

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED
L/1131/Add.1
18 February 1960
Limited Distribution

Original: English/French

S U B S I D I E S

Notifications of contracting parties

Addendum

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.

Notifications, and revisions, have now been received from the following:

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FRANCE

Notification of 1 February 1960

To facilitate an overall review of the operation of the provisions of Article XVI and in compliance with a request from the special group of experts during its meeting of April 1959, the Government of France is submitting to the permanent secretariat the present notification, intended to supersede the text submitted on 17 October 1958 and published under document L/880/Add.1 on 13 November 1958.

At the end of December 1958, France introduced a number of economic reforms, primarily in respect of foreign trade, the main elements of which are the following:

- Notification of parity franc-foreign exchange through a 17.55 per cent devaluation of the franc, the free convertibility of which is re-established in favour of non-residents who are not living in countries bound by bilateral payment agreements with France.
- Liberalization of trade exchanges progressively increased to the present level of 92 per cent (based on 1948) with the OEEC Member Countries, Ghana and the Malay States.
- Liberalization of trade increased to 80 per cent (based on 1953) with respect to Canada, the United States and their dependencies.

The re-establishment of competitive conditions for French products obviates the necessity of favouring exports with special advantages.

General conditions pertaining to agricultural production remain, however, unchanged, by reason of the peculiar hazards affecting this branch of the economy and because of the necessity of ensuring for it an adequate volume in the domestic market and of maintaining a sufficient level of income for the rural class, which represents a very important portion of the population.

In actual fact, there are no systematic subsidies being paid out in France in the case of agricultural products at production level. When assistance is being provided by professional organizations or by the State, the latter intervenes only occasionally and only to allow the carrying out of the agricultural policy as defined in the third French plan of modernization and re-equipment.

This agricultural policy is closely related to the price policy. For this reason, any imbalance which has a pronounced effect on prices makes it necessary to resort to procedures aiming at stabilizing the market. In addition and incidentally, such procedures operate in the case of export transactions by allowing the prices of export goods to be adjusted to the level of world prices.

The various kinds of assistance extended in France to agricultural products and textiles fall under Item B, which deals with programmes of income and price support.

They apply to the following products:

Cereals: Wheat, barley, rye, corn, rice.

Fruit and vegetables

Dairy products: Milk, butter, cheese.

Meat

Miscellaneous products: Olive oil, tobacco

Textile fibre plants and textiles

For the above products, the systems of intervention and their operation are as described below:

I. WHEAT AND CEREAL PRODUCTS

A. Wheat

(1) Nature and extent of support

Fixing by the State of a guaranteed minimum price for a given quantum.

(a) Legal background and authority - Decrees of 1936 pertaining to the "Office national interprofessionnel des céréales" and instituting a State monopoly for the wheat trade.

Decrees of 1953 dealing with agricultural market organization and with the operation of organizations for economic intervention.

Decrees of 18 September 1957 on conditions governing the establishing of agricultural prices.

(b) Incidence

Government policy is based on three main factors, consisting of:

- (1) fixing target prices for 1961, representing a drop in relation to 1957;
- (2) establishing a production quantum at guaranteed minimum prices, beyond which producers are only paid the average price of sales realized (i.e. practically the world price);
- (3) levying on deliveries from producers within the quantum, a graded tax known as surplus absorption tax, the amount of which, added to the tax receipts on deliveries in excess of quantum, is used to cover losses on sales of wheat exported or denatured.

The share borne by producers in the absorption of surpluses increases in production to the volume of surplus.

This policy is a long-term policy, from which it is difficult, at this early stage, to draw conclusions. It is to be underlined, however, that the share borne by the State has dropped considerably over the past few years, with a relatively constant volume of exports of 20 million quintals.

(e) Amount of support

Support is only extended to cereals intended either:

- to be denatured for cattle feeding purposes (resale at prices lower than the guaranteed price)
- to be exported, in the case of surplus, after calling for offers (resale at world prices, below the guaranteed price.)

(1) Amount of subsidy

	<u>1956-1957</u>	<u>1957-1958</u>
	(in million francs)	
<u>Incoming</u>		
Producers' contribution surplus		
absorption tax	11,000	11,500
Pertaining to quantum	1,000	22,200
Government contribution		
Budget	24,000	14,000
Import duties	<u>3,000</u>	<u>-</u>
	39,000	47,700
<u>Outgoing</u>		
Subsidy to exporters	36,700	32,000
Cost of denaturation	<u>2,300</u>	<u>15,700</u>
	39,000	47,700

The budget appropriation provided in 1959 amounts to 16 billion francs.

(2) Estimated amount per unit

Exportable surplus, consisting mainly of soft wheat and flour, amounts to a yearly average of 20 million quintals against a production of approximately 75 million quintals, or 27 per cent. Domestic consumption comes to 50 million quintals, and a portion of 5 to 6 million is reserved for cattle feeding.

These 20 million quintals exported can be given the benefit of an aggregate subsidy by the State of 16 billion francs, representing 30 per cent of the difference between guaranteed price and world price. It is to be noted that the guaranteed price of French wheat remains the lowest in Europe, having been fixed by decree of 7 February 1959 at Fr.frs.3,800 per quintal for the next three crops, against Fr.frs.3,596 in 1958. The tax contributed by producers to the policy of economic recovery amounts for 1959 to Fr.frs.255 per quintal.

Purpose of the subsidy - The objective of the Government policy is:

- to guarantee an adequate income to a particularly important class of the French population.
- to maintain French production of wheat and barley at its present level by increasing yield and decreasing sown acreage. Considering the fact that, in the agricultural sector, it is necessary to provide for a production slightly higher than actual requirements in order to palliate the effects of unforeseeable variations in yield, this production must be adequate to meet the demand of the domestic market and to fulfill export obligations undertaken on the basis of trade agreements contracted by France,

B. Barley - rye - corn - rice

For all these cereals, production is governed by a price policy laid down in a cereal production plan ("Plan Céralier"); In the case of rice, however, this plan is not yet definitely drawn up.

As in the case of wheat, the promotion of production for these cereals takes the form of a market organization proceeding from the institution of the "Office interprofessionnel des Céréales" and whose main task is to ensure the enforcement of legal prices to producers by means of appropriate operations (apportionment of surpluses and shortages, stockpiling, export of surpluses, etc).

These systems of intervention have been successful, over the past few years, in maintaining stability in the home market. It would seem, however, that they cannot be interpreted as constituting measures of support or incentives in the sense in which these terms are traditionally understood by the GATT. In the sector of cereals, for instance, present regulations do not provide for any incentive premium by unit of cultivated area or any bounty in favour of growers in particular geographical areas, as is the practice in several European countries.

The only case of actual assistance to production concerns the items of sowing seeds, in respect of which the following measures are in force:

- (1) Cereal sowing seeds are exempt from all revenue and social taxes at all stages of merchandizing, including resale (Article 53 of Finance Law of 14 August 1954);

- (2) Growers are exempted from the special taxes imposed by the national market regulations in the case of deliveries of ordinary grades of cereals on the basis of a system of exchange of sowing cereals against ordinary grade cereals. These special taxes include: the re-absorption dues (for barley and rye), the statistical tax, and the tax levied in favour of the "Fonds National de Progrés Agricole" (National Fund for Agricultural Development).

This exemption is confined, however, to exchanges at the rate of 150 kgs. of ordinary grade cereals for 100 kgs. of seeding cereals.

- (3) A subsidy is granted to growers in order to foster the cultivation of feed corn; it takes the form of a price reduction on sowing seeds and is borne by the "Fonds d'orientation et de Garantie Mutuelle". This subsidy, which in 1956/57 was at the rate of Fr.frs.1,000 per quintal, dropped to Fr.frs.800 per quintal in 1957/58 and was further reduced for 1958/59.

Lastly, the Fund contributes financially to the building up and the maintenance of an emergency stock of hybrid corn.

Measures of assistance, in the case of exports of the cereals, under consideration, are not necessarily provided by budgetary appropriations. For a very large part, as in the case of wheat, funds for that purpose are provided by the producers themselves in the shape of the surplus absorption tax which is borne by them.

This tax, for the 1958/59 campaign, amounted to:

Fr.frs.135 per quintal for barley
Fr.frs.150 per quintal for rye
Fr.frs.400 per quintal for rice

II. SUGAR

(1) Nature and extent of the subsidy

Assistance in the case of sugar consists of guaranteeing the price paid to producers on exported sugar within the limit of an established quota. It is financed jointly by the State and by a fund known as "Caisse Interprofessionnelle du Sucre". This guarantee provides the possibility of supplying the various territories of the French Communauté at the world price and of exporting sugar and sugar products to foreign countries.

Within the framework of the implementation of the sugar plan drawn up in 1957, Government has set for itself as an objective a yearly production of 2 million tons of sugar. This volume is sufficient to cover the consumption of the French Communauté and to provide some surplus for export to foreign countries.

(a) Legal authority

Decree No. 53-703 of 9 August 1953 - Law of 6 August 1955 -
Sugar Plan of 1957 - Order of 22 May 1959.

(b) Incidence

In the case of export transactions, the difference between the French domestic price and the world price is borne partly by the producers of sugar beet, the sugar-cane growers and the sugar manufacturers, who pay dues for this purpose into an inter-professional assistance fund, in application of Article 6 of the Law of 6 August 1955.

The intervention of the authorities is limited to a maximum quota of 300,000 tons, or 15 per cent of total French production, beyond which exports are effected without assistance. The extent of Government aid is fixed, as in the case of wheat, at 30 per cent of the difference between actual prices and world world prices.

It might be added that, heretofore, this aid has been almost exclusively made use of in trade exchanges within the countries of the French franc area whose sugar requirements are tradition traditionally supplied by Metropolitan France. Exports of sugar products to foreign countries hardly exceed 20,000 tons per year (or about one per cent of French production), of which approximately 10,000 tons to EEC countries.

(c) Amount of the subsidy

Total cost for the last campaign: 7 billion francs (of which 3093 million borne by the State).

The budget appropriation provided for this subsidy in 1959 amounts to Fr.frs.4410 million.

(d) Estimated amount per unit

Rate of subsidy (lump sum rate) varies according to country of destination:

Africa	Fr.frs.19.50 per kg.
Tunisia	" " 33.58 " "
Southern Oasis	" " 20.70 " "

Exports on calls for offers

Morocco	Fr.frs.32.02 per kg.
South Sea Islands	" " 25.40 " "

The average aggregate rate for the second quarter of 1959 amounts to Fr.frs.30.25 per kg. The share of support charged to the State Budget was reduced in the course of the last three campaigns from 14 to 13, then to Fr.frs.9.20 per kg. of granulated sugar No.3.

(2) Object of the subsidy

The assistance extended aims at protecting domestic production and the French sugar processing industry.

- It provides the possibility of maintaining retail prices at a moderate level in territories of the French franc area where sugar plays a highly important part in the population's diet and absorbs a not insignificant portion of the family budget of the poorer classes.
- It provides the additional possibility, incidentally, of exporting surpluses, but these are never in any volume, and the subsidy's justification is more on social than on economic grounds. Besides this some kind of assistance is being practiced by several countries which are party to the GATT.

III. FRUIT AND VEGETABLES

(1) Nature and extent of subsidy

The market organization for fruit and vegetables is handled through the so-called "Fonds de garantie mutuelle et d'orientation" for agricultural production, whose interventions are intended to avoid price breakdowns at producers' level.

(a) Legal authority

Decree No. 53.974 of 30 September 1953 with particular reference to heading III.

Decree No. 55.575 of 20 May 1955

Decree No. 55.1105 of 17 August 1955.

(b) Incidence

Government interventions aim at supporting market prices at production level when they drop below a profitable minimum fixed by the authorities. At that point and "à posteriori", the State assumes, within pre-determined limits per kg. of produce, the losses suffered by exporters on sales of such produce to foreign markets.

The assurance thus afforded to exporters that their losses will be covered by State assistance is an inducement for them to buy. This increase in purchasing power in turn results in re-establishing normal prices at production level.

At the time of concluding an export transaction, the exporter does not know the amount of the premium he will receive. He has the assurance, however, that any loss he may sustain will be covered by the State. His inducement to buy from the producer proceeds from this assurance.

It is to be noted that this procedure does not affect costs of the product to the country of destination. If costs are too high, the procedure does not operate. Only when prices are below landed cost does Government intervention come into play.

One of the conditions governing State intervention stipulates that the price at production level must remain below the minimum profitable rate for at least three consecutive days.

(c) Amount of the subsidy

The settlement of amounts due to exporters is effected solely by the authorities on the basis of information in their possession on prices at production level in the markets under consideration.

For the 1959 spring campaign (cauliflower), State intervention was confined to three days, during which prices at production level had dropped 10 per cent below the intervention price fixed by Government. With assistance amounting to Fr.frs.300 million, a volume of Fr.frs.6,500 million was exported, which represents a percentage of aid of 4.6 per cent.

With the improvement of operating procedures, the cost of this aid to Government is gradually being reduced to an appreciable extent. The budgetary credit allocated to the Fund amounts to Fr.frs.1.5 billion.

(2) Effect of the subsidy

This assistance is warranted on grounds of both economic and social character. It is actually in the nature of a safeguarding measure, since the prices fixed as allowing a minimum return are relatively low. On the other hand, the Fund had occasion to intervene in order to reduce the price discrepancy on foreign markets for vegetable produce of Algerian source, resulting from the very high cost of transportation.

(3) Apples for cider manufacture

No assistance, either systematic or occasional, is extended to promote this production.

In 1958, because of the exceptionally high crop, a special measure was resorted to by Government to stimulate exports, in the shape of a fixed refund for transportation costs on cider apples exported between 16 October and 31 December 1958 to Germany, Belgium, Luxemburg, the Netherlands and Switzerland.

Transportation by French National Railways was refunded at the rate of 50 per cent of actual costs, transportation by road at 35 per cent of actual cost.

A credit of Fr.frs.60 million was appropriated for this purpose by Decision No. 58-62 of 16 October 1958.

As a matter of fact, however, by reason of the technical and economic requirements which cider apples had to fulfill for export (minimum price to producer combined with quality standard), no export transaction was carried out under the benefit of this aid.

For 1959, because of the small volume crop, there was no reason for similar measures.

IV. DAIRY PRODUCTS - MEAT - EGGS

A. Dairy products

(1) Nature and extent of assistance

To ensure sales outlets for milk production at the prices fixed, interventions by a Purchasing Society and by the so-called "Fonds d'assainissement des Produits laitiers" must be resorted to for the purpose of assisting exports and maintaining domestic prices.

(a) Legal authority

Decree of 12 October 1954.

(b) Incidence

Assistance is extended to producers by the managing committees of the "Fonds d'assainissement" as follows:

- on exports to the overseas territories and to foreign countries;
- on purchases for stockpiling through the intervention of the "Interlait" Society;
- with a view to stocking for export on the basis of contracts entered into by private individuals;
- on proteins to be utilized in the domestic market (milk powder and casein).

Assistance is being extended upon request and upon investigation of each individual case in terms of possible selling prices abroad in relation to purchasing prices.

(c) Amount of subsidization

This aid is being financed through a levy from the tax on meat transportation (6 per cent in the case of butter and milk products), these two markets being dependent on each other. The budget appropriation provided for this purpose in 1959 was Fr.frs.10,119 million.

From present indications, only Fr.frs.6 billion will be utilized out of this appropriation.

In 1959, as in the case of the previous two years, credits earmarked for butter export permits amount to Fr.frs.3 billion, 60 per cent of this sum being allocated to exports to Algeria and cverseas territories.

(d) Estimated amount per unit

Last year, the same amount of Fr.frs.3 billion was allocated for a volume of about 11,000 tons of butter.

(2) Effect of the subsidization

This aid falls, as in previous cases, under the French policy of support of agricultural prices and income.

B. Meat

(1) Nature and extent of subsidization

Assistance under this heading is designed to ensure sales outlets for meat at fixed prices with a view to stabilizing market rates and of supporting agricultural income. It is being dispensed through the "Fonds d'assainissement" of the meat trade.

(a) Legal authority

Decree No. 53,980 of 30 September 1953.

(b) Incidence

Assistance is granted to producers by the managing committees of the "Fonds d'assainissement"

- on exports to the overseas territories and to foreign countries;
- on purchases for stockpiling through the intervention of the "Inter-professional Society" for Cattle and Meat (SIEEV).

It is being dispensed upon request and upon investigation of each individual case in terms of possible selling prices outside of the home market in relation to purchasing prices.

Since the trade liberalization measures taken at the end of 1958, this aid is no longer being resorted to in technical transactions and "coupled" operations whereby import licences for products required for French consumption were granted in exchange for exports of surplus commodities (fore-quarters of bovine cattle).

(c) Amount of subsidization

Assistance under this heading is financed through a levy from the meat transportation tax (5.5 per cent).

The amount provided in the budget for this purpose in 1959 is Fr.frs.5,600 million.

In 1959, this aid is being granted in the case of pork only, beef being excluded by reason of the steadily increasing domestic demand which made it necessary to restrict outlets of bovine cattle. On pork, it amounts to approximately Fr.frs.30 per kg., which in relation to an export price of Fr.frs.220 per kg. represents 13.6 per cent.

(2) Object of the subsidy

This aid is motivated by the same reasons as in the case of the aforementioned measures, i.e. stabilization of market prices and support of producers' income,

C. Eggs

This commodity is being mentioned "pro forma" only, since it has been entirely liberalized and is no longer, therefore, under the benefit of any assistance whatever.

There formerly existed a price-regulating procedure whereby intervention prices - floor and ceiling prices - were officially fixed. This procedure was only resorted to as an export incentive for the period from March to June 1957. It was being financed through the agricultural "Fonds de garantie mutuelle et d'orientation", the aid representing an average of Fr.frs.3.50 per egg exported and totalling Fr.frs.138 million.

V. OLIVE OIL

Since 29 December 1958, all measures of assistance to exports of olive oil have been lifted.

In sectors other than export, Government intervention takes the form of a market organization, the object of which is to enforce fixed prices within the limits of foreseeable consumption, taking into account all related trends.

The responsibility for this market organization falls under the functions of the Fund for support and stabilization of the edible oil market.

VI. TOBACCO

(See document L/784/Add.2 of 17 October 1958).

Tobacco growing is not in itself under the benefit of subsidies. In France, the State monopoly on the tobacco trade also covers its cultivation. It is operated by a special department for the tobacco and match industries (SEITA) which allocates permits to grow tobacco to planters and controls crops, which it is under the obligation to purchase in their entirety (law of 28 August 1816 - heading 5).

The purchasing price for leaf tobacco cannot, therefore, be a market price; it is being fixed every year under the terms of a law of 17 August 1948 (heading II - Article 7) by a parity committee composed as follows in accordance with decree No. 50-1272 of 12 October 1950:

- eight Government representatives designated by the Ministry for Finance and Economy;
- eight representatives elected by the tobacco growers.

Under the circumstances, this procedure cannot be considered as a subsidy, although the present purchasing price for French leaf tobacco is higher than world prices. In fact, it is simply a matter of applying, in the case of tobacco, the same notion of a guaranteed minimum price which in France applies to a number of agricultural products.

VII. INCENTIVE FUND FOR TEXTILE PRODUCTION

(1) Nature and extent of subsidy

Assistance is being extended to producers of textile materials through an incentive fund with a view to guaranteeing adequately profitable prices for their products and to supporting an action of technical improvement which is being conducted at all stages of textile production.

(a) Legal authority

The incentive fund for textile production was instituted by a law ratified on 15 September 1943.

Its terms of operation were laid down by law No. 48-23 of 6 January 1948 (Article 19), amended by Article 5 of law No. 53-1316 of 31 December 1953.

(b) Incidence

The Fund is financed by means of a tax specially earmarked for this purpose, levied on all sales and imports of products wholly or partly made of textile fibres.

This incentive tax is payable by all undertakings connected with the textile industry and subject to the tax on added value.

The rate of this tax, which amounted to 0.75 per cent since 1 January 1957, was reduced to 0.70 per cent by decree 59-177 of 17 January 1959.

From 1943 to 1954, the textile fund was operated under the terms of the laws governing special accounts of the State Treasury. Since 1 January 1954, it has been transferred to Budget heading VIII of the State Secretariat for Economic Affairs. Outlays can only be committed for and paid out by the Textile Fund within the limits of credits voted each year by Parliament and after consultation with the Control Committee instituted by Article 19 of law No. 48-25 of 6 January 1948, as amended by Article 5 of law No. 53.1316 of 31 December 1953. These credits cannot exceed Fr.frs.5 billion yearly, any excess proceeds from the tax reverting to the general budget.

Under the terms of decree No. 56.1139 of 13 November 1956, however, in application of basic legislation of 23 June 1956, 30 per cent of the proceeds of the textile production incentive tax are allocated as a fixed contribution for a period of five years, starting 1 January 1957, to the financing of a special fund for the purpose of paying premiums for sowing and of providing price support for textile products in overseas territories, the Cameroons and Togoland.

Assistance dispensed up to the present from this Fund comes under two categories:

- Direct assistance in the case of activities engaged in developing or improving textile productions (research, collective programmes of technical development, actions designed to expand outlets, investments for implementing new types of production).
- Financing of a price-support scheme for a number of textile fibres in Metropolitan France (flax, hemp, silk, wool, up to 1947), and for the principal textiles produced in the overseas territories (cotton, sisal, jute fibres).

(e) Amount of subsidy

Total amount	1957: Fr.frs.5.5 billion
	1958: (see annex) Fr.frs.4.136 billion

1959 budget appropriation : Fr.frs.5 billion
(of which Fr.frs.1.5 billion for textile production in overseas territories).

(2) Object of subsidy

This assistance to textile production is justifiable on both economic and social grounds.

It provides the possibility of promoting cultivation and production of textile fibres both in Metropolitan France and in the overseas territories, whereas, heretofore, since France had to draw her supplies largely from foreign sources, her trade balance was heavily burdened by such imports. This aid is of obvious economic and social interest to the French Overseas Territories.

ANNEXItemized list of subsidies dispensed from the incentive fund for
textile production in 1959

	Proposed subsidies (in francs)	Purpose of subsidy
A. <u>Research Institutes</u>		
- French Textile Institute (ITF)	420,000,000 (+ 50,000,000 earmarked in the event of a favourable decision by the tutelage Ministries on a plan to trans- fer the Central Laboratory of the ITF)	Financing of yearly operating costs
- Institute for Cotton and Exotic Textile Research (IRCT)	410,000,000	-do- Investment financing
- Textile Research Centre in Mulhouse (CRIM)	20,000,000	-do-
- Research Centre for Knitted Goods in Troyes (CRBT)	30,000,000	-do-
B. <u>Organizations for Technical Development</u>		
- National Committee for Wool Trade (sheep breeding in Metropolitan France)	200,000,000	Financing of a joint technical development programme
- National "Angora-Quality" Syndicate (angora wool)	14,000,000	-do-
- French Company for Textile Fibre Development (cotton from overseas territories)	295,000,000	-do-
- Sericultural organizations	25,382,000	-do-

	Proposed subsidies (in francs)	Purpose of subsidy
C. <u>Aid at production level</u> (price support)		
- Flax (1957-58 campaign)	1,700,000,000	Payment of premiums per kg. of material produced and merchandized.
- Silk (1958-59 campaign)	169,000,000	-do-
- Hemp (1957-58 campaign)	74,000,000	-do-
- Fibranne (short staple synthetic fibre) ¹	275,000,000	-do-
D. <u>Expansion of sales outlets</u>		
- Paris "Haute Couture" (Dress-making)	230,000,000	Aid to Paris dress-making firms
- Foreign trade fairs	70,000,000	Financing of French textile participation in foreign trade fairs and exhibitions.
- General textile propaganda fund	120,000,000	Financing of joint propaganda programmes for textile and garment industries.
E. <u>Sundries</u>		
- Saar territory textiles ²	25,000,000	Under consideration
- Agricultural Cooperative of broom producers of Southern France	9,000,000	Aid to textile broom cultivation.
	4,136,382,000	

¹ This amount of Fr.frs.275 million constitutes a "reserve" in the event that trade conditions made it necessary to resume the price support assistance extended to fibranne production in previous years.

² It should be recalled that textile production incentive tax is also levied in the Saar territory.

FEDERAL REPUBLIC OF GERMANY

Notification of 28 January 1960

The Federal Government has supplied, since 1953, information concerning spirits, hemp, flax, forage plant seeds, vegetable seeds and artificial rubber which were brought to the notice of contracting parties in document L/880 dated 16 October 1958. Moreover, reference is made to the information, furnished during the work of Committee II and embodied in document COM. II/2(1), concerning: flax, hemp, potatoes with high starch content, forage plant seeds, vegetable seeds, leguminous vegetable seeds, fertilizers, Diesel fuel, milk, eggs, the abolition of charges on imports of agricultural products designed for processing, the reduction of interest rates and the exemption from turnover tax.

In compliance with the requests stated in document L/809 and document L/970, the information contained in document L/880 and document COM. II/2(1) has been reviewed and supplemented. As regards the products in respect of which the Federal Government was asked to give explanations, the following details are submitted:

A. Spirits

I. Nature and Amount of Aid Granted

(a) Reasons and Legal Basis

The German exporter of spirits can neither purchase alcohol as a raw material on the German free market at competitive prices nor import it from abroad at world market prices, owing to the spirits monopoly legislation. In effect, the only source of spirits supply available to him is the Federal Monopoly Administration (Bundesmonopolverwaltung); but the Federal Monopoly Administration, in turn, cannot purchase the most advantageous product at the most favourable price as any businessman can because of the basic aim of sound agriculture and middle classes followed by the Spirits Monopoly Law; on the contrary, it is obliged to purchase spirits at legally-bound prices from a considerable number of medium and small-size distilleries which process expensive agricultural raw materials (grains, potatoes).

As a compensation for the price burden imposed on German spirits by the monopoly which mainly consists in the abstention from having spirits produced at minimum costs by few big concerns from cheap raw materials, section 105 of the Spirits Monopoly Law provides that, in the case of spirits to be exported or used in the preparation of products thereof to be exported, the Federal Monopoly Administration accords to the purchaser a special export price or, if he has already paid the domestic price, a reimbursement on exports. This compensation for the high price resulting from the monopoly does not constitute anything else than the elimination of an initial burden imposed by governmental action, the effect and significance of which are equivalent to the exemption of domestic products from indirect taxes as admitted likewise under the provisions of the GATT in the case of exports.

(b) Effects

The export price is accorded by the Federal Monopoly Administration to a purchaser of spirits designated for direct exportation or for the preparation of certain products of spirits to be exported. Destination for export is subject to control; the export price is fixed by the Federal Minister of Finance as a firm amount - in terms of one hectolitre of spirit of wine. The reimbursement on exports corresponds to the difference between the sales price of the Federal Monopoly Administration and the export price. It is likewise computed as a firm amount per hectolitre of spirit of wine.

(c) Amount of the Export Reimbursement

During the financial year of the Federal Monopoly Administration, 1956/57 (1 October 1956 to 30 September 1957), 2,861 hectolitres of spirit of wine or 0.25 per cent of the sales total of 1.246 million hectolitres was sold at the export price. During the same period of time, the paid export reimbursements amounted to DM.5.025 million or 2.28 per cent of the total proceeds of the Federal Monopoly Administration of DM.219.493 million.

(d) Estimated Amount per Unit

The difference between the sales prices of the Federal Monopoly Administration and the export price varies, according to the use to be made of the spirits, between DM.220 per hectolitre (brandy for human consumption and products made thereof) and DM.27 per hectolitre (spirits for industrial and technical purposes).

II. Effects of the Aid Granted

As has been stressed in paragraph I(b), there exists no real subsidy in this case but a compensation for an initial price burden imposed by the monopoly, this compensation being designed to render exports possible rather than to increase them. The amounts concerned may be gathered from the figures stated in paragraph I(c).

B. Flax and Hemp

I. Nature and Amount of Aid Granted

(a) Reasons and Legal Basis

To a certain extent the growing of flax is necessary for reasons relating to farm operation and the rotation of crops, and the growing of hemp is required for exploiting marshy soils. Owing to the situation of world market prices for flax fibres and hemp fibres, domestic producers are operating below the margin of profitableness. As in recent years, hemp growing must be expected to recede also in future. In the case of flax, production is presumed to be stopped almost completely because the processing retteries have closed down nearly all of their plants. In order to maintain the necessary growing of fibre plants at least to a limited extent, a subsidy must be paid out of Federal means.

The legal basis is constituted by the Budget Law.

(b) Application

The aid is granted in the form of a farming subsidy to agricultural producers of flax and hemp.

(c) Amount of Subsidy

DM.1 million had been earmarked for this subsidy during the fiscal year 1958. However, DM.270,000 only was utilized of that amount as a result of the decline in cultivation.

(d) Estimated Amount per Unit

DM.12 per 100 kgs. is granted for flax straw with seeds and hemp straw with and without seeds, and DM.15 per 100 kgs. for flax straw without seeds.

II. Effects of Aid Granted

The farming subsidies do not affect exports or the fully liberalized imports in any way.

C. Forage Plant Seeds

I. Nature and Amount of Aid Granted

(a) Reasons and Legal Basis

To ensure the supply of German consumers with racy seeds at reasonable prices it is indispensable to intensify the multiplication of suitable grades. This aim cannot be attained unless a gross yield per hectare corresponding to that of a normal grain harvest is guaranteed to producers also in the case of a poor harvest resulting from unfavourable weather conditions. As regards the subsidized forage plants, the value of produce is often disproportionate to the seeds yield because plants with high value of produce yield only a small amount of seeds per acreage unit. To maintain and promote the growing of plants for multiplication purposes, the aid is granted as a compensation because the efficiency of agriculture cannot be safeguarded, under partly difficult conditions of farming, unless tested seeds of registered grades are made available.

The legal basis is constituted by the Budget Law.

(b) Application

The aid is granted only to farmers growing seed plants for multiplication purposes and only in cases where the need for and appropriateness of aid in respect of the seeds concerned have been acknowledged after the harvest season.

(c) Amount of Subsidy

During the fiscal year 1958 a total of DM.2,211,000 was expended for such aids. Expenditures in the fiscal year 1959 are estimated at DM.2.6 million.

(d) Estimated Amount per Unit

The amount of aid granted depends in each case on harvest results and world market prices. It generally ranges between DM.8 and DM.45 per 100 kgs., according to grades, harvest results and world market prices.

II. Effects of Aid Granted

The aid granted offers the desired incentive to multiply such racy grades as meet with the quality specifications provided for by the Seed Law to ensure supplies to German consumers. In spite of these aid measures, imports have increased in recent years.

D. Seeds of Vegetables and Leguminous Vegetables

I. Nature and Amount of Aid Granted

(a) Reasons and Legal Basis

The high cost of growing vegetable seeds and seeds of leguminous vegetables cannot be covered only by the relatively small demand for and the sale of seeds. The propagation of new cultivation grades which, according to the Seed Law, are particularly suitable for cultivation in the climatic conditions of Germany and for meeting the demands of the German market as well as the partial coverage of cultivation costs can only be obtained by Federal aid. Most of the owners of vegetable-growing concerns had fled in 1945, destitute of financial means, into the Federal Republic from the Soviet zone of occupation. The cultivation concerns they owned there were in most cases expropriated by way of nationalization. The establishment of new concerns required and still required and still requires governmental aid.

The legal basis is constituted by the Budget Law.

(b) Application

Part of the aid granted in 1958 to vegetable-growing concerns was for cultivation grades which were rendered marketable for the first time after 31 March 1953 by their admission as high quality cultivation grades (Hochzuchtssorten) or prior to 31 March 1958, by the granting of grade protection. Another part was granted, on the basis of the product value, for recognized and admitted seeds which had been derived directly from preliminary stage seeds tested within the area of application of the Seed Law.

(c) Amount of Aid Granted

In the fiscal year 1958 a total of DM.640,000 was paid for promotion. It has not yet been decided whether any aid will be granted in 1959/60 and, if any, in which form.

(d) Estimated Amount per Unit

DM.500 to DM.5,000 per unit (depending, for each newer cultivation grade, on age and value).

II. Effects of Aid Granted

The aid granted does not affect the development of imports and exports in any way.

E. Potatoes with High Starch Content

I. Nature and Amount of Bonus

(a) Reasons and Legal Basis

In order to guarantee the necessary yield of light soils which are only suitable for potato growing and contribute but little to the supply of edible potatoes because of their location at a long distance from markets, growers of potatoes with a high starch content are granted a cultivation bonus out of Federal means.

The legal basis is constituted every year by the respective Green Plans, according to the Agricultural Law dated 5 September 1955.

(b) Application

The bonus is limited to such quantities of potatoes with a high starch content as are proved to be delivered to potato starch factories in the Federal territory under concluded cultivation and delivery contracts and to have a starch content the increasing level of which is fixed every year by the Federal Ministry of Agriculture. Payment of the bonus is limited to the quantities delivered to starch factories because such plants are unable to pay more than DM.0.40 per kg. of starch content for potatoes as a raw material as a result of the prices of foreign competitors being much lower than the German producer prices owing to governmental aid, whereas the Agricultural Law provides for proceeds of DM.2,000 to DM.2,400 per hectare to be sufficient to make potato growing profitable. Proceeds of DM.2,000 per hectare can only be obtained if the processing of potatoes containing 16 per cent of starch yields a price of DM.0.50 per kg. of starch.

(c) Amount of Bonus

The quota made available for payment of the bonus is limited to the potato quantity needed for the production of 30,000 tons of potato starch meal. Expenditures for the bonus amounted to DM.1.5 million in the fiscal year 1958, the estimate for 1959 provides for DM.3 million.

(d) Estimated Amount per Unit

The bonus amounts to DM.0.10 per kg. of starch contained in the delivered potatoes and is paid only if the starch factory proves to have paid to the potato grower a minimum price of DM.0.50 per kg. of starch, delivered at the factory, including the bonus.

II. Effects of Bonus

Of the normal potato crop in the Federal territory of about 24 million tons one third only can be marketed as edible potatoes while about 50 per cent is for animal feeding and 2 per cent for processing into spirits and starch. In order to ensure a better and more equal utilization of potato crops, the bonus is designed to promote the cultivation of potato grades with high starch content which are more suitable for animal feeding and processing purposes.

Payment of the bonus does not affect imports or exports. The bonus quota is limited to the normal production capacity of the existing plants of 30,000 tons of potato starch, the annual requirements of the Federal Republic being 60,000 to 65,000 tons of potato starch.

No subsidies or the like are granted in respect of high quality starch as such.

F. Fertilizers

I. Nature and Amount of Aid Granted

(a) Reasons and Legal Basis

In order to make the agriculture of the Federal area more competitive and to improve the production of soils, particularly in areas suffering from unfavourable conditions of production, it is necessary to grant, during a certain transitional period, subsidies out of Federal funds with a view to cheapening the purchase of fertilizers.

The legal basis is constituted by the Agricultural Law dated 5 September 1955.

(b) Application

The subsidy benefits the domestic consumers of fertilizers, namely, via the producers of fertilizers or via the trade both of which are compelled to channel the said amounts as trustees.

(c) Amount of Subsidy

During the fiscal year of 1958, an amount of DM.294.9 million was required for cheapening the purchase of fertilizers; for the fiscal year 1959, an amount of DM.230 million has been envisaged.

(d) Estimated Amount per Unit

So far, the cheapening accounted for 20 per cent of the list prices (without taking into account packing cost as well as margins of small enterprises); for the price year 1959-60, they were reduced to 14 per cent.

II. Effects of Aid Granted

Since the first beginning of fertilizers' cheapening, the consumption of fertilizers has developed as follows:

	Nitrogen (N)	Phosphate (P ₂ O ₅)	Potash (K ₂ O)	Lime (CaO)
Data in 1,000 tons of nutritives				
1955/56	472	479	847	741
1958/59	575	634	1,004	718
	+103	+155	+ 157	-23

G. Milk

I. Nature and Amount of Aid Granted

(a) Reasons and Legal Basis

This premium is granted from Federal funds with a view to increasing the milk price paid out by the dairies; it is to improve the quality and hygienic condition of the milk and is, moreover, to compensate the milk producers' considerably increased efficiency which becomes necessary by the steadily increasing requirements with regard to quality and hygienic condition of the milk. Thus, the aid granted must not be regarded as a subsidy but rather as a compensatory payment.

The legal basis for these compensatory payments is constituted by the Green Plan which is based on the Agricultural Law dated 5 September 1955. The criteria for the granting of this aid were published in the Bundesanzeiger No. 97 on 26 May 1959.

(b) Application

The premium is only paid to milk producers and merely for milk of the quality grades I and II delivered to the dairies.

(c) Amount of Aid Granted

For the fiscal year of 1959, a total amount of DM.376 million has been estimated.

(d) Estimated Amount per Unit

The amount of the premium has, first, been fixed for the period from 1 April to 30 September 1959. The premium amounts to DM.0.03 per kg. of milk from cattle free of tuberculosis and brucellosis and to DM.0.02 per kg. of milk from cattle which are in the process of being cured. The decision whether and to what amount the aid will be paid for the period from 1 October 1959 to 31 March 1960 is subject to some later date.

II. Effects of Aid Granted

The milk premium has led to an improvement of the quality and hygienic condition of the milk aimed at by the Federal Government. The increased milk deliveries until the end of the fiscal year 1958 did not experience any further upward development during the fiscal year 1959.

The premium did not affect the liberalized import and export of milk products. As to imports, this is also in future not to be expected with regard to the prices for a number of liberalized foreign milk products which are considerably lower in comparison with the domestic prices.

H. Skimmed Milk Powder

I. Nature and Amount of Aid Granted

(a) Reasons and Legal Basis

Inasmuch as the sale of skimmed milk powder to the processing enterprises of the food industry cannot be carried through to an extent necessary for the milk economy, efforts are made to cheapen the powder by granting subsidies from budget funds in order to facilitate the sale of skimmed milk powder to agriculture, to the feedingstuff industries etc. The legal basis for the provision of these funds is constituted by the Budget Law.

(b) Application

The subsidies are paid only upon application and only to the producers of skimmed milk powder.

(c) Amount of Subsidies

For the fiscal year 1959, a maximum amount of DM.1 million has been provided for. Of this amount, no funds have so far been utilized. During the fiscal year 1958, the expenditure made for about 5,000 tons of skimmed milk powder amounted to DM.776,000.

(d) Estimated Amount per Unit

During the fiscal year 1958, the subsidies granted for rolled skimmed milk powder amounted to DM.10 and for spray skimmed milk powder DM.16 per 100 kgs. respectively.

II. Effects of Aid Granted

Thanks to this cheapening, it has merely become possible to channel, at reasonable prices, the skimmed milk powder - not saleable within the food industry - to enterprises using it for feeding purposes. This action does not affect imports and exports.

J. Eggs

I. Nature and Amount of Compensation

(a) Reasons and Legal Basis

In order to bridge the difference between domestic and world market prices for coarse grains, a compensatory amount is paid from Federal funds for those eggs which are earmarked as German Standard eggs. The legal basis is constituted by the Law on the Promotion of the German Egg Economy dated 31 March 1956.

(b) Application

This compensatory amount is paid only to fowl keepers and only in such cases if the eggs are earmarked and sold as "German Standard eggs". The compensation amount resulting from the difference between the domestic coarse grain price and the world market price, is fixed on a quarterly basis.

(c) Amount of Compensation

For the fiscal year 1959, the estimated total amount aggregates DM.48 million.

(d) Estimated Amount per Unit

The amount of compensation per egg was during the quarter from 1 April to 30 June 1959 DM.0.03 and has also been fixed for the quarter from 1 July to 30 September 1959 at the legal maximum rate of DM.0.03. For the last two quarters of the fiscal year 1959, the amount of compensation will be fixed later only. It is likely to be again at DM.0.03 per egg.

II. Effects of Amounts of Compensation

The amounts of compensation result in an adjustment of the considerably higher domestic prices for feedingstuffs to the world market price and increase the share of earmarked eggs in the supply to the German market. They did not affect the liberalized import of eggs so far; the latter increased by more than 100 per cent from 1951 to 1958. The export of eggs is insignificant.

K. Flour

I. Nature and Amount of Export Aid

(a) Reasons and Legal Basis

The legal domestic price for bread grains has been fixed at an amount which exceeds that of the world market price. The price for imported bread grains designated for domestic consumption is raised, when being imported, up to the level of the domestic price. The flour produced from

such grains is not competitive in the world market for price reasons. Therefore, no such price adjustment, as customary for domestic supply, is applied with regard to bread grains imports designated for flour exports.

The procedure applied is to be traced back to the Law on Trade with Grains and Coarse Grains in its version of 24 November 1951 the provisions of which on price fixing for imports apply to the utilization of imported goods for domestic consumption.

(b) Application

The milling enterprises or the firms entrusted by them are authorized - when exporting flour - to import bread grains which is not subject to any price adjustment.

(c) Amount of Export Aid

During the grain year 1958-59 (1 July to 30 June), about 828,000 tons of foreign bread grains were concerned by the adjustment to the current domestic price.

(d) Estimated Amount per Unit

The difference between the world market price and the sales price established for domestic consumption which, on the average, amounted to DM.449.50 per ton during the grain year 1958-59, was not subject to any skimming off.

II. Effects of Export Aid

Thanks to the so-called "skimming off" amounts being renounced, the German mills were enabled to become competitive on foreign markets.

L. Tinned Ham

For tinned ham, no subsidies are granted from Government budgetary funds. In order to adjust the cost of domestic feedingstuffs which are considerably higher as against those abroad, the exporters obtain, for exported meats produced from pork, import licences for coarse grains which may be imported at world market prices without any adjustment to the domestic price. These import licences are issued for those quantities of coarse grains which are equivalent to the share of coarse grain used for the exported meats. The exporters of meats are authorized to sell these certificates to the grain import trade.

M. Diesel fuel for fishery

I. Nature and Amount of Aids Granted

(a) Reasons and Legal Basis

Within the Federal Republic of Germany motor fuels are heavily burdened with a mineral oil tax and a turnover equalization tax. In order to hold the operating cost of the fishing vessels on a reasonable level, aids are granted for the use of diesel fuel. The legal basis for

these aids is the Regulation on Cheapening of Diesel Fuel for the large-scale deep-sea fishery, large-scale herring fishery, small-scale deep-sea fishery, coastal and inland fishery (Bundesgesetzblatt I 1951 S.376 - 1955 S.454).

(b) Application

The aid is granted as a rule to the large-scale herring fishery, small-scale deep-sea fishery, coastal and inland fishery (as a total about 30 per cent of the total fishing proceeds). To enterprises of the large-scale deep-sea fishery, aids are granted only if the need is proved.

(c) Amount of Aid

In the fiscal year of 1958 the fishing enterprises received about DM.3.7 million as aid. For the fiscal year 1959 these aids will amount to about DM.4 million.

(d) Estimated Amount per Unit

Fishing enterprises purchasing diesel fuel on which customs duties and taxes are paid, receive aids in the amount of the duty and the tax. In addition a direct subsidy is granted to the amount of DM.7 per 100 kgs. Fishing vessels bunkering at customs bonded warehouses under goods owners' control, i.e., paying neither taxes nor duties, obtain merely the subsidy of DM.7.

II. Effects of the Aid

The diesel fuel aids render it possible for the fishing enterprises to buy at reasonable prices diesel fuel which is chiefly imported.

N. Agricultural Machinery. Dairy Requirements

For agricultural machinery and dairy requirements, no subsidies are granted.

O. Synthetic Rubber

(Only butadiene styrol copolymers.)

I. Nature and Amount of Aids Granted

(a) Reasons and Legal Basis

The production of synthetic rubber was prohibited in Germany after the war. Only in 1951 the Militar-Security Agency authorized the production of 500 tons per month. After the Federal Republic had become a sovereign State in 1955, preparations for the erection of a big plant were started which was built with the aid of considerable private funds. Production in this plant began gradually from the middle of 1958. As a price difference between domestic and imported synthetic rubber is obviously unavoidable in the initial phase and no customs protection of domestic production is envisaged either in future, the consumption of

natural rubber and imported synthetic rubber of a similar type is burdened with a price compensation charge for a limited space of time. This compensatory amount is thus designed to promote the development of the synthetic rubber industry in the Federal Republic.

The legal bases are:

Section 2 of the Price Law dated:

10 April 1948	WiGBL.*	page 27
3 February 1949	"	page 14
21 January 1950	BGBL.**	I. page 7
8 July 1950	"	I. page 274
25 September 1950	BGBL, I.	page 6
23 December 1950	"	I. page 824
29 March 1951	"	I. page 223

as supplemented by Section 37 of the Law on Investment Aids to Trade and Industry, dated 7 January 1952 (BGBL, I. page 7).

(b) Application

The rubber compensation fund is administered by a trust agency supervised by an advisory council. This advisory council is composed of representatives of the rubber processing industry; and the Chemie-Treuhandgesellschaft (Chemical Trust Company).

The meetings of the advisory council are presided over by an authorized representative of the Federal Ministry of Economics.

The compensatory amounts are raised by levying a charge on the consumption of natural rubber and of imported synthetic rubber of similar types (GR-S and Polysar-S) which has to be paid into the rubber compensation fund. Until 17 April 1956 the compensatory amounts were paid to the consumers of German synthetic rubber. As from 18 April 1956 the compensatory amounts - in order to facilitate the procedure - have been distributed to the producers of synthetic rubber in proportion to the quantities sold by them. Both the consumer charges and the compensatory amounts have varied, being adjusted to the current price for synthetic rubber.

Since 1 January 1959 an amount compensating for short proceeds resulting from purchases at world market prices has been granted to the producers of synthetic rubber according to a settlement scheme freely agreed upon between producers and processors.

Should the production cost diminish during the five-year currency of the arrangement, not only the compensatory amounts could be abolished, but also the rubber producer would be obliged to supply to domestic consumers at prime cost - in case the prime cost should be below world market prices.

* Gesetzblatt der Verwaltung des Vereinigten Wirtschaftsgebietes.

** Bundesgesetzblatt.

NETHERLANDSNotification of 23 July 1959, as amended as of 28 January 1960

(As mentioned in L/1131, a revised notification by the Netherlands was circulated in L/1029. By letter dated 28 January 1960, the Netherlands Government has advised of certain modifications which should be made to that notification to take account of the 1960 estimates of the Ministry of Agriculture. The following is a revised text embodying the modifications and should replace the notification of 23 July 1959 contained in L/1029.

In communicating these modifications, the Netherlands Government points out that the 1960 agricultural estimates which form the basis of these modifications are still awaiting Parliamentary approval which is not expected until the end of February.)

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 AgricultureChapter III: Programmes Outside Agriculture

I. MEASURES UNDERTAKEN BY THE GOVERNMENT IN AGRICULTURE

(a) Equalization Levies and Reimbursements

Wheat

For the crop year 1960 the guaranteed price for wheat has been established at fl.31.- 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. This levy has been established at fl.0.80 per 100 kgs. of wheat or fl.1.14 per 100 kgs. of 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

For the crop years 1959 and 1960 no guaranteed prices have been established as the Government esteems a guaranteed price policy of no further necessity for this product.

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.¹

¹ As from the 1960 crop the guarantee policy as regards manufacturing potatoes will be altered. The Government has decided to pay the producers on peaty or similar soils such a compensation that with a normal crop programme the production costs for the combined crops of rye, oats and manufacturing potatoes will be covered by the guaranteed price. The principle is still to be elaborated.

(iii) Amount of Subsidy

Total expenditures for crop year 1959: approximately fl.18 million
 " " " " " 1960: " " 18 "

(iv) Estimated Amount per Unit

Approximately fl.1.90 per 100 kgs.

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.
		1959	38,000 ha.

Sugar1. Nature and Extent of Subsidy(1) 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 is estimated at fl.1.8 million for the year 1960.

(iv) Estimated Amount per Unit

Fl.2.20 per 100 kgs. of refined sugar.

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

(1) 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.¹

(ii) Incidence

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

(iii) Amount of Subsidy

The total cost of this allowance is estimated at approximately fl.45 million for the crop year 1960.

(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.

¹ As a supplement to the prices received on the free market the producers of feed grains on sandy soils receive a deficiency payment, based on the difference between the average prices realized and the calculated cost price for rye of fl.27.70 per 100 kgs., with a maximum of fl.150.- per ha.

(11) 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 1959/November 1960. This guarantee only applies to a maximum quantity of 5 million tons of milk.

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.30.60 per 100 kgs. for milk deliveries 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.30.60 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 provided a consumer subsidy on fluid milk. This subsidy is being abolished in two stages viz. 50 per cent on 1 January 1960 and the remaining 50 per cent as from 1 April 1960. The retail price is increased accordingly.

(111) 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.200 million for 1960.

The cost of the consumer subsidy until 1 April 1960 is estimated at fl.8,250,000.-.

(iv) Estimated Amount per Unit

The allowance to the dairy farmers will amount to approximately 3.6 cts. per kg. for 1960.

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.

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 IEF 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 cts. 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 "
1958	-	25,400 "

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 IEF.

(iii) Amount of Subsidy

The total amount of the allowance was fl.1 million for the crop year 1958/59.

(iv) Estimated Amount per Unit

The estimated amounts of the allowance were during the crop year 1958/59:

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

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 Seeds

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 peat-diggers.

(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 Dykes1. 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 and 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.