

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

Notifications submitted under Article XVI

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CANADA

Notification of 13 December 1957

(Subsidies in effect on 15 November 1957 or during the preceding twelve-month period)

This report has been prepared pursuant to the obligation under Article XVI of the General Agreement on Tariffs and Trade to notify the CONTRACTING PARTIES of any subsidies, including any form of income or price support, leading directly or indirectly to increased exports or to reduced imports.

Federal subsidies including any form of income or price support which might be considered under the purview of Article XVI are discussed under the following main headings:

- I. Agricultural Products
- II. Fisheries Products
- III. Mineral Products.

Inclusion in this report of the measures described below does not mean that each one necessarily has the effect of increasing exports or reducing imports. In the interests of having a comprehensive report virtually all measures have been included which involve direct or indirect subsidization whether or not they are known to have affected international trade.

A. AGRICULTURAL PRODUCTS

I. GRAIN AND GRAIN PRODUCTS

Feed Freight Assistance

(1) Nature and Extent of the Subsidy

- (a) Background and Authority. Originally a wartime measure, this policy has been continued to assist livestock producers in Eastern Canada and British Columbia by reducing the freight

charges on western grains and millfeeds used by them for feed purposes. The authorization is P.C. 1955-138; 26 January 1955, as amended by P.C. 1957-288, 28 February 1957.

- (b) Incidence. The subsidy is paid to the wholesalers or retailers from whom the farmers purchase western grains or millfeeds. Claims must show that the commodities are to be fed to livestock and that the amount of the assistance has been passed on to the purchaser. No payment is made on grains and feeds for export.

For the purpose of determining the rate of subsidy, five different regions have been established. Within some of these, there is a flat rate but in others the rate increases with increased distance from the point of shipment. Effective 1 March 1957, the basic rate of assistance was increased to make the rates in each of the destination zones bear the same percentage relationship to total freight costs as they had in January 1955 before recent freight increases. The rate varies from \$5 to \$26.10 per ton according to destination.

- (c) Amount of Subsidy. The estimated expenditure for the fiscal year 1956-57 was \$17,137,435.
- (d) Estimated Amount per Unit. In 1956-57, payments averaged \$6.54 per ton.

.(2) Effect of Subsidy

The programme encourages use in Canada of domestic feeds.

II. LIVESTOCK AND LIVESTOCK PRODUCTS

Hog Premiums

(1) Nature and Extent of the Subsidy

- (a) Background and Authority. The payment is designed to improve the quality of Canadian hogs. It is authorized by P.C. 62, 10 January 1944, as amended.
- (b) Incidence. Payment is made to producers who deliver their hogs for slaughter at inspected plants or approved establishments throughout Canada. The farmer receives with his settlement statement a hog premium warrant which is negotiable at par at any chartered bank. The government reimburses the bank. The rates are \$2.00 per head on A Grade carcasses and \$1.00 per head for B-1 Grade carcasses.
- (c) Amount of Subsidy. The estimated expenditure for the fiscal year 1956-57 was \$5,698,246.

- (d) Estimated amount per Unit. In 1956-57 payments totalling \$5,698,246 were made on 1,654,694 Grade A carcasses and 2,388,858 B-1 Grade carcasses. The average payment per hog was \$1.41.

(2) Effect of Subsidy

The premium is a small part of the present return but it has been instrumental in improving and maintaining hog quality.

III. DAIRY PRODUCTS

Butter and Butterfat Price Support

(1) Nature and Extent of the Subsidy

- (a) Background and Authority. Butter was placed under price support in 1949 in order to stabilize prices and maintain a satisfactory price level within the dairy industry. The Agricultural Prices Support Board buys butter in the summer months and releases it to the trade during the winter. The butter price support programme is authorized under the Agricultural Prices Support Act, 1944, by P.C. 1957-1474, 13 November 1957.
- (b) Incidence. The Agricultural Prices Support Board is authorized to purchase butter at 58 cents per pound basis in store Montreal and Toronto, and 57 cents basis in store Vancouver.
- (c) Amount of Subsidy. Total expenditures in the fiscal year 1956-57 amounted to \$4.7 million. The net cost is unknown as the programme is not yet completed.
- (d) Estimated amount per Unit. Unknown.

(2) Effect of Subsidy

Prices of butter remained reasonably stable avoiding serious seasonal fluctuations.

Dry Skimmed Milk Price Support

(1) Nature and Extent of the Subsidy

- (a) Background and Authority. Dry skimmed milk was placed under price support on 19 March 1957 to stabilize the price level during the heavy spring and summer production period. It is authorized for support under the Agricultural Prices Support Act 1944, by P.C. 1957-356, 19 March 1957.
- (b) Incidence. The Agricultural Prices Support Board is authorized to purchase Canada First Grade dry skimmed milk at 17 cents per pound spray process and 14 cents per pound roller process, f.o.b. storage points across Canada.

- (c) Amount of Subsidy. Not yet known.
- (d) Estimated Amount per Unit. Not available.

(2) Effect of Subsidy

There were substantial increases in imports and in the absence of restraints unusually large imports would have been attracted.

Cheese Quality Premiums

(1) Nature and Extent of the Subsidy

- (a) Background and Authority. The payment is designed to encourage the production of high quality cheese. The authority is under the Cheese and Cheese Factory Improvement Act, by P.O. 1954-1969, 16 December 1954, as amended.
- (b) Incidence. Producers receive a quality premium of one cent per pound on whole milk cheese scoring ninety-three points and 2 cents per pound on such cheese scoring ninety-four or more points if it is of the cheddar type (including "washed curd" cheese) or blue-vein cheese of the Roquefort type. This assistance is paid to the factory on the basis of premiums earned for distribution to its suppliers in proportion to their deliveries of milk from which the cheese is made. The factories must distribute all premiums to producers by the end of December each year.
- (c) Amount of Subsidy. For the fiscal year 1956-57, the expenditure was estimated at \$641,000.
- (d) Estimated Amount per Unit. Not available.

(2) Effect of Subsidy

Although it forms a small part of the returns to the producer, the payment induces the production of high quality cheese.

IV. EGGS AND POULTRY

Egg Price Support

(1) Nature and Extent of the Subsidy

- (a) Background and Authority. Price support for eggs has been authorized annually since 1950, when the end of the last British contract caused a decline in prices. It is authorized under the Agricultural Prices Support Act by P.C. 1956-1864, 13 December 1956.

- (b) Incidence. The Agricultural Prices Support Board is authorized to purchase Grade A Large eggs at 38 cents per dozen at storage points across Canada.
- (c) Amount of Subsidy. During the fiscal year 1956-57, the loss on this programme amounted to \$100,000.
- (d) Estimated Amount per Unit. Not available.

(2) Effect of Subsidy

The price support programme has tended to adjust and stabilize egg prices.

Fowl Price Support

(1) Nature and Extent of the Subsidy

- (a) Background and Authority. Abundant local supplies and heavy imports of fowl caused serious declines in the prices of fowl early in 1957 with the result that fowl was placed under price support. The authority is under the Agricultural Prices Support Act by P.C. 1957-551, 15 April 1957, and P.C. 1957-953, 17 July 1957.
- (b) Incidence. The support price on fowl is 23 cents per pound live weight for birds of five pounds and over marketed for slaughter from 17 July to 31 March 1958, delivered Toronto, with appropriate differentials for other weights and markets.
- (c) Amount of Subsidy. The first year programme is not completed.
- (d) Estimated Amount per Unit. Not available.

(2) Effect of Subsidy

In absence of restraints unusually large imports would have been attracted.

V. FRUITS AND VEGETABLES

Potato Price Support

(1) Nature and Extent of the Subsidy

- (a) Background and Authority. Stocks of potatoes were at a high level in the Maritime Provinces, particularly New Brunswick, in the spring of 1957. To attempt to stabilize prices of potatoes and assist in their orderly marketing, a starch diversion programme was put into effect for the period 15 April to 20 July 1957. The programme was authorized under the Agricultural Prices Support Act by P.C. 1957-552, 15 April 1957.

- (b) Incidence. Under this programme the Agricultural Prices Support Board was authorized to make direct payment to producers of Canada No. 1 potatoes delivered to starch plants for processing. Payments were made on the 1956 crop potatoes when the prescribed price was higher than the average price at which potatoes were marketed to starch outlets. Producers were to receive not less than $\frac{3}{8}$ cent per pound, which was increased by $\frac{1}{4}$ cent per pound as the price to producers for sale to consumer market outlets, other than starch, remained higher than $\frac{3}{4}$ cent per pound during the period through 15 June 1957.
- (c) Amount of Subsidy. Up to 1 November 1957, cost of the programme amounted to approximately \$450,000.
- (d) Estimated Amount per Unit. Approximately \$1.27 per barrel (165 pounds).

(2) Effect of Subsidy

Prices were maintained to producers.

B. FISHERIES PRODUCTS

As a measure of assistance to the fishermen of the Atlantic Coast Provinces producing salted fish products, the government in July 1955 announced a programme to rebate to individual producers of salted cod one-half of their laid down cost of salt used in producing these products. Total payments in the year 1956-57 amounted to \$651,457.78. This amount represented approximately 4 per cent of the total exported value of the products eligible for assistance in this form.

C. MINERAL PRODUCTS

I. COAL FREIGHT SUBVENTIONS

Authorization

Dominion Coal Board Act, (1947) Act II Geo. VI
and Order-in-Council P.C. 1955-367 as amended
Order-in-Council P.C. 1955-368 as amended
Order-in-Council P.C. 1955-369 as amended
Order-in-Council P.C. 1955-370 as amended
Order-in-Council P.C. 1955-371 as amended

Circumstances. This form of assistance, which has been maintained in varying degrees since 1928, has arisen from the geographical position of Canadian coal fields in relation to the major Canadian coal markets. The aid was designed to assist the movement of Canadian coal to certain areas in Central Canada by equalizing the laid down cost of Canadian coal with imported coal.

Extent and Nature There is some variety in the subventions authorized to assist the Canadian coal movements. They are all designed to place Canadian mined coal in a position of competitive equality with imported coal in the markets of Central Canada.

Cost The total cost of these subventions in the calendar year 1956 amounted to \$9,098,397.00 on a total tonnage moved of 3,359,472. In 1956 the total production of coal in Canada was 14,850,309 tons.

Effect It is likely that, in the absence of subventions, very little of the coal produced in the Maritime Provinces or in Western Canada would have moved to Central Canada.

II. COAL EXPORT SUBSIDY

Authorization

Dominion Coal Board Act 1947
and Order-in-Council P.C. 1955-367 as amended
Order-in-Council P.C. 1956-382 as amended
Order-in-Council P.C. 1955-370 as amended

(a) B.C. and Alberta Coal

Circumstances This subsidy was to assist the coal producers of British Columbia and Alberta to find markets elsewhere than in Canada since they are located far distant from the major consumer markets of Central Canada. It provides a subsidy on coal exported to all countries other than the United States, or its territorial possessions, or used as fuel for ships.

Extent and Nature The subsidy provides a payment of up to \$1.00 per net ton on Alberta and British Columbia coal exported from Canadian seaports, and 75 cents per net ton on coal sold for ships' stores for use in ocean going vessels as fuel.

Cost In the calendar year 1956 the subsidy amounted to \$997.15 on 997.15 tons of coal shipped to Japan and \$219.38 on 292.5 net tons used as ships' stores.

Effect In the calendar year 1956 the total Canadian exports of coal was 594,166 tons and the small amount of coal shipped under subsidy from Western Canada had little effect on the movement.

(b) Nova Scotia Coal - Export Subsidy

Circumstances This subsidy was given to assist the movement of coal to England and Germany to the extent of 250,000 tons.

Extent and Nature The subsidy made provision for a payment of \$2.50 per net ton on the first 120,000 tons and \$2.30 per net ton on the next 130,000 tons of Nova Scotia slack coal shipped outside Canada.

Cost In the calendar year 1956 the subsidy amounted to \$462,073.00 on 231,180 tons to England and \$4,406.00 for 4,050 tons shipped to Germany.

Effect There has been a continuing shortage of coal in the European market. The movement of Canadian coal herein referred to amounted to 235,230 tons or 39 per cent of the total exports from Canada of 594,166 tons. These shipments were a continuation of those of the previous year being in the nature of large scale trial deliveries to determine whether or not the comparatively higher sulphur coals from the Nova Scotia mines would be acceptable in the European markets.

III. COKE BOUNTY

Authorization Coke Bounty Act (1930) 20 ~ 21 Geo. VI Chap. 6.

Circumstances This subsidy provides that any iron and steel producer, not entitled to a drawback of duty on imported coal, may be granted a subsidy on the coal of Canadian origin converted into coke and used for the smelting of iron ore. It was designed to assist those iron and steel producers who, because of their geographical position, are not able to take advantage of the reduction in duty on imported coal for coking purposes. It thus tends to equalize the cost differentials between various Canadian primary steel producers.

Extent and Nature This subsidy amounts to 49.5 cents per net ton of Canadian coal used by primary iron and steel producers for converting to coke.

Cost In the calendar year 1956 the subsidy amounted to \$324,036.93 on 654,620 tons of coal.

Effect This subsidy has no adverse effect on imports of coal into Canada. Those companies receiving the subsidy would not be able to use imported coal for coking purposes because of their geographical location.

FEDERAL REPUBLIC OF GERMANY

Notification of 20 December 1957

There have been no changes since the last notification (L/480/Add.1).

INDIA

Notification of 31 December 1957

The Government of India maintains a scheme of rebate on exports of handloom cloth. Details of this scheme have been circulated to the contracting parties (L/351/Add.1). There has been no change or modification of the scheme since then. Latest available statistics of exports of handloom cloth are given below:

	1954	57.3 million yards		
	1955	56.2 " "		
	1956	59.8 " "		
(January to August)	1957	24.2 " "	(Provisional)	

The subsidy on the production of motor benzol and benzene, introduced with effect from 3 December 1955 and details of which were notified in L/480/Add.5, has been discontinued with effect from 2 December 1957. Revised statistics for the import of benzene and benzol into India during the years 1953-54, 1954-55 and 1955-56 are as follows:

Imports of Motor Benzene and Benzol

	1953-54		1954-55		1955-56	
	Quantity (Gallons)	Value (Rs.)	Quantity (Gallons)	Value (Rs.)	Quantity (Gallons)	Value (Rs.)
Benzene	3	33	45,466	2,11,709	45,766	2,12,610
Benzol (Motor spirit)	-	-	78,500	1,53,074	-	-

