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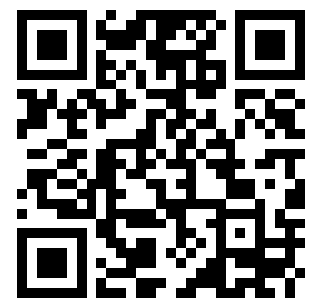
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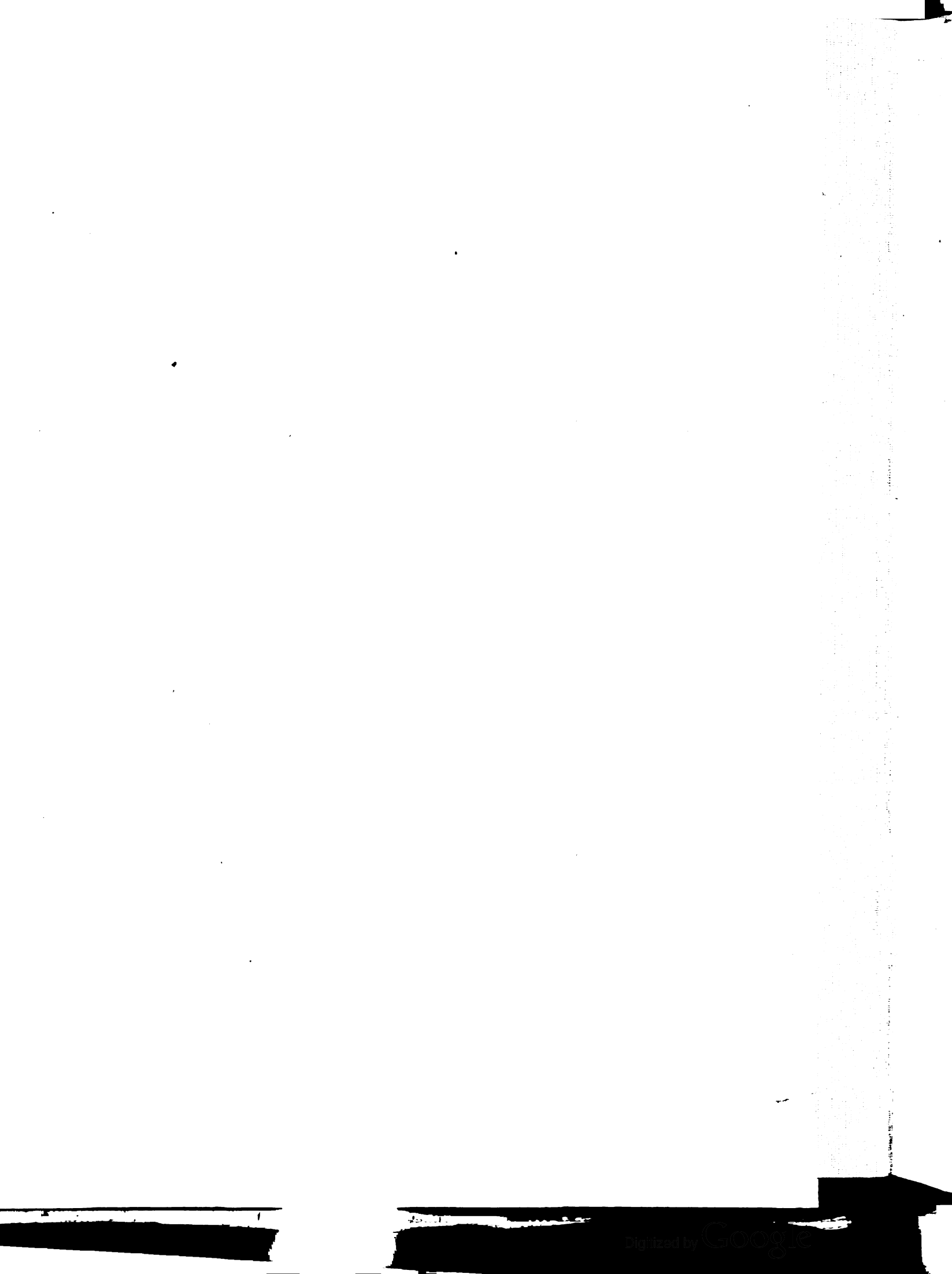
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U.S. AGRICULTURE'S FIRST YEAR UNDER EEC VARIABLE IMPORT LEVIES

by

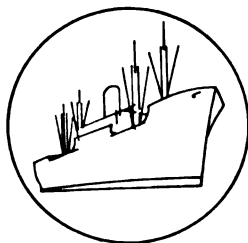
Thomas A. Warden

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SPECIAL in this issue

U.S. AGRICULTURE'S FIRST YEAR UNDER EEC VARIABLE IMPORT LEVIES

by

Thomas A. Warden 1/

The European Economic Community (EEC) implemented its variable import levy system for wheat, feed grains, pork, poultry and eggs beginning July 30, 1962. This study examines the effects of the system on imports from the United States during its first full year of operation, calendar 1963.

The variable import levy system.--The variable levy system is part of the EEC's Common Agricultural Policy (CAP) provided for in the Rome Treaty of 1957, under which the Community was organized. Under the CAP, prices in the EEC are to be harmonized, and a common external tariff for the 6 member countries is to be imposed in stages, with the target date for integration set at 1970. The 6 countries have recently agreed to advance this date to July 1, 1967, for pork, poultry, eggs, and cereals. The CAP provides for import licenses, refunds on exports, "safeguard" measures, and variable levies. This system is supposed to replace all other existing trade restrictions, including subsidies, quotas, tariff duties, State trading, mixing regulations, etc. in Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany -- the 6 EEC members.

EEC quality regulations were imposed on fruits, vegetables, and wine on July 30, 1962. In addition to quality regulations, a reference price mechanism was established for fruits and vegetables at that time which requires that a countervailing duty be paid equal to the difference between a reference price and the import price when the reference price exceeds the import price. Thus far, the reference prices set on fresh fruits have been below the import prices for U.S. products.

Variable levies on rice were implemented as of September 1, 1964. New regulations providing for levies on beef, veal, and dairy products were implemented on November 1, 1964.

The levy system for grains is based on a series of target prices which are to be harmonized to a common level over a transition period. To insure this target price, national authorities must purchase grains when prices fall between 5 and 10 percent below target prices. These purchases may then be resold on the domestic market at not less than the target price, or exported at world market prices. Threshold prices are set on each grain and wheat flour to protect

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domestic producers from imports. The levy charged is the difference between the threshold price and, for imports from EEC member countries, the free-to-frontier price; for all other countries, the levy is the difference between the threshold price and the standardized c.i.f. price at the point of entry. A fixed amount (montant forfaitaire) is deducted from the levy charge on imports from EEC member countries as an added Community preference. Target, intervention, and threshold prices are set annually, while free-to-frontier prices, c.i.f. prices, and levies are calculated daily.

The levy on products of grain processing (meal, groats, malt, gluten, bran, feeding stuffs, etc.) contains one element based on the levies in effect on the grain and one element of protection for domestic processors. The intra-Community levy for grains and grain products is to be progressively reduced to zero, and a common uniform levy established for third countries.

Intra-Community levies on pork, poultry, and eggs consist of 3 elements: (1) The difference between the cost of feeding stuffs in the importing country and the corresponding cost in the exporting country -- a difference, calculated and set quarterly, that is to disappear **as grain prices are harmonized**; (2) A fixed element to offset other factors in the cost of production -- **set annually and calculated on the basis of customs duties during a reference period, and also to gradually disappear over the transition period**; (3) A third element -- **applicable to imports from non-EEC countries -- originally equivalent to 2 percent of an average import price and to be increased to 7 percent over the transition period. The feed grain differential element will remain a part of the levy on imports from non-EEC countries.**

An added feature on grain conversion products (pork, poultry, and eggs) is the sluice-gate price, a minimum import price below which the levy will be increased accordingly if offer prices fall below that level. Sluice-gate prices are calculated quarterly on the basis of feed grain prices in world markets, a feed conversion factor, and other production costs considered to be representative in exporting countries. When offer prices fall below the sluice-gate price, a supplementary levy is charged to cover the difference. Sluice-gate prices apply only to imports from countries outside the EEC. An exception is that an intra-Community sluice-gate price was instituted for pork, but it will disappear along with intra-Community levies. Sluice-gate prices and levies on imports from non-EEC countries were put into effect on pig products (pork cuts, offals, fatbacks, lard, prepared and canned pigmeat, and sausage) on September 1, 1963.

EEC imports.--EEC imports of variable levy commodities from the United States in calendar 1963 fell 6 percent below 1962. The 1963 value was \$477.4 million compared with the 1962 value of \$507.4 million (table 4). The largest decline (-34 percent) occurred in West Germany, which took \$130.4 million, or 27 percent of the total, in 1963 compared with \$197.5 million, or 39 percent in 1962. 2/ The Netherlands became the largest EEC importer of variable levy commodities from the United States in 1963 with \$175.4 million.

2/ All dollar values are c.i.f., based on par rates of exchange.

Table 4.--European Economic Community imports of variable levy, non-variable levy, and total agricultural imports from the United States: Value by importing country, calendar years 1961-63

Category and importing country	1961	1962	1963	Change	
				1962 from:1963 from	1961 : 1962
	-- Thousand dollars (cif) --			Percent	
<u>Imports of variable levy commodities:</u>					
Belgium-Luxembourg	45,306	69,954	55,327:	+54	-21
France	36,521	38,000	32,996:	+4	-13
Italy	100,488	48,516	83,308:	-52	+72
Netherlands	125,946	153,379	175,433:	+22	+14
West Germany	142,354	197,515	130,364:	+39	-34
Subtotal	450,615	507,364	477,428:	+13	-6
<u>Variable levy commodities as percent of agricultural total</u>					
	35	39	36:		
<u>Imports of non-variable levy commodities</u>					
Belgium-Luxembourg	76,389	71,098	74,274:	-7	+4
France	150,412	115,220	135,376:	-23	+17
Italy	158,187	134,434	141,751:	-15	+5
Netherlands	124,640	124,943	144,659:	0	+16
West Germany	339,409	348,290	363,929:	+3	+4
Subtotal	849,037	793,985	859,989:	-6	+8
<u>Non-variable levy commodities as percent of agricultural total</u>					
	65	61	64:		
<u>Total agricultural imports 1/</u>					
Belgium-Luxembourg	121,695	141,052	129,601:	+16	-8
France	186,933	153,220	168,372:	-18	+10
Italy	258,675	182,950	225,059:	-29	+23
Netherlands	250,586	278,322	320,092:	+11	+15
West Germany	481,763	545,805	494,293:	+13	-9
Total	1,299,652	1,301,349	1,337,417:	0	+3

1/ Agricultural commodities are defined as (1) nonmarine food products and (2) other products of agriculture which have not passed through complex processes of manufacture such as raw hides and skins, fats and oils, and wine. Agricultural totals were calculated using the 3-digit Standard International Trade Classification (SITC).

Sources: Trade statistics of the EEC member countries, Organization for Economic Cooperation and Development Statistical Bulletin, Series C, 1961 and 1962, and United Nations Commodity Trade Statistics, Series D, 1963.

Variable levy imports from the United States made up 36 percent of EEC imports of U.S. agricultural products in 1963, which amounted to \$1,337.4 million. 3/

The United States was the largest single source of EEC variable levy imports in 1963 -- accounting for 27 percent of the \$1,786 million imported from all sources (table 5). Intra-EEC imports accounted for \$467 million, or 26 percent of the total.

The pattern of EEC imports of U.S. commodities under the variable levy system changed in the first year of the system's operation. Imports of wheat, slaughtered poultry, eggs, and processed grains declined while imports of live poultry, feed grains, feeding stuffs, and products with GATT-bound duties increased. 4/ Imports of slaughtered poultry, eggs, and processed grains by the EEC countries in 1962 were heaviest in the first 7 months in anticipation of higher levies after July 30. After that date, imports of those products were negligible until EEC stocks were depleted. After January 1963, the level of imports was lower than in 1962 or 1961.

Table 6 shows import value declines between 1961 and 1963 for 10 of 23 BTN (Brussels Tariff Nomenclature) classifications and advances for 13 classifications. The 10 that declined made up half of the variable levy system imports in 1961. In 1963, these products made up only one-fourth of the variable levy imports. The 13 commodities that advanced showed a 78 percent increase, with 98 percent of this latter group consisting of feed grains.

Duties on some EEC variable levy commodities are bound by the EEC to the United States in the General Agreement on Tariffs and Trade (GATT). These duties cannot exceed an agreed ad valorem amount. The bound rates were set during the fifth round of tariff negotiations conducted at Geneva in 1961, and will remain in effect, unless the Community takes special action to withdraw them. Four items having a c.i.f. value of \$15.3 million were imported by the EEC in 1963; this value was 2 percent below the 1962 value of \$15.6 million (table 7). Commodities having bound duties were (1) Pigmeat and poultry offals, fresh, chilled, or frozen; (2) poultry livers; (3) canned or prepared pigmeat and poultry meat; and (4) hybrid seed corn. EEC imports of the last 3 items increased between 1962 and 1963; the first item declined in value. Bound-duty commodities accounted for 2 percent in 1962 and 3 percent in 1963 of the value of variable levy system imports from the United States.

The initial impact of the variable levy system on U.S. products was most noticeable in the drop in EEC's imports of slaughtered poultry and wheat flour. Purchases of slaughtered poultry and wheat flour in January-July 1962 were

3/ Agricultural commodities are defined as (1) nonmarine food products and (2) other products of agriculture which have not passed through complex processes of manufacture such as raw hides and skins, fats and oils, and wine. Agricultural totals were calculated using the 3-digit Standard International Trade Classification (SITC). Sources were the Organization for Economic Cooperation and Development (OECD) Statistical Bulletin Series C for 1961 and 1962, and United Nations Commodity Trade Statistics, Series D for 1963.

4/ GATT: General Agreement on Tariffs and Trade.

Table 5.--European Economic Community imports of variable levy commodities:
Value and share of total by origin, calendar years 1961-63

Origin	1961		1962		1963	
	Value	Share	Value	Share	Value	Share
	1,000 dollars	Percent	1,000 dollars	Percent	1,000 dollars	Percent
United States	450,615	27	507,364	28	477,428	27
European Economic Community	397,476	24	372,356	20	466,621	26
Latin American Free Trade Asso- ciation ^{1/}	83,054	5	267,456	15	222,876	12
Canada	159,696	10	131,961	7	125,820	7
European Free Trade Associa- tion	132,365	8	130,142	7	118,787	7
Eastern Europe ^{2/}	160,319	10	125,058	7	116,537	7
Africa	49,212	3	79,367	4	72,706	4
Yugoslavia	17,955	1	13,356	1	16,853	1
Australia and New Zealand	25,715	1	43,248	2	16,056	1
Other	181,380	11	151,916	9	152,864	8
Total	1,657,787	100	1,822,224	100	1,786,544	100

^{1/} Argentina accounted for more than 90 percent of EEC imports from the Latin American Free Trade Association.

^{2/} Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Rumania and USSR.
Source: Trade statistics of the EEC member countries.

higher than in the same period in 1961. Except for some unfilled orders, such imports in 1962 virtually ceased after July 30.

Slaughtered poultry.--In 1962, 98 percent of EEC's imports of slaughtered poultry from the United States went to West Germany.

West German imports of slaughtered poultry (excluding offals) from the United States declined 55 percent to 35,264 metric tons in 1963 from 1962 (table 8). Slaughtered poultry fell to 17 percent from 25 percent of the value of West Germany's imports of variable levy commodities from the United States. ^{5/}

^{5/} In calendar 1963, West German imports of slaughtered poultry from the United States consisted of: 11,202 metric tons of broilers, (31.7 percent), 6,145 tons of stewing chickens (17.4 percent), 8,349 tons of chicken parts (23.7 percent), 4,821 tons of turkeys (13.7 percent), 4,395 tons of turkey parts (12.5 percent), and 127 tons of geese (0.4 percent).

Source: U.S. Agricultural Attache, Bonn.

Table 6.--European Economic Community imports of variable levy commodities from the United States: Value by BTN classification, calendar years 1961-63 1/

BTN classification and commodity description	1961	1962	1963	Change from
	-- Thousand dollars (cif) --			1961 to 1963
				Percent
Imports that declined from 1961 to 1963				
0201 Offals of pigmeat and poultry; fresh, chilled or frozen 2/	15,905	13,485	11,406	-28
0202 Poultry, slaughtered	36,257	52,365	23,755	-34
0205 Pigmeat or poultry fat, unrendered	570	213	275	-52
0206 Pigmeat or offals; dried, smoked, or salted	106	16	14	-87
0405 Eggs in shell	785	548	773	-1
0405 Eggs not in shell	2,514	2,757	1,808	-28
1001 Wheat, unmilled	183,100	76,124	73,569	-60
1101 Flour of wheat or meslin	6,033	5,217	2,035	-66
1501 Rendered edible fat and grease of swine or poultry	1,305	1,023	1,103	-15
2302 Bran, sharps, and residues of cereals	468	922	435	-7
Subtotal	247,043	152,670	115,173	-53
Imports that advanced from 1961 to 1963				
0105 Live domestic poultry	701	866	1,680	+140
0201 Pigmeat, fresh chilled, or frozen	10	---	208	+1980
0203 Poultry livers 2/	301	511	670	+123
1002 Rye, unmilled	5,381	19,534	16,881	+214
1003 Barley, unmilled	16,708	79,437	33,093	+98
1004 Oats, unmilled	5,907	18,259	8,408	+42
1005 Corn (maize), unmilled 3/	121,942	167,617	236,388	+94
1007 Millet and other cereals, unmilled	48,920	65,583	59,818	+22
1102 Groats of cereals	187	158	297	+59
1108 Starches	16	94	108	+575
1601 Sausages and the like	15	---	29	+93
1602 Preparations of pig or poultry meat 2/	1,929	1,317	2,245	+16
2307 Forage and feed additives	1,554	1,318	2,430	+56
Subtotal	203,571	354,694	362,255	+78
Total	450,615	507,364	477,428	+6

1/ BTN: Brussels Tariff Nomenclature.

2/ GATT bound duties.

3/ Includes hybrid seed corn.

Source: Trade statistics of the EEC member countries.

Table 7.--European Economic Community imports of variable levy commodities from the United States bound in GATT 1/: Value by importing country, calendar years 1961-63

Importing country	1961	1962	1963
-- <u>Thousand dollars (cif)</u> --			
Belgium-Luxembourg	410	790	418
France	3,711	2,419	2,845
Italy	---	64	84
Netherlands	2,445	2,193	1,130
West Germany	11,980	10,490	10,818
Total	18,546	15,596	15,295

1/ Offals of swine or poultry meat, fresh, chilled or frozen; poultry livers; canned or prepared pigmeat and poultry meat; hybrid seed corn.

Source: Trade Statistics of the EEC member countries.

The U.S. share of West Germany's total slaughtered poultry imports declined to 20 percent in 1963 from 37 percent in 1962. The U.S. share was replaced by increased West German imports from other EEC countries. The EEC share of the West German market rose to 47 percent in 1963 from 35 percent in 1962 (table 9).

Over three-fourths of West Germany's imports of slaughtered poultry from the United States in 1962 occurred in January-July, when they amounted to 61,902 metric tons. A year later they fell to 14,133 tons, a drop of 77 percent from a year earlier and 43 percent below the January-July 1961 amount. (table 10).

Comparison of West German import prices for chickens from the United States before and after implementation of the variable levy system shows that duties more than doubled between July and August 1962. The import price in July averaged about 36 cents per pound (31 cents per pound c.i.f. price, and 5 cents per pound duty). The import price after July 30 amounted to approximately 43 cents per pound (sluice-gate price of 33 cents per pound plus levy of 10 cents per pound). The difference between the July average import price of 30.62 cents per pound and the sluice-gate price set by the EEC is called the "supplementary" levy, which was 2.45 cents per pound in August 1962. This supplementary levy has been changed a number of times since the levy system was adopted. 6/

6/ See "Agricultural Commodities and the European Common Market," Regional Economic Integration, report by the UN/FAO Director-General, Twelfth Session, Rome, Nov. 16, 1963, Part I, p. 12 and EEC Journal Officiel des Communautés Européennes, several issues.

Table 8.--European Economic Community imports of slaughtered poultry from the United States and from all sources: Quantity and value by country, calendar years 1961-63

Origin and importing country	1961		1962		1963		Change from 1962 to 1963	
	Quantity: tons	Value: Thousand dollars	Quantity: tons	Value: Thousand dollars	Quantity: tons	Value: Thousand dollars	Quantity:	Value
<u>From United States</u>								
Belgium-Luxembourg	---	---	75	70	121	114	+61	+63
France	---	---	---	---	---	---	---	---
Italy	---	---	401	284	732	609	+83	+114
Netherlands	912	591	885	657	574	485	-35	-26
West Germany	63,481	35,666	78,979	51,354	35,264	22,547	-55	-56
Total	64,393	36,257	80,340	52,365	36,691	23,755	-54	-55
<u>From all sources</u>								
Belgium-Luxembourg	173	142	190	164	234	211	+23	+29
France	753	467	653	424	858	532	+31	+25
Italy	7,584	4,400	4,807	3,224	4,406	3,301	-8	+2
Netherlands	954	619	969	718	602	507	-38	-29
West Germany	184,254	111,782	212,541	140,892	172,099	118,496	-19	-16
Total	193,718	117,410	219,160	145,422	178,199	123,047	-19	-15
U.S. share of West German total	34	32	37	36	20	19	---	---

Source: Trade statistics of the EEC member countries.

Table 9.--West German imports of slaughtered poultry (excluding offals):
Quantity and share of total by major suppliers, calendar years 1961-63

Major supplier	1961		1962		1963	
	Quantity	Share	Quantity	Share	Quantity	Share
	Metric tons	Percent	Metric tons	Percent	Metric tons	Percent
EEC other than						
West Germany ...	58,710	32	73,261	35	80,483	47
United States	63,481	35	78,979	37	35,264	20
Denmark	40,714	22	38,492	15	37,408	22
Eastern Europe....	19,179	10	18,925	9	17,125	10
Other	2,170	1	3,514	4	1,819	1
Total	184,254	100	212,541	100	172,099	100

Source: Statistisches Bundesamt, Aussenhandel, Reihe 2.

Table 10.--West German imports of slaughtered poultry (excluding offals)
from the United States: Quantity and value
January-July and August-December 1961-63

Year	January-July		August-December		Total	
	Quantity	Value	Quantity	Value	Quantity	Value
	Metric tons	Thousand dollars	Metric tons	Thousand dollars	Metric tons	Thousand dollars
1961	24,929	13,758	38,552	21,908	63,481	35,666
1962	61,902	38,540	17,077	12,814	78,979	51,354
1963	14,133	9,516	21,131	13,031	35,264	22,547
Percent change						
from 1961 to						
1963	-43	-31	-45	-41	-44	-37

Source: Statistisches Bundesamt, Aussenhandel, Reihe 2.

The West German import price of slaughtered chickens from the Netherlands, however, was 27.87 cents per pound (2.23 DM/kg) c.i.f. in August 1962, ^{7/} which explains why Netherlands importers were able to transship U.S. poultry to West Germany.

^{7/} Statistisches Bundesamt, Preise u. Preisindizes für Aussenhandelsgüter.
Fachserie M, Reihe 1, Jan. 1963.

Table 11.--European Economic Community production and consumption of slaughtered poultry:
Dressed weight by country, calendar years 1957-63

Country	1957	1958	1959	1960	1961	1962	1963	Change in :1963 from : 1957
	-- Metric tons --							Percent
Production:								
Belgium-Luxembourg	43,636	46,720	51,393	54,205	74,617	88,224	97,932	+124
France	231,018	234,511	259,006	275,789	294,024	301,004	328,996	+42
Italy	91,717	118,706	132,905	173,094	197,996	226,981	262,589	+186
Netherlands	41,640	49,080	61,916	77,430	83,326	98,339	105,008	+152
West Germany	74,980	87,816	95,981	101,016	109,000	112,990	122,018	+63
Total	482,991	536,833	601,201	681,534	758,963	827,538	916,543	+90
Consumption:								
Belgium-Luxembourg	43,500	45,994	50,303	51,982	71,259	81,601	90,174	+107
France	229,971	232,421	256,098	273,380	286,308	286,308	311,074	+35
Italy	106,687	132,086	143,607	181,210	209,015	235,006	265,987	+149
Netherlands	8,800	12,338	17,055	21,365	24,948	32,977	36,379	+313
West Germany	124,239	152,044	199,807	238,952	291,977	316,880	301,503	+143
Total	513,197	574,893	666,870	766,889	883,507	952,772	1,005,117	+96
Consumption per capita:								
Belgium-Luxembourg	10.3	10.8	11.8	12.1	16.5	18.9	20.4	+98
France	11.4	11.4	12.5	13.2	13.7	13.4	14.3	+25
Italy	4.8	5.9	6.4	8.0	9.2	10.3	11.7	+144
Netherlands	1.8	2.4	3.3	4.1	4.7	6.2	6.7	+272
West Germany	5.3	6.4	8.4	9.9	11.9	12.3	11.5	+117
Total	6.9	8.2	8.7	10.0	11.4	12.1	12.6	+83

Source: Dairy and Poultry Division, FAS.

Table 12.--West German meat consumption: Pounds per capita, by type of meat, calendar years 1957-63

Year	Pork	Beef and veal	Poultry	Variety meats ^{1/}	Other ^{2/}	Total
-- Pounds per capita --						
1957	61.4	39.5	5.3	9.0	1.6	116.8
1958	63.4	39.2	6.4	9.0	1.5	119.5
1959	62.0	39.5	8.4	9.5	1.7	121.1
1960	65.9	42.3	9.9	9.7	1.6	129.4
1961	67.4	44.0	11.9	9.9	1.4	134.6
1962	70.5	46.1	12.3	10.1	1.4	140.4
1963	68.9	47.7	11.5	9.9	1.1	139.1

^{1/} Principally edible offals and luncheon meats.

^{2/} Lamb, mutton, goat, and horsemeat.

Sources: Livestock and Meat Products Division and Dairy and Poultry Division, Foreign Agricultural Service.

Wheat flour.--The Netherlands took 97 percent of EEC's wheat flour purchases from the United States in calendar 1962 and 1963. ^{9/} Dutch imports of U.S. wheat flour in 1963 fell to 20,776 metric tons, 64 percent below 1962 and 70 percent below 1961 (table 13). The Netherlands imported an average of 65,000 tons of wheat flour per year from the United States in the 5-year period preceding 1961.

The U.S. share of the Netherlands' wheat flour imports for 1961 was 55 percent. This share declined to 32 percent in 1962, when very large purchases of low-quality West German flour for animal feeding were made by Holland. Higher variable levy charges were imposed on flour for animal feeding, which eliminated those imports after July 30, 1962. In 1963, the U.S. share of the Netherlands' imports of flour was 68 percent.

A threshold price of \$146.96 per metric ton was set by the Netherlands on wheat flour for human consumption, effective July 30, 1962. The variable import levy on U.S. wheat flour was \$49.60 per metric ton compared with a duty of \$14.50 before July 30. ^{10/}

^{9/} Italian trade statistics do not include imports destined for disaster relief, charity, and economic development (See Istituto Centrale di Statistica, Statistica Mensile del Commercio con l'Estero Serie quarta, preface). U.S. exports of wheat flour to Italy and Trieste for relief and charity were:

1961	106,218 metric tons
1962	86,121 metric tons
1963	57,949 metric tons

Source: U.S. Bureau of the Census.

^{10/} Charles S. Murphy, "United States Agricultural Exports and the European Common Market," in Lawrence B. Krause, ed., The Common Market: Progress and Controversy. (Inglewood Cliffs, New Jersey, 1964).

Table 13. --European Economic Community imports of wheat flour from the United States and from all sources: Quantity and value by importing country, calendar years 1961-63

Origin and importing country	1961		1962		1963		Change from 1962 to 1963
	Quantity: Value	Quantity: Value	Quantity: Value	Quantity: Value	Quantity: Value	Quantity: Value	
	Metric tons	Thousand dollars	Metric tons	Thousand dollars	Metric tons	Thousand dollars	Percent
<u>From the United States</u>							
Belgium-Luxembourg	---	---	---	---	---	---	---
France	---	---	---	---	---	---	---
Italy 1/	---	---	462	43	573	49	+24
Netherlands	69,135	5,629	57,042	4,984	20,776	1,986	-64
West Germany	3,875	404	1,459	117	---	---	-100
Total	73,010	6,033	58,963	5,144	21,349	2,035	-64
U.S. as percent of all sources	55	67	32	41	68	83	---
<u>From all sources</u>							
Belgium-Luxembourg	3,051	208	547	80	78	18	-86
France	665	36	1,051	62	3,164	231	+201
Italy 1/	8,667	726	3,273	358	2,120	231	-35
Netherlands	125,745	8,393	175,684	11,927	30,559	2,389	-83
West Germany	26,269	2,862	19,020	2,235	15,391	2,117	-19
Total	164,397	12,225	199,575	14,662	51,312	4,986	-74

1/ Italian imports of flour for relief and charity purposes are not included.

Source: Trade statistics of the EEC member countries.

Ninety-one percent of the 1962 wheat flour imports by the Netherlands from the United States took place before July 30 (table 14). In the first 7 months of 1963, imports from the United States were 8,916 tons, or 83 percent below a year earlier and 79 percent below the January-July 1961 volume.

August-December 1963 imports of wheat flour by the Netherlands from the United States amounted to 11,860 tons, more than double year-earlier purchases but 55 percent below August-December 1961 imports.

The Netherlands produced 790,000 metric tons of wheat flour in 1963, 785,000 tons in 1962, and 760,000 tons in 1961. 11/

EEC wheat flour imports from the United States dropped to \$2,036,000 in 1963 from \$5,145,000 in 1962. The 1962 level was, despite the heavy purchases in January-July, below the 1958-61 average of \$6,685,000, and also below the 1961 total. 12/ Assuming the 1961 imports as the base, wheat flour imports fell \$4,147,000 between 1961 and 1963.

Repeated complaints by U.S. exporters and the U.S. Government to Netherlands and EEC authorities about the high levy charge have not resulted in a lowering of the import levy.

Rice.--The EEC countries imported 87,760 metric tons of rice from the United States in 1963, 18 percent less than in 1962 (table 15). West Germany and the Netherlands together took 81 percent of the total. About four-fifths of EEC's 1963 rice imports from the United States consisted of milled rice (table 16). The U.S. share of EEC rice imports in 1963 was 31 percent. Other major suppliers were Thailand (11 percent), Burma and Cambodia (9 percent each), and Italy (7 percent). Only Italy and France produce rice in the EEC -- Italy produces 85 percent.

11/ Netherlands data are for delivered tonnage. (Source: Statistisches Amt der Europäischen Gemeinschaften, Industriestatistik, 1964-No. 2).

12/ EEC imports of wheat flour from the United States in 1958-63 were:

<u>YEAR</u>	<u>VALUE</u>
1958	\$6,437,000
1959	6,232,000
1960	7,889,000
1961	6,183,000
1962	5,145,000
1963	2,036,000

Source: EEC Analytical Tables, Import

Table 14.--Netherlands imports of wheat flour from the United States:
Quantity and value, January-July and August-December, 1961-63

Year	January-July		August-December		Total	
	Quantity	Value	Quantity	Value	Quantity	Value
	Metric tons	Thousand dollars	Metric tons	Thousand dollars	Metric tons	Thousand dollars
1961	42,611	3,474	26,524	2,155	69,135	5,629
1962	51,679	4,489	5,363	491	57,042	4,980
1963	8,916	850	11,860	1,134	20,776	1,984
Percent change from:						
1961 to 1963	-79	-76	-55	-47	-70	-65

Source: Centraal Bureau voor de Statistiek, Maandstatistiek van de in-, uit-, en doorvoer per goederensoort.

Table 15.--European Economic Community imports of rice from the United States:
Quantity and value by importing country, calendar years 1961-63

Importing country	1961		1962		1963	
	Quantity	Value	Quantity	Value	Quantity	Value
	Metric tons	Thousand dollars	Metric tons	Thousand dollars	Metric tons	Thousand dollars
Belgium-Luxembourg	15,384	1,739	5,234	821	13,002	1,524
France	---	---	2,626	487	3,532	508
Italy	---	---	---	---	---	---
Netherlands	17,796	2,311	12,922	1,973	15,183	2,338
West Germany	62,037	6,979	86,505	11,520	56,043	7,955
Total	95,217	11,029	107,287	14,801	87,760	12,325

Source: Trade statistics of the EEC member countries.

Table 16.--European Economic Community imports of rice from the United States:
Quantity by importing country and composition, calendar year 1963

Importing country	Unmilled	Milled	Broken	Total
Belgium-Luxembourg	---	5,674	7,328	13,002
France	3,212	---	320	3,532
Italy	---	---	---	---
Netherlands	791	12,905	1,487	15,183
West Germany	---	50,577	5,466	56,043
Total	4,003	69,156	14,601	87,760

Source: Trade statistics of the EEC member countries.

On September 1, 1964, rice was brought under EEC's variable levy system. A common threshold price was set at \$142.00 per metric ton on husked rice, and \$96.60 on broken rice. 13/ The threshold price was set on the basis of October 1963 - February 1964 import prices for California rice. Thus, the effect of the levy system on U.S. rice exports will depend upon the future relationships between prices of Italian rice and c.i.f. prices of U.S. rice.

Rice bran, along with other products of grain milling, was subjected to the variable levy system on July 30, 1962. The Netherlands, taking most of the EEC imports of rice bran from the United States, imported 3,355 metric tons in 1961, 5,415 tons in 1962, and 4,115 tons in 1963. These imports by the Netherlands were duty-free before July 30, 1962; ad valorem rates in October 1963 were between 10 and 20 percent. 14/

Conclusions.--Since the imposition of the variable levy system, EEC imports of agricultural products from the United States have shifted from imports of slaughtered poultry, eggs, and grain products toward imports of feed grains. West Germany's slaughtered poultry and the Netherlands' wheat flour imports from the United States from 1961 to 1963 together declined \$17,266,000 in the first full calendar year (1963) of variable levy operation. Other commodities which came under the variable levy system (i.e., wheat and eggs) were affected also by price changes, increased production, or some other change in EEC demand. Therefore, the higher variable levy charges were not the only factor in reducing EEC imports from the United States.

The future effects of the variable levy system will depend on the EEC common policy toward target and threshold prices for grains. 15/ The EEC member countries now have different target and threshold prices for grains, resulting in levies low enough to permit imports from the United States.

Relatively high target and threshold prices could not only adversely affect a considerable export market for U.S. grains through higher levy charges, but could also have a stimulative effect on French production, which may in the future displace U.S. and other grain exporters in the EEC market.

The export refund (or subsidy) feature of the Common Agricultural Policy (financed from levy receipts) can also affect U.S. exports to non-EEC countries. Products can be sold at lower prices in markets competing with U.S. products.

13/ "The Common Rice Policy of the European Economic Community," UN/FAO Monthly Bulletin of Agricultural Economics and Statistics, Vol. 13, No. 4, Apr. 1964. These threshold prices apply to nonproducing countries.

14/ "Rice Bran: Utilization and Trade," UN/FAO Monthly Bulletin of Agricultural Economics and Statistics, Vol. 13, No. 1, Jan. 1964.

15/ On December 15, 1964, the EEC Council of Ministers agreed to adopt unified grain prices for the 6 member countries effective July 1, 1967. For a discussion of the potential effects on U.S. exports, see Hans G. Hirsch "The Uniform Grain Price in the EEC," Foreign Agricultural Trade of the United States, Feb. 1965, pp. 5-11.

The EEC Council of Ministers adopted variable levy regulations for beef, veal, and dairy products on November 1, 1964. The United States exports some beef and veal, butter, and dried milk to the EEC, and these products will be affected by these policies. 16/ The duties on variety meats of cattle, hogs and sheep are bound in GATT, and will not be subject to variable levies in excess of the bound rate of 20 percent ad valorem. 17/ Tallow and lard (inedible hog grease) for industrial use have bound duties of 2 percent and 3 percent ad valorem, respectively. Tallow for food use has a bound ad valorem rate of 10 percent, and lard for food use had a sluice-gate (minimum import) price of \$222.00 per metric ton from October to December 1964. Hides and skins and sausage casings are bound duty-free under GATT.

The EEC has considered imposing variable levies on sugar, which would affect U.S. exports of canned fruits containing cane or beet sugar. 18/

EEC imports from the United States of GATT-bound duty-free commodities (principally soybeans, cotton and linters, oilcake and meal, raw hides and skins, linseeds, and bristles) had a c.i.f. value of \$445.5 million in 1963. An additional \$214.3 million of EEC imports of agricultural commodities from the United States in 1963 had GATT-bound ad valorem duties. Commodities with bound ad valorem duties were unmanufactured tobacco, tallow, animal offals, soybean and cottonseed oil, some fresh fruits, dried fruits and vegetables, fruit and vegetable juices, and honey. Fresh fruits without GATT-bound duties include lemons, limes, winter oranges, apricots, berries, cherries, table grapes, peaches and plums. Dried fruits and vegetables without bound duties include dates, figs and onions.

16/ EEC imports of cattle, fresh beef, and fresh veal from the United States in 1963 totaled \$152,000. EEC imports of butter, cheese and milk from the United States amounted to \$14,986,000.

17/ Stuart Lerner, "The EEC Rounds Out Its Common Agricultural Policies," Foreign Agriculture, Foreign Agricultural Service, U.S. Department of Agriculture, Mar. 2, 1964, and Martin Gerrity, "How the EEC's Beef and Cattle Regulations Operate," Foreign Agriculture, Jan. 4, 1965.

18/ Estimated sugar content in U.S. exports of canned peaches, canned pineapples, and canned fruit cocktail to the EEC in 1963 amounted to 11,590 metric tons, valued at \$1.0 million. See Hans G. Hirsch, "European 'Common Agricultural Policy' on Sugar" Foreign Agricultural Trade of the United States, June 1964.

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