal production patterns.

For wines, fish products and processed fruit and vegetables, all also in group 3, there are many conflicts between domestic Community producers and processors and those in third countries. Again it is the Mediterranean countries which get the bulk of the effective concessions in this area, as although the ACP countries get their normal complete duty exemption they have not as yet significant agricultural exports for these products. But for some products the Mediterranean duty concessions are proposed on condition that certain minimum prices be observed on exportation to the Community (rather on the lines of the 1973 and 1974 E.E.C./Portugal arrangements for canned sardines and tomato concentrate). Even so the concessions that are proposed for the Mediterranean countries, and the proposed extensions of the G.S.P. concession on canned pineapple (not shown in Table 5) are examples where the Community's agricultural regimes are being very significantly modified in a highly sensitive area[44] to take account of the interests of certain third country suppliers. These moves, however, are being made at the cost of much agonising over Community domestic interests (principally French and Italian) and at the cost of having to introduce a more detailed regime for the importation of certain sensitive processed fruit products.

It is not until group 4 of the agricultural hierarchy is reached that G.S.P. concessions become numerous. In general these are not products of great significance to the Community, hence import control is only by the use of ad valorem duties but with the use of a backup safeguard clause. Concessions here tend to be ones which either make Community imports cheaper in terms of landed prices or allow traditional U.K. suppliers such as India and Malaysia, which are not included in the ACP group, to compete with ACP suppliers on the enlarged Community market. But this raises one of the main difficulties faced by the Community in making further G.S.P. concessions, the fact that the ACP and Mediterranean countries have a vested interest to protect in so far as the effect of any preferences they may have is reduced if duties are lowered for all developing countries. Even so the number of products covered by the G.S.P. rose from 147 in 1973 to 220 in 1975 including some important new products - fish meal, coconut oil for industrial use, castor oil, palm and palm kernel oil, cocoa butter, soluble coffee, certain types of pineapple preserve and unmanufactured flue-cured tobacco[45].

Overall the agricultural concessions listed in Table 5 are far more numerous and wide-ranging than those that used to exist prior to enlargement of the Community. The reasons for these improvements are many, but probably the three most important are firstly the Community's realisation that it was dependent on many Mediterranean and ACP countries for access to markets (a traditional preoccupation) and to raw materials - a preoccupation which has carried more weight with Community policy makers since the changes in the world commodity scene during 1972 to 1974. Secondly there has been the need to allow access to Community markets for traditional U.K. suppliers in the Commonwealth. Finally there has been the wish to improve the Community's external face to the rest of the world and especially to improve its stance in the agricultural area where much third country criticism has been concentrated.

The Future World Commodity Scene

There are as many different views to the future of the world commodity scene as there are commentators. In general, views fall into two opposing camps. On one side there are those who feel that the changes in the relative terms of trade for primary product producers which occurred in 1972 to 1974 are here to stay and that the price levels obtained in 1974 will be maintained in real terms for the future. On the other side there are those who say that the higher prices of 1972 to 1974 will generate sufficient research and investment to ensure that primary product prices in real terms will drop back to where they were in the 1950's and 1960's. Professor Johnson[46] has to an extent taken this view in his suggestion that "... world grain production is capable of expanding ...... at real prices not far above those before the recent high prices" (1972 to 1974). In my view this latter result is unlikely for several reasons, the main one being that producer governments are now more conscious of the possibilities of supply control than they were in the 1950's and 1960's. For example even though the O.P.E.C. governments may find they overpitched the level of oil prices in 1974 in terms of the capacity of the developed world to sustain them, and in consequence may have to allow prices to come back significantly in real terms, they seem likely to continue to recognise the benefits of operating as a cartel. Especially this will be so if the developed countries desire a relatively high price (at least in 1974 money-prices) as a means of securing their own investments in alternative fuels and sources of supply. There again, despite years when there will be bumper harvests, it seems unlikely that the governments of the world's major cereal-exporters will allow their domestic agricultural support policies to produce vast grain surpluses of the magnitude of those that overhung world markets in the 1950's and 1960's.

Other reasons include the fact that the effects of increased world inflation and higher petroleum prices have increasingly been built into commodity production costs and once this has happened it is very difficult for supply prices to come back, at least in money prices, although they can in real terms. There is also the fact that the continuing reduction in the amount of labour available to developed country agricultural industries has the effect of making agriculture more dependent on capital inputs bought-in from outside the sector and hence more vulnerable to general economy-wide influences, especially inflation.

Although there has been a reduction in world commodity prices since their peak in 1974 a compromise view could be that prices for temperate-zone agricultural commodities, at least, will rise at the general rate of price-inflation in the world as a whole over any longer time period than just one or two years. An equivalent conclusion is reached by Professor Hathaway[47] in writing on the likely future outlook for grain prices in the U.S.A.

If the future of world agricultural commodity prices is that they are likely never to return to the relative stability of the last two decades but instead there is to be a long-run tendency for them to rise in money prices, if maybe not in real terms, then there seems more chance that CAP institutional price levels will not be allowed to get as far out of line with world price trends as during the 1960's. Such a conclusion, despite its extremely tentative nature, has vast implications for the CAP not only in terms of how Community consumers and third-country suppliers view it, but also as to where policy attention should be concentrated.. Thus the CAP has been forced to change its nature to become a more flexible instrument attempting to stabilize prices to both consumers and producers. If CAP institutional price rises can be kept more or less in line with world price trends, which seems more likely now that inflation is being faced throughout the world and because of the increasingly interdependent nature of modern economies, then future policy attention can continue to be concentrated in this way. In other words a world where commodity prices rise in money terms, and maybe in real terms, is an easier place for a CAP to operate which is devoted to providing some stabilization in producer returns and where its institutional price levels are examined each year in the light of cost trends.

Conclusion

The main conclusion which emerges from this examination of the CAP and the world commodity scene during the 1972-1974 period has been the surprising flexibility which the CAP has shown. After all it was during this time period that supply shortages for several commodities showed themselves in the world and international prices for many commodities reached unprecedented heights as well as showing a very high degree of volatility. Against this background the CAP has been almost brutally mutated from a policy solely devoted to the support of producers to one attempting to apply an even-handed stabilization policy for producers and consumers with a range of policy measures available for both.

A second and linked conclusion is that there has been an increased incorporation of the CAP into the Community's external face. The Community has been reminded of its dependence on third country supplies for many items and, as a consequence, has shown itself much more ready to make agricultural concessions in return for trade and co-operation agreements with many countries. These concessions are now far-reaching although few have been made in the core agricultural products (those subject to variable levies). But for many of these latter products there is little developing country interest, while for the few of these products that developing countries may be interested in the CAP may well be moving towards some form of market sharing, as has already happened for sugar. Again because of the Commission's concern over the Community's dependence on overseas supplies of commodities, the Commission has proposed a Raw Materials Policy for the Community. Many of the themes underlying the CAP have been incorporated in these proposals.

Finally the rises in world price levels have meant that CAP price levels for many important agricultural commodities during 1973 and 1974 have been below world levels. Although world prices have receded from their 1974 peaks it seems likely that for the future, world wide inflationary forces and the increasing interdependence of national economies upon each other will mean that international agricultural prices will rise in money terms, at least, fairly consistently the whole world over. This may well mean that future CAP prices are unlikely to diverge widely from world levels, unlike the situation that applied at the end of the 1960's when CAP levels were much higher. Such a conclusion of course means that it will automatically be easier to develop further the CAP as a policy for both producers and consumers, and for the CAP's international face to be much less protectionist than it was in the past.

NOTES AND REFERENCES

1. In 1972 the Community ("9") accounted for about 33% of the world's total agricultural imports and about 26½% of industrial imports, see The State of Agriculture in the Community: 1974 Report (Part II COM (74) 2000 final, Commission of the European Communities, Brussels, 27 November 1974, page 1).

2. See M. Tracy, Agriculture in Western Europe (Jonathan Cape, London, 1964, pages 318-328), for a description of the creation of the CAP and M. Butterwick and E. Neville-Rolfe, Agricultural Marketing and the E.E.C., (Hutchinson, London, 1971) for a description of the CAP's commodity market regimes in the early 1970's.

3. The O.E.C.D. in Agricultural Policies in 1966 (Paris, 1967) summarises the common objectives shared by agricultural policy-makers at that time. More detail can be found for the Community in The Treaty of Rome, for the U.K. in the Agriculture Act, 1947, and for the U.S.A. in Food and Fibre for the Future: Report of the President's National Advisory Commission on Food and Fibre (Washington D.C., 1967).

4. Surpluses may be defined as production over and above the amount which markets can absorb at the prevailing price levels. Implicit in this concept is the idea that markets are not being allowed to fulfil their market-clearing function either because of rigidities (normally institutional) which act to prevent market prices rising in order to ration consumer demand or because of alternative outlets to the market being made available to producers, e.g. sales to the Commodity Credit Corporation in the U.S.A. and sales into intervention in the Community, thus preventing prices dropping to levels at which the market will clear all supplies.

5. A full analysis of supply and demand conditions facing agriculture, as they prevailed during the 1960's, is given in D. Gale Johnson, World Agriculture in Disarray, (Fontana/Collins in association with the Trade Policy Research Centre, London, 1973) and of trading problems in Brian Fernon, Issues in World Farm Trade, (Trade Policy Research Centre, London, 1970).

6. For a description of the Kennedy Round negotiations and agriculture's place in them see S. Andrews, Agriculture and the Common Market, (Iowa State University Press, 1973, chapter 8); also see H. Corbett, Agriculture's Place in Commercial Diplomacy, (The Ditchley Foundation, England, 1974) for an analysis of U.S. and E.E.C. attitudes to agriculture in the Kennedy Round and the prospects for the Tokyo Round of G.A.T.T. negotiations.

7. See H. Fukuda, Britain in Europe: Impact on the Third World, (Macmillan, London, 1973, chapter 5) for an outline of the thinking behind the introduction of generalised preference schemes and P. Tulloch, The Politics of Preference (Croom Helm in association with Overseas Development Institute, London, 1975) for an analysis of the pressures generated in the implementation of the Community's generalised preference scheme.

8. For a description of the main supply/demand changes for agricultural commodities and the events leading up to the violent prices changes of 1972-1974 see United Nations World Food Conference, Assessment of the World Food Situation, (E/CONF. 65/3, Rome, 1974, chapter 1), while for a discussion of the overall commodity situation during this period, including both food and agricultural/industrial raw materials, see G.A.T.T., International Trade 1973/74 (Geneva, 1974, sections 1 and 2).

9. Posted prices for Saudi Arabian Light (34°) Crude Oil f.o.b. Ras Tanura rose from $2.18/barrel at the end of 1971 to $11.65/barrel at the beginning of 1974, (F. Ellis, ed., Oil and Development, Institute of Development Studies Bulletin, University of Sussex, Vol. 6, No. 2, October 1974, Table 8, page 29). Export prices for U.S. no. 2 Hard Winter Ordinary Wheat, f.o.b. Gulf, rose from $60/tonne in January 1972 to $214/tonne in January 1974, while export prices for Thai White 5% Rice, f.o.b. Bangkok, rose from $131/tonne to $538/tonne during the same period (U.N. World Food Conference, op. cit., Table 3, page 20).

10. G.A.T.T., loc. cit.

11. A most illuminating paper by Dale E. Hathaway, Food Prices and Inflation, Brookings Papers on Economic Activity, (The Brookings Institution, Washington, D.C., Issue No. 1, 1974, pages 79-81 and pages 96-98) describes the main changes in U.S. grain policies and documents their effects on acreages withheld from cereals and the rundown of stocks.

12. An analysis of Russian changes in agricultural policy was given to the U.S. Senate in 1973 by the U.S.D.A., see Hearings before the Sub Committee on Foreign Agricultural Policy of the Committee on Agriculture and Forestry, United States Senate, Ninety-third Congress, (U.S. Government Printing Office, Washington, D.C., 1973, pages 20-25).

13. Some of the main factors in determining fluctuations in world commodity prices are discussed in S. Harris and T. Josling, Can World Commodity Prices Be Explained? The National Westminster Bank Quarterly Review (London, August 1974).

14. J.S. Hillman, Negotiations on Trade Disruptive Measures (paper given at Trade Policy Research Centre Conference, London, December 1974, page 11).

15. Figures given by M. Franklin, The Common Agricultural Policy - 1974, (Journal of the Agricultural Economics Society, Manchester, Vol. XXVI, No. 1, January 1975, page 142).

16. These effects are discussed in T. Josling and S. Harris, The Agricultural Challenge for Europe, European Community (Information Office of the European Communities, London, January 1975).

17. See H. Priebe, D. Bergmann, J. Horring, Fields of Conflict in European Farm Policy, (Trade Policy Research Centre, London 1972, page 6) for a description of how the common prices initially came to be set at such high levels - "German price demands enforced an average price increase of 18 per cent in the E.E.C., which implied

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17. (Continued)
a 30 per cent increase in France, the country with the largest reserves of production. In order to be able to carry their price demands through, these two countries had to accept the counter-demands of other countries ......"

18. Figures giving a comparison between Community "entry" prices and world levels are given in La Situation de l'Agriculture dans la Communaute: Rapport 1974, (Annex III, COM (74) 2000 final, Commission of the European Communities, Brussels, 27 November 1974, Table 1/7.9, page 40). The differences between Community and world price levels are overstated in my view, insofar as the Commission has always tended to err on the safe side by understating the level of world prices and hence been able to overpitch the level of import levies.

19. Strictly such a fear was paradoxical in that had prices been unconstrained then they would have risen to a level which rationed demand to the available supply. The fear of physically running short of a commodity implies that prices are not going to be allowed to freely adjust themselves, but rather that they are going to be administered at some level lower than the market's equilibrium price. As a result demand will be higher than it otherwise would have been with the consequence for the government that it has to ensure sufficient supplies are available for the level of demand at the administered price. Hence the Community's worry that having a price stabilization policy directed to keeping prices down, available supplies might physically be inadequate.

20. The Commission of the European Communities, The State of Agriculture in the Community: 1974 Report (Part 1, COM (74) 2000 final, Brussels, November 1974, page 17).

21. Dale E. Hathaway, op. cit., page 65.

22. Sir C. Soames' speech at the European Seminar, Sutton Coldfield, England, January 31, 1975 (Information Office of the European Communities, London, Press Notice of that date).

23. Mrs. Shirley Williams' speech at the Birmingham Chamber of Commerce and Industry, Birmingham, England, 28 January 1975 (Trade and Industry, H.M.S.O., London, 5 February 1975, page 285).

24. For example in the Economic and Social Committee's Study on the Progress Report on the Common Agricultural Policy, (Dossier: 7/AGR, CES 1091/74, Brussels, 28 November 1974, page 40) the comment is made that:

> "It is difficult for the Community consumer to accept that the price demanded of him for a product is reasonable when he sees thousands of tons of fruit being destroyed or butter surpluses being sold at a very low price to non-member countries with a level of economic development comparable to that of his own country. The Community should in situations of this type consider letting consumers - or at least certain groups of consumers - benefit from the surpluses ......"

25. See The European Communities' Official Journal, (Number C150, 29 November 1974, page 7, and C156, 10 December 1974, pages 5, 6 and 15) for the answers to questions in the European Parliament on this topic.

26. P. Lardinois, The Prospects for Improvement of the CAP, (Address given to the Royal Institute of International Affairs, 21 November 1974 - Information Office of the European Communities, London, Press Notice, 26 November 1974).

27. See the Communication from the Commission to the Parliament and Council, Stocktaking of the Common Agricultural Policy (COM (75) 100, Brussels, 26 February 1975, page 43, para. 94).

28. The effect of the U.K. Government's widespread use of food subsidies during 1974 in the butter and cheese sectors has been acknowledged by the Community's Commissioner for Agriculture, (see report of a press conference given by Mr. Lardinois, The Financial Times, 22 November 1974), in his comment that because of these subsidies the E.E.C. had had no dairy surplus problems during 1974.

29. Intervention purchases can be resold domestically if market prices rise later in a season, hence the distinction between permanent intervention purchases and temporary private storage is not a water-tight one. Especially as intervention agencies can also go in for pre-emptive buying, as a means of preventing market prices dropping to levels where intervention purchases would be mandatory. Such pre-emptive purchases can be made to relieve particular regional imbalances and sold later in the season elsewhere in the Community.

30. The Commission's proposals were contained in Food Crisis and the Community's Responsibilities Towards Developing Countries, (COM (74) 300 final, Brussels, 6 March 1974).

31. At the time of writing (January 1975) this Commission Document on a Raw Materials Policy for the Community is not available, but a comprehensive summary is to be found in EuroReport, (Brussels, No. 193, December 11, 1974). All that has been so far published is The Community's Supplies of Raw Materials, (Commission of the European Communities, COM (75) 50, Brussels, 5 February 1975) dealing mainly with industrial raw materials.

32. E.E.C.'s Commercial Policy in the Agricultural Sector as regards the Associated African States, and Madagascar and Mauritania and the developing Mediterranean countries, (Information D.G. of the Commission, Brussels, Information No. 73/74, undated).

33. Commission of the European Communities, L'Approvisionnement en Matieres Premieres de la Communaute, (SEC (74) 3000/2, Brussels, 7 October 1974).

34. See Association News, (Commission of the European Communities, Brussels, No. 29, January-February 1975) for an exhaustive treatment of the extremely important energy resources of the A.C.P. countries; also see The Economist (February 1, 1975, page 52) for an analysis of what the Community has gained, in terms of access to energy resources, from the Lome Convention.

35. For example the Director General of F.A.O., Mr. Boerma, has warned of the dangers of a massive increase in European agricultural production due to increased protectionism (Europe, Brussels, 29 January 1975).

36. The Results of the G.A.T.T. Article XXIV (6) negotiations on compensation for the enlargement of the Community are given in Trade & Industry (H.M.S.O., London, 22 August, 1974) and in less detail, but with more of the background in Bulletin of the European Communities, (Commission of the European Communities, Brussels, No. 7/8, 1974, page 19).

37. The Table presented in the text is an up-dated and expanded version of that given by P. Tulloch, op. cit., page 5. For further detail see Trade and Industry (H.M.S.O., London, 28 November 1974, pages 4-6 of European Community Commentary) which gives a very much fuller listing of third countries together with a more technical description of the trade arrangements they have with the Community.

38. See F. Ellis, J. Marsh and C. Ritson, Farmers and Foreigners, (Overseas Development Institute, London, 1973) for an analysis of the agricultural concessions made under the Yaounde Conventions.

39. At the time of writing (January 1975) the full Lome Convention had not been published. Earlier basic documentation in this area included Negotiations with the ACP countries. Implementation of Part III of Protocol No. 22: Stabilization of Export Earnings. (COM (74) 1060, Luxembourg, 26 June 1974) on Stabex. For the original Commission suggestions for the renegotiation of the Second Yaounde Convention see Renewal and Enlargement of the Association with the A.A.S.M. and Certain Commonwealth Developing Countries, (Supplement 1/73 to the Bulletin of the European Communities, Brussels, 1973).

40. For a description of the tangled skein of Community Mediterranean relationships on U.K. accession to the Community see M. Vile, E.E.C. Agreements with Mediterranean Countries, (Trade and Industry, H.M.S.O., London, August 1973).

41. Commission of the European Communities, Stocktaking of the Common Agricultural Policy, op. cit., page 44, para. 97.

42. The effects of U.K. accession for the Asian Commonwealth countries are analysed in P. Tulloch, The Seven Outside, (Overseas Development Institute, London, 1973).

43. The Treaty of Accession, (shortened title), (Cmnd. 4862, H.M.S.O., London 1972, Part I, page 117).

44. For example one of the important areas picked out in E.E.C. Trade Procedures - Incidence on Commonwealth Primary Producers, (Commonwealth Producers' Organisation, London, July 1974) is devoted to the effects for Commonwealth exporters of canned fruit of the Community's import arrangements as they then stood.

45. See European Communities Official Journal, (No. C54, 6 March 1975, page 2) for the answer to a written question in the European Parliament on the changes in the Communities' G.S.P. since 1972.

46. D. Gale Johnson, Are High Farm Prices Here to Stay? (The Morgan Guaranty Survey, August 1974, page 13).

47. Dale E. Hathaway, op. cit., page 106.

TABLE 1

PRICE MOVEMENTS IN THE MAIN WORLD COMMODITY GROUPS
AS MEASURED BY U.N. INDEX NUMBERS OF WORLD EXPORT PRICES*
(1963 = 100)

	Primary Commodities				Non-Ferrous Metals		Primary Commodities and Non-Ferrous Metals**	
	Total		Agricultural non-food					
	$	£	$	£	$	£	$	£
1973								
1st Quarter	156	181	153	177	174	201	157	182
2nd Quarter	175	194	171	189	206	228	177	196
3rd Quarter	199	225	203	229	242	273	202	228
4th Quarter	221	260	208	245	267	314	225	265
1974								
1st Quarter	289	355	232	285	299	367	290	356
2nd Quarter	293	343	232	271	342	399	297	347
3rd Quarter	293	349	228	272	257	306	290	345
4th Quarter+	306	367	219	263	231	278	300	360
1975								
January+	305	361	204	242	220	260	298	353

Notes: * Published by the U.N. in terms of U.S. dollars. These indices converted to sterling terms by the Department of Industry.

** This combined index not published as such by the U.N.

\+ Forecasts by Department of Industry.

Source: J.B. Dearman, World Commodity Prices, Economic Trends, H.M.S.O., London, May 1974, plus later figures and amendments to earlier ones from Trade and Industry, H.M.S.O. London, 20 February 1975.

TABLE 2

PRICE MOVEMENTS FOR INDIVIDUAL COMMODITIES

(£ per long ton)

	Price end-Dec 1974	Peak 1974	Change on 1974 Peak %	Low 1974	Price end-Dec 1973
METALS					
Copper - Cash Wire Bars	532.5	1,380	-61.4	532.5	861
Silver (Pence per oz.)	203.9	293.0	-30.4	140.2	139.2
Tin Cash	3,027.5	4,245.0	-28.7	2,660.0	2,307.5
Zinc Cash	342.5	910.0	-62.4	320.5	630.0
CEREALS					
Maize (US No.3 Yellow)	67.3	74.8	-10.0	57.0	63.5
Wheat (Canada No.1 W.R.S.)	109.1	115.5	-5.5	89.8	(u.q.)
VEGETABLE OILS					
Palm (Malayan)	(u.q.)	370	-	213	214
Soyabean (European)	(u.q.)	$313	-	$230	(u.q.)
OTHER COMMODITIES					
Cocoa shipment	758	1,250	-39.4	561	587
Coffee future (2nd position)	470.3	627.3	-25.0	411.3	499.5
Cotton "A" Index (cents/lb)	47.2	91.5	-48.4	47.2	86.6
Rubber (Pence per kilo)	24.3	57.5	-57.7	21.5	53 (n)
Sugar	450	650	-30.8	143	152
Wooltops 64's Warp (Pence per kilo)	175	295	-40.7	174	287

Notes: (n) = nominal

(u.q.) = unquoted

Source: Financial Times, London, 28 December, 1974.

TABLE 3

DEPENDENCE OF EUROPEAN COMMUNITY ON DEVELOPING COUNTRIES FOR SUPPLIES OF PRIMARY COMMODITIES

Product	Value of Developing Country Exports 1972 ($ million)	Developing Country Exports as a Proportion of the Total of World Exports 1968-1970 average (%)	Proportion of Total World Imports taken by the E.E.C. 1972 (%)	Proportion of Total E.E.C. Imports coming from Developing Countries 1972 (%)
Tropical Products				
Coffee	3,045	97	36	99
Cocoa	850	98	41½	97
Tea	609	84	36	80
Bananas	601	95	41½	100
Spices/Vanilla	160	90	21-27*	100
Renewable Industrial Raw Materials				
Wood - raw	1,850	43)	35	29
- processed	2,682	12)		
Leather and Skins	150	23	68	25
Rubber	904	98	25	100
Cotton	1,933	57	22½	60
Wool	161	13	46	12
Jute	203	95	46	98
Heavy Fibres	110	97	47	100
Non-Renewable Industrial Raw Materials				
Copper	3,000	44	61	60
Tin	700	77	45	85
Iron Ore	1,100	42	37	55
Bauxite	1,050	88	16	50
Phosphates	240	43	35	63
Manganese Ore	90	51	30	45
Tungsten	55	50	45	43
Agricultural Food Products/Tobacco				
Fresh Meat	1,022	20	57½	35½
Oilseeds	1,924	43	-	-
Citrus	255	25	57	45
Sugar	2,235	73	19	99
Wheat	160	5	20	11
Rice	440	40	9	55
Other Grains	423	12	47½	32
Tobacco	550	21	46½	24

Notes: * Pepper/Vanilla

Source: Commission Document on a Raw Materials Policy for the Community as summarised in EuroReport (Brussels, No. 193, December 11, 1974).

TABLE 4

DEGREE OF AGRICULTURAL SELF-SUFFICIENCY (%) IN THE EUROPEAN COMMUNITY, BY COMMODITY

Period Covered	1956/60	1971/72	
Community Size (number of Member States)	"6"	"6"	"9"
Whole Milk	100	100	100
Cheese	100	102	101
Butter	101	117	98
Eggs	90	99	99
Beef	92	85	90
Pigmeat	100	99	101
Poultrymeat	93	100	102
All meat	95	93	94
Fish	86	74	91
All Oils and Fats	36	44	n.a.
Wheat	90	111	99
Rye	98	105	103
Barley	84	110	102
Grain Maize	64	68	58
All Cereals	85	98	91
Rice	83	112	92
Potatoes	101	101	100
Sugar	104	122 [a]	100 [a]
Vegetables	104	100	n.a.
Fresh Fruit	90	87	n.a.
Wine	89	95	93

Note: [a] Includes the French Overseas Departments.

n.a. = Not available.

Source: Statistical Office of the European Communities, Yearbook of Agricultural Statistics 1973, Luxembourg, 1974.

TABLE 5

EUROPEAN COMMUNITY IMPORT REGIME IN THE AGRICULTURAL SECTOR

TOGETHER WITH CONCESSIONS OFFERED TO VARIOUS GROUPS OF THIRD COUNTRIES

1. Common Organization of the Market in Pigmeat (Reg. 121/67 amended by Reg. 830/68 and Reg. 2727/71)

	C.C.T. Heading	Description of Goods	Import Regime	Concessions offered to A.C.P. countries	Concessions offered to the Mediterranean countries	Concessions made in the G.S.P.
(a)	01.03AII	Live swine, of domestic species, other than pure-bred breeding animals.	Levy			
(b)	02.01AIII(a)	Meat of domestic swine, fresh, chilled or frozen.	Levy			
	02.01BII(c)	Offals of domestic swine, fresh, chilled or frozen.	Levy			
	02.05 A&B	Pig fat free of lean meat (not rendered or solvent-extracted) fresh, chilled, frozen, salted in brine, dried or smoked.	Levy			
	02.06 B	Meat and edible meat offals of domestic swine, salted, in brine, dried or smoked.	Levy	None	None	None
	15.01 A	Lard and other pig fat, rendered or solvent-extracted.	Levy			
(c)	16.01	Sausages and the like, of meat, meat offal or animal blood.	Levy			
	16.02AII	Other prepared or preserved meat or meat offal, containing liver other than goose or duck liver.	Levy			
	16.02BIII(a)	Other prepared or preserved meat or meat offal, not specified, containing meat or offals of domestic swine.	Levy			

2. <u>Common Organization of the Market in Poultrymeat</u> (Reg. 123/67 amended by Reg. 2727/71)

(a)	01.05	Live poultry, that is to say, fowls, ducks, geese, turkeys and guinea fowls.	Levy			
(b)	02.02	Dead poultry (that is to say, fowls, ducks, geese, turkeys and guinea fowls) and edible offals thereof (except liver), fresh, chilled or frozen.	Levy			
(c)	02.03	Poultry liver, fresh, chilled, frozen, salted or in brine.	Levy	None	None	None
(d)	02.05 C	Poultry fat (not rendered or solvent-extracted), fresh, chilled, frozen, salted, in brine, dried or smoked.	Levy			
(e)	15.01 B	Poultry fat, rendered or solvent extracted.	Levy			
(f)	16.02 B I	Other prepared or preserved poultrymeat or poultry offal.	Levy			

3. <u>Common Organization of the Market in Milk and Milk Products</u> (Reg. 804/68)

(a)	04.01	Milk and cream, fresh, not concentrated or sweetened:				
	1	A. With a fat content by weight not exceeding 6%	Levy			
	2	B. Other	Levy	None	None	None
(b)	04.02	Milk and cream, preserved, concentrated or sweetened.	Levy			

/<u>Continued</u>

3. Common Organization of the Market in Milk and Milk Products (continued)

C.C.T. Heading	Description of Goods	Import Regime	Concessions offered to A.C.P. countries	Concessions offered to the Mediterranean countries	Concessions made in the G.S.P.
(c) 04.03	Butter.	Levy			
(d) 04.04	Cheese and curd.	7.5u.a. and 20u.a./ 100kg;levy in some cases			
(e) 17.02	Other sugars; sugar syrups; artificial honey (whether or not mixed with natural honey); caramel; A. Lactose and lactose syrup: II. Other than that containing, in the dry state, 99% or more by weight of the pure product	Levy			
(f) 17.05	Flavoured or coloured sugars, syrups and molasses, but not including fruit juices containing added sugar in any proportion: A. Lactose and lactose syrup	Levy	None	None	None
(g) 23.07	Sweetened forage; other preparations of a kind used in animal feeding; ex B. Preparations and feeding-stuffs containing products to which this Regulation applies, directly or by virtue of Regulation No. 189/ 66/EEC, except preparations and feeding-stuffs to which Regulation No. 120/67/EEC applies.	Levy			

4. <u>Common Organization of the Market in Eggs</u> (Reg. 122/67 amended by Reg. 830/68)

(a) 04.05 A I	Poultry eggs in shell, fresh or preserved.	Levy			
(b) 04.05 B I	Eggs not in shell and egg yolks suitable for human consumption, fresh or otherwise, preserved, sweetened or not.	Levy	None	None	None

5. <u>Common System of Trade for Ovalbumin and Lactalbumin</u> (Reg. 170/67)

ex 35.02 ex A II	Albumins: Others (not unfit or rendered unfit for human consumption) (a) Ovalbumin and lactalbumin: 1. Dried (for example, sheets, scales, flakes, powder) 2. Other	Duty fixed as quarterly average of egg levy times a coefficient	None	None	None

6. <u>Common Organization of the Market in Rice</u> (Reg. 359/67 amended by Reg. 830/68 and Reg. 2726/71)

(a) 10.06AI	Paddy rice	Levy	Reductions of levy by: -50% and 0.30u.a./ 100kg for 10.06AI and AII -component of protection for the processing industry, and 50% and 0.45 u.a./ 100kg for 10.06B, subject to a quantity limit	None	None
10.06AII	Husked rice	Levy			
10.06B	Semi-milled or wholly milled rice	Levy			

/Continued

6. Common Organization of the Market in Rice (continued)

	C.C.T. Heading	Description of Goods	Import Regime	Concessions offered to A.C.P. countries	Concessions offered to the Mediterranean countries	Concessions made in the G.S.P.
(b)	10.06C	Broken rice	Levy	Reduction of levy by 50% and 0.25 u.a./100kg	None	None
(c)	11.01F	Rice flour	Levy	Non-Application of the fixed component of the levy for all these products		
	11.02A VI	Rice groats and meal	Levy			
	11.02E II(e)1	Flaked rice	Levy			
	11.08A II	Rice starch	Levy			

7. Common Organization of the Market in Cereals (Reg. 120/67 amended by Reg. 830/68, 2434/70, 1528/71, 2727/71)

(a)	10.01A	Common wheat and meslin	Levy	None	None	None
	10.02	Rye	Levy	None		
	10.03	Barley	Levy	None		
	10.04	Oats	Levy	None		
	10.05	Maize	Levy	Reduction of levy for 10.05 by 1.5u.a./100kg		
	10.07	Buckwheat, millet, canary seed and grain sorghum; other cereals.	Levy	Reduction of levy for 10.07 by 50%		

/Continued

7. Common Organization of the Market in Cereals (continued)

(b) 10.01B	Durum wheat	Levy	None	None	None
(c) 11.01A	Wheat or meslin flour	Levy			
11.01B	Rye flour	Levy	None	None	None
ex 11.02A	Wheat groats and meal (common wheat and durum wheat)	Levy			
(d) The products listed in Annex A to this regulation.					
07.06A	Manioc, arrowroot, salep and other similar roots and tubers with high starch content, excluding sweet potatoes.	Levy	Non-application of the fixed component of the levy for all these products		
ex 11.01	Cereal flours:				
	C. Barley flour	Levy			
	D. Oat flour	Levy	Also reduction of variable component of the levy for 07.06A by 0.15u.a./100kg		
	E. Maize flour	Levy			
	G. Buckwheat flour	Levy			
	H. Millet flour	Levy			
	IJ. Canary seed flour	Levy			
	K. Grain sorghum	Levy			
	L. Other	Levy		None	None
ex 11.02	Cereal groats and cereal meal; other worked cereal grains (for example, rolled, flaked, polished, pearled or kibbled, but not further prepared), except husked, glazed, polished, or broken rice; germ of cereals, whole, rolled, flaked or ground:				
	ex A. Cereal groats and cereal meal other than groats and meal of wheat and of rice.	Levy			
	B. Hulled grains (shelled or husked) whether or not sliced or kibbled	Levy			

/Continued

7. Common Organization of the Market in Cereals (continued)

C.C.T. Heading	Description of Goods	Import Regime	Concessions offered to A.C.P. countries	Concessions offered to the Mediterranean countries	Concessions made in the G.S.P.
ex 11.02	(continued)				
	C. Pearled grains	Levy			
	D. Grains not otherwise worked than kibbled	Levy			
	ex E. Rolled grains; flakes other than rice flakes	Levy		None	None
	F. Pellets	Levy			
	G. Germ of cereals, whole, rolled, flaked or ground	Levy			
11.06	Flour and meal of sago and of manioc, arrowroot, salep and other roots and tubers falling within heading No. 07.06.	Levy	Also reduction of variable component of the levy for 11.06 by 0.30u.a./100kg		
11.07	Malt, roasted or not	Levy			
ex 11.08A	Starches:		Also reduction of variable component of the levy for 11.08AV by 50%		
	I. Maize starch	Levy			
	III. Wheat starch	Levy			
	IV. Potato starch	Levy			
	V. Other	Levy			
11.09	Wheat, gluten, whether or not dried	Levy			
17.02B	Glucose and glucose syrup: II. Other	Levy			
17.05B	Glucose and glucose syrup, flavoured or coloured.	Levy			
23.02A	Bran, sharps and other residues derived from the sifting, milling or working of cereals.	Levy		Reduction of 60% in levy for Maghreb.	

/Continued

7. Common Organization of the Market in Cereals (continued)

23.03AI	Residues from the manufacture of starch from maize (excluding concentrated steeping liquors), of a protein content, referred to dry matter, exceeding 40% by weight.	Levy
23.07	Sweetened forage; other preparations of a kind used in animal feeding; ex B. other, containing starch, glucose or glucose syrup falling within sub-headings 17.02B and 17.05B, or milk products (falling within headings or sub-headings 04.01, 04.02, 04.03, 04.04, 17.02A or 17.05A), excluding other preparations and foods containing 50% or more by weight of milk products falling within one or more of the above headings or sub-headings.	Levy

8. Common Organization of the Market in Sugar (Reg. 3330/74)

(a)	17.01	Beet sugar and cane sugar, solid.	Levy	Levy-free access for up to 1.4 million metric tons of cane sugar, at a price within the Community band paid to beet producers.		
(b)	12.04	Sugar beet, whole or sliced, fresh, dried or powdered; sugar cane.	Levy			
(c)	17.03	Molasses, whether or not decolourized.	Levy			
(d)	17.02 C to F	Other sugars (but not including lactose and glucose); sugar syrups (but not including lactose syrup and glucose syrup); artificial honey (whether or not mixed with natural honey); caramel.	Levy	None	None	None

/Continued

8. Common Organization of the Market in Sugar (continued)

C.C.T. Heading	Description of Goods	Import Regime	Concessions offered to A.C.P. countries	Concessions offered to the Mediterranean countries	Concessions made in the G.S.P.
(d) 17.05C	(continued) Flavoured or coloured sugars (but not including lactose and glucose) syrups (but not including lactose syrup and glucose syrup) and molasses, but not including fruit juices containing added sugar in any proportion.	Levy	None	None	None
(e) 23.03B 1	Beet-pulp, bagasse and other waste of sugar manufacture.	Free			

9. Common Organization of the Market in Beef and Veal (Reg. 805/68 amended by Reg. 2727/71)

(a) 01.02AII	Live animals of the domestic bovine species, other than pure-bred breeding animals.	16%+ Levy	Exemption from customs duties for all products. If safeguard clause in operation then action to maintain "a certain volume of A.C.P.exports"	None	None
02.01AII(a)	Meat of domestic bovine animals, fresh chilled or frozen.	20%+ Levy			
02.06CI(a)	Meat of domestic bovine animals, salted, in brine, dried or smoked.	24%+ Levy			
(b) 02.01BII(b)	Edible offals of domestic bovine animals, fresh, chilled or frozen.	7% to 11%			
02.06CI(b)	Edible offals of domestic bovine animals, salted, in brine, dried or smoked.	24%			

/Continued

9. <u>Common Organization of the Market in Beef and Veal</u> (continued)

(c)	16.02BIII(b)1	Other prepared or preserved meat or meat offals, not specified, containing bovine meat or offals other than those containing meat or offals of domestic swine.	26%		None	Tongues 18%
(d)	15.02BI	Unrendered fats of bovine cattle; rendered or solvent-extracted fats (including premier jus) obtained from those fats.	7%		None	None

10. <u>Common Organization of the Market in Oils and Fats</u> (Reg. 136/66 amended by Reg. 2727/71)

(a)	12.01	Oil seeds and oleaginous fruit, whole or broken.	Free*		None	None
(b)	12.02	Flours or meals of oil seeds or oleaginous fruit, non-defatted (excluding mustard flour).	Free to 8%*	Exemption from customs duties for all products (excluding olives and olive oil). Special measures if considerable changes in import volumes.	None	
	15.04	Fats and oils, of fish and marine mammals, whether or not refined.	Free to 6%			15.04AI free
	15.07B,C,D	Fixed vegetable oils, fluid or solid, crude, refined or purified, excluding olive oil.	Free to 15%			Free to 6%
	15.12	Animal or vegetable oils and fats, wholly or partly hydrogenated, or solidified or hardened by any other process, whether or not refined, but not further prepared.	17% to 20%*			12% to 16%
	15.13	Margarine, imitation lard and other prepared edible fats.	25%			
	15.17B	Residues resulting from the treatment of fatty substances or animal or vegetable waxes, excluding those containing oil having the characteristics of olive oil.	2% to 5%			Free

<u>NOTE:</u> * In certain circumstances a compensatory amount may be collected additionally to the customs duty.

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10. Common Organization of the Market in Oils and Fats (continued)

C.C.T. Heading	Description of Goods	Import Regime	Concessions offered to A.C.P. countries	Concessions offered to the Mediterranean countries	Concessions made in the G.S.P.
(b)	(continued)				
23.04B	Oil-cake and other residues (except dregs) resulting from the extraction of vegetable oils, excluding oil-cake and other residues resulting from the extraction of olive oil.	Free			
(c) 15.07A	Olive oil, crude, refined or purified.	Levy	None	Position reserved on unrefined olive-oil.	None
(d) 07.01N	Olives, fresh or chilled.	7% and 7%+Levy			
07.02A	Olives (whether or not cooked), preserved by freezing.	19%			
07.03A	Olives provisionally preserved in brine, in sulphur water or in other preservative solutions, but not specially prepared for immediate consumption.	8% and 8%+Levy	None	4% (Spain) 3.2% (Maghreb)	None
ex 07.04B	Dried, dehydrated or evaporated olives, whole, cut, sliced, broken or in powder, but not further prepared.	16%			
(e) 15.17A	Residues resulting from the treatment of fatty substances or animal or vegetable waxes, containing oil having the characteristics of olive oil.	Levy	None	None	None
23.04A	Oil-cake and other residues resulting from the extraction of olive oil.	Levy			

11. Common Organization of the Market in Wine (Reg. 2680/72)

(a)	20.07AI(a)2, AI(b)2, BI(a)1(bb) and BI(b)1(bb)	Grape juice (including grape must) not containing added sugar or with an added sugar content not exceeding 30% by weight, but unfermented and not containing spirit.	50%* 50%* 28%* 28%*	Exemption from customs duties for all products.	None	None
(b)	22.04	Grape must, in fermentation or with fermentation arrested otherwise than by the addition of alcohol.	40%*		None	
	22.05	Wine of fresh grapes; grape must with fermentation arrested by the addition of alcohol.	9u.a./hl.* to 40u.a./hl.*		50%to100% reduction in customs duties for Maghreb and Spain. Quota limits for Spain and Algeria.	None
(c)	08.04AII	Fresh grapes other than table grapes.	18% and 22%*		None	None
	22.10A	Wine vinegar.	6u.a./hl.* and 8u.a./hl.*			
(d)	22.07A	Piquette.	1.60u.a./hl. and per degree*		None	None
	23.05A	Wine lees.	Free and 1.60u.a./hl.*			
	23.05B	Argol.	Free*			
	23.06AI	Grape marc.	Free and 1.60u.a./hl.*			

NOTE: * Liable for countervailing tax in certain circumstances.

12. Common Organization of the Market in Fruit and Vegetables (Reg. 1035/72)

C.C.T. Heading	Description of Goods	Import Regime	Concessions offered to A.C.P. countries	Concessions offered to the Mediterranean countries	Concessions made in the G.S.P.
07.01	Vegetables, fresh or chilled (excluding 07.01A potatoes and 07.01N olives).	4% to 17%+	Exemption from customs duties for most products, without seasonal calendar, but subject to a safeguard clause.	Tariff reductions for various vegetables (07.01) & oranges (08.02) for Spain, Israel, Maghreb, but all subject to seasonal calendars.	
08.02	Citrus fruit, fresh or dried.	4% to 20%*			
08.03	Figs, fresh or dried.	7% and 10%			
08.04	Grapes, fresh or dried (excluding 08.04AII Fresh grapes, other than table grapes).	4% to 22%*			
08.05	Nuts, other than those in 08.01 (i.e. tropical nuts) (excluding 08.05F Areca (or betal) and cola).	0% to 8%			Free for pistachios, pecans and "other".
08.06	Apples, pears and quinces, fresh.	6% to 13%+	For oranges (08.02A) & mandarins etc (08.02B) 80% tariff reduction together with observance of reference price (without seasonal calendar) with safeguard clause.		
08.07	Stone fruit, fresh.	10% to 25%*+			
08.08	Berries, fresh.	4% to 16%+			
08.09	Other fruit, fresh.	11%			

NOTE: * In certain conditions a countervailing tax is provided for in addition to customs duties.
+ With specific duty minima in u.a./100kg.

13. <u>Common Organization of the Market in Fishery Products</u> (reg. 2142/70 amended by Reg. 2727/71)

(a) 03.01	Fish, fresh (live or dead), chilled or frozen.	Free to 23%	Exemption from customs duties for all products.	Complete duty exemption for the Maghreb and various rates of duty concession for Spain.	None
(b) 03.02	Fish, dried, salted, or in brine; smoked fish, whether or not cooked before or during the smoking process.	10% to 16%			None
(c) 03.03	Crustaceans and molluscs, whether in shell or not, fresh (live or dead), chilled, frozen, salted, in brine or dried; crustaceans, in shell, simply boiled in water.	Free to 20%			For 03.03AIV(a) and ex.C Reduction to 8% duty.
(d) 05.15	Animal products not elsewhere specified or included; dead animals of Chapter 1 or Chapter 3, unfit for human consumption. A. Fish, crustaceans and molluscs.	Free to 5%		None	For 05.15AI reduction to free.
(e) 16.04	Prepared or preserved fish, including caviar and caviar substitutes.	10% to 30%		Various duty reductions for Spain and Maghreb;minimum import price to be observed by exporters for sardines.	Various duty reductions.
(f) 16.05	Crustaceans and molluscs, prepared or preserved.	16% to 20%		80% Duty Reduction for 16.05B for Spain.	Various duty reductions.
(g) 23.01	Flours and meals, of meat, offals, fish, crustaceans or molluscs, unfit for human consumption; greaves B. Flours and meals of fish, crustaceans or molluscs.	2%		None	Reduction to free.

14. Common Organization of the Market in Products Processed from Fruit and Vegetables (Reg. 865/68)

C.C.T. Heading	Description of Goods	Import Regime	Concessions offered to A.C.P. countries	Concessions offered to the Mediterranean countries	Concessions made in the G.S.P.
ex 07.02	Vegetables (whether or not cooked), preserved by freezing, excluding olives.	18%	Exemption from customs duties for all products.	30% duty reduction for 07.02B, frozen peas from Morocco.	None
ex 07.03	Vegetables provisionally preserved in brine, in sulphur water or in other preservative solutions, but not specially prepared for immediate consumption, excluding olives.	6% to 15%		Various duty reductions for 07.03B, capers from Spain and Maghreb.	None
ex 07.04	Dried, dehydrated or evaporated vegetables, whole, cut, slices, broken or in powder, but not further prepared, excluding olives.	16% to 18%		None	None
08.10	Fruit, (whether or not cooked), preserved by freezing, not containing added sugar.	18% to 20%		30% duty reduction for Morocco	Some duty reductions
08.11	Fruit provisionally preserved (for example by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.	5.5% to 16%		80% duty reduction on comminuted citrus from Spain, Israel and Maghreb.	Some duty reductions
08.12	Fruit, dried, other than that falling within heading No. 08.01, 08.02, 08.03, 08.04 or 08.05.	7% to 16%		Various duty reductions for some products from Spain and Morocco.	Some duty reductions

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14. <u>Common Organization of the Market in Products Processed from Fruit and Vegetables</u> (continued)

08.13	Peel of melons and citrus fruit, fresh, frozen, dried or provisionally preserved in brine, in sulphur water or in other preservative solutions.	2%		None	Reduction to free
ex 13.03B	Pectin	14% and 24%		25% duty reduction for Spain, Israel and Maghreb.	None
20.01	Vegetables and fruit, prepared or preserved by vinegar or acetic acid, with or without sugar, whether or not containing salt, spices or mustard.	Free and 22%		None	Duty reduction for some products
20.02	Vegetables prepared or preserved otherwise than by vinegar or acetic acid.	18% to 24%	In addition, abolition of the additional duty on sugar (ads) in preserves and juices: -of pineapples -of mixtures of pineapple, pawpaw and pomegranite.	Various duty reductions for Spain, Israel and Maghreb, but with auto-limitation for preserved tomatoes	Duty reductions for capers and sauerkraut
20.03	Fruit preserved by freezing, containing added sugar.	26% and 26%+Levy		None	Duty reductions for some products
20.04	Fruit, fruit-peel and parts of plants, preserved by sugar (drained, glace or crystallised).	Free to 25%+Levy		None	Ditto
20.05	Jams, fruit jellies, marmalades, fruit puree and fruit pastes, being cooked preparations, whether or not containing added sugar.	30% and 30%+Levy		None	Ditto

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14. <u>Common Organization of the Market in Products Processed from Fruit and Vegetables</u> (continued)

C.C.T. Heading	Description of Goods	Import Regime	Concessions offered to A.C.P. countries	Concessions offered to the Mediterranean countries	Concessions made in the G.S.P.
20.06	Fruit otherwise prepared or preserved, whether or not containing added sugar or spirit.	15% to 32%+Levy	Abolition of ads in preserves: -of grapefruit	Various duty reductions for Spain, Israel and Maghreb, but with m.i.p. for fruit salad.	Duty reductions for some products
ex 20.07	Fruit juices (excluding grape juice and must) and vegetable juices, whether or not containing added sugar, but unfermented and not containing spirit.	21% to 42%+Levy		Various duty reductions for Spain, Israel and Morocco.	Ditto
ex 20.07	Grape juice (including grape must), not containing spirit, with an added sugar content exceeding 30% by weight.	28% +ads		None	None

15. <u>Common Organization of the Market in Live Trees, and other Plants, Bulbs, Roots and the like, Cut Flowers and Ornamental Foliage</u> (Reg. 234/68)

Chapter 6	Live Trees and other Plants; Bulbs, Roots and the like; Cut Flowers and Ornamental Foliage.	Duties ranging from Free to 24%	Exemption from customs duties independently of the date of entry into force of the proposed common import system (i.e. under the new market regime).	Some duty concessions for Morocco, Tunisia and Malta, but subject to quotas.	None

16. <u>Common Organization of the Market in Seeds</u> (Reg. 2358/71)

ex 07.05	Dried leguminous vegetables for sowing.	2% to 5%	Duty exemption for all products.	Duty concessions for Spain and Maghreb.	Free for some beans.
10.05A	Hybrid maize for sowing.	Free*		None	None
ex 12.01	Oil seeds and oleaginous fruit for sowing.	Free		None	None
12.03	Seeds, fruit and spores, of a kind used for sowing.	Free to 13%		40% duty reduction for Maghreb.	None

<u>NOTE</u>: * Countervailing tax can be applied.

17. <u>Common Organization of the Market in Dehydrated Fodder</u> (Reg. 1067/74)

12.10 ex B	Lucerne, sainfoin, clover, lupins, vetches and similar forage products, dehydrated, by artificial heat-drying, except hay and kale forage.	Free	None	None	None

18. <u>Common Organization of the Market in Hops</u> (Reg. 1696/71)

12.06	Hop cones and lupulin	9%	Duty exemption for all products.	None	None
13.03A VI	Vegetable saps and extracts of hops	5%			

19. Common Organization of the Market in Raw Tobacco (Reg. 727/70)

C.C.T. Heading	Description of Goods	Import Regime	Concessions offered to A.C.P. countries	Concessions offered to the Mediterranean countries	Concessions made in the G.S.P.
24.01	Unmanufactured tobacco; tobacco refuse.	14%* to 23%*	Exemption from customs duties, but with a special safe-guard clause.	None	Various duty concessions.

NOTE: * With minimum and maximum u.a. charges.

20. Common Organization of the Market in Flax and Hemp (Reg. 1308/70)

54.01	Flax, raw or processed but not spun; flax tow and waste (including pulled or garnetted rags).	Free	Duty exemption for all products.	None	None
57.01	True hemp (Cannabis sativa), raw or processed but not spun; tow and waste of true hemp (including pulled or garnetted rags or ropes).	Free			

21. <u>Common Organization of the Market in Certain Products listed in Annex II to the Treaty</u> (Reg. 827/68 amended by Reg. 2727/71)

ex 01.01	Live horses, asses, mules and hinnies, except horses for slaughter.	Free to 18%	Duty Exemption for all products	Duty reductions for Spain and Maghreb.	None
01.02	Live animals of the bovine species, A. Domestic species: 1. Pure-bred breeding animals B. Other	 Free Free		None	None
01.03	Live swine: A. Domestic species: 1. Pure-bred breeding animals B. Other	 Free Free		None	None
01.04	Live sheep and goats A. Domestic species: I. Sheep (a) Pure-bred breeding animals II. Goats B. Other	 Free 5% Free		None	None
01.06	Other live animals	Free to 10%		80% duty reduction for pigeons from Spain.	None
02.01	Meat and edible offals of the animals falling within headings Nos. 01.01 to 01.04, fresh, chilled or frozen: A. Meat: ex I. Of asses, mules and hinnies	8%		80% duty reduction for Morocco and Algeria	None
	II. Of bovine animals: (b) Other	20%		None	None
	III. Of swine: (b) Other	5%		None	Free

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21. Common Organization of the Market in Certain Products listed in Annex II to the Treaty (continued)

C.C.T. Heading	Description of Goods	Import Regime	Concessions offered to A.C.P. countries	Concessions offered to the Mediterranean countries	Concessions made in the G.S.P.
02.01	(continued) exIV. Other, except mutton and lamb	20%		80% duty reduction for Spain	None
	B. Offals:				
	I. For the manufacture of pharmaceutical products	Free		None	None
	II(a). Of horses, asses, mules and hinnies	10%		None	None
	ex(d). Other, excluding offals of sheep.	4%		None	None
02.04	Other meat and edible meat offals, fresh chilled or frozen.	5% to 14%		80% duty reduction for Spain	Free to 8%
02.06	Meat and edible meat offals (except poultry liver), salted, in brine, dried or smoked: C. Other: exII. Other, except for meat and offal of domestic sheep	24%		None	None
04.05	Birds' eggs and egg yolks, fresh, dried or otherwise preserved, sweetened or not: A. Eggs in shell, fresh or preserved II. Other eggs (than poultry eggs)	12%		None	None
	B. Eggs, not in shell; egg yolks: II. Other eggs (than eggs suitable for human consumption)	Free		None	None
04.07	Edible products of animal origin n.e.s. or included.	12%		None	7%

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21. Common Organization of the Market in Certain Products listed in Annex II to the Treaty (continued)

05.04	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof.	Free	50% duty reduction for Spain.	None
05.15B	Animal products not elsewhere specified or included; dead animals of Chapter I, unfit for human consumption.	Free	50% duty reduction for Spain.	None
ex 07.05	Dried leguminous vegetables, shelled, whether or not skinned or split, except those intended for use as seed.	2% to 5%	Various duty reductions for Maghreb and Spain.	None
07.06B	Jerusalem artichokes and other similar products with a high inulin content, sweet potatoes, dried or sliced, sago pith.	6%*	None	None
ex 08.01	Dates, mangoes, mangosteens, avocados, guavas, coconuts, brazil nuts, cashew nuts, fresh or dried, shelled or not.	2.5% to 12%	Various duty reductions for Spain and Maghreb.	Free for desiccated coconut.
08.05F	Areca (or betel) and cola.	1.5%	None	None
ex Chapter 9	Tea and spices, except mate.	Free to 26%	Various duty reductions for Spain.	Various duty reductions.
11.03	Flours of the leguminous vegetables falling within heading No. 07.05.	12%	50% duty reduction for Spain.	6%
11.04	Flours of the fruits falling within any heading in Chapter 8.	13% and 17%	ditto	6.5% and 8.5%.
11.08B	Inulin	30%	ditto	None
12.07	Plants and parts (including seeds and fruit) of trees, bushes, shrubs or other plants, being goods of a kind used primarily in perfumery, in pharmacy, or for insecticidal, fungicidal or similar purpose, fresh or dried, whole, cut, crushed, ground or powdered.	Free to 8%	Various duty reductions for Spain.	Free for liquorice roots.

NOTE: * Reduced to 3% for an indefinite period.

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21. Common Organization of the Market in Certain Products listed in Annex II to the Treaty (continued)

C.C.T. Heading	Description of Goods	Import Regime	Concessions offered to A.C.P. countries	Concessions offered to the Mediterranean countries	Concessions made in the G.S.P.
12.08	Locust beans, fresh or dried, whether or not kibbled or ground, but not further prepared; fruit kernels and other vegetable products of a kind used primarily for human food, not falling within any other heading.	Free to 8%		80% duty reduction for locust beans from Spain.	Duty reductions for some products.
12.09	Cereal straw and husks, unprepared, or chopped but not otherwise prepared.	Free		None	None
ex 12.10	Mangolds, swedes, fodder roots; hay, lucerne, clover, sainfoin, forage kale, lupins, vetches and similar forage products, except flours of dehydrated green fodder.	Free to 9%		80% duty reduction for Spain.	None
ex 15.02	Fats of goats, unrendered; rendered or solvent-extracted fats (including premier jus) obtained from those unrendered fats.	7%		None	None
15.03	Lard stearin, oleostearrin and tallow stearin; lard oil, oleo-oil and tallow oil, not emulsified or mixed or prepared in any way.	Free to 12%		None	Duty reductions for some products.
ex 16.01	Sausages and the like, of meat, meat offal or animal blood, except those containing meat or offal of swine, bovine animals or sheep.	Levy		None	None

/Continued

21. <u>Common Organization of the Market in Certain Products listed in Annex II to the Treaty</u> (continued)

16.02	Other prepared or preserved meat or meat offal:			
	ex A. Of liver, other than that of swine, bovine animals or sheep.	16% and 25%	None	Duty reductions for some products.
	ex B. Other, except those containing meat or offal of domestic poultry, swine, bovine animals or sheep.	17%	None	
16.03	Meat extracts, meat juices and fish extracts.	Free to 20%	None	Various duty reductions.
18.01	Cocoa beans, whole or broken, raw or roasted.	5.4%*	None	None
18.02	Cocoa shells, husks, skins and waste.	5.4%	None	None
22.07B	Cider, perry, mead and other fermented beverages, excluding piquette.	9u.a./hl to 30 u.a./hl	None	None
23.01A	Flours and meals of meat and offals; unfit for human consumption.	Free	None	None
23.02B	Bran, sharps and other residues derived from the sifting, milling or working of leguminous vegetables.	8%	None	4%
ex 23.03	Brewing and distilling dregs and wastes; residues of starch manufacture and similar residues, excluding residues from the manufacture of starch from maize (excluding concentrated steeping liquors), of a protein content, referred to the dry matter, exceeding 40% by weight.	Free	None	None
23.06	Products of vegetable origin of a kind used for animal food, not elsewhere specified or included			
	AII. Acorns, horse chestnuts and pomace or marc of fruit, excluding grape marc	Free	None	None
	B. Other	2%	None	Free

<u>NOTE</u>: * Reduced to 4% for an indefinite period.

/Continued

21. Common Organization of the Market in Certain Products listed in Annex II to the Treaty (continued)

C.C.T. Heading	Description of Goods	Import Regime	Concessions offered to A.C.P. countries	Concessions offered to the Mediterranean countries	Concessions made in the G.S.P.
23.07	Sweetened forage; other preparations of a kind used in animal feeding:				
	A. Fish or marine mammal.	6%		None	Free
	C. Other.	15%		None	7%

22. Trade Arrangements applicable to Certain Goods Resulting from the Processing of Agricultural Products

(Reg. 1059/69)

ex 17.04	Sugar confectionery, not containing cocoa, except liquorice extracts containing more than 10% by weight of sugar but not containing other added substances.	8%+v.c. (max.23%) to 13%+v.c. (max.27%+ads)	Exemption from customs duties for all products. Additionally suspension of v.c. for: 17.04C 18.06C 19.02BI(d)	None	Various duty reductions.
18.06	Chocolate and other food preparations containing cocoa.	10%+v.c. to 12%+v.c. (max.27%+ads)		None	18.06A 6%+v.c.
19.01	Malt extract.	11%+v.c.		None	None
19.02	Preparations of flour, starch or malt extract, of a kind used as infant food or for dietetic or culinary purposes containing less than 50% by weight of cocoa.	8%+v.c. and 11%+v.c.		None	4%+v.c.

/Continued

22. <u>Trade Arrangements applicable to Certain Goods Resulting from the Processing of Agricultural Products</u>

(Continued)

19.03	Macaroni, spaghetti and similar products.	12%+v.c.	Additionally suspension of v.c. for: 19.04 19.07DII 19.08BIV(a)1 19.08BV(a)1 19.08BIV(b)	Fixed component reduction for Malta.	None
19.04	Tapioca and sago; tapioca and sago substitutes obtained from potato or other starches.	10%+v.c.		None	ex. 19.04 7%+v.c.
19.05	Prepared foods obtained by the swelling or roasting of cereals or cereal products (puffed rice, corn flakes and similar products).	8%+v.c.		None	3%+v.c.
19.06	Communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products.	7%+v.c.		None	2%+v.c.
19.07	Bread, ships' biscuits and other ordinary bakers' wares, not containing sugar, honey, eggs, fats, cheese or fruit.	6%+v.c. (max.20%+adf) to 9%+v.c. (max.24%+adf)		None	2%+v.c. (max.20%+adf) to 3.5%+v.c. (max.24%+adf)
19.08	Pastry, biscuits, cakes and other fine bakers' wares, whether or not containing cocoa in any proportion.	13%+v.c. and 13%+v.c. (max.35%+ads)		Fixed component reduction for Malta.	19.08A 5.5%+v.c.
ex 21.01	Roasted coffee substitutes, and extracts, essences and concentrates thereof other than roasted chicory and extracts, essences and concentrates thereof.	8%+v.c. and 16.9%* +v.c.		None	21.01AandBII 3%+v.c. and 7%+v.c.
ex 21.06	Bakers' yeast.	15%+v.c.		None	6%+v.c.

<u>NOTE</u>: * Reduced to 14% for an indefinite period.

/Continued

22. Trade Arrangements applicable to Certain Goods Resulting from the Processing of Agricultural Products (continued)

C.C.T. Heading	Description of Goods	Import Regime	Concessions offered to A.C.P. countries	Concessions offered to the Mediterranean countries	Concessions made in the G.S.P.
ex 21.07	Food preparations not elsewhere specified or included containing sugar, milk products, cereals or products based on cereals.	20% and 13% +v.c.		None	Some duty reductions for palm tree cores & pre-cooked cereals.
ex 22.02	Lemonade, flavoured spa waters and flavoured aerated waters, and other non-alcoholic beverages, not including fruit and vegetable juices falling within heading No. 20.07				
	- containing milk or milkfats	8%+v.c.		None	7%
ex 29.04	Mannitol, sorbitol.	12%**+v.c.		None	None
ex 35.01	Casein, caseinates and other casein derivatives.	2% to 14%		None	None
35.05	Dextrins and dextrin glues; soluble or roasted starches, starch glues.	13%+v.c.(max.18%) and 14%+v.c.		None	None
ex 38.12	Prepared glazings and prepared dressings with a basis of amylaceous substances.	13%+v.c. (max.20%)		None	None

NOTE: ** Reduced to 9% for an indefinite period for some forms of sorbitol.

SOURCES: Concessions offered to A.C.P. countries - Commission Notes to the Council on the Community offer for agricultural products covered by the Common Agricultural Policy dated 10 June 1974 (I/66/74(ACP15) as corrected in (I/66/74 Corr.) and 13 June 1975 (I/26/75(ACP)).
Concessions offered to the Mediterranean countries - Council meetings of 20 July 1973 (R/1888/73 (AGRI 568) and 30 July 1974 (I/110/1/74 Rev. 1).
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