

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## SUBSIDIES

### Notifications Pursuant to Article XVI:1

#### Addendum

#### NORWAY

##### A. AGRICULTURAL PRODUCTS

1. Allocations made under Chapter 1147 (Ministry of Agriculture) and Chapter 1580 (Ministry of Consumer Affairs and Government Administration) of the State budget provide for support for milk and dairy products, meat, Norwegian produced grain, flour, eggs, fruits and vegetables. Price support on concentrated animal feed is allocated by the State (previously by the Feed Fund). Appropriations for subsidies are fixed through annual parliamentary decisions. In Chapter 1580, item 70, allocations are made for the regulation of consumer prices and in Chapter 1147 for the fulfillment of the Agricultural Agreement.
2. Subsidies on milk and dairy products are paid to the producers - represented by the Milk Pools (Melkesentralen), the Norwegian Milk Producers National Association (Norske Melkeprodusenters Landsforbund). These subsidies consist of three parts; firstly, a basic subsidy paid to all producers for all milk; secondly, a form of subsidies paid for the first 20,000 litres of milk produced on all farms and, thirdly, a graded regional subsidy. The milk price is equal all over the country; however, the dairies' marginal costs influence the producer's price. Freight subsidies above a fixed level is paid on all milk to equalize the producer price. Consumer subsidies are paid on all milk and dairy products consumed in the country.
3. Producer subsidies on meat (except pork and poultry meat) are only paid to producers receiving regional price support on milk. northern Norway receives additional price support on meat, - including pork, however, not on reindeer meat.
4. Price support is paid for all Norwegian produced grains to cover the price difference between the world market price and the prices on grains fixed in the agricultural agreement.

In order to stimulate farmers to feed their animals on home-grown grain thereby avoiding this grain being delivered to the State Grain Corporation for later re-sale to farmers at subsidized prices, farmers are paid a subsidy for grain from their own production used as fodder on the farm. Freight subsidies are paid on all grains, when the transport costs are a fixed amount, which is to be paid by the producers.

5. A levy is put on all concentrates. The means accumulated to the Feed Fund by this levy is used for different purposes. However, due to the rising grain prices on the world market, the levy declined and the Feed Fund could not cover its financial obligations any longer. Consequently the obligations of the Feed Fund were taken over by the Treasury which is now providing for the financial means necessary. In general terms these means are used in three different ways.

One part is used for market regulation, one part for freight subsidies and one part for subsidizing the price of a certain quantity of concentrates to all farms. The quantity of subsidized concentrate is graded according to farm size, livestock species and partly to the length of the pasture season.

6. Consumer subsidies on flour are paid to the State Grain Corporation. The subsidies on flour cover the difference between a fixed wholesale price and the world market price.

7. Support on eggs and poultry meat on market regulation and on additional price support on high quality eggs indirectly have a subsidized effect on eggs and poultry meat.

8. Support programmes in the horticultural sector are aiming at market regulations and better qualities, and may thus be said to have an indirect effect on prices. Support for reducing the price on oils however has a more direct effect on prices.

9. Subsidies on chemical fertilizers are given in the form of general discounts on the prices of phosphate fertilizers, potassic fertilizers, and complete fertilizers. These subsidies are paid to producers and importers. Chemical fertilizers are subject to particular arrangement through which support is granted to small farms, the owners of which have an income under a certain level. Farms in northern Norway and mountain farms in southern Norway are not subject to any limitations as to area. Freight subsidies beyond a fixed amount paid by the farmers are also given on fertilizers. Likewise freight subsidies are granted on limestone and preservatory acid for silage.

## Fertilizers

Farms in northern Norway and some districts in southern Norway enjoy a 55 per cent reduction of their expenditures on fertilizers provided that their income does not exceed the income limits.

Other farmers enjoy a 33 per cent reduction provided that the farm size does not exceed 7.5 ha. or the income limits. Pastures and food cultivation on a co-operative basis enjoy a 50 per cent reduction in their fertilizer expenditure.

Appropriations are made in Chapters 1147 and 1580 of the State Budget on different support arrangement in force by 1 January 1975 (Budget year 1975).

### Chapter 1147 Appropriations following the Agricultural Agreement

	<u>NKr million</u>	<u>NKr million</u>
(a) Milk and milk products		494.3
- The "basic price support"	310.3	
- Regional price support	127.6	
- Others	56.4	
(b) Regional price support on meat		24.0
(c) Price support on domestic grain		222.0
(d) Bonus on grains fed on the farms		36.6
(e) Price reduction on chemical fertilizers		78.0
(f) Freight subsidies on milk, meat, fruit and vegetables		110.5
(g) Market regulation for meat, eggs, poultry meat, fruit (including storing facilities)		18.0
(h) Price reduction on oil for greenhouses		8.0
(i) Support price winter fed sheep		18.0

### Chapter 1580 Appropriations for consumer price support

(a) Whole milk	627.0
(b) Skim milk	58.3
(c) Cheese	93.2
(d) Butter	9.6
(e) Flour	304.0
(f) Margarine	84.8
(g) Meat:	
- Beef, and reindeer meat	98.1
- Mutton and goat meat	30.0

Price support is according to unit of production (based on calculated production in 1975).

	<u>øre</u>
The "basic price support" on milk	19.06 per litre
Price support on the first 20,000 litres of whole milk produced on each farm	5.00 "
Regional price support on milk varies from zero to 32 øre per litre. Average price per litre	10.80 "
Freight subsidies on milk (average support)	4.42 "
Regional price support on meat	40.00 per kg.
Price support on meat in northern Norway (pork only 90.00 øre per kg.)	130.00 "
Support on mutton resulting from payment on winter fed sheep	111.00 "
Price support on domestic grains <sup>1</sup>	50.00 "
Bonus on domestic grains fed on the farms	
8 øre per kg. for all grains plus 19 øre per kg. for certain quantities	

Price support on vegetables (tomatoes and cucumbers) results from price support on oil. Price support on vegetables (primarily tomatoes and cucumbers) is impossible to calculate because flower production is also supported. It is anticipated that a major part of this support goes into flower production.

#### Consumer price support

	<u>NKr per litre</u>
Wholemilk for consumption (price support including VAT compensation)	1.22
Skim milk	0.97
Cheese	4.52
Butter	2.30
Flour	1.33

About one third of the consumer price support results from the compensation of VAT.

#### Concentrated animal feed

The present returnable discount on feeding stuff is 50 øre per kg.

<sup>1</sup> Budget figure. Price support in 1974 was approximately 41 øre per kg. Due to the price fall on grains on the world market one has estimated the support per kg. to be 50 øre in 1975.

ANNEX

The following tables show developments in production, exports, imports and consumption of major agricultural commodities.

Table 1 Milk

<u>Year</u>	<u>Net production in million litres</u>	<u>Consumption million litres</u>	
		<u>Milk</u>	<u>Cream</u>
1971	1,692	682	230
1972	1,753	691	228
1973 <sub>1</sub>	1,746	703	230
1974 <sup>1</sup>	1,746	704	228

<sup>1</sup> Preliminary figures.

Source: Budsjettnemnda for jordbruket

Table 2 Cheese

<u>Year</u>	<u>Net production in million litres</u>	<u>Exports</u>	<u>Imports</u>	<u>Consumption</u>
1971	55.5	18.5	0.4	37.4
1972	57.8	18.9	0.5	39.4
1973 <sub>1</sub>	51.4	16.7	0.5	35.2
1974 <sup>1</sup>	59.3	17.1	0.5	42.7

<sup>1</sup> Preliminary figures.

Source: Budsjettnemnda for jordbruket

Table 3 Butter

<u>Year</u>	<u>Net production in million kg.</u>	<u>Exports</u>	<u>Imports</u>	<u>Consumption</u>
1971	20.1	0.9	1.6	20.8
1972	21.3	1.6	-	19.6
1973 <sub>1</sub>	22.2	0.4	-	21.8
1974 <sup>1</sup>	19.8	-	-	19.8

<sup>1</sup> Preliminary figures.

Source: Budsjettnemnda for jordbruket

Table 4 Cereals (million kg.)

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption</u>
<u>Wheat</u>				
1971	10.5	358.7	-	369.2
1972	12.3	413.7	-	426.0
1973	22.3	381.2	-	403.5
1974	62.1	372.8	-	434.9
<u>Rye</u>				
1971	4.6	35.5	-	40.1
1972	4.9	37.6	-	42.5
1973	6.8	126.0	-	132.6
1974	11.0	39.8	-	50.8
<u>Barley</u>				
1971	568.9	117.8	-	686.7
1972	521.5	152.6	-	674.1
1973	534.7	135.1	-	669.8
1974	649.1	123.6	-	772.7
<u>Oats</u>				
1971	280.2	33.3	-	313.5
1972	272.5	1.2	-	273.7
1973	348.8	1.6	-	350.4
1974	404.0	-	-	404.0

Table 5 Meat (million kg.)

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption</u>
<u>Beef and veal</u>				
1971	54.9	4.0	-	58.9
1972	54.5	5.8	0.2	60.1
1973	59.2	4.6	0.2	63.6
1974	61.2	2.0	-	63.2
<u>Mutton</u>				
1971	15.8	0.1	0.2	15.7
1972	15.4	2.3	0.2	17.5
1973	15.5	2.4	0.4	17.5
1974	15.7	3.3	-	19.0
<u>Pork</u>				
1971	69.4	2.3	0.1	71.6
1972	75.9	1.9	3.1	74.7
1973	76.1	3.1	3.5	75.7
1974	75.5	5.9	-	81.4
<u>Poultry meat</u>				
1971	7.1	-	-	7.1
1972	7.4	-	-	7.4
1973	8.0	-	-	9.0
1974	9.0	0.4	-	9.4
<u>Eggs</u>				
1971	36.7	1.4	0.1	38.0
1972	36.7	2.0	-	38.7
1973	38.4	1.0	-	39.4
1974	40.5	0.7	0.1	41.1

B. FISH

1. Nature and extent of the subsid

(a) Background and authority

Since 1965 the total annual Norwegian catch has varied from 2.1 million tons to 3.0 million tons. The catch in 1974 was 2.4 million tons. Along the coast of Norway fisheries represent the major means of livelihood for large groups of the population, and some regions are wholly dependent on fisheries. Even though considerable rationalization has improved the efficiency and reduced the number of fishermen from approximately 60,000 in 1960 to approximately 35,000 in 1971, the average income for the fishermen would have been unreasonably low if the State had not contributed financially. The settlement in the coastal areas, especially in northern Norway, would consequently have been endangered. 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 thus 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 commercial rates. The second priority loans are granted in accordance with certain regulations at an interest rate of 5 per cent. The State Fishery Bank granted in 1974 second priority loans to the value of Nkr 13.0 million. The third priority loans are granted to skilled fishermen who lack the capital necessary. The loans are free of repayment and interest the first ten years. The amount granted in 1974 was Nkr 2.4 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 northern 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 association and paid according to regulations laid down in an agreement between the Norwegian Fisherman'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 kg. or hl.



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) Governmental support 1974 to the fisheries

<u>Type of aid</u>	<u>Brief particulars</u>	<u>Amount provided</u> <u>1974</u>
1. First, second and third mortgage loan schemes, for the investment in vessels, gear and other equipment (State Fishery Bank)	<p><u>First</u> mortgage loans: up to 60% of total investments. Maximum period: 15 years. Rate of interest 6.5%</p> <p><u>Second</u> mortgage loans: including first mortgage loans up to 70-90% of total investment. Maximum period: 15 years. (Eventually up to 2 years no repayment). Rate of interest 5%</p> <p><u>Third</u> mortgage loans: including first and second mortgage loans up to 100% of total investment. 10 years' interest and repayment exemption</p>	<p>Extension of loans Total: Nkr 125.2 million First mortgage: Nkr 109.8 million</p> <p>Second mortgage: Nkr 13.0 million</p> <p>Third mortgage: Nkr 2.4 million</p>
2. Loans and loan guarantees for financing large sea-going vessels (Regional Development Fund)	<p>Loans: Rate of interest 5% Period: 10-15 years</p> <p>Guarantees for loans</p>	<p>Nkr 40.5 million</p> <p>Guarantees: Nkr 0.2 million</p>
3. Government investment in the fish freezing industry by way of participation (shares) or loans	<p>Interest 5.5% Period: 10-20 years. (Eventually 3-10 years of interest and repayment exemption)</p>	<p>Nkr 8 million</p>

<u>Type of aid</u>	<u>Brief particulars</u>	<u>Amount provided</u> <u>1974</u>
4. Loans to the processing industry	Rate of interest: 6.5%	NKR 17.2 million
5. Investment grants for processing plants located in certain designated development regions	Grants are fixed at 15-35% of approved investment costs, depending on where the investment is made	NKR 28.5 million
6. Loan to the processing industry in certain designated development regions	Interest 5.0-5.25% Maximum period 20 years	NKR 38.5 million
7. Loan guarantees for financing processing plants in certain designated development regions	Guarantees for loans by private lenders	NKR 16.5 million
8. Loan guarantees for fish processing and trade (short-term credit)	Loans up to 70-100% of production costs. Interest 6%	Maximum limit NKR 125 million
9. Grants improving the efficiency in fishery	Experimental work	NKR 8.9 million
10. Grants to reduce prices of equipment and bait	Granted for imported and home-produced gear. Equipment: about 20% of the price. Bait: certain amount per kg.	For equipment: NKR 28.5 million  For bait: NKR 18.5 million
11. Subsidies to increase fishermen's income by increasing landing prices of herring and certain species of white fish	Yearly fixed basic sum: certain amount per kg. or hl.	NKR 59.5 million

<u>Type of aid</u>	<u>Brief particulars</u>	<u>Amount provided</u> <u>1974</u>
12. Guarantee of minimum income for fishermen	A minimum of NKr 350 per week is guaranteed	NKr 3.8 million
13. Grants to reduce the fishermen's social expenses	Governmental part to secure fishermen's pensions from the age of 62 instead of generally the age of 67	NKr 15.0 million
	Governmental grants to the fishermen's general age pension	NKr 45.0 million

2. Effect of subsidy

(a) In spite of subsidies provided for the fishing industry the number of fishermen shows a declining trend. The subsidies have hardly influenced the prices of the products marketed. With regard to imports the subsidies have had little or no effect. The total quantity of fish for human consumption has risen in recent years and reached approximately 80,000 tons in 1974. The domestic consumption of fish products, constituting a minor part of the total production, is not thought to be affected by the subsidy arrangement.

(b) Statistics of production, consumption, imports and exports for the years 1972, 1973 and 1974

Fish Production by Quantity and Value

<u>Year</u>	<u>Quantity in tons (landed weight)</u>	<u>Value in NKr '000</u>
1972	2,906,646	1,526,294
1973	2,708,481	1,990,277
1974	2,359,567	2,174,324

Exports of Fish and Fish Products<sup>1</sup>

(product weight)

1972	848,000	2,410,000
1973	778,000	2,967,000
1974	592,000	2,855,000

Imports of Fish and Fish Products<sup>1</sup>

1972	93,000	155,000
1973	45,000	118,000
1974	80,000	238,000

<sup>1</sup> Excluding hardened fats.

