

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## SUBSIDIES

### Notifications Pursuant to Article XVI:1

#### NORWAY

The following notification concerning subsidies in the fields of agriculture and fisheries has been received from the Permanent Delegation of Norway.

#### A. AGRICULTURAL PRODUCTS

##### I. Nature and extent of the subsidy

###### (a) Authority

Allocations made under Chapter 1150 (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. 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 1150 for the fulfilment of the Agricultural Agreement.

###### (b) Incidence

1. Subsidies on milk and dairy products are paid to the producers represented by the Milk Pools (Melkesentralen) and 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 30,000 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 milk and dairy products consumed in the country.

2. 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.
  
3. In order to stimulate farmers to feed their animals on homegrown 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.
  
4. A levy is put on all imported 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.

5. 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.
6. Market regulation support on eggs and poultry meat and additional price support on high quality eggs indirectly have a subsidizing effect on eggs and poultry meat.
7. 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. However, support for reducing the price on oil has a more direct effect on prices.
8. 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.

9. Structural and regional support per animal.

This support is paid partly to stimulate national meat production. The number of animals on the farm in August and February forms the basis for calculation of the support. The support per animal declines with increasing number of animals and with the size of the farm. Farms in northern Norway receive higher support than farms in other parts of the country.

The total support is fixed at maximum NOK 51 000 for pigs and poultry. The support is paid directly to the producer.

10. Regional support for small and medium sized farms.

This support is paid to full time farmers on small and medium sized farms, in order to increase their income.

The size of the farm (arable land) and its situation forms the basis for calculation of the support. The support is then determined in relation to increase in the forestland and income from non-agricultural activities. If 50 % or more of the total income comes from farming, there will be no reduction of the support.

Maximum support was NOK 4 642 per farm in 1980. The support is paid directly to the farmer.

11. Support for silaged grass is given in order to stimulate the use of grass as fodder. Support is given for maximum 500 m<sup>3</sup>, and it is paid directly to the producer.

c) Amount of subsidy

Appropriations are made in Chapter 1150 and 1580 of the State Budget on different support arrangements in force by 1 January 1981 (Budget year 1981).

Chapter 1150      Appropriations following the Agricultural Agreement

	<u>NOK million</u>	<u>NOK million</u>
(a) Milk and milk products		1468.2
- The "basic price support"	508.0	
- Regional price support	263.2	
- Others	697.0	
(b) Regional price support on meat 1)		214.4
(c) Price support on domestic grain		541.0
(d) Regional price support on domestic grain		32.6
(e) Price reduction on chemical fertilizers		127.0
(f) Freight subsidies on milk, eggs, fruit and vegetables		165.2
(g) Market regulation for meat, eggs, fruit (including storing facilities)		70.7
(h) Price reduction on oil for green-houses		16.0
(i) Support price on winter fed sheep		142.0
(j) Structural and regional support per animal		1057.7
(k) Regional support given to small and medium sized farms		263.6
(l) Support for Silaged Grass		117.5

Chapter 1580      Appropriations for consumer price support

(a) Whole milk	960.0	} + 480.6 <sup>2)</sup>
(b) Skim milk	185.0	
(c) Cheese	142.9	
(d) Butter	—	
(e) Flour	251.6	
(f) Margarine	—	
(g) Meat:		
- Beef, and reindeer meat	224.2	
- Mutton and goat meat	104.0	

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- 1) Including extra regional support for northern Norway.
  - 2) Compensation for marketing fee.

(d) Estimated amount per unit

Price support according to unit of production (based on calculated production in 1981).

	<u>NØ øre.<sup>1)</sup></u>
The "basic price support" on milk	28.00 per litre
Price support on the first 20,000 litres of whole milk produced on each farm	83.00 per litre
Price support for the following 10,000 litres of whole milk produced on each farm	43.00 per litre
Regional price support on milk varies from 6 to 42 øre per litre	
Freight subsidies on milk	5.18 per litre
Regional price support on meat	140.00 per kg. Zone 1 280.00 per kg. Zone 2
Price support on meat in northern Norway	200.00 per kg.
Support on mutton resulting from payment on winter fed sheep	750.00 per kg.
Price support on domestic grains	50.00 per kg.
Bonus on domestic grains fed on the farms per kg. for all grains plus 19 øre per kg. for certain quantities	8-11 øre
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>NOK per litre</u>
Wholemilk for consumption (price support including VAT compensation)	1.94
Skim milk	2.02
Cheese	7.21
Flour	1.08
Meat:	
-beef and reindeer meat	3.01
-mutton and goat meat	5.15

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

1) 1 NOK = 100 NO øre

11. 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>Whole milk and skimmed milk</u>	<u>Cream</u>
77	1,812	787	27,3
78	1,789	786	28,7
79	1,820	794	28,9
80	1,823	801	29,5

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>
77	57.8	19.5	0.9	44.6
78	66.2	19.9	1.1	46.8
79	67.6	20.8	1.4	48,9
80	68,2	19.5	1.2	51.1

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>
77	24,0	6.1	-	21.2
78	20.5	0.4	2.1	21.7
79	20.5	0.3	1.7	21.4
80	20.7	0.5	1.5	21.7

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>				
77	78.0	360.9	-	438.9
78	79.8	290.1	-	369.9
79	65.3	310.1	-	375.4
80	67.7	300.0 1)	-	367.7 1)
<u>Rye</u>				
77	8.4	30.9	-	49.3
78	7.5	41.7	-	49.2
79	4.3	37.0	-	41.3
80	5.1	40.0 1)	-	45.1 1)
<u>Barley</u>				
77	631.4	65.0	-	696.4
78	669.4	-	-	669.4
79	611.1	31.9	-	643.0
80	670.0	- 1)	-	670.0 1)
<u>Oats</u>				
77	361.5	-	-	361.5
78	369.8	-	-	369.8
79	345.3	-	-	345.3
80	333.5	- 1)	-	333.5 1)

1) preliminary figures for 1980.

Table 5 Meat (million kg.)<sup>1)</sup>

<u>Year</u>	<u>Production<sup>2)</sup></u>	<u>Imports<sup>3)</sup></u>	<u>Exports<sup>3)</sup></u>	<u>Consumption<sup>2)</sup></u>
<u>Beef and veal</u>				
77	67.4	11.0	0.1	77.3
78	69.4	10.0	0.1	78.9
79	73.6	8.7	-	80.7
80	74.8	- 4)	-	81.0
<u>Mutton</u>				
77	17.6	3.5	-	21.8
78	18.2	3.5	-	21.8
79	18.7	3.6	-	21.9
80	19.4	- 4)	-	22.1
<u>Pork</u>				
77	79.0	6.4	-	85.2
78	77.5	6.1	0.1	85.3
79	80.6	5.7	-	86.4
80	83.2	3.5 5)	-	86.7
<u>Poultry meat</u>				
77	9.1	1.7	-	10.2
78	10.3	1.0	-	11.5
79	11.0	0.4	-	11.5
80	11.1	- 4)	-	11.4
<u>Eggs</u>				
77	38.3	2.5	-	39.7
78	40.8	1.6	0.1	41.1
79	42.8	0.7	0.3	41.9
80	43.2	0.5	-	42.5

- 1) The difference (between the figures) is due to changes in stock.
- 2) Source: "Budsjettnemnda for jordbruket"
- 3) Source: "Budsjettnemnda for jordbruket" and "Statistisk Sentralbyrå"
- 4) The figures for 1980 are not ready yet.
- 5) Net importation.

B. FISH

I. Nature and extent of the subsidy

(a) Background and authority

General policy

As a part of the general economic policy in Norway, financial support has been given to the fishing industry during the last 30 years, during the first years very often on an ad hoc basis as a solution to short term problems.

In 1964 an agreement that stipulated the main lines for future support measures to be arranged through negotiations with the parts concerned was agreed between the Government and the Norwegian Fishermen's Association. The provisions of the agreement emphasize the importance of introducing measures which can promote more efficiency in fishing, processing and trade, and thus increase the profitability of the fishing industry. The specific schemes for support in accordance with this general agreement are negotiated annually.

The governmental policy has been aimed at securing the fishermen an income equal to what an industrial worker could obtain in the coastal areas of Norway.

To secure a normal activity within the fishing industry, and to discourage the current trend of people moving away from scarcely populated areas in the northern and western parts of Norway, it has in some years been necessary to increase the support for the fishing industry. Without such emergency measures a great part of the labour force would move to other parts of the country in order to find new employments. On the whole the governmental support of the fishing industry must be regarded as an integral part of the Norwegian general social and economic policy.

## Structure and development of the fishing fleet

At the beginning of 1980 the Norwegian fishing fleet consisted of about 25 000 vessels, of which 7 800 were decked vessels. A large part of these vessels are small open boats, only used during relatively short periods of the year. They contribute only a smaller part of the total catch.

In 1980 the Ministry of Fisheries introduced measures to reduce the capacity of the purse seine and the trawling fleet, aiming at reducing the capacity of each group with about 25 % in order to increase the profitability in the fisheries. To achieve such a reduction the Government has granted funds to support sales or scrapping of old vessels.

### (b) The Support Schemes\*

#### A. Investment

##### 1.1 Fishing vessels

Norway has no regular support schemes for financing the construction of fishing vessels.

It has often proved to be difficult for the fishermen to raise capital for the acquisition of fishing craft, gear, etc. through private credit institutions. The primary objective of The State Fishery Bank has therefore been to be a specialized credit institution for the fishermen in order to stimulate an adequate and effective development of the fleet and to promote a reasonable development of the fishing industry.

The State Fishery Bank has different loan schemes. The maximum amount of first mortgage loans is up to 60 % of the total investment. In 1980 these loans were for a maximum period of 15 years and at a rate of interest of 8.5 %. The maximum amount of second mortgage loans is from 70 % to 80 %

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\*The numbering of the items in the text below and in the table under (c) corresponds.

of the total investment, including first mortgage loans. The maximum repayment period is 15 years, if necessary with no repayment obligation during the first two years. The rate of interest in 1980 was 7%. In some cases parts of the loans, up to 25% of the total investment, are converted into a special arrangement with maximum 15 years repayment period, incl. 5 years' repayment exemption and no interest.

### Processing

1.2. In the fish-freezing industry the government participate in some projects by means of shares or loans. These loans have a rate of interest of 8.5%. In special cases interest and repayment exemption can be granted for until 10 years.

1.3. The State Fishery Bank also grants certain loans to the processing industry. These loans have a maximum period of up to 15 years and 8.5% interest.

4./1.5. The Regional Development Fund (RDF) (Distriktenes Utbyggingsfond) is charged with the general development of industries in districts with special employment problems or districts which are poorly developed. The Fund thus attaches great importance to the direct and indirect effect which a project has on the employment and income situation in the coastal regions.

As regards the processing industry, RDF mainly supports plans aiming at rationalization and modernization of already existing plants as well as plans for advanced product development. The maximum period for loans to the processing industry is 20 years and with an interest of 9.5%. These grants are intended to assist in project development in areas with limited employment opportunities and with low level of industrial and commercial development. The Fund also gives guarantees for loans granted by private credit institutions.

- 1.6. RDF may support industries located in certain designated development regions. These grants are fixed at maximum 15 to 35 % of approved investment costs, depending on where the investment is made. This support shall be a compensation for additional costs and problems in a transitional period connected with investments in regions with low levels of industrial development.
- B. Operational support
- 2.1. The most important means to increase the fishermen's income is the subsidies to support landing prices of certain species of fish. Most kinds of fish and fishery products landed in Norway are delivered to the fishermen's sales organizations which administer the grants. The rules for payment to the fishermen are decided by the Ministry of Fisheries. The subsidy is generally based on a fixed amount per kilo or hectoliter of the catches.
- 2.2. Subsidies for the purchase of fishing gear and bait are granted both to imported and nationally produced gear, according to established rules.
- 2.3. In 1977 the Government contributed, by means of grants, to a fund for reducing price fluctuations on fish products. This fund have since been financed through a special tax on the exports of fishery products.
- 2.4. The Government supports experimental work in improving the efficiency in the fisheries.
- 2.5. The Government guarantees a minimum weekly income for fishermen. The objective of this guarantee scheme is to secure a minimum income in case the fishing fails. If the minimum income is below this amount during the season, the difference is covered by the guarantee. In 1980 a vacation scheme for the fishermen was established. This scheme is partly financed by governmental grants.

- 2.6. In 1980 the governmental support scheme for the fishing industry included money made available to cover parts of the insurance costs for fishing vessels. An arrangement was further established whereby fishing vessels received a grant designed to reduce the operational costs. These grants are intended to compensate for the heavy increase in the operational costs which has hit most types of vessels. The size of the grant is fixed according to the length of the vessel and the type of fishing it is engaged in.
- 2.7. State guarantee schemes are available for loans from the Bank of Norway for fish processing and trade in fish. The total amount at disposal in 1980 was 200 million NOK. The highest amount for any individual loan varies between 70 to 100 % of the cost of production. Loans are only granted to applicants who are expected to operate profitably but who have no other possibility to obtain credits. The rate of interest was 8.5 % in 1980.
- 2.8. There are no regular operational grants for the fishing vessels. Due to extraordinary difficulties in 1975-1979 the government granted a loan of funds to alleviate problems caused by scarce liquidity. These loans had a maximum period of up to 15 years, generally repayment and interest exemption were granted for 5 years. The interest exemption is covered by a special government grant.

c) Governmental support to the fisheries in 1980\*

Type of aid	Brief particulars	Amount provided
<u>1. Investment</u>		
1.1. Loan schemes, for the investment in vessels, gear and other equipment. (State Fishery Bank)	First mortgage loans: up to 60% of total investments. Maximum period: 15 years. Rate of interest 8,5%.	NOK 148,8 mill.
	Second mortgage loans: including first mortgage loans to 70 to 80% of total investment. Maximum period: 15 years. (If necessary, no payment up to 2 years). Rate of interest 7 %.	NOK 37,7 mill.
	Up to 2 5% of total investment, maximum period 15 years incl. repayment exemption for 5 years. No interest.	NOK 13,7 mill.
1.2 Governmental investment in the fish-freezing industry by way of participation (shares) or loans.	Rate of interest 8,5%. Period 10 - 20 years. (Interest and repayment exemptions for up to 10 years are possible)	NOK 15,7 mill.

The numbering of the items in the text above and in this table corresponds.

Type of aid	Brief particulars	Amount provided
1.3. Loans to the processing industry (State Fishery Bank)	Rate of interest 8.5% Maximum period: 15 years	NOK . 29,7 mill.
1.4. Loan to the processing industry in certain designated development regions (Regional Development Fund, RDF)	Interest 9.5%. Maximum period: 25 years.	NOK . 49.3 mill.
1.5. Loan guarantees for financing processing plants in certain designated development regions (RDF).	Guarantees for loans by private credit institutions	NOK 23.3 mill.
1.6. Investment grants for processing plants located in certain designated regions (RDF).	Grants are fixed at maximum 15 - 35% of approved investment costs, depending on where the investment is made.	NOK 38.9 mill.
<b><u>2. Operational</u></b>		
2.1. Subsidies to support landing prices of certain species of fish.	Yearly fixed basic sum certain amount pr. kg. or hectoliter.	NOK . 590 mill.
2.2. Grants to reduce prices of fishing gear and bait.	Fishing gear: Bait: certain amount pr. kg.	NOK 38 mill. NOK 50 mill.
2.3. Loans and grants to price equalization fund for pelagic fish.		NOK - 36 mill.

	Type of aid	Brief particulars	Amount provided
1.	2.4. Grants improving the efficiency in the fisheries	Experimental work	NOK . 40 mill.
1.	2.5. Guarantee of minimum weekly income for fishermen.	A maximum aid of NOK . 500 per head per week.	NOK 33 mill.
	Vacation scheme		NOK . 35 mill.
	2.6 Grants to reduce insurance costs		NOK 44 mill.
1.	Grants to reduce operational costs		NOK . 130 mill.
1.	2.7. Loan guarantees for fish processing and trade (shortterm credit). (Bank of Norway)	Loans up to 70 to 100% of production costs. Rate of interest 8.5%.	Maximum limit: NOK . 200 mill.
	2.8. Grants covering the interest exemption		NOK . 15 mill.

If not otherwise specified, the support schemes are administered through the Ministry of Fisheries.

II Effect of subsidy

(a) The subsidies have not influenced the prices of the products which are sold at world market prices. With regard to imports, the subsidies have had no noticeable effect. 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 1978, 1979 and 1980.

Fish Production by Quantity and Value

<u>Year</u>	<u>Live weight (1.000 tons)</u>	<u>Value (Mill. NOK)</u>
1978	2,599	2,915
1979	2,646	3,113
1980 <sup>1)</sup>	2,413	3,314

Exports of Fish and Fish Products<sup>2)</sup>(product weight, 1.000 tons)

1978	731	4,021
1979	832	4,578
1980 <sup>1)</sup>	739	4,720

Imports of Fish and Fish Products

1978	46	173
1979	66	286
1980 <sup>1)</sup>	61	264

1) Preliminary

2) Excluding hardened fat from fish and aquatic mammals

1978:	56,000 tons	187 mill. NOK
1979:	67,000 tons	221 mill. NOK
1980:	59,000 tons	198 mill. NOK