

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## EXPORT OF SUBSIDIZED EGGS AND CATTLE FROM THE UNITED KINGDOM

### Memorandum by the Government of Denmark

1. In recent months, eggs and cattle have been exported from the United Kingdom to Continental markets. These exports reflect the great expansion of British agricultural production generated by internal subsidies.
2. Under postwar contracts with the British Ministry of Food, Denmark reserved  $66 \frac{2}{3}$  - 85 per cent of her total exportable quantity of eggs for the United Kingdom market. In 1954, exports to the United Kingdom amounted to \$40 million. Today, the British market takes only insignificant quantities of Danish eggs. This must be seen as a consequence of the policy of subsidizing British egg production, which has now led to a situation where not only imports have practically ceased, but where surpluses have become available for export. The British exports of this surplus production to the Continental market have had a depressing effect on egg prices in this market, where Danish eggs, after the failure of the British market, have found an outlet.
3. While Denmark has not exported cattle to the United Kingdom, the Continental countries have been important markets for Danish cattle both before and after the war. The Danish supplies are of a marginal character in the sense that those markets are mainly selfsupplying. Hence, British exports of cattle - even if of a sporadic character - must create difficulties in those highly sensitive markets.
4. On 14 February 1957 the Danish Government placed the matter before the British Government. In reply, the British Government stated in a note dated 22 March 1957 that it is not the general intention of the British Government to subsidize the production of agricultural commodities for export. The Agriculture Act of 1947 authorizes guaranteed prices and assured markets "for the purpose of promoting and maintaining ... a stable and efficient agricultural industry capable of producing such part of the nation's food and other agricultural produce as in the national interest it is desirable to produce in the United Kingdom".

However, as part of the Annual Review and Determination of Guarantees, which was completed in March last, a revision of the guarantees for cattle was decided with the aim of limiting the scope of the subsidization, which in future will be paid only on steers and heifers. It is the provisional view of the British Government that cattle eligible for the subsidy will probably not hereafter be exported to any significant extent, even if exports of unsubsidized cattle should continue on a modest scale.

At the same time, it was decided that the guaranteed price for eggs for the year 1957/58 should be reduced by about  $3\frac{1}{2}$  per cent. The guaranteed price now amounts to 4 sh  $1\frac{1}{4}$  d per dozen.

5. In reply to this information the Danish Government on 3 April stated that it seems difficult at the moment to assess the consequences of the revision of the subsidies to cattle. In this connexion the Danish Government pointed out that according to available information, also steers have been exported on a considerable scale.

As regards the  $3\frac{1}{2}$  per cent reduction of the guaranteed price for eggs, the Danish Government are of the opinion that this reduction will presumably have only a limited effect on the British production and, consequently, on the quantities of eggs available for export.

6. During the last few weeks the situation has, however, become acute. British eggs have been offered for sale in the German market on a scale reported to equal the quantities offered from Denmark. It is further reported that the British egg exporters have taken practical steps to increase their exports of eggs.

In these circumstances, the Danish Government see no other way but to place the matter before the CONTRACTING PARTIES. Serious prejudice is being caused to Danish interests by the British subsidization which, moreover, involves questions of principle bearing upon the co-operation envisaged within the framework of the General Agreement. The Danish Government therefore request that discussions take place with the CONTRACTING PARTIES in accordance with Article XVI with a view to limiting the effect of the subsidization.

In this connexion it may be added that at the Revision Session of the CONTRACTING PARTIES in 1954/55 the United Kingdom delegation advocated a strengthening of this Article with a view to prohibiting all subsidies operating to increase exports. According to Article XVI of the revised Agreement, which has been accepted by both the Danish and British Government, a contracting party granting directly or indirectly, any form of subsidy which operates to increase the export of agricultural products shall not apply such subsidy in a manner which results in the contracting party having more than an equitable share of world export trade in the product, account being taken of the shares of the contracting parties in such trade in the product during a previous representative period. The United Kingdom has not previously been trading in the products mentioned above.