

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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SUBSIDIES

Notifications Pursuant to Article XVI:1

Addendum

NORWAY

AGRICULTURE

Introduction

1. Agricultural policy in Norway is an integrated part of the economic, demographic and nutritional policy of the country. It pursues two main objectives: the first aims at providing the farming population with a standard of living which is comparable with that of other sectors of the population; in this connexion special attention is given to regions with difficult production conditions and to the situation of small farmers. The second objective concerns production: output is sought to be adjusted to domestic demand. Domestic requirements of animal products should be covered by home production, mainly based on home-produced feeding stuffs. Production of cereals may cover a reasonable part of domestic consumption and should be promoted in order to restrain the expansion of livestock production. Production of fruit and storable vegetables is to be stimulated in order to meet the highest possible share of domestic demand. In general, production may be increased in sectors where home demand requires imports. Production in excess of domestic demand is, however, to be avoided as far as possible.
2. The schemes and programmes in favour of agriculture can be grouped as investment aid, low income support and market regulation and price support. The latter also includes support to keep costs of living for consumers below a certain level as agricultural price policy and general wage policy are closely connected. The figures in Table 1 show the amount of aid thus given. Besides, a certain amount of price support results from import restrictions on agricultural products.
3. The authority for the present agricultural policy, is a unanimous acceptance by Parliament in 1965 of a report from the Ministry of Agriculture: Stortingsmelding nr. 64; 1963/64, "Om retningslinjene for jordbrukspolitikken", - (About the Guiding Lines for the Agricultural Policy). This is the most recent of the Parliamentary guiding lines of which the first was issued in 1945.

4. The level of prices, the various subsidies and the regulations affecting the marketing of the agricultural products are determined through the Agricultural Agreements. The Agricultural Agreements are concluded between the Government represented by the Ministry of Agriculture and the two Norwegian farmers' organizations, The Farmers' Union and the Farmers' and Smallholders' League. The Agreements have to be passed by Parliament. They are concluded for a period of two or three years, and are not automatically renewed but are subject to new negotiations which can lead to new measures or which can change those in existence. The scope of these Agreements has been laid down by General Agreement of 1950, the directives of which have been prolonged by all following Agreements. The General Agreement of 1950 established the right of farmers to negotiate with the Government in order to determine prices and subsidies. Discussions on a revision of the General Agreement commenced in 1965.

5. Wage rates for agricultural workers are also settled by agreements, but between the farmers' organizations and the Farm and Forest Workers Union.

6. The Agricultural Agreement and the agriculture and forest workers' wage agreement are timed in with the other major wage agreements concluded between the Labour Union and the Employers' Association, the State and the civil servants, as well as The Fisheries' Price Agreement between the fishermen's organizations and the Government.

Table 1

BUDGETARY EXPENDITURE FOR AGRICULTURE¹

(Nkr million)

	1967 (account)	1968 (account)
Investment aid	126.8	161.7
Low income support	124.7	124.8
Market regulation and price support	879.2	1,065.0
Total	1,130.7	1,351.5

¹Not including expenditure for research, advisory services, administration, etc.

A. Cereals

I. Nature and extent of the subsidies

(a) Background and authority

7. Trade in cereals is handled by the Norwegian Grain Corporation, a State enterprise which administers the Grain Monopoly. It was established in 1928 by virtue of the Law of 22 June 1928, with subsequent amendments, "On the Nation's Provisions of Cereals". The reasons for establishing a State monopoly were to secure the provisions of grains for food and feed, to maintain an emergency stock of grains and to promote domestic grain production.

(b) Incidence

8. The prices paid to producers for grains are fixed annually by the Parliament pursuant to the price negotiations between the Government and the producers' organizations. Both farm income and regulations of agricultural production are considered in the settlement of grain prices.

9. The Grain Monopoly must purchase all home-produced wheat, rye, barley and oats offered for sale at guaranteed prices. As the prices paid to farmers for home-produced grain exceed those of imported grain, the difference is met by allocations from the Treasury. Producers' prices refer to a specified quality and are, in principle, uniform all over the country. They do not vary during the year but the producers are paid for storing the grain on the farms. In order to support farmers in certain less-favoured mountain and fjord regions, a premium of Nkr 4/100 kgs. is added to the price for barley from those regions. In order to pursue its wage and price policy, the Government subsidizes the consumer price of milling grain.

(c) Amount of subsidies

Table 2

BUDGETARY EXPENDITURE FOR CEREAL PRODUCTS

(Nkr million)

	1967 (accounts)	1968 (accounts)
Price support of domestic grains	122.4	200.8
Reduction of consumer prices on milling grain	70.4	121.7
Total	192.8	322.5

(d) Estimated amount per unit

Table 3

BUDGETARY EXPENDITURE FOR PRICE SUPPORT
OF DOMESTIC GRAINS

(Nkr/kg.)

1967	0.26
1968	0.32

II. Effect of subsidy

(a) Estimated quantitative trade effect on the subsidy; and the reason why it is considered that the subsidy will have these effects

10. It is not possible to indicate the precise effect of the Government expenditures for the promotion of grain production. The relatively large number of farms growing grains and having abandoned or greatly reduced animal production, indicates that the price relationship between milk and grain, set by Government as a result of the Agricultural Agreement, has induced a shift from surplus milk production to deficit grain production in those regions where this was possible.

(b) Statistics of production, consumption, imports and exports

Table 4

CEREAL BALANCE SHEET

(1000 metric tons)

	1965/66 (Rev.)	1966/67 (Rev.)	1967/68 (Prel.)
<u>Wheat</u>			
Production	11.8	4.1	10.6
Changes in stock	+ 26.2	+ 11.1	+ 8.8
Exports			
Imports	385.8	379.6	332.4
Available supplies	371.4	372.6	334.2
Used for:			
Animal feed	81.9	75.2	43.2
Seed	0.4	0.8	1.1
Waste	3.1	2.3	0.7
Food gross	286.0	294.3	289.2
<u>Rye</u>			
Production	1.6	0.7	2.3
Changes in stock	+ 0.7	+ 5.2	+ 2.2
Exports			
Imports	37.1	35.3	32.5
Available supplies	39.4	41.2	37.0
Used for:			
Animal feed	0.7	0.8	0.6
Seed	0.1	0.1	0.3
Waste	0.5	0.1	0.1
Food gross	38.1	40.2	36.0

Table 4 (cont'd)

	1965/66 (Rev.)	1966/67 (Rev.)	1967/68 (Prel.)
<u>Barley</u>			
Production	484.9	405.1	485.5
Changes in stock	+ 27.4	+ 37.6	+ 45.6
Exports			
Imports	28.0	73.4	100.9
Available supplies	485.5	516.1	540.8
Used for:			
Animal feed	368.3	431.5	420.4
Seed	35.1	33.4	33.0
Industrial use	26.5	28.3	33.2
Waste	49.5	16.2	48.0
Food gross	6.1	6.7	6.2
<u>Oats</u>			
Production	113.3	91.5	122.8
Changes in stock	+ 0.6	+ 8.5	+ 25.0
Exports			
Imports	10.5	6.1	17.6
Available supplies	124.4	106.1	115.4
Used for:			
Animal feed	84.0	84.2	84.7
Seed	8.9	9.8	10.7
Industrial use			
Waste	23.1	3.8	12.0
Food gross	8.4	8.3	8.0

B. Dairy products

I. Nature and extent of the subsidies

(a) Background and authority

11. Dairy policies have a twofold production objective:

- (a) to maintain a level of milk production which meets - even in the low production season - the demand for liquid milk, butter and cheese;
- (b) to adjust production to demand and thus avoid surpluses.

12. In order to limit milk production to the volume necessary for covering domestic demand of liquid milk all year, cereal prices have been maintained on such a level in relation to milk that most farmers who have the possibilities for growing grain have turned away from milk production. This has made it possible for more remotely placed farms with little other alternatives than milk production to find a market for their products. Dairy policies will, in the coming years, increase the effect of measures tending to slow down increase of total production through a reduction of the number of milch cows.

13. In pursuing its objective, the Government intervenes in the following way:

- (i) in fixing maximum retail prices and margins for milk and dairy products, in order to keep consumer prices under control;
- (ii) in subsidizing milk prices, in order to raise producer prices and to keep consumer prices at an adequate level;
- (iii) in using import restrictions, in order to protect the home market;
- (iv) in imposing a levy on concentrated feed in order to curb animal production;
- (v) in subsidizing production means, in particular fertilizers, with special arrangements in order to support low income farms;
- (vi) in promoting efficient milk production, handling and processing;
- (vii) in promoting increased consumption of dairy products.

14. The Milk Producers' National Association is responsible for the calculation of a national settlement price, that is the pooling of the returns from all sales of milk and dairy products by the seven regional producer milk pools and the allocation of the State subsidies.

According to rules which are fixed by the Ministry of Agriculture, each regional milk pool calculates its basic price every month under the control of the Milk Producers' Association. These basic prices vary to some extent between the pools depending on variations in their running expenses and the accumulation of reserve funds. During the year, the basic price varies in such a way that the highest basic prices are credited in the low production season and the lowest prices in the months with the highest production. This fluctuation of producer prices is achieved by allocating varying proportions of the annual subsidies for the individual months.

(b) Incidence

15. In the periodical price agreements mentioned above, prices on milk products are fixed at retail level. Fixed retail prices are to be regarded as statutory maximum prices, including 14.3 per cent purchase tax.¹ At the same time is fixed the retail as well as the wholesale margins.

16. The producer prices, resulting from the fixed retail prices for milk and dairy products, would be much lower than those necessary to achieve the income objective of the agricultural policy. The Government, therefore, supports the dairy market by subsidies. This scheme pursues the double aim of assuring to producers an adequate price level for a commodity that accounts for about 40 per cent of total agricultural receipts, and maintaining relatively low consumer prices on dairy products. Milk and milk products are regarded as a basic food in the national diet, covering 20 per cent of total calory intake and 30 per cent of the protein consumption. Besides these two main objectives, the subsidy scheme is intended to contribute also to the desired greater equality of income amongst producers in the different regions of the country and size-groups of holdings. It comprises:

- (1) a basic subsidy for milk delivered to dairies or an equivalent subsidy for direct deliveries to consumers;
- (2) special subsidies for certain regions;
- (3) subsidies on transport costs.

¹As per 1 January 1970 raised to 20 per cent.

17. In supplement to these subsidies are used funds accruing from levies on imported feeding stuffs. These funds are not to be regarded as subsidies or transfer of income from the Treasury to the agricultural producers. In 1966/67, NKr 45.4 million was used for market regulation of milk products. The corresponding figure in 1967/68 was NKr 60.3 million.

(c) Amount of subsidy

Table 5

BUDGETARY EXPENDITURE FOR MILK AND DAIRY PRODUCTS

(NKr million)

	1967 (accounts)	1968 (accounts)
Price support of milk	399.8	414.4
Reduction of consumer prices on dairy products	286.6	328.1
Total	686.4	742.5

(d) Estimated amount per unit

Table 6

AVERAGE CALCULATED TOTAL BUDGETARY EXPENDITURE
TO ALL MARKETED COW AND GOAT MILK

(NKr/kg.)

1967	0.43
1968	0.46

II. Effect of subsidy

(a) Estimated quantitative trade effect on the subsidy and the reason why it is considered that the subsidy will have these effects.

18. It is not possible to indicate the precise effect of the Government expenditures for the support of milk production. It is generally accepted, however, that the price ratio milk/grain and milk/concentrate feed has prevented a large increase in milk production. The improved breeding and feeding practices has accelerated the increase of yield per cow, but number of cows are reduced. One way of measuring the influence of price policy on milk production is to measure the amount of milk production surpassing domestic consumption at regular prices. The minimum level of surplus milk required to meet demand for liquid milk in low production season is estimated to be around 150 million kgs.

(b) Statistics of production, consumption, imports and exports

19. Table 7 shows that number of milch cows has decreased while the increase in yield per cow resulted in an increase in total milk production. The same table illustrates the increase of consumption, due to greater marketing efforts resulting in reduced surplus of milk.

Table 7

PRODUCTION AND UTILIZATION OF MILK

	1965	1966	1967	1968 (Prel.)
Number of milch cows	512,000	494,000	475,000	452,000
Yield per cow, kgs.	3,302	3,498	3,703	3,982
	million kgs.	million kgs.	million kgs.	million kgs.
Cow milk production	1,691	1,728	1,759	1,775
Waste, feed and farm use	272	257	248	187
Dairy deliveries:				
of cow milk	1,419	1,471	1,511	1,588
of goat milk	25	27	28	26
Total dairy deliveries	1,444	1,498	1,539	1,614
<u>Dairy deliveries used for:</u>				
(a) Domestic commercial sales:				
of milk and cream	748	767	786	814
of butter, cheese; condensed and dried	437	451	500	601
(b) Domestic concessional sales of butter	84	88	59	82
(c) Exports of butter and cheese	175	192	194	117
Concessional sales and exports in per cent of dairy deliveries	17.9%	18.7%	16.4%	12.3%

C. Other agricultural products

20. No budgetary expenditures are involved in support of the prices of other agricultural products than cereals and milk.

21. In the Agricultural Agreements, average yearly target prices are fixed for certain pilot categories of products (meat, wool, eggs, potatoes, fruits and vegetables). These target prices represent the maximum average yearly prices which can be obtained on the domestic market. No corresponding minimum prices are fixed. If market prices on pilot products surpass the target price with a certain margin, imports are free.

22. The farmers' national commodity marketing associations are responsible for the carrying out of regulation measures on the domestic market, aiming at the maintenance of market prices as close as possible to target prices.

23. This activity is financed by levies on imported feeding stuffs. The uses of these levies are not to be regarded as subsidies or transfers of income from the Treasury to the agricultural producers. In 1966/67, Nkr 56.8 million of feeding stuff levies was used for market regulation of other farm products than milk and cereals. In 1967/68, the corresponding figure was Nkr 61.7 million. The figures used for dairy products are mentioned in paragraph 17.

D. Fish

I. Nature and extent of the subsidy

(a) Background and authority

The total catch has increased during recent years from 1.2 million tons in 1963 to 3 million in 1967. In 1968 the catch decreased to 2.6 million tons. Along the coast the fisheries represent the major means of livelihood for large groups of the population, and some places are wholly dependent on fisheries, which have created the population structure of the coastal districts. Even though considerable rationalization has improved the efficiency and reduced the number of fishermen from about 60,000 in 1960 to less than 50,000 in 1968, the average incomes for fishermen would have been unreasonably low if the State had not contributed, and this could have created considerable national problems. Consequently the objective of the State support is to provide earnings in the fishing industry which are reasonable in relation to incomes in other industries and also to avoid a depopulation of large districts.

The most important scheme concerns subsidies to increase fishermen's incomes.

The major portion of the loan-capital invested in fishing boats, equipment and other production gear is made available by the State Fishery Bank (Statens Fiskarbank). The loans are given as first, second and third priority loans.

The first priority loans are granted in accordance with ordinary banking principles at an interest rate slightly below ordinary commercial rates. The second priority loans are granted in accordance with certain regulations at an interest rate of 2 per cent. The State Fishery Bank granted in 1968 second priority loans to the value of about NKr 18 million. The third priority loans are granted skilled fishermen, who want to buy special types of seagoing vessels. These loans are free of repayment and interest the first ten years. The amount granted in 1968 was NKr 3.8 million. The Bank was established to overcome the difficulties which the fishermen have had in obtaining necessary capital for their investments in boats and equipment from private credit institutions, which are inadequate in many coastal districts, especially in North Norway. The primary task of the Bank has consequently been, and still is, to be a credit institution able to meet the fisherman's need for capital, thereby furthering an efficient development of the fishing industry and its fleet.

(b) Incidence

The premiums on the prices of landed fish and herring are distributed to the sales associations and paid according to regulations laid down in an agreement between the Norwegian Fishermen's Association (Norges Fiskarlag) and the authorities. The sales associations lay down detailed rules for allocation within the framework of the agreement. The price supplements are made for certain types of fish and certain forms of production and are mostly effected through rates per kilogramme or hectolitre.

The price support for fishing gear is provided and paid to the State Monopoly for import of fishing gear (Statens Fiskeredskapsimport). Subsidies are granted both to imported and home-produced gear for the purpose of reducing prices to the fishermen. Allowances for bait are made to the freezing plants and a special co-operative of fishermen.

(c) Subsidy schemes in 1968

Type of aid	Brief particulars	Amount provided (NKr million)
1. Grants to reduce prices of equipment and bait	Equipment: granted to imported and home-produced gear	Equipment: 16.7 Bait: 8.5
2. Grants to increase fishermen's incomes	Yearly fixed basic sum and certain amount per kg. or hl.	Herring: 59.0 Other fish: 100.0

Type of aid	Brief particulars	Amount provided (Nkr million)
3. Grants to the fishing industry in order to rationalize fishing operations, manufacture and trade.		10.0
4. Contributions to the fishermen's social expenses		14.1
5. Guarantee of a minimum weekly earning for fishermen instead of contributions under the State's unemployment insurance system	A minimum of Nkr 175 per week is guaranteed	Government part: 9.5
6. The State's purchase of stockfish owing to the civil war in Nigeria. The fish is delivered to developing countries through World Food Programme and to humanitarian organizations	The purchase concerns about 13,000,000 of stockfish of Africa quality and the prices are stipulated considerably under cost price	55.0

II. Effect of subsidy

(a) In spite of subsidies provided for the fishing industry the number of fishermen shows a declining trend. Without subsidies it is probable that strong depression in the industry would have taken place. The subsidies, however, have hardly influenced the prices of the products. Norwegian fish products obtain generally higher market prices than comparable products from other countries. With regard to imports the subsidies have had little or no effects. The total quantity of fish for human consumption imported has risen considerably in recent years and reached about 18,000 tons in 1968. The domestic consumption of fish products, constituting a minor part of the total production, is probably not affected by the subsidy arrangements.

(b) Statistics of production, consumption, imports and exportsFish Production by Quantity and Value for the Years 1957 and 1960/61/62

Year	Quantity in tons	Value in NKr '000
1957	1,562,297	626,751
1960	1,342,813	664,586
1961	1,322,385	686,073
1962	1,120,679	657,322
1967	3,012,000	1,154,000
1968	2,572,000	1,023,000

Exports of Fish and Fish Products for the Years 1957 and 1960/61/62

Year	Quantity in tons (product weight)	Value in NKr '000
1957	529,066	977,614
1960	423,376	914,837
1961	372,551	870,862
1962	326,315	914,571
1967	920,600	1,724,000

Imports of Fish and Fish Products (edible) 1957

Year	Quantity in tons (product weight)	Value in NKr '000
1957	circa 5,600	circa 10,700
1960	circa 8,800	circa 16,100
1961	circa 6,900	circa 16,900
1962	circa 10,000	circa 23,000
1967	circa 18,000	circa 55,500

The consumption of fish in Norway is estimated to be 40 kilogrammes of raw fish per person.

E. Margarine

For the purpose of preventing rises in the costs-of-living index, the State Budget provides for subsidies for margarine. The subsidies are paid to the producers at a fixed rate per kilogramme.

The support in 1965 amounted to NKr 53.5 million, in 1966 to NKr 50.3 million, in 1967 to NKr 50.9 million and in 1968 to NKr 48 million.

The subsidy in 1969 is estimated at some NKr 51 million.

The present subsidy amounts to 60 øre per kilogramme.

The following table shows developments in production, imports, exports and consumption of margarine.

Year	Metric tons			'000 metric tons
	Production	Imports	Exports	Consumption
1965	89,951	-	9,327	80.4
1966	89,394	1	8,945	80.3
1967	90,154	-	8,924	81.5 ^{1/}
1968	83,540 ^{1/}	1	8,857	81.5 ^{1/}

^{1/}preliminary figure.