

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## SUBSIDIES

### Notifications Pursuant to Article XVI:1

#### AUSTRIA

##### A. MILK AND DAIRY PRODUCTS

###### I. Nature and extent of subsidy

###### (a) Background and authority

The introduction and maintenance of an official subsidy aims at guaranteeing to farmers a price, for milk delivered, corresponding to production costs of an efficiently managed and equipped enterprise in an area favourable to milk production; whilst consumer prices for milk and dairy products are, for social and economic reasons, kept as low and stable as possible by means of ceiling prices. In March 1956, the milk subsidy was increased from 20 to 50 groschen per litre in order to take account of increased production costs, and to stabilize consumer prices. Since that time, the subsidy per unit has not been increased, notwithstanding the increase in production costs. In view of the difficult situation with respect to sales of dairy products in and outside the country, the Austrian Government has issued an amendment to the Law on Market Regulation. In terms of this amendment the retail prices for fresh liquid milk, sour milk and cream were increased by 10 groschen per litre from 1 July 1961 and by 20 groschen from 1 January 1962, and funds resulting from this measure were to be considered as State income, and were to be used for sales promotion measures.

###### Legal basis

The Law on Price Regulation (Federal Legal Gazette 151/1957) in its present version, also relevant Government Decrees on prices (fixing of producer and consumer prices for milk and other more important dairy products).

The Federal Finance Law (approval of total subsidies for milk for the relevant fiscal year).

The Law on Market Regulation (Federal Legal Gazette No. 276/1958) especially the fourth amendment to this Law of 21 June 1961 (Federal Legal Gazette No. 168/1961) (legal basis for measures pertaining to price subsidies).

(b) Incidence

The 50 groschen per litre milk subsidy is a part of the price of sch. 1.90 which is paid by the dairy to the producer for milk delivered. In recent years quantities of milk delivered by farmers amounted to little more than half of total milk production. Thus the 50 groschen subsidy, if calculated on total milk production, amounts to no more than approximately 25 groschen per litre.

Operating deficits of the Dairy Production Board are also met out of public funds. These deficits are incurred as a result of administrative and sales promotion costs, such as those incurred in the delivery of cheap milk to enterprises and schools, butter deliveries at reduced prices to the army and to hospitals, refund of storage expenses, annually increasing equalization costs for transport and wages of dairy personnel, and other processing factors. These supplementary payments by the Dairy Production Board amounted in 1960, 1961 and 1962 to 174.7, 210 and 327 million schillings respectively.

As from the middle of the year 1961, the Dairy Production Board used for sales promotion measures inside the country, funds which were put at its disposal by the Federal Ministry of Agriculture and Forestry, on the basis of the fourth amendment to the Law on Market Regulation. Funds used for measures such as those mentioned in the last paragraph amounted to approximately sch. 33.5 million in 1961, and to sch. 31.2 million in 1962.

Funds collected on the basis of the fourth amendment to the Law on Market Regulation are also placed at the disposal of the Austrian Dairy and Cheese Dairy Association Ltd., or ÖMOLK (a co-operative organization also concerned with the execution of various sales promotion and other measures) for sales promotion measures. In 1961 such funds amounted to sch. 19 million and in 1962 approximately sch. 31 million. In 1961, the ÖMOLK received, in addition, certain amounts from the regular budget, as the fourth amendment to the Law on Market Regulation only came into force in the second half of the year.

Federal funds used by the ÖMOLK in 1961 and 1962 for sales promotion measures amounted to a total of approximately sch. 38.5 and sch. 77 million respectively.

The ÖMOLK used these funds partly for the promotion of exports of butter and clarified butter, whole milk powder and mountain cheese, and for the sale of skim milk powder as animal feed at reduced prices within the country. As large sums derived from the so-called Emergency Fund, a fund based on voluntary contributions of milk producers, were used for the same purpose (in 1961, sch. 31.2 million and in 1962, sch. 32.3 million). It is impossible to say to what extent the products mentioned in this connexion were subsidized by the State or privately.

(c) Amount of subsidy

The cost of the "50 groschen subsidy", exclusive of funds used for the coverage of the deficit of the Dairy Economy Board and contributions made on the basis of the fourth amendment to the Law on Market Regulation has been as follows:

1960	623.3 million schillings
1961	816.0 " "
1962	844.0 " "

(d) Estimated amount per unit

Schilling 0.50 per litre of milk.

II. Effects of subsidy

(a) It is hardly possible to give even a rough estimate of the effects of the subsidy on international trade, since, apart from the subsidy itself, which must be regarded as an aid to producers and consumers alike, there are other factors exerting considerable influence on imports and exports.

It may be assumed from the fact that domestic consumption of all dairy products shows a tendency to increase; that the subsidy promotes consumption; on the other hand, a slight increase of milk production was also registered (see statistical data annexed).

Public funds used since 1954 to cover operating deficits of the Dairy Production Board also promote milk consumption and stabilize the price structure of dairy products on the domestic market, but can hardly be said to have an influence on foreign trade.

Public funds put at the disposal of ÖMOLK in 1961 and 1962 not only served to promote domestic consumption, but also helped Austria in holding her not very important place on the international market for butter, full cream milk powder and mountain cheese.

In this connexion it should be noted that various measures aimed at lowering the prices of milk, butter and clarified butter on the domestic market, have led to a considerable increase in the consumption of butter, whipped cream and cheese, and have for the first time in many years necessitated the import of butter into Austria. Imports of all types of cheeses which have been liberalized, are also relatively important, amounting in 1962 to 3,540 tons. The quantity of cheese imported in 1962 was seven times greater than subsidized mountain cheese exports from Austria during that year.

(b) Statistical data regarding production, total consumption, imports and exports during the agricultural year 1958/59 to 1961/62 are herewith annexed.

## B. BREAD GRAINS

### I. Nature and extent of subsidy

#### (a) Background and authority

The aim of the subsidy on bread grains, in force in Austria since 1952, is to ensure stable and remunerative prices to the farmer, to keep flour and bread prices as low as possible for social reasons, and to stabilize prices and wages.

#### Legal basis

The Law on Price Regulation (Federal Legal Gazette No. 151/1957) and the relevant federal ordinances fixing basic producer prices for wheat and rye, as well as ceiling prices for flour and bread at the retail stage.

The Federal Finance Law (approval of total subsidies for bread grains for the relevant fiscal year).

The Law on Market Regulation (Federal Legal Gazette No. 276/1958) which provides for market guidance measures.

#### (b) Incidence

In the case of bread grains, a basic price was fixed in 1952, and the mills are required to buy cereals at such a price.

For soft wheat of average quality, basic prices were fixed on a monthly sliding scale ranging from sch.185 to 204 per 100 kgs. giving an annual arithmetic average of approximately sch.195 per 100 kgs. However, the weighted average price is far lower, as the greater part of all wheat marketed is sold during the first months after the harvest, when the fixed prices are low.

In the case of quality wheat, the basic price is fixed for the whole year at sch.195 per 100 kgs. plus a bonus fixed in 1962, at between sch.8 and 10.50 (depending on the quality of the wheat delivered) which mills pay to the farmer.

As from 1 July 1961, the producer price subsidy for soft wheat was reduced from sch.55 to sch.52 per 100 kgs. Amounts saved in this way are used by the Federal Ministry of Agriculture and Forestry for the increase in the producer price of quality wheat, in addition to the quality bonus, to encourage the production of that type of wheat.

Prices of rye are fixed at a graduated monthly rate of sch.165 to sch.184 per 100 kgs. or an arithmetical annual average of approximately sch.175 per 100 kgs. However, the weighted average is much lower as the greater part of the production is sold during the first months after the harvest when lower prices are paid.

The average price of sch.195 for wheat, sch.175 for rye, serves as a basis, on the one hand for fixing flour and bread prices and on the other for the calculation of subsidies for domestically produced and imported grains.

Where import prices (including tariffs, taxes, and import charges as well as import margin and expenses) to be paid by the importer are higher than the fixed basic prices, the State pays the difference; if import prices are lower than the fixed prices, the importer has to pay the difference to the State.

The farmer obtains an arithemetical average price of sch.247 per 100 kgs. for wheat, and sch.230 per 100 kgs. for rye. The weighted average is considerably lower.

(c) Amount of subsidy (in million schillings)

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
For bread grains	356	440	420	504
Of which for subsidy of imports	56	16	20	22

The above sums do not include storage expenses for imported grains; in 1960 and 1961. These expenses amounted to approximately sch.14 million per year, and in 1962 to approximately sch. 10 million.

(d) Estimated amount per unit

For wheat	sch.52 per kg. (starting from 1 July 1961)
For rye	sch.55 per kg.

II. Effect of subsidy

(a) It is hardly possible to give even an approximate estimate of the quantitative effect of the subsidy on Austrian imports. Fixed producer prices, including subsidies, are allowed for planned output. On the other hand, the fixing of moderate prices for bread has slowed down the decline in bread consumption which would probably have been more rapid without this price support measure. This decline is a result of higher living standards and a consequential change in consumer spending habits. Statistical data show an increase in production in recent years.

Mention must be made of the fact that subsidization of domestic production is limited to marketed wheat and rye.

(b) Statistical data regarding production, total consumption and imports and exports during the last four agricultural years are given in the Annex to this document.

C. COARSE GRAINS

I. Nature and extent of subsidy

(a) Background and authority

Import prices for the most important coarse grains (feed maize, barley and wheat) have been fixed at a certain level, necessary, on the one hand, for the avoidance of over production of meat, and consequent unduly depressed meat prices, and, on the other hand, for the encouragement of farmers to increase their production of coarse grains. In 1953, the import price, free Austrian border, was fixed at sch.170.21 per 100 kgs; as from 1 June 1961 it was reduced to 169.57 sch.

Legal basis

The Law on Price Regulation (Federal Legal Gazette No. 151/1957) in its present version, and price regulations issued by the Federal Government.

The Federal Finance Law approving total subsidy for coarse grains imported during the year in question.

The Law on Market Regulation (Federal Legal Gazette No. 276/1958) allowing for import-planning and other guidance measures.

(b) Incidence

The subsidies are paid to the importer, who is required to adhere to the fixed selling price; the State pays the difference between the fixed import price and the actual import price. If the actual import price is lower than the fixed price, the importer has to pay the difference to the State.

(c) Amount of subsidy (in millions of schillings)

1959	:	15.0
1960	:	5.5
1961	:	0.6
1962	:	4.5

Due to price developments on world markets, the subsidies required were very low during recent years. Storage expenses for coarse grains, to ensure adequate supply, were considerably higher, i.e.

1960	:	33.4	million sch.
1961	:	39.6	" "
1962	:	42.6	" "

(d) Estimated amount per unit

An estimate cannot be given, as the subsidy varies according to import prices.

II. Effect of subsidy

(a) The subsidy has, as its prime function the stabilizing of prices: its effect on feed grain imports is negligible as imports are primarily dependent on the size of the domestic harvest in relation to total consumption.

(b) The statistical data in the Annex refer to production, total consumption, and imports and exports during the economic years 1958/59 to 1961/62 for all types of coarse grains imported under subsidy.

ANNEX

Statistics

<u>Agricultural year</u>	<u>Production</u>	<u>Changes in supplies</u>	<u>Imports</u>	<u>Exports</u>	<u>Domestic consumption</u>
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(In '000 m.t.)

COWS' MILK  
(total)

1958/59	2,761	For inter-State trade and domestic consumption see: fresh liquid milk.			
1959/60	2,800				
1960/61	2,869				
1961/62	2,933				

FRESH LIQUID MILK  
(including enterprise-own use)

1958/59	1,152	-	-	17	1,135
1959/60 Rev.	1,159	-	-	16	1,143
1960/61	1,140	-	-	16	1,124
1961/62	1,102	-	-	18	1,084

WHIPPING CREAM AND CREAM

1958/59	11	-	-	-	11
1959/60	12.5	-	-	-	12.5
1960/61	14	-	-	-	14
1961/62	14 $\frac{1}{2}$	-	-	-	14 $\frac{1}{2}$

BUTTER

1958/59	36.5	-0.5	-	7.5	29.5
1959/60	35	+0.5	-	4	30.5
1960/61	36 $\frac{1}{2}$	-	-	4 $\frac{1}{2}$	32
1961/62	37 $\frac{1}{2}$	-	-	3	34 $\frac{1}{2}$

CHEESES AND CURD

1958/59	31.5	-	4	7	28.5
1959/60	34	-	3	6.5	30.5
1960/61	34	-	3	6 $\frac{1}{2}$	30 $\frac{1}{2}$
1961/62	37 $\frac{1}{2}$	-	3 $\frac{1}{2}$	7 $\frac{1}{2}$	33 $\frac{1}{2}$

Agricultural year	Production	Changes in supplies	Imports	Exports	Domestic consumption
(In '000 m.t.)					
<u>MILK POWDER</u>					
1958/59	9	-	-	5	4
1959/60	7.5	+0.5	3	4	6
1960/61	12 $\frac{1}{2}$	+4	3 $\frac{1}{2}$	5 $\frac{1}{2}$	6 $\frac{1}{2}$
1961/62	15 $\frac{1}{2}$	-1 $\frac{1}{2}$	2 $\frac{1}{2}$	8	9 $\frac{1}{2}$
<u>WHEAT</u>					
1958/59	549	-14	207 <sup>1</sup>	-	770
1959/60	588	+34	269 <sup>1</sup>	-	823
1960/61	702	-3	93 <sup>1</sup>	37 <sup>1</sup>	761
1961/62	712	-7	72 <sup>1</sup>	96 <sup>1</sup>	
<u>RYE</u>					
1958/59	397	-15	34	-	446
1959/60	417	+33	71	5	450
1960/61	354	-10	59	-	423
1961/62	472	+18	-	-	454
<u>BARLEY</u>					
1958/59	335	+16	160 <sup>2</sup>	-2	475
1959/60	405	-10	142 <sup>2</sup>	-2	550
1960/61	589	-	72 <sup>2</sup>	-2	653
1961/62	512	-6	119 <sup>2</sup>	2 <sup>2</sup>	626
<u>KERNEL MAIZE</u>					
1958/59	155	-47	278	2	478
1959/60	146	-5	417	2	566
1960/61	213	+9	370	2	572
1961/62	198	-51	302	1	550

<sup>1</sup>Including wheat flour.

<sup>2</sup>Without brewers' barley.

