

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/3411/Add.5

3 December 1970

Limited Distribution

Original: English

SUBSIDIES

Notifications Pursuant to Article XVI:1

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, mainly for social and economic reasons, kept as stable and low as possible by means of ceiling prices.

Legal basis

The Law on Price Regulation, Federal Law Gazette No. 151/1957, in its present version, as well as relevant price regulations issued by the Federal Government (fixing of producer price 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 Law Gazette No. 276/1958 in its respective version.

(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 229 groschen per litre at a fat content of 3.5 per cent (or 222.4 groschen per kg.). As from 1 January 1969, a quality supplement of 7.21 groschen per litre (or 7 groschen per kg.) is granted for first quality milk, i.e. presently about three quarters of the total amount of milk delivered.

(ii) However, this guiding price is reduced by the contribution for sales promotion and by the payment of a milk recording charge; while the latter remained unchanged at 1 groschen per litre, the contribution for sales promotion varied in its drain on the farmers according to the delivery to the market and the international market situation.^{1/}

The contribution for sales promotion per litre of milk delivered, based on a fat content of 3.5 per cent, amounted to the following:

	In per cent (basis: milk price subsidy)	Groschen per litre
1966 and 1967	2.25	2
1968 (as from 1 January)	5.6	5 ^{1/2}
1968 (as from 1 April)	22.2 ^{2/}	20 ^{1/2}
1969 (as from 1 January)	38.5 ^{2/}	20
1969 (as from 1 March)	30.8	16
1969 (as from 1 May)	21.2	11
1969 (as from 1 September)	15.4	8
1970 (as from 1 July)	38.5	20

(iii) The increases in the producer price for milk which have become necessary on account of the rising costs of working material and wages have to an ever increasing extent been passed on to the consumer price.

(iv) The Dairy Production Board is entrusted with various administrative tasks (control of production and sales, promotion of quality, regulation of production areas and areas supplied, price equalization, transport equalization cost, etc.) and, therefore, received the following subsidies to cover relevant expenditure:

1966	£ 294.8 million
1967	£ 329.3 million
1968	£ 397.3 million
1969	£ 462.3 million

(v) Furthermore, in the years under review, the Federal Ministry of Agriculture and Forestry placed the following sums, derived from various sources of income, at the disposal of the Austrian Dairy and Cheese Dairy Association, Ltd.,

^{1/} As from 1 April 1968, the contribution for sales promotion, formerly Emergency Fund of Agriculture, also comprises 1 groschen of contribution for publicity.

^{2/} Since 1969 the official subsidy which serves as basic value was reduced from 90 groschen to 52 groschen due to a respective increase of the calculated basic price.

which is charged on the basis of a contract with sales promotion and other measures:

Pursuant to § 9 of the Market Regulation Law (increase in consumer price)		Pursuant to § 19 of the Market Regulation Law (import equalization)		Contribution for sales promotion	Sum total
				(S million)	
1966	115.0	10.2		38.9	164.1
1967	120.0	10.4		42.3	172.7
1968	125.3	11.8		286.5	435.1 ^{1/}
1969	267.4	10.7		152.7	430.8

^{1/} Including S 9 million from the levy on imports of oilcake which has been cancelled in the meantime.

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

Delivery		Subsidies from budget funds	
(in million tons)		(S million)	(greschen/kg.)
1966	1.96	1,319	67
1967	2.1	948	45
1968 ^{1/}	2.10	958	46
1969 ^{1/}	2.06	1,017	49

^{1/} Provisional figures.

Among the measures for the promotion of domestic sales enforced by the Dairy Production Board the temporary disposal of butter at reduced prices should be mentioned. (Disposal of butter at reduced prices to recipients of pensions and annuities and to unemployed persons in December 1967; table butter programme, Easter 1968; butter lard programme, as from 4. November 1968, table butter programme, June 1970.)

Furthermore, the Austrian Dairy and Cheese Dairy Association, Ltd., has been entrusted with the disposal of skim milk powder at reduced prices within the country.

Export subsidies from public funds and from the contribution for agricultural sales promotion were continued for whole milk powder and butter through the Austrian Dairy and Cheese Dairy Association, Ltd. From 1966 to 1968 these subsidies amounted to an average of S 4.97 per kg. for whole milk powder and to S 15 per kg. for butter. In 1969 subsidies on whole milk powder and on butter have increased slightly to S 6.52 per kg. and S 16.64 per kg. respectively.

In 1968 exports in cheese had to be subsidized for the first time because of the diminishing sales prospects on the international markets; this subsidy amounted to an average of S 11 per kg. of hard cheese and S 5 per kg. of semi-hard cheese. The average of this subsidy was in 1969 S 10.10 per kg. and S 8.10 per kg. respectively.

II. Effects of subsidy

(a) It is hardly possible to give a rough estimate of the effect of the official subsidy of 52 groschen per litre of milk delivered, fixed as from 1 January 1969, on the home market trade in dairy products; there are numerous other factors exerting influence on exports and imports providing, however, more or less inferior stimuli as export is meeting with manifold resistance.

The official subsidies granted to the Dairy Production Board serve the purposes of the national market regulation and have stabilizing effects on the price structure, but no incidence on foreign trade.

Public funds placed at the disposal of the Austrian Dairy and Cheese Dairy Association, Ltd., facilitate inland sales and help Austria in maintaining its comparatively small share in its traditional outlets for Austrian products of dairy industry.

(b) Statistical data regarding production, total consumption and foreign trade in the economic years 1966/67 and 1967/68 are herewith enclosed.

B. CATTLE FOR SLAUGHTER

I. Nature and extent of subsidy

(a) Background and authority

Since autumn 1966 the equalization levies of the European Economic Community for cattle on imports from third countries had been considerably increased. In order to be able to maintain the traditional exports into the EEC area, Austria had to grant export subsidies for cattle and on a smaller scale for beef as well, by which the impact of the levies was partly compensated.

Legal basis

The Law on Market Regulation, Federal Law Gazette No. 276/1958.

The Federal Finance Law (approval of the total subsidies for the marketing of cattle for the respective calendar year).

(b) Incidence

The following table shows the extent of subsidy as well as the amount of subsidized cattle for slaughter expressed in terms of beef.

Year	Quantity of exports in tons		Export subsidies	Average subsidy per kg.
1966	24,725	2,700	4,499	1.66
1967	41,777	34,699	41,501	1.20
1968	45,900	43,344	101,750	2.34
1969	36,503	30,605	67,842	2.22

II. Extent of subsidy

The subsidy enables Austria to maintain its competition in the traditional markets of the EEC.

C. BREADGRAIN

I. Nature and extent of subsidy

(a) Background and authority

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

Legal basis

The Law on Price Regulation 1950, re-promulgated in Federal Law Gazette No. 151/1957, in its present version and the relevant price regulations (fixing of basic producer prices for wheat and rye as well as of consumer ceiling prices for flour and bread).

The Federal Finance Law (approval of total subsidies for breadgrains for the relevant calendar year).

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

(b) Incidence

In the case of breadgrains (wheat and rye) the official basic prices are fixed by regulation after a hearing of the Price Commission; the mills have to take over the grains at these prices which cover with a small margin the costs of

medium-sized farms in lowland areas, but not in mountainous regions where breadgrain production is usually not marketed.

As from 1 July 1968, these basic producer prices, graduated per month, amounted within the crop year (July to June) to the following (in schillings per 100 kgs.):

For rye	from S 205 to S 224 (formerly S 200 to S 219 ^{1/})
For wheat	from S 220 to S 245 (formerly S 220 to S 239)

Consequently the arithmetical average annual price amounts to S 217.58/100 kgs. for rye and to S 231.45/100 kgs. for wheat. The weighted average price, however, is far lower because 90 per cent of the marketed output are sold in the first months of the crop year (till the end of October).

The prices indicated for wheat apply to products of average quality. As from 1 January 1967, a uniform basic price of S 230/100 kgs. is fixed for wheat of certain specified qualities.

Since 1962 a basic price has also been fixed for domestic durum which has been at S 265/100 kgs., as from 1 January 1967.

Transport costs, milling, trade and bakers' profit margins are pooled, viz unified, so that the prices for breadgrains, flour and bread are the same throughout the country.

(c) The following sums (in S million) had been spent on price subsidies, freight equalization payments etc. in breadgrains out of means of the budget:

1966	476
1967	175
1968	139.9
1969	137

The lower amount provided for subsidies since 1967 is due to the fact that the official price subsidy for wheat and rye had been reduced by S 35/100 kgs., as from 1 January 1967.

Consequently the consumer prices for flour and bread have been raised.

Furthermore the storage costs of imported breadgrains are financed by budget funds. In 1966, an amount of S 11 million, in 1967 an amount of S 20 million and in 1968 some S 13 million and in 1969 an amount of S 6 million had been spent for this purpose.

^{1/} This increase of prices was absorbed by a change of the extraction rate and had consequently no effect on the consumer price for rye and rye products.

Prices graduated per month had been introduced for wheat and rye at that time in order to give the farmer a stimulus towards increased storage. However, the lack of appropriate storage place and dehydrators as regards the farmers as well as the increased marketed output owing to further mechanization, especially at harvest time, prevent own storage in the desired extent.

In order to secure the smooth acceptance of marketed quantities and in order to prevent a fall of the officially fixed producer ceiling prices, contributions for the storage of breadgrains are made within the framework of the existing Grain Market Regulation out of public funds, by mills, co-operative societies and tradesmen.

The following amounts have been expended:

1966	S 119 million
1967	S 128 million
1968	S 200 million
1969	S 287.5 million

Owing to the differences in the planning of the respective storage programmes, the statement of average costs per ton would be of no value.

In the period of the report no subsidies had been necessary for imports in breadgrains, as the prices for imported goods (mainly durum wheat and rye) generally ranged below the prices fixed for comparable domestic goods.

Subsidies for domestic breadgrains per unit, as from 1 January 1967:

For wheat	S 17/100 kgs. ¹
For rye	S 20/100 kgs.

II. Effects of subsidy

(a) With regard to the development of production in Austria and to market regulation for breadgrains limiting imports to the quantities in demand, the quantitative effect of subsidies is but a secondary element.

In order to provide an incentive for an increased cultivation of feed grains at the expense of wheat, an approximation of relative prices was effected; as from 1 November 1967, the prices of feed grains have been increased and as from

¹As from 1 July 1968, the subsidies for soft wheat have been decreased to S 10/100 kgs. (see below), whereas the subsidy of S 17/100 kgs. for high-quality and durum wheat has remained unchanged.

1 July 1968, the subsidies for soft wheat have been reduced by S 7/100 kgs. to at present S 10/100 kgs.; at the same time, the monthly prices for soft wheat have been regruated (see lit. (b)), which also entails a price reduction.

The declining tendency of barley production is going to be checked by an increase of the price by S 5/100 kgs., as from 1 July 1968.

The cultivation of high-quality wheat is still promoted by price supplements (premiums), resulting in a producer price of S 268/100 kgs. Similarly, the price of durum wheat is increased by premiums to S 308.35/100 kgs.

This price policy discussed above in detail, makes prospective planning of cultivation possible according to the Law on Market Regulation. On the other hand, the stabilization of bread prices on a comparatively low level brings about a slower recession of bread consumption than would be the case without subsidies - owing to shifts in consumption connected with the rising standard of living.

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

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 at a certain level, necessary for encouraging the production of feed grains, especially to the debit of wheat cultivation.

The increase of import prices caused in the following stages:

	Maize	Barley and wheat ¹
	(S/100 kgs.)	
As from 1 December 1964	191.15	177.57
As from 10 July 1966	217.19	203.62
As from 1 November 1967	217.19	213.62

¹ Practically no wheat for feeding had been imported in the reported period.

Legal basis

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

The Federal Finance Law (approval of total subsidies for imported feed grains for the respective calendar year).

The Law on Market Regulation, Federal Law Gazette No. 276/1958 in its respective version (import planning and other market guidance measures).

(b) Incidence

The subsidies are paid to the importer who, on his part, is required to observe the fixed wholesale prices for imported feed grains. In 1967 and 1968 there had been no import subsidies as the prices of imported goods were generally below the wholesale prices, which had been increased since mid-1966.

(c) Extent of subsidies

Import subsidies 1966: S 7.85 million (for barley); since that time no subsidies had been necessary.

Defrayment of storage costs:

1966	S 23.20 million
1967	S 47.20 million ¹
1968	S 31 million
1969	S 31 million

(d) Amount per unit

The average storage costs in the reported years amounted to about S 161 per month, for an average storage quantity of 20,000 tons per month. About one third of this quantity concerns domestic feed grains.

II. Effects of subsidy

(a) The subsidy for imports of feed grains has the function of stabilizing prices.

The defrayment of storage costs serves also the purpose of price equalization and market regulation.

¹Increased storage due to the Suez crisis.

(b) Statistical data on production, total consumption as well as imports and exports during the economic years 1966/67 and 1967/68 for all types of feed grains imported eventually under subsidy are given in the annex.

E. FERTILIZERS

(a) Background and authority

The import prices for basic fertilizers (Thomas slag and potash fertilizers) which cannot be produced within the country owing to the lack of raw materials, have been reduced to a level which contributed considerably towards profitable production.

Furthermore, fertilizers such as superphosphates and hyperphosphates, the imports of which had been necessary in former years which are, however, produced within the country in the period of the report, are sold by means of budget funds at reduced prices, similar to imported goods.

For financial reasons the official subsidies affecting the price reduction of phosphatic and potash fertilizers in 1968 have been reduced by 50 per cent, as compared with the preceding year.

Legal basis

The Law on Price Regulation, Federal Law Gazette No. 151/1957 in the respective version.

The Federal Finance Law (approval of total subsidies for the price reduction of fertilizers in the respective calendar year).

(b) Incidence

The subsidies are paid to the importer who, on his part, is required to observe the fixed low wholesale prices for imported goods.

Statistical data regarding the quantity of imported fertilizers etc. in the three reported years 1966-68 are given in the annex.

(c) Extent of subsidies

1966	3 297.58 million
1967	3 202.58 million
1968	3 169.75 million
1969	3 169.75 million

(d) Amount per unit

In the case of potash fertilizers the subsidy amounted to an average of S 118 per ton for a total amount of about 320,000 tons.

In the case of phosphatic fertilizers the average rate of subsidies in 1968 was S 156 per ton for a total amount of about 775,000 tons.

In 1966 and 1967 the amount of the subsidies per ton had been accordingly higher.

II. Effects of subsidy

In the last decade the subsidy contributed towards a considerable increase of the consumption of fertilizers and hence to a raise of production. The bisection in 1968 resulted for the first time in a recession of consumption by about 8 per cent in 1968, as compared with the preceding year.

AnnexSTATISTICAL DATA

Economic year (1 July- 30 June)	Production	Change in stocks	Imports	Exports	Domestic consumption
(1000 metric tons)					
<u>Cows' milk (total)</u>					
1963/64	3,061	Inter-State trade and domestic consumption: see "freshly drawn milk for drinking purposes"			
1964/65	3,185				
1965/66	3,214				
1966/67	3,276				
1967/68	3,400				
<u>Fresh milk for drinking purposes (including home consumption of producers)</u>					
1963/64	1,029	-	-	13	1,016
1964/65	1,029	-	-	8	1,021
1965/66	1,030	-	-	12	1,018
1966/67	1,005	-	-	11	994
1967/68	1,007	-	-	12	995
<u>Whipped cream and cream</u>					
1963/64	15½	-	-	-	15½
1964/65	16	-	-	-	16
1965/66	17	-	-	-	17
1966/67	17½	-	-	-	17½
1967/68	17½	-	-	-	17½
<u>Butter</u>					
1963/64	40	- ½	1	3½	38
1964/65	43	+ ½	½	4½	38½
1965/66	43	-	-	4	39
1966/67	46	+1	-	5	40
1967/68	49½	-2½	-	5½	41½
<u>Cheese and curd</u>					
1963/64	42	- ½	3½	10	36
1964/65	45½	+ ½	3½	10	38½
1965/66	49	+ ½	3	12	39½
1966/67	50½	-	4	13½	41
1967/68	53½	-1	3	14	43½

Economic year (1 July- 30 June)	Production	Change in stocks	Imports	Exports	Domestic consumption
('000 metric tons)					
<u>Milk powder</u>					
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
1965/66	43	- $\frac{1}{2}$	2	19 $\frac{1}{2}$	26
1966/67	58 $\frac{1}{2}$	+ 3 $\frac{1}{2}$	2	20 $\frac{1}{2}$	36 $\frac{1}{2}$
1967/68	66	+ 6	2	28	34
<u>Wheat and wheat flour</u>					
1963/64	690	-14	43	-	747
1964/65	750	+26	46	-	770
1965/66	661	-11	128 $\frac{1}{2}$	$\frac{1}{2}$	800
1966/67	897	+35	61	26	897
1967/68	1,045	+64 $\frac{1}{2}$	13 $\frac{1}{2}$	6	988
<u>Rye</u>					
1963/64	322	-48	-	-	370
1964/65	388	+ 7	-	-	381
1965/66	315	- 6	84	-	405
1966/67	363	+14	78	-	427
1967/68	377	- 8	21	-	406
<u>Barley</u>					
1963/64	617	- 4	132	11	742
1964/65	605	- 3	286	16	878
1965/66	523	+17	393	17	882
1966/67	706	-11	170	12	875
1967/68	772	+27	146	17	874
<u>Grain maize</u>					
1963/64	194	+15	393	2	570
1964/65	212	-16	348	2	574
1965/66	187	+19	458	-	626
1966/67	275	-32	229	2	534
1967/68	316	- 8	151	1	474

Economic year (1 July- 30 June)	Production	Change in stocks	Imports	Exports	Domestic consumption
	('000 metric tons)				
<u>Beef</u>					
1963/64	125	-	4	16 $\frac{1}{2}$	112 $\frac{1}{2}$
1964/65	114 $\frac{1}{2}$	+1 $\frac{1}{2}$	9	14	108
1965/66	122 $\frac{1}{2}$	-1	5	15	113 $\frac{1}{2}$
1966/67	138 $\frac{1}{2}$	+1	3 $\frac{1}{2}$	20	121
1967/68	149 $\frac{1}{2}$	-	1	23 $\frac{1}{2}$	127
<u>Veal</u>					
1963/64	23 $\frac{1}{2}$	-	1	-	24 $\frac{1}{2}$
1964/65	20 $\frac{1}{2}$	-	1	-	21 $\frac{1}{2}$
1965/66	20	-	1	-	21
1966/67	19	-	1	1	19
1967/68	21	-	3	1 $\frac{1}{2}$	22 $\frac{1}{2}$