

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

Notifications Pursuant to Article XVI

Addendum

AUSTRIA

A. Milk and dairy products

I. Nature and extent of subsidy

(a) Background and authority

The granting 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. On the other hand, consumer prices for milk and dairy products are thereby kept as stable and low as possible, mainly for social and economic reasons, by means of ceiling prices.

The following laws and regulations provide the legal basis for this system:

the Law on Price Regulation, Federal Legal Gazette 151/1957, in its present version; also relevant price regulations issued by the Federal Government (fixing producer prices for milk and consumer ceiling prices for milk and other more important dairy products);

the Federal Finance Law (approval of total subsidies for milk for the relevant calendar year);

the Law on Market Regulation, Federal Legal Gazette No. 276/1958 in its applicable version, especially the fourth amendment to this Law, of 21 June 1961; Federal Legal Gazette No. 168/1961 (legal basis for guidance and sales promotion measures required as a result of subsidies and price regulations) as well as the sixth amendment, Federal Legal Gazette No. 81 of 16 March 1963 (increase in the amount to be paid by the processing enterprises to the Dairy Production Board for sales promotion measures and/or the increase of producer prices for milk).

(b) Incidence

(i) The milk price for the farmer is not a guaranteed price but a guiding price based on the Law on Price Regulation.

At present, the guiding price, including the official subsidy, amounts to 230 Groschen (g) per litre, at a fat content of 3.5 per cent (or 223.57 g per kg.) Under the price notification of 30 April this guiding price is calculated as follows.

	g/kg.		g/litre
Basic price	53.00		
Fat unit price 29.5 (x 3.5)	103.25		
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Milk price subsidy ¹	136.25	136.25	140.06
	87.32	87.32	89.94
		<hr/>	<hr/>
Guiding price		223.57	230.00

¹The subsidy is proportionally split up between the basic price and the fat unit price.

(ii) However, this guiding price is reduced by the contribution paid by the farmer to the "Agricultural Emergency Fund", which varies depending on the international market situation; a milk recording charge is also deducted:

	g/kg.	g/litre
Contribution to the Agricultural Emergency Fund, 2.25 per cent, i.e.	1.96	2.02
Milk recording charge	1.00	1.03
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Sum total	2.96	3.05

(iii) As shown in the table below, increases in the producer price which have become necessary due to the rising cost of living have, to an ever increasing extent, been shifted over to the consumer price:

	Price increases	Covered by			
		State subsidies (budget funds)		Increase in consumer price	
		%	£	%	£
Since 1.3.1956	50g/l	94.24	47.12	5.76	2.88
Since 1.5.1963	20g/l	48.16	9.63	51.84	10.37
Since 1.5.1963	20g/l	36.04	7.62	63.96	12.38
Cumulative total of	90g/l	(71.06)	64.37	(28.94)	25.63

(iv) The Dairy Production Board is entrusted with various administrative tasks (such as equalization costs for transport, regulation of the production areas and areas supplied, control of production and sale, promotion of quality, etc.) and, therefore, received the following subsidies to cover the relevant expenditure (in millions of schillings):

1963 - 379.5
1964 - 327.0
1965 - 292.5

(v) Furthermore, the Federal Ministry of Agriculture and Forestry placed the following sums, derived from private and public sources of income, at the disposal of the Austrian Dairy and Cheese Dairy Association Ltd. The latter is charged, on the basis of a contract, with sales promotion and other measures:

(in million schillings)

	Pursuant to paragraph 7 of the Market Regulation Law (increase in consumer price)	Pursuant to paragraph 19 of the Market Regulation Law (import equalization)	Emergency Fund	Other incomes	Sum total
1963	72.9	8.0	37.8	3.0	121.7
1964	71.0	17.5	36.8	4.5	129.8
1965	109.3	14.0	38.9	4.5	166.7

(c) and (d) Extent of subsidy and amount per unit

	Deliveries (in million tons)	Total subsidy		Derived from			
				Budget funds		Increase in consumer price	
		mil. Sch.	g/kg.	mil. Sch.	g/kg.	mil. Sch.	g/kg.
1963	1.8	1,140	65	964	53	176	10
1964	1.8	1,260	70	1,021	57	239	13
1965	1.9	1,590	84	1,172	62	418	22

In the case of whole milk powder and butter, export subsidies derived from public and private funds were granted through the Austrian Dairy and Cheese Dairy Association Ltd., (see point b(v)). In the years 1962 to 1964 these subsidies amounted to an average of Sch.4.84 per kg. and Sch.8.44 per kg. for whole milk powder and butter respectively.

II. Effects of subsidy

(a) It is hardly possible to give even a rough estimate of the quantitative effect of the subsidy of approximately 64g per litre on milk delivered in inter-State trade since numerous other factors exert a considerable influence on foreign trade.

All subsidies granted to the Dairy Production Board served the purposes of the national market regulation and had stabilizing effects on the price structure of dairy products, but had no incidence on foreign trade.

Public funds placed at the disposal of the Austrian Dairy and Cheese Dairy Association Ltd. not only facilitated inland sales but also helped Austria to maintain her comparatively small share in traditional external markets for butter and whole milk powder.

(b) Statistical data regarding production, total consumption and foreign trade in the economic years 1962/63 to 1964/65 are herewith annexed (see Annex).

B. Pigs for slaughterI. Nature and extent of subsidy(a) Background and authority

During the first six months of the year 1965 there existed - as a result of the well-known pig cycle - a temporary surplus of slaughter pigs in Austria and, in consequence, the meat of 54,945 pigs was stored up by interventions to the end

of May in the interests of price stabilization. Cost of storage was subsidized to the amount of approximately Sch.17.7 million by the Board for Livestock and Meat. Also, as there was not enough cold-storage space available, 41,773 pigs were exported.

Paragraph 37 of the Market Regulation Law, Federal Legal Gazette No. 276/1958 provides the legal basis for these operations.

(b) Incidence

A subsidy of approximately Sch.22 million was granted out of funds of the Board (import equalization) for the export of 17,900 live slaughter pigs as well as 47,746 pig halves, in order to make prices competitive on foreign markets.

The subsidy amounted to an average of Sch.4.68 per kg.

II. Effects of subsidy

(a) This was a temporary, quite modest measure which had little effect on international trade. Moreover, Austria once more became a net importer of slaughter pigs beginning in the summer of 1965.

C. 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 on one hand to ensure stable and remunerative prices to the farmer and, on the other hand, to keep flour and bread prices as low as possible for social reasons, and to stabilize prices and wages respectively.

The legal basis for this operation is found in:

the Law on Price Regulation, Federal Legal Gazette No. 151/1957, in its present version and the relevant price regulations issued by the Federal Government (fixing of basic producer prices for wheat and rye as well as of consumer ceiling prices for flour and bread);

the Federal Finance Law, containing the approval of total subsidies for bread grains for the relevant calendar year;

the Law on Market Regulation, Federal Legal Gazette No. 276/1958, in its applicable version, providing for relevant market guidance measures.

(b) Incidence

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

For soft wheat basic prices were fixed on a monthly sliding scale ranging from Sch.185 to Sch.204 per 100 kgs., giving an annual arithmetical average of approximately Sch.195 per 100 kgs. 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 lowest.

In the case of hard wheat, the basic price is fixed for the whole year at Sch.195 per 100 kgs. plus additional charges of Sch.8-10.50 per 100 kgs., according to quality: as from 1962, the mills have had to make these payments to the farmer. As from 1 July 1961 the producer price support for soft wheat of Sch.55 was reduced to Sch.52 per 100 kgs. Amounts saved in this way are used, in addition to the aforementioned quality bonuses, by the Federal Ministry of Agriculture and Forestry to increase the producer price of hard wheat as an encouragement to production of that type of wheat.

Prices of rye were fixed at a graduated monthly rate of Sch.165-184 per 100 kgs. equal to an arithmetical annual average of approximately Sch.175 per 100 kgs.; the weighted average is much lower as the greater part of all rye marketed is sold during the first month after the harvest.

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

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

The farmer obtains an arithmetical 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>1963</u>	<u>1964</u>	<u>1965</u>
For bread grains	437	412	362
Of which, for subsidy of imports	11	12.5	9.6

The above sums do not include storage expenses for imported grains (in the years 1963, 1964 and 1965 these expenses amounted to Sch.19, 9 and 14.3 million, respectively).

(d) Amount per unit

For wheat	Sch.52 per 100 kgs.	(starting from 1 July 1961)
For rye	Sch.55 per 100 kgs.	

II. Effects of subsidy

(a) It is hardly possible to give even a rough working estimate of the quantitative effect of subsidies on bread grain imports since, apart from the subsidy itself, various other factors considerably influence the quantities imported. Nevertheless, fixed producer prices including subsidy allow for long-term planning of production. On the other hand, the reduced prices for bread as a result of the granting of subsidies has slowed down the decline in bread consumption which would probably have been more rapid without price support measures, due to higher living standards and a consequential change in consumer spending habits. Statistical data show an increase in production during recent years.

(b) Statistical data regarding production, total consumption as well as imports and exports during the last three economic years - for which data are available - are given in the Annex.

D. Feed grains

I. Nature and extent of subsidy

(a) Background and authority

Import prices for the most important feed grains (maize, barley and fodder wheat) have been fixed, first, to avoid over-production of meat, and consequent unduly depressed meat prices and, second, to encourage the inland producer to increase his production of feed grains. In 1953, the import price, free Austrian border, was fixed at Sch.170.21 per 100 kgs.; as from 1 June 1961 this price was reduced to Sch.169.57.

Since that date the following changes in per-ton prices of feed grains were officially decreed:

(i) As from 1 April 1963 to 1 July 1963:

Fodder maize and milocorn	Sch.1,787.50
Fodder barley and fodder wheat	Sch.1,695.70

(ii) As from 1 July 1963 to 21 June 1964

Fodder maize and milocorn	Sch.1,807.50
Fodder barley and fodder wheat	Sch.1,715.70

(iii) As from 21 June 1964 to 1 December 1964:

Fodder maize and milocorn	Sch.1,916.50
Fodder barley, fodder wheat and millet	Sch.1,780.70

(iv) As from 1 December 1964:

Fodder maize and milocorn	Sch.1,911.50
Fodder barley, fodder wheat and millet	Sch.1,775.70

The legal basis for these operations is found in:

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 feed grains imported during the calendar year in question;

the Law on Market Regulation, Federal Legal Gazette No. 276/1958, in its applicable version, allowing for import planning and other market guidance measures.

(b) Incidence

The subsidies are paid to the importer who, for his part, is required to adhere to the fixed selling price; he is in a position to do so as the difference between the fixed import price and the actual import price is refunded to him by the State. If the import price is lower than the fixed price, the importer has to pay the difference to the State.

(c) Amount of subsidy (in million schillings)

	<u>Import subsidy</u>	<u>Subsidy for storage expenses</u>
1963	3.1	20.2
1964	5.8	45
1965	14.2	26.9

(d) Amount per unit

The amount per unit cannot be given as the subsidy varies according to the respective import prices.

II. Effects of subsidy

(a) The subsidy has, in the first instance, the function of stabilizing prices; its effect on feed grain imports is hardly noticeable as imports are primarily dependent on the size of the domestic harvest, and on the resulting import requirements at that period.

(b) In the Annex statistical data are given on the production, total consumption as well as imports and exports during the economic years 1962/63 to 1964/65 for all types of feed grains imported under subsidy.

ANNEX

Statistical Data

Economic year (1 July-30 June)	Production	Change in stocks	Imports	Exports	Domestic consumption
(in '000 metric tons)					
<u>Cows' milk</u> (total)					
1962/63	3,062				
1963/64	3,061				
1964/65	3,185				
Inter-State trade and domestic consumption: see "freshly drawn milk for drinking purposes"					
<u>Fresh milk for drinking purposes</u> (including home-consumption of producers)					
1962/63	1,111	-	-	16	1,095
1963/64	1,111	-	-	15	1,098
1964/65	1,101	-	-	8	1,093
<u>Whipped cream and cream</u>					
1962/63	15½	-	-	-	15½
1963/64	15½	-	-	-	15½
1964/65	16	-	-	-	16
<u>Butter</u>					
1962/63	39½	+ ½	1½	4½	36
1963/64	39	- ½	1	3½	37
1964/65	42	+ ½	½	4½	37½
<u>Cheese and curd</u>					
1962/63	40	+ ½	¾	9	34
1963/64	41	- ½	¾	10	35
1964/65	45	+ ½	¾	10	38

Economic year (1 July-30 June)	Production	Change in stocks	Imports	Exports	Domestic consumption
<u>Milk powder</u>					
1962/63	21 $\frac{1}{2}$	+ 1	2	10 $\frac{1}{2}$	12
1963/64	27 $\frac{1}{2}$	+ $\frac{1}{2}$	1 $\frac{1}{2}$	13 $\frac{1}{2}$	15
1964/65	35 $\frac{1}{2}$	+ 1	-	16 $\frac{1}{2}$	20
<u>Wheat and wheat flour</u>					
1962/63	706	+48 $\frac{1}{2}$	51 $\frac{1}{2}$	2	707
1963/64	690	-14	43	-	747
1964/65	750	+26	46	-	770
<u>Rye</u>					
1962/63	467	+15	-	-	452
1963/64	322	+48	-	-	370
1964/65	388	+ 7	-	-	381
<u>Barley</u>					
1962/63	557	+14	180	8	715
1963/64	617	- 4	132	11	742
1964/65	605	- 3	286	16	878
<u>Grain-maize</u>					
1962/63	193	+21	431	1	602
1963/64	194	+15	393	2	570
1964/65	212	-16	348	2	574

