GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

Notification Pursuant to Article XVI:1

Addendum

CANADA

The Government of Canada has submitted a notification concerning agricultural subsidies, which is reproduced below.

With respect to subsidies on coal, the Canadian Government reports that there has been no change since the last report, contained in L/2326, pages 31-36.

With respect to subsidies for the construction of fishing vessels, the only development of significance in the year under review, as reported by the Government of Canada, has been that the responsibility for the payment of assistance to wooden fishing vessels over 100 gross tons was transferred from the Canadian Maritime Commission to the Department of Fisheries on 1 April 1965. On the same date the amount of assistance was raised from 35 to 40 per cent of the cost approved by the Minister of Fisheries. For the basic notification on this subject, see L/2326, pages 36-38.

The following notification on subsidies on agricultural products relates to subsidies paid during the fiscal year 1964-65.

I. GRAIN AND GRAIN PRODUCTS[1]

Feed freight assistance

1. Nature and extent of the subsidy

(a) Background and authority

During the fiscal year ended 31 March 1965 this policy assisted livestock producers in Eastern Canada and British Columbia by adjusting the freight and storage charges on western grains and millfeeds used by them for livestock feed. The authorization is: P.C. 1958-1628, 27 November 1958, as amended, P.C. 1963-1582, 24 October 1963 and P.C. 1964-1350, 28 August 1964.

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[1] Statistical information concerning wheat, oats and barley, see Annex.

(b) Incidence

The subsidy is paid to the wholesalers or retailers from whom the farmers purchase western grains or millfeeds. Claims must show that the commodities are to be fed to livestock and that the amount of the assistance has been passed on to the purchaser. No payment is made on grains and feeds for export.

For the purpose of determining the rate of freight assistance payable on a shipment, zones have been established. The rate rises with increased distance from point of shipment but within a zone a flat rate applies. During the 1964-65 fiscal year freight assistance ranged from $4.80 to $25.00 per ton. Storage assistance was payable at the rate of one thirtieth of a cent per bushel per day that the grain was in store between 15 September and 15 April in the Halifax elevator and between 15 October and 15 April in other Eastern Canada elevators.

(c) Amount of subsidy

The estimated freight expenditure was $18.3 million on the quantity shipped in the fiscal year 1964-65. The estimated storage expenditure for 1964-65 was $1.0 million.

(d) Estimated amount per unit

Freight payments averaged $7.95 per ton in 1964-65.

2. Effect of subsidy

The programme helps to equalize the cost of domestic feeds to livestock feeders across Canada.

Storage on temporary wheat reserves

1. Nature and extent of the subsidy

(a) Background and authority

Due to the accumulation of abnormally large wheat stocks from several successive bumper crops, the Federal Government from 1 August 1955 has paid storage and interest costs on Canadian Wheat Board holdings of wheat in excess of basic stocks of 178 million bushels at the beginning of a crop year. The 178 million bushel figure is the fifteen year average of stocks in store before the huge 1951 crop. The programme is authorized under the Temporary Wheat Reserves Act (1956). The legislation will lapse when stocks are reduced to 178 million bushels.

(b) Incidence

The Federal Government pays to the Canadian Wheat Board an amount computed by multiplying the quantity of wheat in excess of 178 million bushels held by the Board at 1 August (beginning of the crop year), by the current carrying charge rate per bushel, for each day in the crop year. This Federal payment is added to Board receipts from crop-year sales of wheat, which comprise the "pool" from which supplementary payments are made to producers at the end of that annual pool period if returns warrant.

(c) Amount of subsidy

For the 1964-65 crop year the Board received $28.6 million as the Treasury payment of carrying charges on about 150 million bushels.

(d) Estimated amount per unit

In the 1964-65 crop year, payments into the pool averaged 8.7 cents per bushel on total stocks held by the Board, or 19.1 cents per bushel on the quantity in excess of the 178 million bushel basic stocks.

2. Effect of subsidy

The payments have relieved producers of burdensome storage charges on wheat in commercial storage by reducing the amount of carrying charges the pool was called on to bear during the period of abnormally high stocks.

Crop failure assistance

1. Nature and extent of the subsidy

(a) Background and authority

This programme was designed to aid farmers in the spring wheat area (the three Prairie Provinces and the Peace River District of British Columbia) in years of low crop yields arising from drought, flood and other conditions beyond their control. It was authorized under the Prairie Farm Assistance Act, 1939, as amended, and regulations established by Order in Council.

(b) Incidence

Payments are made to all farmers in areas eligible by reason of low yields or impossibility of seeding, at rates ranging from $2 to $4 per acre of cultivated land, subject to a maximum of 200 acres per farm. The rate of payment varies with the degree of crop failure, based on a scale of wheat yields (or a stated equivalent for oats, barley, rye, rapeseed or flaxseed) in the area. A minimum payment of $200 per farm is provided for in the

regulations if the award computed is less than that amount. A 1 per cent levy is deducted from each producer's sale price of western wheat, oats, barley, rye, rapeseed or flaxseed sold through licensed agencies. Proceeds of this levy are credited to a special fund out of which the awards are paid each December. If the amount in the fund is inadequate to defray the cost of the awards, the Federal Government makes up the deficit. Farmers who participate in a provincial crop insurance scheme are not subject to this levy and are not eligible for benefits of this assistance programme.

(c) Amount of subsidy

The Federal contribution required in addition to the amount in the fund, to meet the cost of awards was $2.2 million in the 1964-65 crop year.

(d) Estimated amount per unit

The cost to the Federal Government of the average award per farm in eligible areas was $453 in the crop year 1964-65.

2. Effect of subsidy

In areas of crop failure it provides eligible farmers with a minimum income to meet urgent expenses.

II. LIVESTOCK AND PRODUCTS[1]

Hog quality premiums

1. Nature and extent of the subsidy

(a) Background and authority

The payment is designed to improve the quality of Canadian hogs and has been in effect since 1944. The current programme was authorized under an Appropriation Act by P.C. 1963-430, 18 March 1963.

(b) Incidence

Payment is made to producers who deliver their hogs for slaughter at inspected plants or approved establishments throughout Canada. The farmer receives with his settlement statement a hog premium warrant which is negotiable at par at any chartered bank. The Government reimburses the bank. During the 1964-65 fiscal year the rate was $3.00 per Canada Grade A carcass.

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[1] Statistical information concerning pork, lamb and mutton, see annex.

(c) Amount of subsidy

The estimated expenditure for carcasses graded in the fiscal year 1964-65 was $8.4 million.

(d) Estimated amount per unit

The average payment per hog graded was $1.14 in the fiscal year 1964-65.

2. Effect of subsidy

The premium is a small part of the present return and has little effect on production levels. It has however assisted in improving and maintaining hog quality and in channelling hogs for slaughter to Government approved plants.

Lamb quality premiums

1. Nature and extent of the subsidy

(a) Background and authority

This programme complemented support programmes for lamb and wool in aiding Canada's sheep industry and encouraged production of high quality lambs. It was authorized by P.C. 1961-1122, 4 August 1961 and P.C. 1962-749, 22 May 1962 under general Appropriation Acts.

(b) Incidence

From 14 August 1961 producers have been eligible for premiums on properly identified (tagged) lambs slaughtered at Canadian plants where Federal carcass grading is available. With his settlement statement the producer receives a warrant signed by the government grader which covers the appropriate premium. The warrants are negotiable at par at any chartered bank, which claims a refund from the Government. The rate of premium is $2.00 per lamb carcass grading Canada Choice, Class I, and $1.00 per carcass grading Canada Good, Class I, weighing between 36 and 56 pounds warm dressed weight.

(c) Amount of subsidy

Premium payments on eligible carcasses graded during the 1964-65 fiscal year totalled $524,000.

(d) Estimated amount per unit

Payment per lamb carcass federally graded during the 1964-65 fiscal year was $1.24.

2. Effect of subsidy

It has encouraged the marketing of lambs of desirable weights and quality.

III. DAIRY PRODUCTS[1]

Butter and butterfat, price support

1. Nature and extent of the subsidy

(a) Background and authority

The price of butter continued to be supported by the Agricultural Stabilization Board which buys butter in the summer months and releases it to the trade during the winter. The programme is authorized under the Agricultural Stabilization Act by annual Orders in Council.

(b) Incidence

Between 1 May 1964 and 30 April 1965, and in the corresponding period of 1963-64, the Agricultural Stabilization Board had authority to support Canada First Grade creamery butter scoring 40-93 or higher at 64 cents per pound, basis delivery Montreal with appropriate price differentials for other grades and other markets, and butterfat in other forms which the Board may specify. From 1 May 1964, the Board was authorized to sell its butter stocks at 53 cents per pound, as compared with 52 cents in 1963.

(c) Amount of subsidy

The Board's total net loss on the 1964-65 butter programme was $46.9 million. Part of this amount included losses on the butterfat content of exports of butter and butter oil (details reported in surplus disposal notification), and export subsidy payments of $4.5 million on evaporated milk and wholemilk powder.

(d) Estimated amount per unit

Not available, as butter on which Board losses occurred in 1964-65 was acquired during the previous six marketing years. The export subsidy on evaporated milk was 1 cent a pound, and on wholemilk powder 6.3 cents a pound.

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[1] Statistical data concerning butter and cheese, see Annex.

2. Effect of subsidy

The operations of the Stabilization Board resulted in the price of butter remaining reasonably stable, avoiding serious seasonal fluctuations. As a result, at least in part, of the Stabilization Board's pricing policy, domestic butter consumption exceeded production for the second successive year, enabling surplus stocks to be reduced. Export demand resulting from shortages abroad was met through a further reduction of stocks.

Cheddar cheese, price support

1. Nature and extent of the subsidy

(a) Background and authority

The Agricultural Stabilization Board continued its "offer-to-purchase-programme" for cheese during 1964-65, and also made payments on Canada First Grade cheddar cheese only. Authority was granted under the Agricultural Stabilization Act and a pertinent Order in Council.

(b) Incidence

Between 1 May 1964 and 30 April 1965, the Board offered to purchase Canada First Grade cheddar cheese at 32.5 cents per pound, basis delivery Montreal and Belleville with appropriate differentials for other markets, and to make a payment of 3.6 cents per pound only on Canada First Grade cheddar cheese manufactured from milk delivered by producers who did not normally deliver any portion of their milk in the fluid milk market. While the offer-to-purchase price remained unchanged from that for the 1963-64 period, the preceding year's policy of paying 30 cents per hundredweight of cheese milk was changed to the equivalent payment on Canada First Grade cheddar cheese only, to put an emphasis on quality production.

(c) Amount of subsidy

Total cost to the Board for the cheese programme in 1964-65 was $5,044,019. Although the Board did not acquire any stocks of cheese during 1964-65, assistance was provided on 29,223,990 pounds of cheese exported to the United Kingdom under the purchase and resale programme at a cost of $705,113. Payments to milk producers on First Grade cheese in the 1964-65 fiscal year totalled $3,955,972, and a balance of $382,934 from the 1963-64 programme was also paid.

(d) Estimated amount per unit

On total cheddar cheese produced during the year, the loss averaged about 3.4 cents per pound. On exports to the United Kingdom, assistance on cheese produced in 1963 amounted to 3 cents a pound and on cheese produced in 1964, 2 cents a pound.

2. Effect of subsidy

The price of cheese was stabilized and the utilization of a higher proportion of milk in cheese production was encouraged. Traditional export sales to Britain were maintained.

Cheese quality premiums

1. Nature and extent of the subsidy

(a) Background and authority

Cheese quality premiums are designed to encourage the production of high quality cheese. The authority is the Cheese and Cheese Factory Improvement Act and P.C. 1954-1969, 16 December 1954, as amended.

(b) Incidence

A quality premium is paid to the cheese factories, for distribution to their milk suppliers, on high grade cheese of the cheddar type and blue-vein cheese of the Roquefort type. All such cheese scoring 94 points or over received a premium of 2 cents per pound and cheese scoring 93 points received a premium of 1 cent per pound.

(c) Amount of subsidy

For the fiscal year 1964-65 the expenditure amounted to $1.2 million.

(d) Estimated amount per unit

The expenditure during 1964-65 averaged 0.87 cent per pound of cheese graded and 0.82 cent per pound of cheese produced in 1964-65.

2. Effect of subsidy

The quality premium encourages the production of high quality cheese.

Milk for manufacture of casein and caseinates, price stabilization

1. Nature and extent of the subsidy

(a) Background and authority

The Agricultural Stabilization Board was authorized to make payments on dried casein and caseinates manufactured from the skim milk portion of milk delivered by producers. This authority was granted under the Agricultural Stabilization Act and the appropriate Order in Council.

(b) Incidence

From 1 May 1964 to 30 April 1965, and for the same period in 1963-64, the Board made a payment of 10 cents a pound on all production of dried casein or caseinates.

(c) Amount of subsidy

Total cost in the 1964-65 fiscal year was $1,941,073, including a balance of $130,310 from the 1963-64 programme.

(d) Estimated amount per unit

Ten cents a pound.

2. Effect of subsidy

This was part of the general programme for stabilizing the price of manufacturing milk by supporting the prices of the various manufactured components.

IV. EGGS[1] AND POULTRY

Egg price support

1. Nature and extent of the subsidy

(a) Background and authority

Eggs are a product for which price support is mandatory under the Agricultural Stabilization Act. Annual Orders in Council under the Act have granted authority to the Agricultural Stabilization Board to support egg prices.

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[1] Statistical data, see Annex.

(b) Incidence

Since 1 October 1959, the Agricultural Stabilization Board has had authority to support eggs under a limited deficiency payment programme. During 1963-64 and 1964-65, this method of support provided that any payment to producers would amount to the difference between the national average producer price for Canada Grade A Large eggs at registered egg grading stations for the period concerned and the support price of 34 cents per dozen. Any payment under this programme is limited to egg producers registered with the Board who have marketed their eggs through registered grading stations or through retail outlets as producer-graders, and to a quantity in a payment period which would not exceed an annual rate of 4,000 dozen Canada Grade A Large or Extra Large, or Canada Grade A Medium eggs per producer.

(c) Amount of subsidy

For the fiscal year 1964-65, the cost of the support programme amounted to $985,897, covering eggs produced in 1963-64. No deficiency payments were required in the preceding year.

(d) Estimated amount per unit

The loss averaged 0.42 cent per dozen on the quantity of eggs marketed through registered egg-grading stations during the fiscal year.

2. Effect of subsidy

Egg prices to producers were stabilized.

V. FRUITS AND VEGETABLES

Sour cherries, price support

1. Nature and extent of the subsidy

(a) Background and authority

The Agricultural Stabilization Board was authorized under the Agricultural Stabilization Act and an Order in Council thereunder to make a fixed payment to Ontario producers on their 1964 crop of sour cherries delivered to processors.

(b) Incidence

Ontario producers received a payment of 1.3 cents per pound on their 1964 sour cherry crop marketed through processing plants.

(c) Amount of subsidy

The expenditure during the 1964-65 period amounted to $300,401.

(d) Estimated amount per unit

1.3 cents per pound.

2. Effect of subsidy

Prices for Canadian sour cherries, which are practically all grown in Ontario and used almost entirely for processing, were stabilized in a situation where market prices were threatened with a drastic decline.

VI. OTHER PRODUCTS

A support price by deficiency payment was provided for a number of other agricultural products during the 1964-65 fiscal year but market prices for each of them were above the support level so no payments were made. These products included cattle, hogs, lambs, sugar beets, soybeans and wheat, oats and barley grown outside the Canadian Wheat Board area.

VII. SUPPLIES

Agricultural lime assistance

1. Nature and extent of the subsidy

(a) Background and authority

Large areas of land in Eastern Canada and British Columbia have acid soils which must be limed before they can benefit from fertilizer, particularly where forage crops are grown. Federal-provincial assistance has been available to farmers for this purpose since 1945. This programme is authorized by P.C. 1958-6/356, 4 March 1958 under an Appropriation Act.

(b) Incidence

The Federal Government pays to each province up to 60 per cent of the amount expended annually by it on any direct activity undertaken to increase lime utilization.

(c) Amount of subsidy

The expenditure during 1964-65 was $1.6 million.

(d) Estimated amount per unit

The Federal share of this assistance in 1964-65 averaged $1.27 per ton of lime transported.

2. Effect of subsidy

The programme encourages soil improvement in areas having acid soils.

CANADA

ANNEX

WHEAT

(million bushels)

Crop year 1 August-31 July	Production	Imports	Exports	Consumption
1962	565.6	0	331.4	138.0
1963	723.4	0	594.5	156.7
1964	600.4	0	399.6	147.2

0 = Less than half the unit shown.

OATS

(million bushels)

Crop year 1 August-31 July	Production	Imports	Exports	Consumption
1962	493.6	0	21.7	400.7
1963	453.1	0	18.8	405.2
1964	357.2	0	15.6	390.9

0 = Less than half the unit shown.

BARLEY

(million bushels)

Crop year 1 August-31 July	Production	Imports	Exports	Consumption
1962	165.9	0	15.4	119.1
1963	220.7	0	46.9	144.7
1964	166.8	0	37.0	159.3

0 = Less than half the unit shown.

PORK[1]

(million pounds)

Calendar year	Production	Imports	Exports	Consumption
1962	978.2	35.6	47.9	925.4
1963	978.3	89.5	47.4	958.8
1964	1,060.6	53.4	54.0	1,000.9

[1] Cold dressed carcass weight.

LAMB AND MUTTON[1]

(million pounds)

Calendar year	Production	Imports	Exports	Consumption
1962	32.7	37.6	0.6	71.3
1963	30.5	47.8	0.7	74.3
1964	29.1	37.6	0.8	65.3

[1] Cold dressed carcass weight.

BUTTER

(million pounds)

Calendar year	Production	Imports	Exports	Consumption
1962	373.1	-	0	332.2
1963	362.4	-	5.6	361.8
1964	361.2	-	1.1	366.8

0 = Less than half the unit shown.

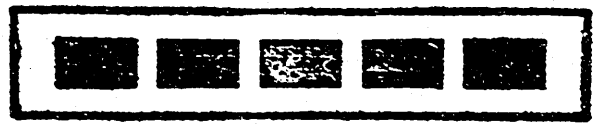
CHEESE

(million pounds)

Calendar year	Production	Imports	Exports	Consumption
1962	131.0	14.6	27.2	122.1
1963	156.0	15.4	25.2	126.2
1964	162.0	15.3	30.3	134.4

EGGS[1]

(million dozens)

Calendar year	Production	Imports	Exports	Consumption
1962	434.2	3.7	1.5	418.7
1963	417.9	8.8	1.5	407.6
1964	437.9	2.1	2.4	414.9

[1] Includes eggs for hatching.