RESTRICTED

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

Notifications submitted under Article XVI

The following statements have been received:

CANADA

Notification of 14 August 1956

(Subsidies in effect on 1 June 1956 or during the preceding twelve-month period.)

This report has been prepared pursuant to the obligation under Article XVI of the General Agreement on Tariffs and Trade to notify the CONTRACTING PARTIES of any subsidies, including any form of income or price support, leading directly or indirectly to increased exports or to reduced imports.

Federal Subsidies including any form of income or price support which might be considered under the purview of Article XVI are discussed under the following main headings:

I Agricultural Products
II Fisheries Products
III Mineral Products.

Inclusion in this report of the measures described below does not mean that each one necessarily has the effect of increasing exports or reducing imports. In the interests of having a comprehensive report virtually all measures have been included which involve direct or indirect subsidization whether or not they are known to ha affected international trade.

CANADA (continued)

PART I
AGRICULTURAL PRODUCTS

1. GRAIN AND GRAIN PRODUCTS
Feed Freight Assistance
I. Nature and extent of the subsidy
(a) Background and authority - Originally a wartime measure this policy has been continued to assist livestock producers in eastern Canada and British Columbia by reducing the freight charges on western grains and millfeeds used by them for feed purposes. The authorization is P.C.1955-138, 26 January 1955.

(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 subsidy five different regions have been established. Within some of these there is a flat rate but in others the rate increases with increased distance from the point of shipment. It varies from $1.20 per ton in parts of British Columbia to $23.60 in St. John's, Newfoundland.

(c) Amount of subsidy - The estimated expenditure for 1956-57 is $15,500,000.

(d) Estimated amount per unit - In 1955-56 payments averaged 6.95 per ton. Total shipments were 2,408,091 tons and total payments $16,728,155.

II. Effect of subsidy
The program encourages use in Canada of domestic feeds.

2. LIVESTOCK AND LIVESTOCK PRODUCTS
Hog Premiums
I. Nature and extent of the subsidy
(a) Background and authority - The payment is designed to improve the quality of Canadian hogs. It is authorized by P.C. 62, 10 January 1944 as amended by P.C. 1213, 29 March 1946; P.C. 1264, 2 March 1952; P.C. 4628, 17 December 1952.

(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. The rates are $2.00 per head on A Grade carcasses and $1.00 per head for B-1 Grade carcasses.

(c) Amount of the subsidy - The estimated expenditure is $5,660,000 for 1956-57.

CANADA (continued)

(d) Estimated amount per unit - In 1955-56 payments totalling $5,880,616 were made on 1,670,745 A Grade carcasses and 2,539,126 B-1 Grade carcasses. The average payment per hog was $1.40.

II. Effect of subsidy - The premium is a small part of the present return but it has been instrumental in improving and maintaining hog quality.

3. DAIRY PRODUCTS

Butter Price Support

I. Nature and extent of the subsidy

(a) Background and authority - Butter was placed under price support in 1949 in order to stabilize prices and maintain a satisfactory price level within the dairy industry. The Agricultural Prices Support Board buys butter in the summer months and releases it to the trade during the winter. In 1955 and early 1956 butter was made available for export to east European countries. The butter price support program is authorized under the Agricultural Prices Support Act, 1944, as amended by P.C.1956-488, 22 March 1956.

(b) Incidence - The Agricultural Prices Support Board negotiated with exporters who paid 37 to 39 cents per lb. f.a.s. seaboard for butter which the board had bought for 58 cents per lb. basis Montreal.

(c) Amount of the subsidy - The loss absorbed on the export operation was about $2 million on 9.2 million lb. of butter.

(d) Estimated amount per unit - The average loss on exports was about 22 cents per lb.

II. Effect of subsidy - The subsidy made possible the relatively small butter exports which took place in 1955-56. The butter was sold at prevailing world prices.

Cheese Quality premiums

I. Nature and extent of the subsidy

(a) Background and authority - The purpose of the payment is to improve the quality of cheddar and blue vein cheese. It is made under the Cheese and Cheese Factory Improvement Act, 1939, as amended.

(b) Incidence - The subsidy is paid to cheese factories on high quality cheese graded at government grading stations. Cheese factories distribute the payment to their milk suppliers. The rate is one cent per lb. on cheese scoring 93 points and two cents on cheese scoring 94 points or more.

CANADA (continued)

(c) Amount of the subsidy - The estimated expenditure for 1956-57 is $650,000.

(d) Estimated cost per unit - Total premiums in 1955-56 amounting to $595,840 were paid on 22,010,000 lb. of cheese scoring 93 points and 18,787,000 lb. of cheese scoring 94 points or more, making an average payment of 1.5 cents per lb.

II. Effect of subsidy - The subsidy has helped maintain the production of high quality cheese in Canada. Exports have, however, declined substantially from their pre-war and wartime levels.

PART II
FISHERIES PRODUCTS

As a measure of assistance to the fishermen of the Atlantic Coast Provinces producing salted fish products, the government in July 1955 announced a programme to rebate to individual producers of salted cod one-half of their laid down cost of salt used in producing these products. Total payments in the year 1955-56 amounted to $487,903.74. This amount represented approximately 3 per cent of the total exported value of the products eligible for assistance in this form.

PART III
MINERAL PRODUCTS

1. COAL FREIGHT SUBVENTIONS

Authorization - Dominion Coal Board Act, (1947), Act II, George VI, chapter 86 and

Order in Council P.C. 1956-382 of 8 March 1956
" " " P.C. 1956-383 of " " "
" " " P.C. 1956-384 of " " "
" " " P.C. 1956-385 of " " "

Circumstances - This form of assistance, which has been maintained in varying degrees since 1928, has arisen from the geographical position of the Canadian coal fields in relation to the major Canadian coal markets. The aid was designed to assist the movement of Canadian coal to certain areas in Central Canada by equalizing the laid down costs of Canadian coal with imported coal.

Extent and Nature - There is some variety in the subventions authorized to assist the Canadian coal movements. They are all designed to place Canadian mined coal in a position of competitive equality with imported coal in the markets of Central Canada.

CANADA (continued)

Cost - The total cost of these subventions in the calendar year 1955, amounted to $10,692,943.24, and the total coal moved under subvention was 3,611,930.37 tons. In 1955 the total production of Canadian coal was 14.82 million tons.

Effect - It is likely that in the absence of the subvention very little of the coal produced in the Maritime Provinces or in Western Canada would have moved to Central Canada.

2. COAL EXPORT SUBSIDY

Authorization - Dominion Coal Board Act (1947), and

Order in Council 1956-386 of 8 March 1956
" " " 1955-1495 of 5 October 1955

(a) B.C. and Alberta Coal

Circumstances - Order in Council 386. This subsidy was to assist the coal producers of British Columbia and Alberta to find markets elsewhere than in Canada since they are located far distant from the major consumer markets of Central Canada. It provides a subsidy on coal exported to all countries other than the United States, or its territorial possessions, or used as fuel for ships.

Extent and Nature - The subsidy provides a payment of up to $1.00 per net ton on Alberta and British Columbia coal exported from Canadian seaports and 75 cents per net ton when sold as ships' stores for use as fuel on ocean going vessels.

Cost - In the calendar year 1955 the subsidy amounted to $164.40 for ships' stores involving 219.2 tons. In the same period the total production of Canadian coal amounted to 14.82 million tons.

Effect - In the calendar year 1955 the total Canadian exports of coal amounted to approximately 591,780 net tons. No coal from British Columbia or Alberta moved under export subsidy, and only a very minor tonnage was used for ships' stores.

(b) Nova Scotia Coal-Export Subsidy

Circumstances - Order in Council 1955-1495 was to assist the movement of Nova Scotia coal to the extent of 250,000 tons to countries other than the United States of America and its territorial possessions.

Extent and Nature - The subsidy made provision for a payment of $2.50 per net ton on the first 120,000 tons and $2.30 per net ton on the next 130,000 tons of Nova Scotia slack coal shipped outside of Canada as noted above.

CANADA (continued)

Cost - In the calendar year 1955 the subsidy amounted to $323,867.93 on 136,495 tons shipped to England and 11,203 tons shipped to Germany.

Effect - In the same calendar year 1955 the total tonnage of coal exported was 591,780 tons of which 147,698 tons received assistance under this Order in Council.

There was a large shortage of coal in the European market and the Nova Scotia coal operators were given the opportunity to see if they could secure some of the available markets.

This subsidy was given on a trial basis to determine this possibility, and the amounts of subsidy per ton are being progressively reduced, based on the experience of shipments made.

3. COKE BOUNTY

Authorization - Coke Bounty Act (1930), 20-21 George V, Chapter 6.

Circumstances - This subsidy provides that any iron and steel producer not entitled to a draw-back of duty on imported coal may be granted a subsidy on the coal of Canadian origin converted into coke and used for the smelting of iron ore. It was designed to assist those iron and steel producers who, because of their geographical position, are not able to take advantage of the reduction in the duty on imported coal for coking. It thus tends to equalize the cost differentials between various Canadian primary steel producers.

Extent and Nature - This subsidy amounts to 49.5 cents per ton of Canadian coal used by primary iron and steel producers for converting into coke.

Cost - In the calendar year 1955 the subsidy was paid on 603,134 tons of coal at a cost of $298,551.31.

Effect - This subsidy has little adverse effect on imports into Canada. Those companies receiving the subsidy would not be able to use imported coal for coking purposes because of their geographical location.

FRANCE

Notification of 11 August 1956

Since the previous memorandum was transmitted to the CONTRACTING PARTIES, France has not instituted any new export incentives; on the contrary, export aids which had been granted in the form of a reimbursement of social and fiscal charges have been reduced.

In the first instance a general measure of reduction was imposed on 1 December 1955 in pursuance of the Departmental Order of 29 August 1955. The rate for the reimbursement of fiscal charges which had been fixed at 7.5 and 5.45 per cent since 1 December 1954 was brought down to 5 per cent and 2.5 per cent respectively.

Furthermore, specific measures have been instituted on various occasions.

Under an Order of 31 March 1956, export aids which had been granted to a number of products including wines, iron and steel products and certain qualities of coal have been reduced or discontinued. These last measures have been in force since 1 July 1956.

Furthermore, under three Orders dated 7 June 1956, export aids have been discontinued altogether in the case of iron and steel products and some qualities of coal; in the case of wool tops and yarns of wool and flax, the rate of the reimbursement of fiscal charges has been reduced or eliminated.

As regards coal, the measure entered into force immediately; in respect of iron and steel products the steps taken are to become effective 1 September next, and in the case of the wool and flax industries, on 1 October.

The texts of the measures concerned, as published in the "Journal Officiel de la République française"[1], are annexed hereto.

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[1] These texts are on file in the office of the secretariat.

JAPAN

Notification of 14 August 1956

No substantial modification has been made in Japan, since the previous notification, in subsidies which operate directly or indirectly to increase exports or to reduce imports, except that in May 1955 soya beans were placed under price support under the provisions of the Agricultural Price Stabilization Law of 1953. No purchase, however, has yet been made under the new authority.

NEW ZEALAND

Notification of 16 August 1956

No subsidies which operate directly or indirectly to increase exports or to reduce imports have been introduced by New Zealand since the previous notification submitted in terms of Article XVI.

SWEDEN

Notification of 21 August 1956

(Changes in export subsidies)

Agricultural produce. Attention is first drawn to the new rules adopted by the Government and the Riksdag for the application of the decision taken by them in 1947 regarding the price support scheme for Swedish agriculture. These rules will come into force on 1 September 1956 for an initial period of three years. Although this will not lead to any change of principle in the system for equalizing possible export losses, it may be desirable on this occasion briefly to recapitulate the detailes of the system. The data supplied are presented, as far as possible, in the form recommended by a special working party of GATT and set out in the Third Supplement to the Basic Instruments and Selected Documents , page 225.

I. Nature and extent of the subsidy.

(a) Background and authority. In connexion with the introduction of the new rules referred to above, certain important changes will be made in the system of import and export controls. Thus, in principle, quantitative restrictions will be removed provided the domestic prices of the products concerned are within certain predetermined price limits (a lower limit and an upper one). On the same presumption the exclusive rights mentioned in earlier reports as being enjoyed by certain organizations as regards the importation or exportation of certain products (meat, eggs, sugar, bread grains)

SWEDEN (continued)

will no longer apply. The reintroduction of these exclusive rights, as also of quantitative restrictions, may be considered if the prices fall below the lower or rise above the upper price limit. Thus, in future, protection for domestic production will in principle not be effected through quantitative controls but through levies imposed on imported goods. At the same time as customs duties are abolished the products will be subject to import levies, the amounts of which have been determined for the initial three-year period. In the case of the more important products, certain so-called "middle" prices have also been determined. These have been calculated in such a way as to enable farmers to attain parity of income with other comparable groups of the population which is the principal object of agricultural policy in Sweden. These "middle" prices have served as a guide in determining the import levies and the price limits, but following the actual introduction of the system they will have no special function to fulfil. Thus they do not constitute any form of guaranteed prices. Instead, domestic prices will be allowed, under the influence of price movements abroad, to fluctuate between the fixed price limits, which as a rule are about 10 to 15 per cent above or below the "middle" price. However, in principle the lower price limit must always be protected, in the first place by raising the import levy and in the second place by reintroducing quantitative restrictions. On the other hand if the price should rise above the upper price limit the import levy will be reduced or removed or quantitative control of exports introduced.

So long as domestic production enjoys protection through import levies, the domestic price level for the products concerned will as a rule be higher than the so-called world market prices. Accordingly, when Swedish products covered by the system are exported the price difference must be levelled out. Here the principle will apply, as previously, that it is agriculture itself which must meet the export losses. The basic regulations for agricultural policy are set out in a Government Bill of 1947 (Kungl. Maj:ts prop. 1947:75). The new rules for their application are contained in a Bill of this year (Kungl. prop. 1956:165). The body primarily responsible for the application of the regulations in this field is the State Agricultural Marketing Board. (As will be shown below, the amount of the export grants is determined not by any governmental authority but by private organizations.)

(b) - (c) Incidence. Amount of subsidy. Estimated amount per unit.

There is no provision in the State budget for funds to support exports. Instead, as regards the main agricultural products producers have to pay certain fees in order to build up a fund which may in case of need be used by the appropriate agricultural organization for the purpose of equalizing export losses, among other matters. Furthermore, it is these organizations themselves which have to decide whether export grants shall be given and in that case to what extent.

SWEDEN (continued)

As regards bread grains (wheat and rye) which are ground in Swedish mills there is, for example, a special fee, a so-called milling fee which has been fixed at 5 kronor per hundred kilogrammes for the next harvest year (beginning 1 September 1956). With a normal harvest this would yield approximately 34 million kronor for the appropriate fund. How much support of exports may be needed will, of course, depend on the future trend of world market prices and the size of the Swedish export surplus. As an indication, it may be mentioned that with the prices now ruling a grant of 9 kronor per hundred kilogrammes of wheat is required. A considerably lower grant would be sufficient, in the present situation, for rye exports. As mentioned previously, the size of the grant is not decided by the Government but by a private organization, in this case the Association of Swedish Cereal Trade (Föreningen Svensk Spannmålshandel), an organization of producers, grain dealers and millers.

In the case of meat and pig meat a certain fee, known as the slaughter fee, is levied on the slaughter of certain livestock. At the present time the fee is 15 kronor for fully-grown cattle weighing over 150 kilogrammes and for horses, 8 kronor for fully-grown cattle weighing less than 150 kilogrammes and for large calves, 5 kronor for small calves and 8 kronor for pigs. In normal circumstances the money raised in this way - about 15 million kronor a year - is estimated to be sufficient to cover export losses in the field in question. If the export losses are lower than previously estimated the fees are reduced correspondingly. The export grants are fixed by the Association for Swedish Meat Trade (Föreningen Svensk Kötthandel), an association open to producers and wholesale meat dealers.

A system of internal fees is also applied in the case of dairy products. These are the so-called equalization fees which are levied on the production of milk, cream and cheese. The total amount collected, about 120 million kronor, can, in addition to the main object, i.e. price regulation on the home market, also be used for meeting export losses in the case of, for instance, butter and cheese. The association which dominates production in this field, the Swedish Dairy Association (Svenska Mejeriernas Riksförening), fixes the amount of the export grants in accordance with needs. In all the grants amount to about 15 million kronor a year; the remainder of the proceeds from the equalization fees is repaid to the milk producers according to certain rules.

In addition to the funds obtained from the fees mentioned above, Swedish agriculture also receives the moneys which are derived from import levies. Sometimes, for instance in the case of import levies for feeding-stuffs, the method can be regarded as a restitution of special costs connected with production; this applies, for example, to the export of eggs. In general these funds will be used mainly for price measures of different kinds, e.g. to cover costs for storage and marketing. The amount of money coming in from this source will, of course, depend on the size of future imports. It may, however, be mentioned that for 1956/57 it is calculated that roughly 70 million

SWEDEN (continued)

kronor will accrue to agriculture in this way. This arrangement is essential to secure parity of income for farmers which, as mentioned above, is the aim of the agricultural policy.

II. Effect of subsidy.

No estimate of the effect of the measures on imports or exports as compared with an earlier representative period can be made. It may, however, be seen from the foregoing that no exports would take place if a levelling out of the disparity between the domestic and foreign price levels were not undertaken.

Fish. No changes as regards fish export subsidies have been made since the last report.

Sweden does not maintain export subsidies on any other products than those mentioned above.

UNITED STATES OF AMERICA

Notification of 21 August 1956

This notification is made pursuant to the decision of the CONTRACTING PARTIES at the Fifth Session (GATT/CP/92, 11 January 1951). This notification provides supplementary information to the data provided in the other notifications by the United States under Article XVI to bring the data with respect to the United States up to date through 30 June 1956.

In 1955-56 the United States Government again used three general types of export subsidy programs for agricultural commodities and products thereof. These were (1) export payment programs under section 32 of the Act of 24 August 1935, (2) payments on export sales under the International Wheat Agreement, and (3) sales of Government-owned price support stocks for export at less than the domestic market price.

Export Payment Programs Under Section 32

I. Nature and Extent of the Subsidy

A. Background and authority - As previously reported, export payments under Section 32 of the Act of 24 August 1935, are made on a limited scale to assist exporters of certain agricultural commodities to maintain generally the United States position in foreign markets where, as a result of trade or exchange controls or other comparable situations, the United States competitive position has been impaired.

B. Incidence - Section 32 programs, in 1955-56, were operated by payments made to exporters by the United States Department of Agriculture. A fixed amount per unit was paid. The rate was established at levels the Secretary of Agriculture determined necessary to permit the exporter to purchase the commodity in the United States at the domestic market level and sell abroad in competition with exports from other countries a quantity that would in general maintain the United States position in foreign markets.

C. Amount of subsidy - The following table gives preliminary figures for obligations made pursuant to export programs under Section 32 during the 1955-56 fiscal year.

Section 32 Export Subsidy Obligations During the Fiscal Year 1955-56 as of 30 June 1956

Commodity and Unit	Quantity	Obligations ($)
Fresh grapefruit (boxes)	428,407	$ 218,000
Fresh oranges (boxes)	4,369,131	2,320,000
Processed Citrus Fruit	---	762,000
Total		3,300,000

UNITED STATES (continued)

It may be noted that expenditures continued to be made in the fiscal year 1955-56 on exports of citrus effected under previous programs, and that such expenditures are included in the figures shown in the table above.

D. Estimated Amount per Unit - The rates of payment in effect for the 1955-56 marketing season were as follows for citrus fruits and products:

Eligible Products	Unit	Rate ($)
FRESH:		
Oranges or Grapefruit	Standard Box	$0.50
" " "	Half-box Carton	0.25
PROCESSED:		
Single strength orange, grapefruit or blended grapefruit and orange juices	Net gallon	0.09
Grapefruit sections or citrus salad	Net pound	0.02
Concentrated orange juice:		
Frozen or canned (hot-pack):		
Dilution factor - 1 plus 3		
Style I (41.5° to 44.0° Brix)	Net gallon	0.23
Style II (42.0° to 49.0° Brix)	Net gallon	0.23
Canned (hot-pack) or preserved:		
Dilution factors:		
1 plus 5 (57.8° to 61.2° Brix)	Net gallon	0.31
1 plus 6 (65.2° to 68.8° Brix)	Net gallon	0.34
Concentrated tangerine juice:		
Canned (hot-pack):		
Dilution factor:		
1 plus 6 (60.3° to 63.3° Brix)	Net gallon	0.34
Concentrated grapefruit juice:		
Frozen:		
Dilution factor - 1 plus 3		
Style I (38° to 42° Brix)	Net gallon	0.23
Style II (38° to 48° Brix)	Net gallon	0.23
Canned (hot-pack) or preserved:		
Dilution factors:		
1 plus 3 (38° to 42° Brix)	Net gallon	0.23
1 plus 4 (45.8° to 49.8° Brix)	Net gallon	0.27
1 plus 5 (53.2° to 57.2° Brix)	Net gallon	0.31
1 plus 6 (60.0° to 64.0° Brix)	Net gallon	0.34
Concentrated blended grapefruit and orange juice:		
Frozen:		
Dilution factor - 1 plus 3		
Style I (40° to 44° Brix)	Net gallon	0.23
Style II (40° to 48° Brix)	Net gallon	0.23
Dehydrated orange or grapefruit juice:	Net pound	0.09

UNITED STATES (continued)

The basic rates of payment for the 1955-56 season represent a reduction of 33 percent for oranges and 17 percent for grapefruit from the preceding season. This decrease marks a continuation of the downward trend in the basic rates over the past several years.

II. Effect of Subsidy

The obligating of funds for Section 32 expenditures of about $3.3 million for 1955-56 fiscal year compares with expenditures of $4.6 million for 1954-55 fiscal year.

As indicated above, the programs were undertaken primarily to offset artificial obstacles to United States exports. While some of the quantities exported under the program probably would have been exported in the absence of the program, it is not possible to estimate this quantity with any degree of preciseness. The table below compares total United States exports with the amounts for which Section 32 payments were obligated in the fiscal year 1955-56.

U.S. Total Exports and Quantities for which Payments were Obligated Under Section 32 in Fiscal Year 1955-56

Item	Unit	Quantities for which Payments Obligated under Section 32 1000	Total U.S. Exports 1000
Fresh oranges	lbs.	350,863	815,554
Fresh grapefruit	lbs.	30,399	186,270
Citrus juice blended	gals.	370	3,310
Concentrated	gals.	1	1
Grapefruit juice S.S.	gals.	2,906	5,802
Concentrated	gals.	71	126
Orange juice S.S.	gals.	1,991	7,801
Concentrated	gals.	643	3,709
Concentrated tangerine juice	gals.	11	11
Grapefruit sections	lbs.	97	8,421
Citrus salad	lbs.	12	12
Dehydrated orange juice	lbs.	16	16
Dehydrated grapefruit juice	lbs.	7	7

In connection with the foregoing, foreign trade data for the major importing countries on the European continent indicate that total imports of fresh oranges have increased sharply since World War II. Imports of oranges into the major importing countries of Europe to which fresh and processed citrus fruits have moved from the United States during the most recent years for which information is available, 1953 and 1954, are nearly 50 percent larger than those of the prewar period, 1934-38. Although exports from the United States to these countries have increased appreciably, this increase is of minor magnitude in

UNITED STATES (continued)

terms of absolute volume when compared to the gains of other exporting countries. With nearly half the world's increased production of oranges the United States obtained only 5 percent of the increased imports into Europe as compared with prewar. The following exemplifies the growth in trade:

Fresh Orange

Imports [1] from:	Average 1934-38	1953	1954	1955
		- thousand boxes -		
United States	1,938	3,590	3,020	[2]
Other	37,710	55,574	56,144	
Total	39,648	59,164	59,062	

The situation continues as reported in L/351/Add.2 (Nov. 1955), namely: although the United States share of the world production of oranges has increased and the United States share of grapefruit production has been maintained, the United States relative position in the European market has not changed significantly.

Payments on Export Sales Under the International Wheat Agreement

I. Nature and Extent of the Subsidy

A. Background and authority - The United States made export subsidy payments on wheat and flour exported under the International Wheat Agreement consistent with its obligations under that agreement.

B. Incidence - Payments were made to exporters. Rates of payment were established on a daily basis to take account of the difference between domestic market prices and wheat agreement selling prices. The rate for flour was established in line with the rate on wheat. Rates varied during the period covered by this report.

C. Amount of subsidy - Total payments in 1955-56 (through April 30) amounted to $57 million on the 82 million bushels of wheat, including the wheat equivalent of flour exported.

D. Estimated amount per unit - The average rate of subsidy in 1955-56 amounted to about 70 cents per bushel.

1/ Austria, Belgium, Luxemburg, Denmark, France, Germany, Ireland, Netherlands, Norway, Sweden, Switzerland and the United Kingdom.

2/ Not yet available.

UNITED STATES (continued)

II. Effect of Subsidy

The program was undertaken consistent with the obligations of the United States under the International Wheat Agreement. The subsidy did help to facilitate exports, but the quantity of wheat and flour exported in 1955-56 by the United States was considerably below the quantities allotted to the United States in the export guarantee portion of the Agreement.

Export Sales of CCC Price Support Stocks
at Less Than Domestic Market Price

I. Nature and Extent of the Subsidy

A. Background and authority - During 1955-56, the United States Government continued to dispose of some of the stocks of commodities acquired under domestic price support programs by sales to private firms for export at levels below the domestic market price. These sales were made under authority of section 407 of the Agricultural Act of 1949, the Agricultural Act of 1956, and the Commodity Credit Corporation Charter Act.

B. Incidence - The subsidy took the form of sales to exporters at prices below the domestic market price.

Sales were made pursuant to sales price lists issued monthly by the Commodity Credit Corporation of the United States Department of Agriculture indicating the sales price or sales price basis on domestic and export sales. Only part of the commodities offered for export sale pursuant to these sales price lists were priced below domestic sales since, as in 1954-55, the United States continued to sell some commodities for export at the same price at which these commodities were being offered for domestic sale. For example, of the 26 different commodities offered for sale in June 1956, ten were offered for domestic and export sale on the same price basis and 16 on a different price basis.

The pricing method used on export sales varied between commodities. For a number of commodities, such as wheat, sales were made at specified prices which varied during the course of each month, depending upon world market price fluctuations and other factors. For other commodities, sales were made at fixed prices which remained unchanged for a number of months or on the basis of competitive bids.

Sales prices were established at levels competitive with those prevailing in world markets on the basis of the best information available to the United States Government.

UNITED STATES (continued)

C. Amount of subsidy - Sales of cotton and wheat for export by CCC represented about three-fourths of the total volume (dollar value) of sales of all commodities by CCC for export at less than the domestic market price.

Sales of wheat represented about one-third of the total volume. Some of the wheat sold by CCC was used in IWA transactions and is included in the figures shown above. The remaining wheat represented wheat sold outside the IWA at prices equivalent to wheat agreement prices. The total subsidy on sales outside of IWA amounted to nearly $41 million through 31 May 1956.

Sales of cotton represented nearly 45 percent of the total volume of sales for export at less than domestic market prices. All of these sales were made in the last half of the 1955-56 year when two different export sales programs were in effect. Under the first of these programs, CCC sold approximately 1 million bales of cotton having a staple length of 15/16-inch or shorter for immediate export on a competitive bid basis.

Under the second program, CCC periodically has offered to sell any quality of upland cotton owned for export on a competitive bid basis with the condition that the cotton could not be exported prior to 1 August 1956. Sales through 30 June 1956 under this program amounted to about 2.5 million bales. Following approval of the Agricultural Act of 1956 on 28 May 1956, CCC export sales of cotton were made in accordance with the provisions of section 203 of that Act. Section 203 directs CCC to make cotton available for export at prices not in excess of the price level at which cottons of comparable qualities are being offered in substantial quantity by other exporting countries so as to reestablish and maintain the fair historical share of the world market for U.S. cotton.

It is not possible to report the total subsidy on these or other commodities sold by CCC at less than the domestic market price. CCC records show only the total loss sustained by CCC on such sales. These CCC loss figures would be substantially larger than the subsidy, since they represent the difference between the sales price and CCC's total investment in the commodity; that is, acquisition cost plus any additional costs incurred in storage and handling. Furthermore, sales were made at many different prices and different locations and the domestic market prices for these commodities fluctuated during the sales period.

While precise figures of the total subsidy are not available, figures on the total quantities sold commercially for export at less than the domestic market price are available. These were as follows for 1955-56 on the basis of operating records:

UNITED STATES (continued)

Commodity	Unit	Quantity Sold (in mil. units)
Cotton		
Cotton, upland	bales	3.4
Grains		
Wheat	bu.	203.8
Corn	bu.	20.4
Oats	bu.	15.5
Rye	bu.	4.9
Barley	bu.	57.5
Grain sorghums	cwt.	17.0
Rice: broken	cwt.	0.4
milled	cwt.	5.3
rough	cwt.	1/
Beans	cwt.	1.7
Seeds	cwt.	0.1
Dairy Products		
Milk, nonfat dry:		
animal feed	lbs.	75.0
human use	lbs.	40.0
Butter:		
unrestricted	lbs.	27.9
restricted use	lbs.	5.2
Cheese, cheddar	lbs.	8.3
Condensed whey	lbs.	.9
Fats and Oils		
Cottonseed oil, refined	lbs.	45.9
Cottonseed oil, crude	lbs.	27.1
Linseed oil	lbs.	64.6
Peanuts, farmers stock basis	ton	1/

D. Estimated amount per unit - The average rate of subsidy on wheat exported outside the IWA at prices equivalent to wheat agreement prices was about 70 cents per bushel.

It is not possible to estimate the average rate on other sales for the reasons given above.

1/ Less than 50,000 units.

UNITED STATES (continued)

II. Effect of Subsidy

Sales of price support stocks were made at reduced prices so that the United States would be competitive with prices prevailing in world markets, and the United States thereby would be enabled to obtain its fair share of the world market.

The effect of these subsidies on United States exports depended not only on sales prices established by the United States, but also on sales prices established by other exporting countries. Furthermore, while some of the commodities (mainly those where the subsidy rate was low) probably would have been exported in the absence of a subsidy, it is not possible to estimate precisely the quantity that would have been exported without the subsidy.