

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Notifications by Contracting Parties

The following notification has been received from the Government of the Kingdom of the Netherlands:

NETHERLANDS

Notification of 23 July 1959
(The present information replaces all earlier notifications)

General Observations

The Netherlands submitted to the GATT Panel on Subsidies and State-trading a general description of the Dutch income and price support measures (L/964/Add.9) in reply to the request contained in GATT document L/951 of December 1958.

In view of the fact that in the Netherlands the major support measures are only undertaken in the agricultural sector, the same document was submitted as that which was prepared for Committee II. During the recent discussions in the Panel it became evident that this information was not quite satisfactory in view of the purposes of the Panel. The attached notification contains information on all presently existing support measures. The data have been classified, as far as possible, according to the questionnaire of the Panel.

It may be emphasized that the Netherlands is of the opinion that the existing stabilization and price support measures do not aim at increasing exports or reducing imports. Consequently, they cannot be considered as "subsidies" as defined in Article XVI of the General Agreement.

Classification

The Netherlands stabilization and price support measures have been listed according to the following classification:

- Chapter I : Measures Undertaken by the Government in Agriculture
- (a) Equalization levies and reimbursements;
 - (b) Stabilization and price support purchases;
 - (c) Subsidy arrangements.
- Chapter II : Non-Governmental Programmes in Agriculture
- Chapter III : Programmes Outside Agriculture

I. MEASURES UNDERTAKEN BY THE GOVERNMENT IN AGRICULTURE

(a) Equalization Levies and Reimbursements

Wheat

For the crop year 1959 the guaranteed price for wheat has been established at fl.30,95 per 100 kgs. of wheat ex farm with a moisture content of 17 per cent. In order to realize the guaranteed price the flour manufacturers must add a certain percentage of domestically produced wheat to their product. The percentage is variable and it depends on the size of the domestic crop. In case the milling industry adds a higher percentage than obligatory to their product, they receive an indemnification equal to the difference between the world market price and the guaranteed price. This indemnification is financed by means of a levy on all imported wheat and wheat flour. In case the guaranteed price is not realized by means of the mixing regulation, the Food Purchasing and Selling Bureau (Voedselvoorzienings In- en Verkoop Bureau) is authorized to purchase domestically-produced wheat.

Feed Grains

Each year guaranteed prices are established for domestic feed grains, equal to production costs on clay soils. This price guarantee is realized by means of a system of equalization levies on imported feed grains. These levies are reimbursed on the exportation of commodities produced from feed grains, such as: eggs, egg products, broilers, pig meat, etc.

Rolled Oats

Manufacturers of rolled oats only pay 25 per cent of the regular levy on imported feed grains. This levy is reimbursed when rolled oats are exported. This reduced levy has been established in order to enable the manufacturers to compete with other breakfast cereals produced from commodities on which no equalization levies are charged.

Malt, Yeast and Spirit

Manufacturers of malt, yeast and spirit only pay 20 per cent of the regular import levy on grains, in order to be able to compete with other products derived from raw materials which are not subject to equalization levies (e.g., molasses).

Cornstarch

Manufacturers of cornstarch do not have to pay the regular import levy on corn in order to enable them to compete with other starches made from commodities on which no import levy is charged.

Sugar

The Government is authorized to charge a so-called warrant levy on the importation of sugar, which is reimbursed on re-exportation.

(b) Stabilization and price support purchases

Ware Potatoes

A guaranteed price has been established for ware potatoes based on their feed value. Ware potatoes may be purchased twice during the crop year by the Food Purchasing and Selling Bureau. The guaranteed price is in effect so low that purchases will only take place during severe price falls. During the past years virtually no purchases have been effected.

Butter, Cheese and Skim Milk-Powder

Support prices have been established for butter, cheese and skim milk-powder. In cases of butter and cheese the Food Purchasing and Selling Bureau is authorized to effect purchases against the support prices. Skim milk-powder may be purchased against the support price increased by the amount of the equalization levy charged on imported skim milk-powder. Losses or profits on these price support operations are financed by the so-called Dairy Fund. (This fund has been established by the dairy farmers.)

(c) Subsidy arrangements

Manufacturing Potatoes

1. Nature and Extent of Subsidy

(i) Background and Authority

Price regulations are based on the Agricultural Law 1957.

These measures are mainly based on social considerations. This regulation only applies to the quantity of manufacturing potatoes produced in an area in the North-Eastern part of the Netherlands where soil conditions limit the number of production alternatives.

(ii) Incidence

For the crop year 1959 a guaranteed price has been established for manufacturing potatoes at fl.7.30 per 100 kgs. This guaranteed price is equal to the production costs as calculated by the LEI (the Agricultural Economic Research Institute, financed by the Government and the Farm Organizations on a fifty-fifty basis). The quantity to which this price regulation is applicable, has been established at 16.5 million hl. for the crop year 1959. The manufacturers receive an indemnification in order to enable them to pay - as an average - the guaranteed price to the farmers.

(iii) Amount of Subsidy

Total expenditures for crop year 1959: approximately fl.18 million.

(iv) Estimated Amount per Unit

Approximately fl.1.90 per 100 lbs.

2. Effect of Subsidy

The production of manufacturing potatoes necessary for the area involved is being maintained at a stable level, which is lower, however, than in previous years:

| | | | |
|------|------------|------|------------|
| 1948 | 62,000 ha. | 1956 | 34,000 ha. |
| 1949 | 55,000 ha. | 1957 | 37,000 ha. |
| 1950 | 51,000 ha. | 1958 | 38,000 ha. |

Sugar

1. Nature and Extent of Subsidy

(i) Background and Authority

Price regulations are based on the Agricultural Law 1957.

In view of the fact that foreign competitors quote prices for refined sugar, which do not allow for an integral remuneration for normal refining costs and for reasons of domestic social policy, the Dutch industry which traditionally occupied itself with the refining of raw sugar, receives an indemnification on a limited quantity of sugar.

(ii) Incidence

The indemnification is only paid to that part of the Dutch refining industry that is exclusively equipped for and which is specialized in the refining of raw sugar. The quantity involved amounts to 80,000 tons refined raw sugar annually.

(iii) Amount of Subsidy

Total cost amounted to fl.1.8 million during 1958.

(iv) Estimated Amount per Unit

Fl.2.20 per 100 kgs. of refined sugar during 1958.

2. Effect of Subsidy

The programme applies to a small specific sector of the national sugar industry (refining plants); no effect on the national sugar economy is discernible.

Feed Grains

1. Nature and Extent of Subsidy

(i) Background and Authority

Price regulations are based on the Agricultural Law 1957.

Each year guaranteed prices are established for feed grains. These prices are in principle equal to the production costs for producers on the clay soils. The guaranteed prices are exclusively being realized by means

of a system of equalization levies on imported feed grains. Producers of rye and oats on the sandy soils, where cost prices are higher, receive an allowance.

(ii) Incidence

The allowance is financed by the Agricultural Equalization Fund (LEF).

(iii) Amount of Subsidy

It is expected that the total cost of this allowance will amount to approximately fl. 45 million during the crop year 1959.

(iv) Estimated Amount per Unit

The allowance will amount to approximately fl.4.50 per 100 kgs.

2. Effect of Subsidy

This regulation is based on the social consideration that whereas grain farming is one of the few alternatives available to farmers on the sandy soils, they should be enabled to compete with producers in more favourable situations. The acreage devoted to production of feed grains has remained stable during the past decades.

Milk

1. Nature and Extent of Subsidy

(i) Background and Authority

Price regulations are based on the Agricultural Law 1957.

The purpose of this regulation is to guarantee a reasonable minimum income to the dairy farmer.

(ii) Incidence

The Government has established a guaranteed price of fl.28.90 per 100 kgs. of milk with a fat content of 3.7 per cent. for the period November 1958/November 1959. This guarantee only applies to a maximum quantity of 5 million tons of milk. A further limitation is that of the difference between the average price received by the dairy farmers for all milk produced and the guaranteed price, only fl.5.- per 100 kgs. will be paid in full by the Government, and only 50 per cent of the remaining amount if any.

The method of price regulation used in this instance may be described as follows:

Whereas the ultimate consumer price for fluid milk is fixed, the Government has also fixed a price of fl.31.10 per 100 kgs. for milk delivered by farmers to the dairy factories and used for fluid milk. The dairy factories, however, do not pay this price to the farmers. They pay him a so-called "industrial value of the milk". The minimum point of the "industrial value" is the "base price" which is determined by the support prices for butter, cheese and skim milk powder, which products may be sold, whenever necessary, to the Food Purchasing and Selling Bureau. Butter, cheese and skim milk powder will, however, normally fetch higher prices.

The difference between the high price fixed for fluid milk, as mentioned above (fl.31.10 per 100 kgs.) and the "industrial value" paid to the farmer, is deposited by the dairy factory with the "Dairy Fund". These funds are distributed to all dairy farmers on the basis of total quantities of milk delivered. As a consequence the farmer receives an equal price for all milk delivered, independent of the purpose for which the milk has been used. (Industrial value plus allowance from the Dairy Fund.) In case these final proceeds do not reach the guaranteed price level (fl.28.90 per 100 kgs.) the Government supplies the difference, taking into account, however, the earlier mentioned limitations.

The Government also provides a consumer subsidy on fluid milk within the framework of its domestic general economic policy.

(iii) Amount of Subsidy

The total annual cost of the allowance to the dairy farmers - in order that they may obtain the guaranteed price - will amount to approximately fl.250 million for 1959.

The total annual cost of the consumer subsidy will amount to approximately fl.85 million for 1959. It may be added that the Government considers abolishing this subsidy in the near future.

(iv) Estimated Amount per Unit

The allowance to the dairy farmers will amount to approximately 4.6 cts. per kg. for 1959.

The consumer subsidy will amount to approximately 5.96 cts. per litre for 1959.

2. Effect of Subsidy

It follows from the above description that the subsidy does not affect the free price development in the milk market. Only a price floor at a relatively low level prevents a calamitous price fall. In case the dairy farmer should not receive the guaranteed price, his income would drop, at the present, with approximately 5 cts. per kg. of milk. Previous experience indicates that in the short run dairy farmers tend to increase production whenever lower proceeds occur, in order to maintain total income.

It should be mentioned in this connexion that no alternative for dairy farming can be found on the major part of our pastureland, because it consists of low lying soils.

As a result of the consumer subsidy fluid milk prices are relatively low. This price level tends to increase fluid milk consumption. As a result milk consumption is relatively high when compared with most other countries; (annual per capita consumption of fluid milk and cream is presently 200 kgs.).

Bacon

1. Nature and Extent of Subsidy

(i) Background and Authority

Price regulations are based on the Agricultural Law 1957.

The allowance on bacon has a dual purpose. It is intended to stabilize and support prices in the hog market. It has also a social aspect, because hogs are mainly produced on the small mixed farms on sandy soils.

(ii) Incidence

The Government annually provides from the LEF a certain amount to the Commodity Board for Livestock and Meat for various marketing activities. For 1958 a total amount of fl. 10 million (as a maximum) has been allotted.

The Commodity Board for Livestock and Meat periodically determines prices for bacon hogs to be delivered by farmers to the bacon factories, as one of its methods to stabilize prices and incomes in hog production. In case prices for bacon on the London market are so low that regular processing costs cannot be recovered, the Dutch packing houses receive an allowance.

The Government has also agreed to make available during 1958 an amount of fl. 20 million (as a maximum) for additional support. This amount will, however, only be allotted in case of a calamity in the hog market.

(iii) Amount of Subsidy

The allowance involved during 1958 a total amount of fl.1.8 million.

(iv) Estimated Amount per Unit

The total export of bacon amounted to 25,375 tons during 1958, so that the allowance could be limited to 7 ots. per kg.

2. Effect of Subsidy

Exports of bacon have decreased substantially during the past few years notwithstanding the limited allowance granted.

Total exports of bacon were as follows:

| | | |
|------|---|-------------|
| 1956 | - | 42,000 tons |
| 1957 | - | 38,200 tons |
| 1958 | - | 25,400 tons |

Flax1. Nature and Extent of Subsidy(i) Background and Authority

Price regulations are based on the Agricultural Law 1957.

Processed flax has been offered against extremely low prices in the world market during the past years. In order to protect the domestic flax processing industry, flax processors will receive an allowance for the 1959 crop. This regulation, which bears no relation to agricultural policy, but which is of a social character, will probably be discontinued after the current year.

(ii) Incidence

The allowance will be paid by the LEF to the flax processing industry on the basis of the acreage from which the raw material has been processed. Total acreage devoted to flax production in 1959 amounts to 15,000 ha. The production of half of this acreage will be processed domestically, the other half will be exported for processing abroad (without allowance).

(iii) Amount of Subsidy

Total cost of the allowance will amount to fl.1.2 million during 1959.

(iv) Estimated Amount per Unit

The allowance will amount to fl.160.- per ha. of domestically processed flax.

2. Effect of Subsidy

Cannot yet be determined. Flax acreage has been reduced substantially in recent years as follows:

| | | |
|------|---|------------|
| 1956 | - | 32,000 ha. |
| 1957 | - | 23,000 ha. |
| 1958 | - | 16,000 ha. |

Cabbage

1. Nature and Extent of Subsidy

(1) Background and Authority

Price regulations are based on the Agricultural Law 1957.

Cabbage production has been limited during recent years, because consumption diminishes gradually, by means of an acreage allotment programme (as an average) to approximately 80 per cent of the 1957 production in all cabbage producing areas of the country. An additional measure has been undertaken in "Geestmerambacht" a "disaster area" in the North-Western part of the country which has traditionally exclusively been devoted to cabbage production. To producers in this area an allowance is being paid in case the acreage allotment programme does not result in a reasonable price level. The regulation is basically of a social nature. Its purpose is to encourage producers to switch to other crops.

(ii) Incidence

This programme is limited as follows:

The amount of the subsidy is decreased annually. For the crop year 1958/59 a total amount of fl.1.8 million has been allotted; fl.1 million for 1959/60; and fl.0.6 million for the next year.

The allowance is not paid on all cabbage produced in the Geestmerambacht area. Only the average quantity, which has been sold during the previous seven crop years, will receive an allowance. This allowance will be based on the difference between the average proceeds and the production costs in the most efficient production area. The allowance is financed by the LEF.

(iii) Amount of Subsidy

The total amount of the allowance was fl.1 million for the crop year 1958/1959.

(iv) Estimated Amount per Unit

The estimated amounts of the allowance were during the crop year 1958/1959:

| | | |
|---------------|---|----------------------|
| red cabbage | - | fl.0.27 per 100 kgs. |
| white cabbage | - | fl.1.83 per 100 kgs. |
| savoy cabbage | - | fl.7.72 per 100 kgs. |

2. Effect of Subsidy

Acreage devoted to cabbage has decreased during recent years:

| | |
|------------------|------------------|
| 1948 : 6,014 ha. | 1956 : 3,868 ha. |
| 1949 : 5,449 ha. | 1957 : 4,698 ha. |
| 1950 : 5,226 ha. | 1958 : 3,669 ha. |

II. NON-GOVERNMENTAL PROGRAMMES IN AGRICULTURE

Mangold- and Sugar-beet seed

Under the authority of the Commodity Board for Agricultural Seeds a decree providing for an allowance on the exportation of mangold seed has been promulgated. This allowance is only paid on seed of exceptional quality as defined in the official list of varieties. The allowance is financed from a special fund, which has been established with the proceeds from a levy on exports in previous years. This self-supporting programme of levies and reimbursements is administered by the farmers themselves. A similar arrangement has been developed for sugar-beet seed.

Cheese

In order to stabilize the domestic cheese price level and to prevent, as much as possible, the necessity of price support purchases by the Food Purchasing and Selling Bureau, an export allowance may be granted in exceptional cases. Such allowances are financed by the Dairy Fund. During 1958 the total amount of allowances was fl.0,4 million, while total exports of cheese reached a figure of approximately 85,000 tons.

Oil Seeds

The world market for oil seeds, oils and oil cakes is during the past decades being affected by a great number of artificial measures, undertaken by oil seed producing countries. Some countries using export levies, encourage the exportation of oils and cakes by charging lower levies on these products than on the exportation of raw materials.

The normal price relationships between oils and cakes on the one hand and oil seeds on the other are also being distorted by means of various currency manipulations. These programmes all aim at a protection of the oil-processing industry in the oil seed producing countries.

The Dutch oil seed-processing industry, dating back several centuries, has requested the Commodity Board for Oleomargarine, Fats and Oils, to issue a regulation in order to be able to cope with the situation as described above. The implementation of this programme provides for a levy of 10 cents per 100 kgs. on all oil seeds processed domestically. The funds thus created may be used to pay a "disparity allowance" on those oil seeds, which prices have been affected by discriminatory manipulations in the countries of origin. Such disparity allowances are mainly used for linseed and groundnuts.

III. PROGRAMMES OUTSIDE AGRICULTURE

Peat

1. Nature and Extent of Subsidy

(i) Background and Authority

Decree of the Minister of Social Affairs.

A guaranteed price has been established for manually dug large long lumps of peat which are used in several industries as fuel. This programme has a purely social character. Its purpose is to maintain employment for a small group of peatdiggers.

(ii) Incidence

All peat produced is being sold by a central sales agency, which also administers the support programme. In case the guaranteed price cannot be obtained, the difference between the actual proceeds and the guaranteed price is financed by the Ministry of Social Affairs.

(iii) Amount of Subsidy

The total amount of the allowance was fl.260,000 for 1958. A similar amount is expected for the current year.

(iv) Estimated Amount per Unit

The allowance per m³ amounted to fl.2 in 1958; it is estimated to increase to fl.2.20 in 1959.

Osierbeds outside the Dykes

1. Nature and Extent of Subsidy

(i) Background and Authority

Price regulations are based on the Agricultural Law 1957.

In order to prevent the outside slopes of the Netherlands sea-dykes from being scoured off by the fast currents occurring in the estuaries along the North Sea coast, large rectangular mats, braided from osiers and weighted with ballast, are deposited on the outside underwater slopes of the dykes. In view of the increasing need for osiers, as a result of the so-called Deltaworks, an allowance is provided for a limited acreage of osierbeds.

(ii) Incidence

On the approved acreage of osierbeds an allowance is paid once every four years (four years being a complete production cycle). The actual amount of the allowance depends on the quality of the osiers; it may vary from nil to fl.800 per ha. every four years. This programme is financed by the Ministry of Traffic and Public Works.

(iii) Amount of Subsidy

The total cost of the allowance will amount to fl.240,000 during 1959.

(iv) Estimated Amount per Unit

The allowance amounts to approximately fl.480 per ha. per four years as an average.