

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/1131

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Limited Distribution

S U B S I D I E S

Notifications of contracting parties

As indicated in paragraph 10 of the Report (L/970) of the Panel on Subsidies, which met from 6 to 11 April 1959, a number of contracting parties were asked to submit further information on certain aspects of the subsidization policy or to bring up-to-date their earlier notifications.

There are attached hereto the notifications received from the following contracting parties:

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The majority of these notifications have been sent in response to the Panel's requests. A review notification by the Netherlands, made in accordance with the recommendations of the Panel, has been distributed in L/1029.

BELGIUM

Notification of 19 August 1959

(Reply to Panel's questions. See also L/364/Add.7)

1. Character of the "Agricultural Fund" - The legal status, the objectives and the sources of financing of the Agricultural Fund are laid down in the text, attached as annex, of the law instituting the Fund.¹ Incidentally, this text has already appeared in the GATT document L/357/Add.5 of 19 September 1955 (page 12).
2. Wheat - The only cereal considered as bread grain in Belgium is indigenous wheat, and its production has gained in value from the fact that its use is compulsory for panification purposes. It might be mentioned, for information, that rye does not go to the making of panification flour in Belgium. It is considered as a coarse grain.
3. Coarse grains - No direct premium is granted to growers of coarse grains, malting barley and hops.
4. Other dairy products - Certain dairy products (other than butter) are being exported. As part of the measures taken in 1958 to stabilize the market for dairy products, subsidies were granted on exports of evaporated milk. The allocation of export subsidies was restricted to 3 per cent of total exports of dairy products other than butter. All export subsidies on evaporated milk were discontinued as of 1 March 1959.
5. Meat - In the meat sector, the target price corresponds to the cost price. The floor and ceiling prices are respectively 10 per cent below and 10 per cent above the target price; they represent the limits within which effective prices may fluctuate without calling for measures to be taken either in respect of the external market or on the domestic market.
6. Eggs - The assistance given to exports of consumption eggs (fresh eggs) consists of a "tax refund". This refund represents a compensation for the higher cost allowed for coarse grains consequent upon the implementation of the "droit spécial" (license tax) on imported cereals and cereal products. The intervention of the Agricultural Fund takes place when the price of eggs at production level falls below the target price. The amount of this export assistance is determined in relation to the fluctuations of domestic prices.

¹A copy of this document is available for perusal at the GATT Secretariat.

7. Tobacco - As the measures envisaged for the benefit of high grade Belgian tobacco are at present in process of being acted upon, it is not possible to estimate the amount which the subsidy will reach. It will probably find its level between the extreme limits provided for of 7 and 0 francs per kilo, the maximum total amount allowed being 10 million francs.

8. Industrial flour-milling - No subsidy whatsoever is in effect as regards flour produced by mills, regardless of its destination or of its quality.

DENMARK

A. Notification of 29 July 1959

(Reply to Panel's questions. See also L/964/Add.3)

1. Up to the present time no decision has been reached as to the use to be made of the money paid into the fund which derives from charges levied on imported coarsegrain and which is managed by the Ministry of Agriculture; the fund was established in pursuance of Act No. 205 of 16 June 1958 concerning a Grain Marketing Scheme for the harvest year 1958/59. As soon as a decision has been reached, the GATT secretariat will be informed hereof.

2. The Danish Dollar Export Incentive Scheme was established on 6 August 1952 as a result of the very severe competition which was inflicted on Danish exporters by incentive schemes introduced by a number of countries.

According to the original scheme, exporters must submit evidence of exports of Danish commodities to the dollar area in the form of foreign-exchange remittances for US or Canadian dollars. On production of such evidence exporters received "titles to import licence" for 10 per cent of the value of the exported commodities. When holders of such "titles to import licences", which were negotiable, presented these "titles" to the licensing authorities, the latter would issue, for the face value of the "titles", licences for import from EPU countries and certain other countries.

As a result of the negotiability of "titles to import licences" the latter would fetch a certain price in the market. In 1953 this price was fixed at 80 per cent. Commercial banks and stock exchange brokers understood to issue and to buy "titles" at that price. Hence, the actual value of the export premium represented 8 per cent.

From 1 January 1957 the Danish authorities began to liquidate the Dollar Export Incentive Scheme. The amount of "titles to import licences" was reduced from 10 to 7.5 per cent of the dollars earned. The market price remained at 80 per cent. The actual value of the premium is thus 6 per cent.

From 1 January 1960 the actual value of the premium will be reduced to 4 per cent. From 1 January 1961 it will be reduced to 2 per cent and by the end of 1961 the export premium will be discontinued.

Exporters are allowed a respite of 6 months to submit evidence of dollar earnings from exports in 1959, 1960 and 1961. The Scheme will thus cease to operate by 30 June 1962.

During the years 1953 through 1957 "titles" were issued in amounts which greatly exceeded those allowed for exports made under this Scheme. This resulted in the accumulation of a fund.

After the extensive liberalization measures taken since mid-year 1957 - especially the liberalization of motor-car imports - the demand for "titles to import licences" has fallen off very appreciably. The result has been that premium payments exceed the receipts from the issue of "titles to import licences"; the difference is met with money drawn against the above-mentioned fund.

Total exports on which premiums were allowed in 1958 amounted to Kr.946 million. Premiums on that amount ($7\frac{1}{2}$ per cent at the price of 80 = 6 per cent) represented approximately Kr.57 million. Imports for which "titles to import licences" were required aggregated about Kr.20 million. Receipts from such "titles" were 80 per cent of that amount, equal to Kr.16 million. The amount drawn against the accumulated fund in 1958 was thus: Kr.57 million less Kr.16 million, equal to approximately Kr.41 million.

B. Notification of 23 September 1959

I. Grain Marketing Scheme for the Harvest Year 1959/60

(a) Breadgrain

Art. No. 204 of 10 June 1959, on the Grain Marketing Scheme for the harvest year 1959/60, laid down special rules for the marketing of Danish breadgrain of the 1959 crop and for the milling thereof.

In pursuance of Section 1 of the Act, all marketing of the 1959/60 Danish crop of rye and wheat is unrestricted. However, until the end of March 1960, every grower of breadgrain in 1959 is entitled when selling the above-mentioned breadgrain to a dealer or mill authorized by the Minister for Agriculture, to obtain the following prices for breadgrain of a specified quality, delivered ex nearest railway station or harbour:

for rye:	47	kroner	per	100	kgs.
for wheat:	49	"	"	"	"

Prices are subject to adjustment according to quality. Furthermore, prices are to be increased by a storage premium of 40 øre per 100 kgs. on the first, and sixteenth day of each month, beginning as from 16 September 1959.

Upon resale to mills, the price must not be more than 2.75 kroner per 100 kgs. in excess of the above prices plus a storage surcharge.

All millers shall pay a charge on Danish breadgrain being milled. This milling charge shall be reduced by 40 øre per 100 kgs. per half month, from 5.40 kroner per 100 kgs. for the period 1 to 15 September 1959, in the case of wheat; and for the period 16 August to 15 September 1959, in the case of rye. A subsidy will be received amounting to 20 øre per 100 kgs. during the period 1 to 15 April 1960, thereafter rising by 40 øre per 100 kgs. per half month until the end of July 1960.

The Act furthermore provides that millers milling breadgrain are obliged to use certain quantities of Danish breadgrain for flour.

For the period up to 30 September 1959, a minimum of 90 per cent of Danish rye shall be used in rye milled for human consumption. After that time Danish rye is to be used exclusively.

Millers have been allowed to reduce the Danish wheat content of wheat to be milled for human consumption from the 70 per cent previously in force to 45 per cent, on condition that other soft wheat is admixed so that the content of Danish and other soft wheat shall be not less than 70 per cent.

The price in force for growers and millers, the amount of the milling charge and the subsidy to millers, as well as the percentages in force for compulsory admixtures in milling, have been fixed in such a way that the entire breadgrain marketing scheme is expected to be self-supporting.

(b) Coarse grain

The above Act of 10 June 1959, lays down the following regulations for the importation of coarse grain.

The Minister of Agriculture may levy an equalization charge on unmilled or milled grain and products thereof, which are imported during the period from 1 August to 31 July 1960.

The equalization charges shall be of such amount that the price c.i.f. Danish port, with addition of the charge will be:

for oats	37 kroner per 100 kgs.
" milo and millet	39 " " " "
" barley and maize and for rye and wheat used for animal fodder	40 " " " "

If during the eight weeks prior to fixing the above charges, the national quotation for pigs of first grade for the Danish co-operative bacon factories have averaged the prices listed below in column 1, the charges are to be reduced by the amounts given in column 2.

	1.	2.
above 370 øre to and including 380 øre		1 krone
" 360 " " " " 370 "		2 kroner
" 350 " " " " 360 "		3 kroner

and by an additional 1 krone for each fall of 10 øre in the eight week average of the above national quotation.

The charges collected shall be held in a fund managed by the Minister for Agriculture and expended by the Minister after consultation with the agricultural organizations

II. Home Market Scheme for Milk and Dairy Products

Pursuant to Act No. 183 of 10 June 1959, on home market prices for milk and dairy products, the Minister for Agriculture is authorized to take steps to ensure that the home market prices for milk, cream, and products thereof, do not fall below a figure corresponding to an accounting index for butter of 6 kroner per kg., and that the home market price for butter does not fall below a figure corresponding to an accounting index of 6 kroner per kg.

A home market price of at least 6 kroner per kg. of butter will provide farmers with a safeguard against home prices for milk and dairy products being affected by a possible fall in export prices below this amount. The result is that prices on the home market are not subject, to the same extent as formerly, to the price fluctuations on the export markets.

Under the above Act and according to the Order of the same date issued in pursuance of the Act a tax will be levied on all butterfat sold in the home market in the form of milk or other dairy products, excepting cheese, when the accounting index is below 6 kroner; this tax will correspond to the difference between the said 6 kroner and the lower accounting index fixed by the Dairy Trade Butter Export Committee. According to the Act, this accounting index shall be the average export price for butter.

The proceeds of the tax are to be paid to the dairies in proportion to the quantities of milk weighed in by them.

The scheme has not had any noteworthy effect because the average export prices (accounting index) for butter rose to 6 kroner shortly after the coming into force of the Act and has since then remained at or above this level.

FINLANDNotification of 25 July 1959

(Reply to Panel's questions. See also L/964)

1. SUGAR BEET

The Act of the Price Equalization Fund ceased to be in force on 31 March 1959. After this date, support measures for domestic sugar are taken under a Cabinet decision of 16 April 1959. The producers of sugar beets are paid a fixed price, which is calculated to correspond to the price index for agricultural products in September 1956 and to the crop of 400-525 million kgs of sugar beet produced under cultivation agreements. After a verification of the index, the price is reduced by Fm.0.01 per kg. for each full million of kgs. by which the total quantity of beets exceeds 525 million kgs. It is increased correspondingly for each full million kgs. by which the total quantity fails to come up to the lower limit of 400 million kgs.

In areas with exceptionally high production cost, this price may, by decision of the Ministry for Agriculture, be increased by 5 per cent.

A new government bill, containing the same principles, is being considered by Parliament.

2. VEGETABLE OILS

The support measures for domestic oil seeds are based on the Law No.144/55 (originally No. 534/44) on the price guarantee for oil from domestic oil seeds. Under this Law, the State Granary buys at a fixed price all oil of satisfactory quality extracted from domestic oil seeds for use in foodstuffs industry. The price is to be increased or lowered according to the development of the price index for agricultural products (base January - May 1954).

A new government bill, containing the same principles, is being considered by Parliament.

In addition, as mentioned in document COM.II/2(f), the margarine factories have, by agreement, pledged themselves to use domestic rapeseed oil up to 20 per cent of their need for margarine fats.

GHANA

Notification of 3 April 1959

Ghana does not at present operate any subsidies within the meaning of Article XVI of the General Agreement.

INDIA

Notification of 29 September 1959

The scheme of rebate on exports of handloom cloth, notified on 2 May 1955 (L/351/Add.1) has not undergone any change of substance. Exports of handloom fabrics from India during 1958 were 35,167,000 yards, valued at Rs. 52,352,000.

ITALY

Notification of 9 October 1959

Policy of stabilization and price
support for a number of agricultural products

Wheat

As a result of the advances made in Italy in the production of cereals, which to-day is sufficient not only to cover the needs of domestic consumption, but also to provide some additional volume for export, the Italian wheat policy has changed its course from a strict market protection to less stringent measures aimed, not so much at a hard and fast upholding of prices, but rather designed to boost the market, particularly during the most critical phase of production, that is to say at the time when the heaviest price fluctuations are likely to take place.

Accordingly, the system of total collection has been superseded by a modus of partial collection (based on quotas) whereby producers are required to deliver only part of their production, the balance (free quota) being freely marketable.

The quota for this partial collection, originally fixed at 16 million quintals, was later reduced to 12 million quintals. Thus shaping the course of the wheat trade towards the highest possible degree of liberalization.

Since the Italian wheat production now totals 90/100 million quintals, of which 50 per cent is freely negotiable, it follows that the above mentioned partial collection quota represents hardly 12 per cent of the total production and 26 per cent of the negotiable production; the producers are, therefore, exposed to the dangers of speculation to the extent of 33/35 million quintals, representing the freely negotiable portion in relation to the share of production subject to compulsory collection.

With a view to alleviating this disadvantage, voluntary wheat collections are arranged yearly, to which any grower may deliver the free quota portion of his production against payment of an advance based on the obtainable sales proceeds, any remaining balance being paid to him after final settlement of accounts.

The net price payable is arrived at after deduction of administrative charges, including interest on the sums borrowed from banks at moderate rates by the official body in charge of wheat collection.

The purchases are made by Government (at prices fixed beforehand by the Inter-ministerial Price Committee) through an official body constituted for this purpose, which controls distribution not only of the domestic wheat production, but also of imported wheat, the latter being still subject to a State monopoly.

With regard to voluntary collections, the official body, in its capacity as guarantor, handles the wheat collections for the account of producers (it acts as intermediary between producer and consumer) and pays to them the proceeds from the sale of freely marketable lots after deduction of all administrative charges.

Rice

Rice falls under the system of total collection, administered under the supervision of the Ministry for Agriculture by the National Rice Office for the account and in the interest of the producers.

The price for rice intended for home consumption - which absorbs two-thirds of total production - is fixed yearly by the Inter-ministerial Price Committee, while the price for rice intended for export is determined by free trading operations on the various export markets.

As a result of the re-organization of cultivation conducted over the past few years, the volume of rice production is now ranging about 6 million quintals, of which 4 million are absorbed by the domestic consumption, the remaining 2 million quintals being allotted for export.

Government makes no contribution to the cost of operation of the collection organization, nor does it subsidize rice production.

Hemp

Hemp is also subject to total collection, the organization and administration of which are handled by the National Syndicate of Hemp Producers.

The price payable at collection is fixed by the Inter-ministerial Price Committee, owing to the necessity of safeguarding both the interests of the producers and those of the industry utilizing the product.

Government does not participate in the operating costs of collection, nor does it intervene in any way in the fixing of prices.

By the terms of the law of 1 November 1957, a sum of 1.800 million was appropriated for the purpose of encouraging research and initiatives designed to improve methods of cultivation and to reduce production costs.

JAPAN

Notification of 5 November 1959

(This notification should replace preceding notifications which were reproduced in documents L/223 and L/380.)

The Japanese Government does not consider that at present it grants or maintains any subsidies, which operate in such manner as to require a report under the provisions of Article XVI. The Japanese Government, nevertheless, deems it appropriate to report on certain measures in accordance with the standard prescribed in L/951 so as to facilitate studies on the operations of the provisions of the above Article.

I. Special Measures for Rice, Wheat and Barley

1. Rice (domestic)

(1) Nature and extent of price support

(a) Purpose and legal basis

With a view to stabilizing people's living and securing the reproduction of domestic rice, the Government, in accordance with the Food Control Law (Law No. 40 of 1942), places under its direct control the whole quantity of rice, both domestic and imported.

(b) Operation

Under the Food Control Law, producers of rice are liable to sell the whole quantity of rice they produce, excluding their quota reserves, to the Government, which distributes the purchased domestic rice to the consumers at a fixed price, together with the imported produce. The Government's purchase price for the domestic produce is set at such a level as may ensure its reproduction by the producers, while the selling price is fixed with the object of stabilizing the consumers' household economy, since rice is the nation's most important staple foodstuff, and the Government, upon its responsibility, distributes it to the consumers in the quantity fixed so as to meet their essential need.

In 1958, the Government purchased 5,088,000 tons of domestic rice amounting approximately to ¥350,000 million in value.

(c) Amount of the subsidy

The Government's selling price is not determined by adding the purchase price to expenditures incurred by the Government, with the result that the difference between the two prices has to be met by the Government. The total amount of such expenditure on the 1958 crop came to ¥14,000 million.

(2) Effects of price support

The import of rice from foreign countries is made for the purpose of making up the absolute shortage of domestic production of rice.

2. Wheat and barley (domestic)

(1) Nature and extent of price support

With a view to stabilizing the livelihood of the consuming population and to securing the reproduction of domestic wheat and barley, the Government purchases, under the Food Control Law, the major part of the domestic produce, and places under its control the whole quantity of both the domestic and imported produce.

(2) Operation

Under the Food Control Law, the Government is authorized to purchase freely at fixed prices the domestic produce on the offer of sale from growers, and sell it to processors, together with the imported produce, in accordance with the supply and demand programme so as to stabilize the supply and demand situation as well as prices. From the standpoint of stabilizing the consumers' household economy, the Government's selling prices for wheat and barley are fixed by taking into account the consumers' household expenditure and the price of rice, while the Government's purchase prices are set having due regard to production costs and other economic factors.

In 1958, the Government purchased from the domestic producers 577,000 tons of wheat, 317,000 tons of barley and 329,000 tons of naked barley, totalling 1,223,000 tons. The total payment by the Government amounted to approximately ¥43,700 million in total, of which ¥20,900-odd million was expended for wheat; a little under ¥10,800 million for barley; and ¥12,000-odd million for naked barley.

(3) Amount of the subsidy

As in the case of domestic rice, the Government's selling prices for domestic wheat and barley are not calculated on the basis of the purchase prices plus all incidental charges, with the result that the Government has to bear the cost of price support operations. The total Government's expenditure for that purpose for the 1958 crops amounted to ¥8,700-odd million, of which about ¥4,200 million was accounted for by wheat; about ¥2,000 million by barley; and about ¥2,500 million by naked barley.

(4) Effects of price support

Wheat and barley are imported to cover the absolute shortage of quantity for self-supply of staple foodstuffs, particularly rice, therefore there has been no adverse effect to the importation of these staple foodstuffs.

II. Price Support Measures for Other Products

1. Price support for white potatoes, sweet potatoes, rapeseed and soya beans

(1) Nature and extent

(a) Purpose and legal basis

In order to maintain at a normal level the prices of white and sweet potatoes, which are important agricultural products only next to rice, wheat and barley, and those of starch, rapeseeds and soya beans, and thereby to contribute to the stabilization of agricultural production and farmers' household economy, the Government is taking price support measures for these agricultural products, under the provisions of the Agricultural Price Stabilization Law (Law No.225 of 1953).

(b) Operation

In regard to these products, the Government, taking into account the voluntary production control by growers' organizations, gives preference to purchases from the growers taking part in such organizations.

In 1958 and 1959, the Government purchased about 70,000 tons of starch, amounting approximately to ¥1,500 million in value; however, it purchased no other products in the same years. The Government's purchase prices for these products are fixed on the basis of prices worked out from agricultural parity indices and by taking into account production costs, the demand and supply situation and general economic conditions. For 1958, the purchase prices for white and sweet potato starch were respectively ¥2,070 per 45 kgs. and ¥1,550 per 37.5 kgs.

(c) Amount of the subsidy

Definite total figure of the Government's expenditure for the price support for the fiscal year 1958 is not yet available.

(2) Effects of price support

The import of starch has been almost nil for the last three years, and it is not considered that the price support operation may have affected in any way the import of starch.

2. Price support for sugar beet

(1) Nature and extent

(a) Purpose and legal basis

With a view to promoting the production of sugar beet and rationalizing farm management in cold regions and also to contributing to the improvement of self-sufficiency in sugar, the Government is taking price support measures for beet sugar, under the Law relative to Provisional Measures for Increased Beet Sugar Production (Law No. 2 of 1953).

(b) Operation

The Government purchases beet sugar manufactured from the sugar beet which is purchased from the growers at a price not lower than the fixed price.

The Government's purchase price for the beet sugar is set on the basis of the minimum producer price for the beet fixed by the Minister for Agriculture and Forestry plus manufacturing cost and expenses for purchase of sugar beets and for sale of finished product.

The Government's purchase price for the sugar produced in 1958 was ¥4,550 per 60 kgs., and about 1200-odd tons worth approximately ¥10,300 million were purchased by the Government.

(c) Amount of the subsidy

The total amount of the Government's expenditure on the price support in 1958 is as yet unknown.

(2) Effect of price support

As may be seen in the following table, this measure has not reduced the amount of sugar imports.

Quantity of sugar imported
(unit: 1000 tons)

<u>Year</u>	<u>Quantity</u>
1956	1202
1957	1161
1958	1221

3. Price support for raw silk

(1) Nature and extent

(a) Purpose and legal basis

In order to stabilize the prices for cocoons and raw silk, whereby to contribute to the stabilization of management of sericultural industry, the Government had resorted to special price support measures under the Silk Yarn Price Stabilization Law of 1951, but, since July 1958, it has been making efforts to the above end under the Silk Yarn Price Stabilization Provisional Measure Law.

(b) Operation

a. Raw silk. When its market price falls below its prescribed floor price, raw silk is purchased at the floor price by the Japan Export Raw Silk Custody Co.Ltd., an establishment which is jointly financed by the Government and silk producers, and in case raw silk is still in the custody of the Company after the elapse of a certain prescribed period, the Government, under the Silk Yarn Price Stabilization Law, is authorized to purchase it. The Government is also authorized to sell it when its market price exceeds its prescribed ceiling price.

Dried cocoons. When their market price falls below the prescribed floor price, dried cocoons are placed in the custody of the Federations of Agricultural Cooperative Associations designated by the Government, and necessary expenses required for custody are borne by the Government. And, in case dried cocoons are still in the custody of the Federations after the elapse of a certain prescribed period, they are purchased by the Japan Export Raw Silk Custody Company.

- b. The ceiling and the floor price of raw silk and the floor price of dried cocoons are fixed on the basis of production and marketing costs having due regard to the prices of principal textiles, general commodity price level, and other economic factors. For 1958, the ceiling and the floor price for raw silk were set at ¥3,833 and ¥3,166 per kg. respectively; though towards the end of the year the floor price was revised to ¥2,355 per kg.
- c. The total quantity of raw silk held by the Government and the Company came up to 96,000 bales at the end of 1958, but, on account of the revision of its floor price, the stockpiling situation improved and the demand for raw silk is reviving.

(2) Effect of price support

As is clear from the following table, it cannot be considered that the price support operation has affected the export of raw silk.

Quantity of raw silk imported
(unit: bale containing 60 kgs.)

<u>Year</u>	<u>Quantity</u>
1956	74,998
1957	74,710
1958	46,865

III. Subsidization

1. Subsidy for securing seeds

(1) Nature and extent

(a) Purpose and legal basis

With a view to producing high quality seeds and encouraging their wider use for the increased production of agricultural products, the Government grants subsidies with respect to the seeds of rice, wheat, barley, soya beans, etc. under the Law for Improvement of Principal Agricultural Product Seeds.

(b) Operation

In the fiscal year 1958 the following subsidies were granted by the Government to seed producers in respect of the under-mentioned crops, for establishment of ground-seed farms, stock-seed farms and seed farms:

(c) Total amounts of subsidies (unit: 1000 yen)

Rice	66,109
Wheat and barley	51,246
Soya beans	17,051
Corn	27,446
Flax	7,655
Sugar beets	3,985
Special products	2,923
Peas	1,824
Rapeseed	5,718
Fodder plants	49,129
<u>Total</u>	<u>233.086</u>

(2) Effects of subsidy

It is difficult to assess the immediate effects of the subsidy.

2. Subsidies for land improvement and reclamation works including wild land reclamation, sea coast or marshy land reclamation, field irrigation and drainage, arable land consolidation

(1) Nature and extent

(a) Purpose and legal basis

For the purpose of increased production and expansion of farmers' income through the improvement of agricultural productivity, subsidies are granted by the Government, chiefly under the Land Improvement and Reclamation Law, for field irrigation and drainage work, arable land consolidation work and wild land reclamation work as well as for sea coast or marshy land reclamation work. The subsidies are granted to settlers engaged in the reclamation of wild land for the volume of work actually done. Subsidies are also given under the Arable Land Fertilization and Cultivation Law for soil improvement work in respect of reclaimed land.

(b) Operation

a. Subsidy for field irrigation and drainage work

In cases where the execution of the construction work with farmers' own funds alone is difficult, the Government bears a part of the expenses which are necessary for the above purpose or grants subsidies. The proportion of the Government's share or the rate of subsidization amounts to 50-100 per cent of the required expenses needed, varying according to the scale of work.

In this case of subsidization, the main body undertaking the work is either the Central Government, the Prefectural Government or some other organization.

- b. Subsidies for arable land consolidation work
In cases where the prosecution of the work is difficult owing to the shortage of private capital, the Government gives financial aids, and the rate of aid is 20-60 per cent of the expenses required for the work. In this case of subsidization the main body undertaking the work is in most cases an organization other than the Central Government and prefectural governments.
- c. Wild land reclamation and sea coast or marshy land reclamation works
In order to assist in undertaking field irrigation and drainage work and sea coast or marshy land reclamation, the Government bears a part of the expenses required or gives financial aids. The amount of be borne by the Government and the proportion of its financial aid are 50-100 per cent of the expenses needed for either of the above-mentioned works, varying according to the scale of work. In this case, the main body undertaking works is either the Central Government, Prefectural Government or some other public organization.
- d. Work of bringing waste land under cultivation by settlers in land in the process of reclamation
As regards the work of cultivation of waste land by settlers, the Government helps them with 45 per cent of the expenses required for the work covering an area not more than 80 per cent of the land sold to them, in order to expedite the work of reclaiming waste land and to put settlers on a firm ground of farm management.
- e. Subsidy for soil improvement in respect of reclaimed land
Since reclaimed land contains a great deal of strong acid soil and that lacking in phosphoric acid, it is not suitable for the growth of crops. Accordingly, for the purpose of laying the foundation of farm management for settlers through improvement of the soil, prefectural governments help them with expenses for purchasing implements and materials necessary for soil improvement, while the Central Government gives financial aids to the prefectural governments up to 50 per cent of the expenses borne by them.

(c) Total Government subsidies and per unit area amount

The amounts of Government's subsidies for the fiscal year 1958 were as follows:

<u>Works subsidized</u>	<u>Total amounts of subsidies</u>	<u>Per unit area amounts</u>
Field irrigation and drainage	12,115	
Arable land consolidation	2,410	
Land development	4,620	
Sea coast or marshy land reclamation	4,579	
Soil breaking by settlers in land laid out for reclamation	795	¥55,000 per ha.
Soil improvement for reclaimed land	355	Main Island:¥11,200 Hokkaido:¥13,440 per

(2) Effect of subsidies

As these subsidies are not provided for specific agricultural products, their effects on the volume of import or export are unknown.

3. Subsidy for the work of laying out or improving grazing ground

(1) Nature and extent

(a) Purpose and legal basis

With a view to contributing to the stabilization and rationalization of farm management and to the ample production of low-priced live-stock products through securing fodder supply sources and intensification of land utilization, the Government is taking special measures for the work of laying out and improving pasturage centreing on the intensive dairy farming areas under the Dairy Farm Protection Law.

(b) Operation

Subsidies are granted by the Government to local public entities and agricultural cooperative associations (including federations of these associations) for the work of laying out and improving pasturage (clearing of obstacles, turning up and levelling ground, soil improvement, growing of grass) undertaken by them on grazing grounds which are under their management. In addition, subsidies are also granted to the prefectural governments for the task of planning, guidance, supervision and inspection with respect to this work.

(c) Total amount of subsidies and per unit area amount

In the 1958 fiscal year, the Government paid a total of ¥98,900,000 as the subsidy for the pasturage improving work covering 4,600 chobu; the rate of subsidy paid per chobu area was ¥21,500, or 30 per cent of the per unit area cost of the work.

(2) Effect of subsidy

Since this subsidization is aimed at laying out pasturage, it is difficult to estimate its effects on imports and exports of specific agricultural products.

4. Subsidy for purchase of tractors and other agricultural machinery

(1) Nature and extent

(a) Purpose and legal basis

The Government gives subsidy for the purchase of agricultural machinery in the cases mentioned below:

- a. According to a Cabinet decision, the Government pays in the way of financial assistance a part of the expenses for purchasing farming implements required for common use by villagers, in building up new agricultural and fishing communities.

- b. For the purpose of increasing the productivity of upland fields, the Government subsidizes partially the purchase of tractors and other necessary machinery.
- c. With a view to promoting dairy farming, the Government helps public bodies and others concerned with a part of the expenses required for the purchase of machinery necessary for improving pasturage.

(b) Operation

- a. With regard to the subsidy for developing agricultural or fishing areas standing in similar natural, social and economic conditions, it is intended to single out the work most suitable to the area concerned, out of such works as land consolidation work, construction work for common facilities or specially authorized undertakings, on the principle of "the right industry in the right place". The Government helps the organizations undertaking such works with a part of expenses for buying necessary machinery for common use.
- b. With a view to increasing the productivity of upland fields and to rationalizing farming operations, efforts are being made for improving poor soil strata by ploughing subsoil or otherwise by the use of crawler tractors, wheel tractors and other farming machinery. The Government pays a part of the expenses for purchasing the machinery incurred by prefectural governments who own it.
- c. For the purpose of expediting dairy farm industry development programmes, prefectural governments are carrying on an efficient pasturage improvement work by the use of mechanical power so as to build up the foundation of fodder supply which is essential for the rationalization of the industry. The Government subsidizes a part of expenses for the purchase of the necessary machinery.

(c) Total amounts of subsidies

<u>Works subsidized</u>	<u>Total amount of subsidies</u> (unit: 1000 yen)	<u>Rate of subsidy</u>
New farm-village founding programme	341,698	Within 50 per cent of purchase cost of machinery
Promotion of upland field farming	9,662	50 per cent of purchase cost of machinery
Pasturage improvement	52,529	ditto

(2) Effects of subsidy

Since this subsidy is not provided for increasing the production of any specific agricultural products, it is difficult to estimate its effect on the import or export of agricultural products.

5. Forestation work

(1) Nature and extent

(a) Purpose and legal basis

With a view to expanding forest resources and conserving national land, the Government subsidizes the fore-station work under the provisions of the Forest Law and the Local Finance Law.

(b) Operation

For the purpose of plantation and the improvement of natural seeding conditions undertaken by local public entities, corporations, associations and private entrepreneurs, subsidies amounting in all to 40 per cent of the necessary expenses are granted, of which, on an average, 30 per cent is given by the Government and 10 per cent by the prefectural government concerned. Especially, for infertile forest a total subsidy equivalent to 60 per cent of the necessary expense is granted, of which 50 per cent is given by the Government and 10 per cent by the prefectural governments.

(c) Total amount of subsidies

In the fiscal year 1958 subsidies granted by the Government totalled approximately 2,935 million.

(d) Per unit area amount of subsidy

In 1958 per hectare amounts of the subsidy given by the Government for general forestation work and infertile forest land improvement work were ¥9,853 and ¥25,000 respectively.

(2) Effects of subsidy

It is not considered that the measure may exercise an immediate effect on the import and export of timber.

6. Subsidies for propagation and supply of fish and shell-fish in shallow seas

(1) Nature and extent

(a) Purpose and legal basis

For the purpose of conserving fishery resources and promoting inshore fishery, subsidies are granted by the Government for the preparation of fishing grounds and for the development of seed cultural facilities in respect of important shallow sea marine products (scallop, oyster, laver etc.).

(b) Operation

The outline of subsidization is as follows:

- a. Scallop. The Government gives financial aid in paying one-third of the expenses for the establishment of scallop farms.
- b. Oyster. The Government gives financial aid in paying one-half of the expenses for the establishment of oyster beds.
- c. Laver. The Government pays one-third of the expenses required for the establishment and improvement of laver farms.
- d. Trout and salmon. The Government grants a subsidy to meet one-third of the expenses for the establishment of rainbow trout farms and a part of the expenses for purchase of seeds of salmon and other species of trout.
- e. Protective water surface area management. In addition to the subsidies mentioned above, for the purpose of conserving fisheries resources, the Government grants to prefectural governments a subsidy equal to one-half of the expenses for management of the protective water surface areas designated by the Minister for Agriculture and Forestry.

(c) Total amounts of subsidies and per unit amount

	<u>Per unit amount</u>	<u>Total amount</u> (in thousands)
Scallop		¥1,300
Laver		¥8,700
Oyster	¥167,000(per bed)	¥5,018
Rainbow trout		¥20,000
Other species of trout, salmon	¥1,400,000(per fish farm)	¥6,800
Protective water surface management	¥0.3 (per fish)	<u>¥4,140</u>
	Total	<u>¥55,958</u>

(2) It is difficult to estimate the effects of these measures on the export or import of marine products.

LUXEMBURG

Notification of 7 July 1959

(Reply to Panel's questions. See also L/964/Add.10)

No subsidy is paid to the Government of Luxemburg on exports of agricultural products. Losses resulting from export transactions are borne by the producers. In this connexion, a distinction should be made between products for which official prices are fixed by the State at production level and those for which the prices to producers result from free trading.

Butter, horned cattle and pigs fall under the former of these two classifications. For these, official prices at production level are fixed on the basis of cost by government after consultation with the "Centrale Paysanne" acting in the capacity of Agricultural Chamber. Because of rather unfavourable conditions in the production of these items, the level of these prices is comparatively high. For general economic reasons, prices at consumers' level are fixed lower than the prices to producers. The difference between consumer prices and prices to producers is made up by the so-called "structural" subsidies (see also document L/964/Add.10 of 7 April 1959).

The official prices payable to producers only apply to the volume of production consumed within the country. Any portion of production in excess of domestic consumption must be exported. For this portion, producers only receive the price realized on the export market, which price is generally lower than the price guaranteed to them on production consumed in Luxemburg. The market organization existing in these sectors of agricultural production makes it possible to apportion the export losses over the entire volume of production sold. This equalization of prices is carried out as follows:

- for butter: at the dairy stage by the "Fédération des laiteries luxembourgeoises", which calculates the average price payable to the farmers for the entire dairy production sold both within and without the country.

- for horn-cattle and pigs: by means of fees levied on all sales of cattle for slaughter. These taxes are paid into a compensation fund which serves to finance the stocking, processing and disposal of surplus production.

In the case of potatoes, the price to the producer is determined by the free play of supply and demand. Apart from the possibility afforded to close the border during part of the year (from 1 August to 30 March), government does not intervene in the marketing of potatoes or in the fixing of their prices. Nor is there any State intervention in respect of exports.

FEDERATION OF MALAYA

Notification of 6 November 1959

A. Fertilizers Subsidy Scheme for Padi Cultivators:

1. Nature and Extent of Subsidy:

(a) In 1955 the Federation Government appropriated a sum of \$10 million to the various States for the purpose of carrying out measures which would ensure an economic return to the rice cultivators. The State Governments on their part utilized the funds for various schemes such as the building of minor drainage and irrigation works, roads and bridges in the rice cultivation areas; pest control; loans to cultivators for recovering mortgaged land and for purchasing new land and agricultural implements. Part of the funds is also used for fertilizer subsidy schemes which seek to encourage cultivators to utilize fertilizers in order to increase the yields and improve the quality of their crops.

The subsidy schemes are operated directly by the State Governments subject to prior approval by the Federation Government.

(b) Incidence:

The subsidy is paid direct to the suppliers of fertilizers. The amount varies from year to year depending on the acreage of rice cultivation which comes under the scheme.

(c) Amount of Subsidy:

During the period 1955 to 1958 the total expenditure was \$472,087.51.

(d) Estimated Amount per Unit:

The rate of subsidy ranges between one quarter to one half of the cost of fertilizers per acre.

(e) Effect of the Subsidy:

The subsidy has enabled cultivators to use more fertilizers for their crops and to improve the yields. The subsidy schemes are operated only in a very small sector of the total area under rice cultivation in the Federation, where the harvest is consumed mainly by the cultivators themselves. It has, therefore, not led to increase in export or reduction in imports.

B. Guaranteed Minimum Price for Padi:

1. Nature and Extent of Subsidy:

(i) Background and Authority:

The purpose of the guaranteed minimum price for padi is to protect the producer against a sudden fall in the market price of the product and against exploitation by unscrupulous buyers or middlemen.

(ii) Incidence:

The guaranteed minimum price is fixed by the Government from year to year and it represents an undertaking by the Government that, in the event of the market price falling to the level of the guaranteed minimum price, Government will purchase all padi at that price. It is based on the reckoning that it should be a little below the expected market price for the season.

During the last four years the price has been fixed at \$15.- per picul (133 1/3 lbs.). Government purchases padi in the form of rice through the Government mills and licensed private mills.

(iii) Amount of Subsidy:

As Government purchases of padi are operated in conjunction with the Government Reserve Stock of rice (see report on State trading) the quantity purchased and the amount paid cannot be revealed.

(iv) Estimated Amount per Unit:

(v) Effect of Subsidy:

The guaranteed minimum price does not affect the price in the free market of rice. It only serves to help domestic cultivators in time of sudden drop in that price.

UNION OF SOUTH AFRICA

Notification of 3 September 1959

(Reply to Panel's questions. See also L/964/Add.1)

I. It is correct that the subsidy on jute grain bags (referred to on page 16 of document L/964/Add.1) has been removed as from 1 April 1959. The South African Government at the same time has ceased to be the sole importer of jute grain bags and the major importer of rice. The importation of the aforementioned two commodities has now reverted to normal private trade channels.

II. The following additional notes on the incidence of stabilization measures are submitted in amplification of those contained in section B 1(b) on pages 20-23 of document L/964/Add.1:

Item 3

There is no stabilization fund for wheat. With very few exceptions wheat is imported annually.

For oats, barley and rye the following stabilization funds have been established:

Oats	£282,000
Rye	£110,000
Barley	£213,000

From these funds periodic losses on exports have been recovered. These have been as follows for the past three seasons:

Oats:

1955/56:	111,579 bags of 150 lbs. exported at a loss of £10,186
1956/57:	5,040 bags exported at cost
1957/58:	4,570 bags exported at cost

Barley:

1955/56:	10,702 bags of 150 lbs. exported at cost
	No exports during two succeeding seasons

Rye:

No exports during past three seasons

Item 4

The Cape Town Milk Board regulates the supply of fresh milk in the metropolitan area. Apart from supplies to ships' stores there are no exports of fresh milk.

The Dairy Industry Control Board controls industrial milk, butterfat, butter and cheese.

Practically no milk powder and only a small quantity of condensed milk is exported. These are ordinary commercial exports.

For butter and cheese a stabilization fund has been established, by means of levies, from which export losses are recovered. On 30 September 1958, the credit balance in the fund amounted to £1,555,000. No payments are made on milk powder or condensed milk exported. Losses on butter and cheese exported during the past four seasons have been as follows:

	<u>Butter</u>		<u>Cheese</u>	
	Quantity	Loss per	Quantity	Loss per
	<u>lbs.</u>	<u>lb.</u>	<u>lbs.</u>	<u>lb.</u>
1954/55	3,759,763	3.21d.	1,694,256	13.35d.
1955/56	3,116,522	2.87d.	29,877	3.94d.
1956/57	7,394,039	8.34d.	10,915	2.82d.
1957/58	5,191,398	10.95d.	1,780	0.60d.

Item 5

No beef or mutton is exported under stabilization measures. The Meat Industries Control Board has stabilization funds which are used in maintaining domestic prices and as in the case of pork these could be used if beef or mutton were exported at a loss. For the present no such exports are likely to take place.

Item 6

The Citrus Board has no stabilization funds for citrus fruit. It operates time and variety pools for exports as well as domestic sales and every producer receives his pro rata share out of the various pools.

Item 7

The Deciduous Fruit Board operates in the same manner as the Citrus Board but with combined export and domestic pools. It has built up a small reserve fund out of which growers were compensated for losses suffered when the precooling stores in Cape Town were destroyed by fire in 1958. No payments from this fund have ever been made to supplement export realizations.

Item 8

The Potato Board has levy funds from which losses on exports are recovered. The credit balance in the fund amounts to £471,000. The export trading results in table potatoes have been as follows for the past four seasons:

1954/55	15,233	L. tons	£24,223	profit
1955/56	21,578	" "	£ 9,398	"
1956/57	20,802	" "	£45,693	loss
1957/58	5,367	" "	£13,980	"

Item 9

The Oilseed Control Board has a stabilization fund, but it has never drawn on the fund to recover any losses. There are no special measures in force to aid the export of peanuts. Practically the whole sunflower seed crop is sold in the Union as well as part of the groundnut crop. Producers receive an advance price from the Board and one or more supplementary payments depending upon ultimate realizations for the total crops.

Item 12

The Chicory Control Board has no stabilization funds and chicory has never been exported.

Item 14

The Lucerne Seed Control Board has a small stabilization fund but has not yet made use of it. Practically all the seed produced is sold in the domestic market.

Item 16

The "Kooibos" Tea Control Board has a small stabilization fund. Current production is not sufficient for domestic requirements and exports are of no importance.

Item 17

The Banana Control Board has no stabilization funds. It is concerned with the distribution of locally produced bananas and bananas imported from Mozambique.

- (iii) As stated under Item 9 above, there are no special measures in force in South Africa to aid the export of peanuts.
- (iv) It will be appreciated if the amount of "10s.8d. per lb." in respect of tobacco quoted in the third line from the top on page 24 of document L/964/Add.1 could be amended to read: "10.8d. per lb".

UNITED KINGDOM

Notification of 19 August 1959

SUGAR

The following note on the operations of the British Sugar Corporation and the Sugar Board has been prepared at the request of the Panel on Subsidies. The United Kingdom Government does not, however, consider that these arrangements constitute a subsidy within the terms of Article XVI.

1. Raw sugar imported into the United Kingdom for refining and re-export is traded at world free market prices. The sugar passing into consumption is derived from three sources as follows:

- (a) sugar purchased at a negotiated price under the Commonwealth Sugar Agreement;
- (b) sugar produced from sugar beet grown in the United Kingdom;
- (c) sugar purchased at the "world price" from Commonwealth and foreign producers.

2. Under the Commonwealth Sugar Agreement the United Kingdom Government has undertaken to purchase an agreed tonnage of raw sugar each year from Commonwealth producers at a price negotiated annually and defined as being "reasonably remunerative to efficient producers". The Government implements its undertaking by means of the Sugar Board (set up under the Sugar Act, 1956) who purchase sugar from the producers at the negotiated price and re-sell it in the country of origin at the prevailing world price; any surplus or deficit incurred is passed on through the trade to the consumer by means of the mechanism of distribution payments or surcharge described below in paragraph 4.

3. Sugar beet grown on a Government-determined acreage (yielding about a quarter of United Kingdom sugar consumption) is bought by the British Sugar Corporation at a price also fixed by the Government. The sugar produced from the beet is sold in the United Kingdom at the prevailing internal level of prices which is broadly the world free market price for raws, c.i.f. London, plus duty, surcharge, refining margin and distribution charges. Any surplus on trading as in 1956-57, or deficit as in 1957-58 incurred by the Corporation is absorbed by the Sugar Board.

4. Any net deficits on trading incurred as indicated in paragraphs 2 and 3 are met by a surcharge imposed, for the benefit of the Sugar Board, on all sugar imported into, or produced in, the United Kingdom, and on the sugar content of all imported composite goods. If the world price of raw sugar is above that paid for Negotiated Price Commonwealth sugar and home-produced

boot sugar, so that a net surplus is made on trading, this is applied (as in 1957) in the form of "distribution payments" (or "negative surcharge") in the same way as surcharge, thus reducing the price of all supplies.

5. The effect of these arrangements is that (a) the prices of the various lines of supply are brought to a common basis, without cost to the Government, (b) the consumer pays the true average cost over a period of all sugar consumed in the United Kingdom, (c) all external trade in sugar, including the import of raw sugar, takes place on a "world price" basis; the export trade is not affected by surcharge or distribution payments, since there are provisions for reversing these at the export point.

UNITED STATES

Notification of 17 September 1959

This notification is made pursuant to the decision of the CONTRACTING PARTIES at the fifth session (GATT/CP/92, 11 January 1951). This notification provides supplementary information to the data provided in previous notifications by the United States under Article XVI, furnishing data with respect to the United States during eleven months of the fiscal year, i.e., 1 July 1958 through 31 May 1959.

In 1958-59 the United States Government used two general types of export subsidy programs for agricultural commodities and products thereof. The two types were (1) payments on export sales under the International Wheat Agreement, and (2) sales of Government-owned price support stocks at less than the domestic market price. The second group includes the payments-in-kind made in connexion with exports of cotton and grains from commercially owned supplies. There were no export payments or subsidy arrangements under section 32 of the Agricultural Adjustment Act of 1935, as amended, during the fiscal year 1958/59.

PAYMENTS ON EXPORT SALES UNDER THE INTERNATIONAL WHEAT AGREEMENT

I. Nature and Extent of the Subsidy

- A. Background and authority - The United States made export subsidy payments on wheat and flour exported under the International Wheat Agreement consistent with the benefits and obligations under that Agreement.
- B. Incidence - Payments were made to exporters. Rates on both wheat and wheat flour were established on a daily basis to take account of the difference between domestic market prices and wheat agreement selling prices. Rates varied during the period covered by this report.
- C. Amount of subsidy - Total payments in 1958-59 through 31 May amounted to \$37.3 million on the 69.3 million bushels of wheat, including the wheat equivalent of flour exported under the International Wheat Agreement. This subsidy figure includes both cash payments on exports of flour and the dollar value of payment-in-kind certificates redeemed in connexion with wheat exports.
- D. Estimated amount per unit - The average rate of subsidy in 1958-59 through 31 May amounted to 53.8 cents per bushel.

II. Effect of Subsidy

The program was undertaken to implement participation of the United States in the International Wheat Agreement. The subsidy facilitated exports within the agreed range of maximum and minimum prices. The quantity of wheat and flour sold in 1958-59 through 31 May for export by the United States under the Agreement was less than the quantities allotted to the United States in the export guarantee portion of the Agreement.

EXPORT SALES OF CCC PRICE SUPPORT STOCKS AT LESS THAN DOMESTIC MARKET PRICE AND EQUALIZATION PAYMENTS ON COTTON CONTAINED IN COTTON PRODUCTS

I. Nature and Extent of Subsidy

- A. Background and authority - During 1958-59 through 31 May the United States Government continued to dispose of some of the stocks of commodities acquired under domestic price-support programs below the domestic market price. These sales were made under authority of section 407 of the Agricultural Act of 1949, as amended, the Agricultural Act of 1956, and the Commodity Credit Corporation Charter Act. In conjunction with its export sales of cotton and under authority contained in the CCC Charter Act, as amended, equalization payments were made on the raw cotton content of exports of cotton textiles, cotton yarns, and spinnable cotton waste.
- B. Incidence - Except for cotton products, the subsidy took the form either of sales to exporters at prices below the domestic market price or payments-in-kind. In the case of cotton, the subsidy took both forms. In the case of cotton products, equalization payments were made to reflect the difference between the domestic and export price of the raw cotton equivalent contained in the products. Payments-in-kind were made for corn, barley, grain sorghums, oats, rye, wheat and rice.

Sales continued to be made pursuant to sales price lists, issued monthly by the Commodity Credit Corporation of the United States Department of Agriculture, indicating the sales price or sales price basis for domestic and export sales. While a large part of the commodities offered for export sale pursuant to these lists were priced below domestic sales, the United States continued to sell some commodities for export at the same price at which these commodities were being offered for domestic sale.

The pricing method used on export sales varies between commodities. For most commodities, sales were made on the basis of competitive bids. At the same time, a number of commodities such as dairy products were offered at specified prices. Sales prices were established at levels competitive with those prevailing in world markets on the basis of the best information available.

With respect to cotton products, equalization payments are made to exporters at a rate per pound calculated to reflect the difference between the domestic and export price for the raw cotton equivalent contained in the cotton products. These rates are determined monthly.

- C. Amount of subsidy - Sales of cotton for export continue to represent a substantial part of the total dollar value of sales of all commodities by CCC for export at less than the domestic market price.

At the same time, the volume of such cotton sales during 1958-59 was very substantially less than during the 1957-58 year, amounting to 1.9 million bales through 31 May, compared with over 5 million bales a year earlier. As pointed out in the two previous reports, a sales program was adopted in 1955-56 under which the CCC periodically has offered to sell cotton on a competitive bid basis with the condition that the cotton be exported within a specified period. This cotton export program was modified, effective 1 August 1958, by the inauguration of a payment-in-kind program for cotton. Under the payment-in-kind program, exporters of upland cotton obtained from commercial stocks were provided with certificates with a value based on the total quantity of upland cotton exported times the subsidy rate per unit. The certificates were then redeemed by CCC in cotton on the basis of the domestic price of cotton. The value of these certificates issued through 31 May amounted to \$8,810,418.

Exports of wheat from commercial stocks were encouraged by a payment-in-kind program which became effective during 1956. Under this program exporters were required to obtain their supplies primarily from commercial channels. On sales under the IWA as well as sales not under IWA exporters were provided with certificates having a value based upon the total quantity of wheat exported times the subsidy rate per bushel. The certificates were then redeemed by CCC on the basis of the domestic price of wheat. Under this program, 61 million bushels of wheat were distributed to exporters in return for certificates during the eleven months ending 31 May 1959.

Exports of wheat flour continue to be encouraged only by means of cash payments. As reported in the previous report, CCC sells no wheat for export as flour. During the fiscal year 1958-59 through 31 May, cash payments on flour exports, largely under the IWA and P.L. 480 programs, amounted to \$22.2 million.

As a result of export subsidies under the payment-in-kind program for wheat and cash subsidies on wheat flour, exports of wheat and flour were equivalent to about 389 million bushels during the eleven months ending 31 May 1959. This figure includes exports under the IWA, as well as those not under IWA.

Feed grain sales for export by CCC decreased in 1958-59. This resulted from a change in the feed grains export program, effective 12 May 1958 for corn and 1 July 1958 in the case of barley, grain sorghums, oats, and rye, under which CCC discontinued the sales of these grains for export, except where existing legislation requires dispositions to be made from CCC stocks. (By law, grain needed for barter contracts and for relief purposes under Title II of Public Law 480 and other legislation must come from CCC stocks.)

Under the payment-in-kind program in effect during 1958-59 exporters were required to obtain their supplies primarily from commercial channels. As indicated above, exporters were provided with certificates having a dollar value which were redeemed by CCC in feed grains. The subsidy rate for each of these grains is established competitively with exporters submitting their bids of a rate and the quantities to be exported. Under this program nearly 870 thousand metric tons of feed grains and rye were distributed to exporters in return for certificates.

A rice payment-in-kind program was inaugurated, effective 15 December 1958. As of this date, CCC discontinued the sale of rice for export except where legislation required dispositions to be made from CCC stocks. Under this program, approximately 50,000 bags of rice were distributed to exporters in return for certificates through 31 May 1959. Certificates issued in connexion with exports of rice are redeemable, at the owner's option, in feed grains as well as in rice.

It is not possible to report the total subsidy on all commodities sold by CCC at less than the domestic market price. CCC records show only the total loss sustained by CCC on such sales. These loss figures would be substantially larger than the subsidy, since they represent the difference between the sales price and CCC's total investment in the commodity which includes acquisition cost plus any additional costs incurred such as for storage, handling, transportation, etc. Furthermore, sales were made at many different locations, and the domestic market prices for these commodities fluctuated during the sales period.

While precise figures of the total subsidy are not available, figures are available on the total quantities of CCC stocks sold for export, generally at less than the domestic market price. These figures were as follows for 1 July 1958 through 31 May 1959 on the basis of CCC fiscal records:

Commodity	Unit	Quantity sold (mill. units)
<u>Cotton, upland</u>	bale	1.9
<u>Grains:</u>		
Wheat	bushel	71.2
Corn	bushel	41.4
Barley	bushel	18.6
Grain sorghums	cwt.	14.1
Oats	bushel	7.4
Rye	bushel	4.7
Rice, milled	cwt.	1.9
Rice, rough	cwt.	1.5
Beans	cwt.	$\frac{1}{2}$
Flaxseed	bushel	.9
<u>Dairy Products:</u>		
Milk, non-fat dry	pound	127.5
Butter	pound	9.5
Cheese	pound	3.3
<u>Fats and Oils:</u>		
Peanuts	ton	$\frac{2}{3}$
Cottonseed oil, crude	pound	196.4
Cottonseed oil, refined	pound	8.8
Tung oil	pound	8.3
<u>Naval Stores:</u>		
Rosin	drum	$\frac{3}{4}$
Turpentine	barrel	.2

$\frac{1}{2}$ 3,000 cwt.
 $\frac{2}{3}$ 8,904 tons shelled.
 $\frac{3}{4}$ 20,206 drums.

Under the cotton products equalization program, payments totalling \$10,813,215 were made to exporters during the period 1 July 1958 through 31 May 1959.

- D. Estimated amount per unit - The base rates of payment designed to reflect the difference between the export and domestic price of cotton contained in cotton products have, for the period 1 July 1958, through 31 May 1959, ranged from a monthly low of 5.61 cents to a monthly high of 6.28 cents per pound.

The rate of payment on cotton exported under the payment-in-kind program was 6.5 cents per pound. This rate was unchanged from 1 August 1958, the date the program went in effect, through 31 May 1959.

The average rate of subsidy on wheat and the wheat equivalent of flour exported outside the IWA at prices equivalent to wheat agreement prices was 54.6 cents per bushel.

The average rate of subsidy on exports of other commodities under the payment-in-kind program from 1 July 1958 through 31 May 1959 was as follows:

<u>Commodity</u>	<u>Unit</u>	<u>Rate of Payment</u>
		cents
Corn	bu.	11:2
Barley	bu.	16:0
Grain sorghums	cwt.	34:7
Oats	bu.	18:9
Rye	bu.	31:4
Rice	cwt.	25.8

It is not possible to estimate the average amount per unit on other sales for the reasons given above.

II. Effect of Subsidy

Sales of price-supported stocks were made at prices below the domestic level so that United States products might share equitably in world trade in these agricultural commodities.

The effect of these subsidies depended not only on sales prices established by the United States, but also on sales prices established in other exporting countries. Furthermore, since some of the commodities, particularly those where the subsidy rate was low, probably would have been exported in the absence of a subsidy, it is not possible to estimate precisely the quantity that would have been exported without the subsidy.

SUPPLEMENT TO
NOTIFICATION OF THE UNITED STATES
ON SUBSIDIES PURSUANT TO ARTICLE XVI

The Department of Agriculture conducts price support programs for a number of agricultural commodities under the authority of the Agricultural Act of 1949, as amended, including particularly the amendments made by the Agricultural Act of 1954 and the Agricultural Act of 1958. These programs are administered by the Commodity Credit Corporation. The latter is authorized to engage in buying, selling, lending and other activities with respect to agricultural commodities to stabilize, support and protect farm prices. Price support programs in various forms have been used since the establishment of the Commodity Credit Corporation in 1933.

BACKGROUND AND AUTHORITY

The price support programs are programs under which the Department of Agriculture provides price assistance to eligible farmers by providing an outlet for any quantity of a commodity which meets the eligibility requirements at certain specified dollars and cents prices, which remain unchanged throughout the price support period regardless of fluctuations in the market price.

Among the major objectives of the price support program are greater stability of farm income and prices in the interest of the entire population, and economy and assistance to farmers in the orderly marketing of their crops.

The price-supported commodities often are referred to as basic commodities, designated non-basic commodities and other non-basic commodities. Price support is mandatory for the six basic commodities and for ten non-basic commodities for each of which the Congress has determined that price support is necessary.

The Agricultural Act of 1949 makes it mandatory to support prices of the basic commodities (corn, wheat, rice, tobacco, peanuts and cotton, upland and extra-long staple). The Agricultural Act of 1949, as amended, also makes it mandatory to support prices of designated non-basic commodities (milk and butterfat, honey, tung nuts, wool, mohair, barley, grain sorghums, oats and rye) every year.

Support for all other commodities is discretionary with the Secretary of Agriculture. The Agricultural Act of 1949 authorized the support of any other agricultural commodity after consideration of eight specified factors.

The eight factors which the Secretary must consider before undertaking a non-mandatory price support program are:

- (1) the supply of the commodity in relation to the demand therefor,
- (2) the price levels at which other commodities are being supported,
- (3) the availability of funds,
- (4) the perishability of the commodity,
- (5) the importance of the commodity to agriculture and the national economy,
- (6) the ability to dispose of stocks acquired through a price-support operation,
- (7) the need for offsetting temporary losses of export markets,
- (8) the ability and willingness of producers to keep supplies in line with demand.

Price support extended on commodities for which such price programs are now permissive is equivalent to less than five per cent of farmers' total cash receipts and consists primarily of soybeans, but also includes cottonseed, crude pine gum, flaxseed and dry edible beans.

METHODS OF PRICE SUPPORT

The only methods of price support which may be used are those authorized by the Agricultural Act of 1949 and, in the case of wool and mohair, by the Agricultural Act of 1954, which is sometimes referred to as the National Wool Act. The Agricultural Act of 1949 authorizes prices of commodities to be supported through loans, purchases or by other operations. The National Wool Act authorizes prices of wool and mohair to be supported by means of loans, purchases, payments or other operations. Within this authority the Secretary of Agriculture determines the method most appropriate for the particular commodity on the basis of experience and other pertinent factors.

Prices of various commodities are supported in one or more of these four ways. The particular type methods used for various commodities are shown in the attached tabular presentation of supported commodities and support levels.

Loans. Storable commodities such as grains and cotton are generally supported by means of non-recourse loans to eligible producers (loans accounted for about 85 per cent of all price support extended during the period 1 July 1958 through 31 May 1959). Loans are made on any eligible quantity stored either in approved farm storage or in an approved warehouse,

using the commodity as collateral. Loans are available during a specified period following harvest, and a producer has the privilege of redeeming the loan at any time prior to maturity date by repaying the loan plus interest and any charges which may apply.

In this connexion there is some misconception of the manner in which this method of price support operates and in the terms used to describe it. For example, the word "subsidy" or "payment" is often used to describe the amount of funds advanced as a loan, security for which is the commodity on which the loan is made. Although price support loans are usually non-recourse, a large percentage of such loans are generally repaid. Where this is not the case, the government acquires the collateral so that the government's eventual losses represent the difference between the amount advanced under the price support program, including storage and handling charges, and the amounts received when the collateral is disposed of by the government.

Purchase agreements - Prices of most storable commodities also are supported by means of purchase agreements available during the same period in which loans are available. Under the purchase agreement the producer enters into an agreement with CCC, whereby the latter agrees to buy from the producer at the support price on the date when loans mature, at the farmer's option, a quantity of a specific commodity not in excess of the total quantity specified in the agreement. The producer is under no obligation to deliver any quantity, although the government is obligated to purchase up to the maximum quantity specified in the agreement, provided the commodity meets eligible standards.

Purchases - Where perishable or semi-perishable commodities, such as dairy products, are supported, purchase programs are generally used. Most of these purchases for price support are made from dealers or processors.

Payments - Payments are authorized only for wool and mohair. Under the payment program, as applied to wool, a grower sells his shorn wool at the market price through marketing channels. If the average price received by the producer for wool during the season is below the incentive or support price for the season, the producer then receives a payment from the government based upon this difference.

LEVELS OF SUPPORT

The method of support, level of support in terms of dollars and cents and in relation to parity,¹ and the period during which price supports will be available for 1959 crops are shown in the attached tables.

¹As used here and as defined in Agricultural Legislation, "parity" is a measure of the purchasing power of an agricultural commodity. The parity price of a commodity is that price which would give the commodity the same per unit purchasing power, in terms of goods and services which farmers buy, as it had in a given base period, generally 1910-14.

The levels at which commodities are supported are determined by the Secretary of Agriculture within the limits and standards prescribed by the Agricultural Act of 1949, as amended, by the Agricultural Act of 1954 and the Agricultural Act of 1958. These limits are narrower and the standards more specific for mandatory than for non-mandatory commodities.

Non-mandatory Commodities

Commodities for which price support is permissive generally may be supported at up to 90 per cent of parity. The standards used by the Secretary in determining the specific level within this range are the eight factors or guidelines which were enumerated earlier.

Mandatory Commodities

The criteria used for determining the actual level of support within the prescribed range, which differs substantially for basic commodities and mandatory non-basic commodities, are basically as follows:

Non-basics

For milk and butterfat, support is required at such level between 75 and 90 per cent of parity, as the Secretary determines necessary to assure an adequate supply.

For honey and tung nuts, support is required at between 60 and 90 per cent of parity, except that support for tung nuts is mandatory at not less than 65 per cent in any year in which domestic production of tung oil will be less than the anticipated demand for tung oil. The Secretary determines the actual level within these ranges on the basis of the eight guidelines.

Support is required for wool at such level not in excess of 110 per cent of parity as the Secretary determines necessary to encourage an annual production of approximately 300 million pounds of shorn wool, taking into consideration the costs affecting sheep production and prices paid. When a production level of 300 million pounds is reached, support is required at such level between 60 and 90 per cent as is determined necessary to encourage the production of 360 million pounds of shorn wool. Support for mohair and for pulled wool are determined in relation to shorn wool.

United States wool production and imports for consumption during recent years are as follows:

Year	Production			Imports clean content
	Shorn	Total	Approximate clean equivalent	
	mil. lbs.	mil. lbs.	mil. lbs.	mil. lbs.
1954	236	279	136	206
1955	234	276	134	249
1956	239	279	135	247
1957	236	269	129	199
1958 prelim.	241	271	129	190

Price support for barley, grain sorghums, oats, and rye is required at such level as the Secretary determines is fair and reasonable in relation to the level at which price support is made available for corn, taking into consideration the feeding value of such commodity in relation to corn and the eight guidelines.

Basic Commodities

Among basic commodities, legislation provides different standards for establishing the actual support level which, depending upon the commodity may range from 65 to 90 per cent of parity.

For wheat and peanuts, when marketing quotas¹ have not been disapproved, support is required to cooperators at not less than the percentage of parity determined by the use of a minimum support schedule. This schedule contains a series of different minimum support levels, each of which applies

¹The national "marketing quota" is the quantity of an agricultural commodity produced on the national acreage allotment. The national marketing quota is allocated among the various states, counties, and individual producers. This quantity can be marketed without penalty, but a producer marketing in excess of his quota is penalized.

to a specific "supply percentage". The supply percentage indicates the relationship between the estimated total supply and the normal supply of the commodity at the start of the marketing year in which the support level will be in effect. Under this schedule, price support for wheat is required to be 90 per cent of parity whenever the supply percentage is expected to be not more than 102 per cent, or not more than 2 per cent above the normal supply. Support for peanuts is required at 90 per cent whenever the supply percentage is not more than 108 per cent. The minimum support level of 75 per cent for these commodities is reached when the supply percentage is 130. When marketing quotas have been disapproved by producers, support is mandatory at an average of 50 per cent of parity to cooperators.

Support for tobacco is required at 90 per cent of parity if marketing quotas are in effect and prohibited whenever producers disapprove marketing quotas.

In the case of corn, price support must be made available at 90 per cent of the average price received by farmers during the three preceding calendar years (adjusted to offset the effect of any abnormal quantity of corn marketed during any such year), but not less than 65 per cent of parity.

For rice, as with corn, price support is determined without regard to the supply percentage. For rice, of the 1959 and 1960 crops, support is required at not less than 75 per cent of parity, for the 1961 rice crop the support level must be not less than 70 per cent of parity, and for the 1962 and subsequent crops the support level shall not be less than 65 per cent of parity.

For cotton, under the provisions of the Agricultural Act of 1958, each farmer was given a choice for the 1959 and 1960 crops between (A) his regular acreage allotment and price support as determined by the supply percentage schedule (except that for the 1959 crop the support level could not be less than 80 per cent of parity), or (B) an increase of not to exceed 40 per cent in his regular allotment with support at 15 per cent of parity lower than the level determined for farmers who elected choice (A). (As a result of Choice (B) elections the national acreage allotment for upland cotton was increased approximately 1.0 million acres to 17.3 million acres).

Cotton producers after 1960 will receive price support at such levels as the Secretary determines within the following limits: for 1961, not less than 70 per cent of parity, and after 1961, not less than 65 per cent and for both periods not more than 90 per cent of parity. Also beginning in 1961, price support for cotton will be based on average quality and staple length rather than on 7/8 inch middling.

For extra-long staple cotton, price support is required within the range of 60 to 75 per cent of parity, the actual level to be determined after consideration of the eight guidelines and the price levels for similar qualities of cotton outside the United States.

Sugar

Sugar is the subject of special legislation. The Department's sugar program is omitted from this discussion because it is not a price support program. The principal objectives of the sugar program are, as stated in the preamble of the Sugar Act, to protect the welfare of consumers of sugars and of those engaged in the domestic sugar-producing industry and to protect the export trade of the United States. The attainment of these objectives involves (1) the determination of United States total sugar requirements, (2) the establishment of quotas to the various domestic and foreign supplying areas in accordance with the provisions of the Act; and (3) payments to domestic producers of sugar beets and sugarcane grown for the production of sugar, provided producers comply with certain labour, wage, price and marketing requirements prescribed by the Act.

Period in which CCC price support will be available and maturity dates for price support loans on 1959 crops

Commodity	Method of support	Period support available ^{1/}	Maturity date ^{2/}
<u>Basic (mandatory):</u>			
Wheat	L&PA	Harvest-31 Jan. 1960	31 March 1960
Rice	L&PA	Harvest-31 Jan. 1960	14 March 1960
Corn	L&PA	Harvest-31 May 1960 ^{3/}	31 July 1960
Cotton:			
Upland	L&P	Harvest-30 Apr. 1960	31 July 1960
Extra-long staple	L	Harvest-30 Apr. 1960	31 July 1960
Peanuts	L&PA	Harvest-31 Jan. 1960	31 May 1960
Tobacco:			
Flue-cured	L	1 July 1959-29 Feb. 1960	On demand
Burley	L	1 Nov. 1959-30 Apr. 1960	On demand
<u>Mandatory non-basics:</u>			
Butterfat	P ^{4/}	1 Apr. 1959-31 Mar. 1960	No loan program
Milk, manufacturing	P ^{4/}	1 Apr. 1959-31 Mar. 1960	No loan program
Honey, extracted	L&PA	1 Apr. 1959-31 Dec. 1959	30 April 1960
Wool	PT	1 Apr. 1959-31 Mar. 1960	No loan program
Mohair	PT	1 Apr. 1959-31 Mar. 1960	No loan program
Tung nuts	5/		
Barley	L&PA	Harvest-31 Jan. 1960	30 April 1960
Grain sorghums	L&PA	Harvest-31 Jan. 1960	31 March 1960
Oats	L&PA	Harvest-31 Jan. 1960	30 April 1960
Rye	L&PA	Harvest-31 Jan. 1960	30 April 1960
<u>Other non-basics:</u>			
Crude pine gum	I ^{6/}	1 Jan. 1959-31 Dec. 1959	1 July 1960
Flaxseed-Ariz. & Calif.	L&PA	Harvest-31 Oct. 1959	31 January 1960
-Desig. Tex. Cos.	P	Harvest-31 July 1959	No loan program
-Other States	L&PA	Harvest-31 Jan. 1960	31 March 1960
Soybeans	L&PA	Harvest-31 Jan. 1960	31 May 1960
Dry edible beans	L&PA	Harvest-31 Jan. 1960	30 April 1960
Cottonseed	P	Harvest-29 Feb. 1960	
	L	Harvest-31 Jan. 1960	1 March 1960

L - Loan;
PA - Purchase Agreement;

P - Purchase;
PT - Payments.

1/ Covers period in which loans may be obtained, purchase agreements may be entered into, or purchases made.

2/ Loans mature on these dates unless called earlier or extended by CCC. In the case of wheat, barley, oats and flaxseed, loans in certain specified states mature earlier than indicated date.

3/ In areas where producers may not be or are not in a position to safely store corn for the full storage period, an earlier final date for availability may be established.

4/ Prices are supported by purchases of butter, cheddar cheese and non-fat dry milk solids.

5/ Details not announced at time this was prepared.

6/ Prices are supported by loans on turpentine, and rosin, or content thereof in crude pine gum.

Price Support Levels for 1954 and 1959

Commodity	Unit	Average support price		Support level as per cent of parity	
		1954	1959	1954	1959
		dollars	dollars	per cent	per cent
<u>Basic (mandatory):</u>					
Wheat	bu.	2.24	1.81	90	75
Corn	bu.	1.62	<u>1/1.12</u>	90	66
Cotton:					
Upland	lb.	.3158		90	
Choice (A)	lb.		.3040		80
Choice (B)	lb.		.2470		65
Extra-long staple	lb.	.6525	<u>1/ .5291</u>	<u>2/91</u>	65
Peanuts	lb.	.122	<u>1/ .09675</u>	90	75
Rice	cwt.	4.92	<u>1/4.38</u>	<u>2/91</u>	75
Tobacco:					
Flue-cured	lb.	.479	.555	90	90
Burley	lb.	.464		<u>2/91</u>	
<u>Mandatory non-basic:</u>					
Butterfat	lb.	.562	.566	75	77
Milk for manufacturing	cwt.	3.15	3.06	75	77
Wool	lb.	.532	.62	90	88
Mohair	lb.	.643	.70	83	75
Honey	lb.	.102	.082	70	60
Tung nuts	ton	54.96		60	
Barley	bu.	1.15	.77	85	60
Grain sorghums	cwt.	2.28	1.52	85	60
Oats	bu.	.75	.50	85	60
Rye	bu.	1.43	.90	85	60
<u>Other non-basic: (permissive)</u>					
Cottonseed	ton	54.00	38.00	75	57
Flaxseed	bu.	3.14	2.38	70	60
Soybeans	bu.	2.22	1.85	80	64
Beans, dry edible	cwt.	7.24	5.35	80	60
Crude pine gum unprocessed basis	bbl.	27.73	25.74	90	89

1/Minimum average support, may be increased if higher support is indicated at beginning of marketing year.

2/Support is in excess of 90 per cent of parity because parity at the start of the marketing season was lower than parity at the time the support program was announced.