

GENERAL AGREEMENT ON TARIFFS AND TRADE

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EXPANSION OF TRADE - AGRICULTURAL POLICY

Report of Committee II on the Consultation with Denmark on Agricultural Policies

1. In accordance with the Decision adopted by the CONTRACTING PARTIES at their fourteenth session that consultations should be held with the individual contracting parties regarding their agricultural policies, the Committee carried out the consultation with Denmark. The Committee had before it:

- (i) document COM.II/2(h)/Rev.1 dated 28 March 1960, and COM.II/2(h)/Add.1 dated 25 February 1960, which contained a synopsis supplied by the Government of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers; and
- (ii) document COM.II/53 dated 7 March 1960, COM.II/53/Corr.1 dated 28 March 1960, and COM.II/53/Add.1 dated 30 March 1960, which contained detailed information also supplied by the Government of Denmark to commodities entering importantly into international trade.

In conducting the consultation the Committee followed the plan for consultations contained in Annex A to COM.II/5, and adopted by the CONTRACTING PARTIES at their fourteenth session. The consultation was completed on 31 March 1960.

A. General Agricultural Policies

2. In his opening statement the representative of Denmark stressed the importance of agriculture in the Danish economy in general and in Danish foreign trade in particular. As in many other economically advanced countries the number of persons employed in agriculture in Denmark and the share of agriculture in total production had been declining. At present agricultural employment accounted for less than 20 per cent of total employment or between one half and one third of what it had been at the beginning of the twentieth century. During the same period the agricultural share in the national income had only been reduced to about two-thirds of what it had been at the turn of the century. This clearly showed that the level of productivity in Danish agriculture had been maintained and increased in relation to other sectors of the economy.

3. The principal aims of Danish agricultural policy had been partly to create marketing conditions in which the rise in productivity could be utilized to the best possible advantage and partly to ensure that the other sectors of the Danish economy benefited from the rising level of productivity by means of low food prices and the consequently improved competitive ability of all sectors of economic life.
4. Denmark was still regarded in many countries as an agricultural nation. This concept, which was not quite correct, was explained by the fact that the Danish farming industry was geared to the export trade to a pronounced degree. Approximately 60 per cent by value of agricultural production was sold in foreign markets and the agricultural sector accounted for approximately 60 per cent of total Danish exports. The Danish economy was heavily dependent on conditions in foreign trade which was an inevitable consequence for a small highly developed country practically without any natural industrial resources. Conditions governing Denmark's agricultural exports were, therefore, of fundamental significance to the entire Danish economy.
5. The predominant role of agriculture in Denmark's external balance was responsible for the liberal commercial and tariff policy which Denmark had pursued throughout the present century; Denmark's customs tariff was one of the lowest among the contracting parties to the General Agreement. Denmark had undeniably resorted to import restrictions to a fairly large extent during the post-war years but the balance of payments had been very much strained during most of this period and currency reserves had at times even been negative. Restrictions had consistently been relaxed throughout the 1950's. During the past two years the external balance had improved significantly to enable the Government to introduce a new and very wide measure of liberalization which entered into force on 1 March 1960. Currency reserves which now represented the equivalent of two months' imports had remained at a constant level during the past few months; the latest forecasts, however, anticipated a decline in these reserves in the near future. Besides a number of internal measures, the principal reason for the improvement in the balance of payments was to be found in the terms of trade. The favourable trend during the past two years in Denmark's terms of trade had been due mainly to the low prices of imported raw materials. Denmark's post-war difficulties had been due to a very large extent to adverse terms of trade. Import restrictions had entirely excluded Denmark's agricultural products from several markets; in other markets prices were maintained at artificially low levels by means of domestic subsidies. In certain cases low prices had been a condition for access to markets where high tariff rates had been levied on agricultural products. In addition, the protection of the farming industry in the majority of industrialized countries had eliminated the self-regulating forces of their markets with the result that surpluses had been produced and disposed of in other markets at heavily subsidized prices.
6. Bearing in mind that approximately 60 per cent of Denmark's exports consisted of agricultural products, it could be understood why the Danish Government felt that agricultural protectionism in other countries was responsible for a large part of Denmark's balance-of-payments difficulties. Had the conditions for agricultural products in international trade been a little more liberal, Denmark would have been able to abolish all import restrictions which were maintained for balance-of-payments reasons.

7. Denmark was able to meet competition from practically all agricultural products in international trade. There was no need therefore for his country to import such commodities as butter, meat and eggs. Denmark was not prepared to spend foreign exchange on subsidized products which were being disposed of at any price they would fetch. Denmark had never resorted to such practices and had consistently been in favour of effective provisions prohibiting export subsidies.

8. The Danish Government was convinced that concerted action by G.I.T countries and in particular by the industrialized countries; could go a long way towards the normalization of all trade in agricultural products. Denmark's demand was for reciprocal treatment of agricultural exports with exports of industrial goods. It was felt that progress in the liberalization of international trade in agricultural products would be to the benefit not only of the agricultural exporting countries but of the whole trading community.

9. Denmark's total area was approximately 4.2 million hectares, of which more than 3.1 million hectares, or almost 75 per cent, was used for agriculture. The agricultural area was divided into almost 200,000 farms with an average acreage of approximately 16 hectares. More than 90,000 farms had an acreage of 10 hectares or less; a little more than half of the farms were of medium size with an acreage of from 10-60 hectares. Of the bigger farms, 3,200 had land consisting of from 60-120 hectares, whereas from 800-900 farms had land consisting of more than 120 hectares.

10. The main crops produced in Denmark included grain, which made up 45 per cent of the total area, root crops which made up from 18-20 per cent, and grass and green fodder which covered from 30-35 per cent. Other crops included seeds for sowing, oilseeds and vegetables.

11. The grain crop consisted mainly of feed grain and the main root crop was fodder beet. Potatoes and sugar beet were also of importance in certain areas. Grassland was partly used as pasture for cattle and partly for the production of hay for the winter feeding of cattle.

12. Apart from relatively small quantities of grain, seeds, sugar beet and potatoes, and certain other vegetable products, the whole production of crops was used as feedingstuffs for livestock, which included 200,000 horses, 3.3 million cattle, of which from 1.4 to 1.5 million were milk cows, 8 to 5.5 million pigs, and from 20 to 25 million hens and chickens. Home-grown feedingstuffs were supplemented by imports, mainly of grain and oilcake; the quantities of imported feedingstuffs normally corresponded to 10 per cent of the total quantity of feed used.

13. Animal production accounted for approximately 90 per cent of farmers' gross income. Of this amount, pigs and pig products accounted for almost 40 per cent, dairy products for 30 per cent, beef and veal for 20 per cent, eggs for 8 per cent and poultry meat for 2 per cent.

14. Two important events had been decisive factors in bringing about the present structure and development of Danish agriculture; (i) the accomplishment of the agrarian reforms at the end of the eighteenth century; and (ii) the European agricultural crisis towards the end of the nineteenth century.

The agrarian reforms brought about the release of the farmers from dependency on landowners and also brought about a redistribution of land. The result was that in the course of the first half of the nineteenth century a transformation from copyhold to freehold was carried out for most of Denmark's farmers. There was general economic progress within Danish agriculture until the European agricultural crisis in the 1880's. In Denmark, unlike other countries, this agricultural crisis was not met with protectionist measures. Danish farmers survived the crisis, firstly through an expansion of animal production where the fall in prices caused by the crisis was less than in the case of crops, and secondly through a rationalization of animal production. The reorganization of production in the 1880's formed the basis of the progress which had been achieved within Danish agriculture; the harvest at present was three times as great and animal production approximately five times as great as in the 1880's. This substantial progress must be ascribed to a series of factors, including improved techniques, increased productivity, improved training and education, structural improvements, cultivation of virgin soil, and improvement of the soil already under cultivation by marling and use of fertilizers. These favourable developments in Danish farming had mainly been based on the initiative of the farmers themselves; problems had been tackled either individually or through co-operation. It had been a general rule that Government aid was only called for in special cases although it was considered necessary to leave the solution of certain special tasks, such as higher education and scientific research, to the Government. The more elementary experimental work was mainly carried out by the agricultural organizations which also handled special problems, such as the vocational training of young farmers and advisory services, for which the Government granted financial support.

15. Trade in agricultural products was free and apart from certain exceptions of limited importance was carried out without Government interference. At the request of the farmers, the Government had established an inspection service on most animal products in order to ensure that they fulfilled certain fixed requirements and standards of health and quality. Most of the animal production was traded through the co-operative plants owned by the farmers. Private firms were not, however, excluded from participating in the marketing of these goods, both on the home market and for export. Milk was handled and butter and cheese produced in 1,400 dairies of which 1,200 were co-operative. Pigs were slaughtered and bacon produced in 78 bacon factories of which 62 were co-operative. Throughout the country co-operative cattle sales organizations were at the disposal of farmers; egg-packing stations, of which a great part were also co-operative, took care of the grading, packing and sale of the eggs for both the home market and for export. In addition, co-operatives and private export firms had formed export committees or Boards which had taken up for study and possible solution the practical problems exporters faced in the trade of all main agricultural export products; in certain cases they could also export.

16. Members of the Committee thanked the representative of Denmark for his very interesting and informative statement and requested elaboration and clarification on a number of points. One member noted that in recent months there appeared to have been a trend away from the stated policy of the Government of Denmark to limit, as much as possible, its direct intervention in the agricultural sector. Recent Government interventions were evident in

the form of measures such as minimum prices for domestically consumed milk and butter and milling rates for grain. The representative of Denmark emphasized that these recently introduced measures were of a provisional character. The domestic butter scheme had been introduced following a period when export prices had been at a very low level; the scheme had only been implemented for a few weeks. The grain scheme was subject to reconsideration annually as the laws concerned were valid for only one year at a time. He expressed the opinion that these measures did not mean a trend away from the general "non-intervention" policy of the Government.

17. In response to a number of questions, the representative of Denmark informed the Committee that in 1959 the gross national product was Kr.36,000 million, of which Kr.5,400 million represented agricultural production. Domestic trade in agricultural products was generally free of State intervention and the export trade was in general not conducted by means of bilateral agreements.

18. Another member noted that the representative of Denmark had expressed the fear that considerable damage could result to Danish domestic agriculture as a result of the import of subsidized agricultural products. He also noted that it was the Danish policy not to allow foreign exchange to be used for the importation of subsidized agricultural products. He asked why quantitative restrictions rather than the internationally accepted measures of anti-dumping or countervailing duties were used to deal with the problem of subsidized imports. Quantitative restrictions fell equally heavily on efficiently produced commercial supplies as on subsidized or dumped products. The representative of Denmark stressed that all restrictions maintained by his country were for balance-of-payments reasons. He pointed out that significant quantities of subsidized agricultural products entered international markets and that until recently Denmark had had no specially enacted measure for dealing with imports of such goods into Denmark. As of 1 March 1960 legislation providing for anti-dumping and countervailing duties was introduced but it was not yet known how effective these measures would be.

19. A member of the Committee observed that Denmark was an important competitor in agricultural products and shared with other major exporters the problems faced in existing and potential export markets where farm production had been artificially stimulated. He congratulated Denmark for maintaining fair trade practices, for the success achieved in diversifying the economy and for resisting pressures from domestic agriculture for more Government assistance. He requested further information, however, about import levies in Denmark and enquired about the products on which these applied. He also asked if they were administered in such a way as to ensure that the levy did not accomplish more than was intended. He also asked how these levies were justified under the General Agreement. He felt that such measures which were applied by a number of countries must receive the utmost attention of the Committee when the latter came to drafting their final report. The representative of Denmark informed the Committee that the presence of agricultural protectionism in important external markets could not but influence the thinking of agricultural groups regarding the advisability of continuing a non-protective import policy. He explained that it was because of this protectionism abroad that the schemes referred to previously had been recently put into effect by his Government. He informed the Committee that Danish

agriculturalists and their organizations were generally very liberally minded because of their heavy reliance on the export trade and were in any case opposed to Government intervention. He expressed concern, however, that the need felt for protection within Danish agriculture might gather force unless the severe restrictions imposed against Danish exports were removed. Referring to import levies, he advised the Committee that it was only for coarse grains and dried skim milk that levies existed. All GATT concessions on the products involved had been withdrawn upon institution of the scheme. These measures were not automatic; the Minister of Agriculture was merely empowered to levy an equalization charge. The levies were not maintained longer than necessary and the Act under which they were administered was valid for only one year at a time. Each year the prices fixed were reviewed bearing in mind prices in international markets. To date, this scheme had not been challenged by any contracting party to the General Agreement.

20. A member of the Committee, noting that import levies had been established on a one-year basis, enquired whether any provisions existed for altering the levy on coarse grains in the event that circumstances changed during the year. The representative of Denmark stated that the equalization charge on grains was linked with the price of pigs in Denmark. If, during the eight weeks prior to the fixing of charges on grains, the national quotation for pigs of first grade for the Danish co-operative bacon factories had averaged certain specified prices, the charges were reduced by prescribed amounts.

21. A member of the Committee sought clarification on what appeared to be a disadvantage for small farmers in Denmark. Producers of grain who, for the most part, were the larger farmers had guaranteed prices, whereas the small producers of livestock had the disadvantage of paying import levies. The representative of Denmark acknowledged that grain was generally produced by the larger farms but pointed out that the smaller farmers produced most of their own feedingstuffs. He explained that the Grain Act was in a sense a political compromise which sought to place these two sectors of agriculture on an equal footing.

22. A member of the Committee was of the understanding that export Boards in Denmark were private bodies without statutory backing. He noted, however, that these Boards exerted a considerable influence on the export policy for the main agricultural commodities. The representative of Denmark assured the Committee that the Government exerted no influence, nor had it any representation on these Boards. The Boards in turn had no influence on import policy. The Committee member noted that the export associations fixed minimum export prices for certain markets which granted import quotas for Danish produce; the stated purpose of this was to prevent undercutting among exporters. He enquired why the prevention of undercutting in this way was considered necessary. The representative of Denmark confirmed that minimum export prices had been established for dairy products for certain markets. Where a quota system and a central buying agency existed for dairy products in markets which would not otherwise be open and where prices were high the exporters would, in the absence of minimum prices, compete to obtain a share of the quota. This could have the effect of undercutting contrary to the overall Danish policy which was to obtain as high an export price as possible. He added that the markets in question usually opened for imports at very short notice and for a short time only.

23. In response to a question on the necessity of the Agricultural Products Marketing Act, passed in 1958, the representative of Denmark explained that the Act had a special bearing on exports to countries where there was a centralized import body. He added that at the same time as the Marketing Act was passed, the private agricultural organizations established a Central Agricultural Marketing Board to carry out research in new markets. The Government had provided guarantees to the Board but these had never been utilized.

24. A member of the Committee enquired whether the Agricultural Marketing Act had had any influence on the formation of new marketing Boards for exports to countries whose imports were not subject to State trading. The representative of Denmark stated that the present commodity Boards were older than the Act itself. Boards existed for the export of butter, cheese, bacon, pork, cattle, horses, potatoes and eggs. The Law of 1958 especially referred to sectors of export trade which were not covered by the export Boards. The Law had been aimed directly at establishing measures for such products and had not been used for exports to countries without centralized import agencies.

25. A member of the Committee noted that before 1950 there had been Government export Boards. In that year they had been abolished and new Boards had been established by the producers themselves, but the funds of the previous Government Boards had been transferred to the new Boards. The member enquired whether these funds represented the producers' own money, earned entirely by their trading operations, or whether they contained some element of Government assistance. The representative of Denmark confirmed that no Government money was involved; the funds transferred had belonged to the farmers themselves.

26. It was pointed out by certain members of the Committee that while quantitative restrictions were at present admittedly maintained by Denmark for balance-of-payments reasons it appeared that certain restrictions played an integral part in agricultural protection. It was felt that since Denmark was so dependent on export markets it would be in its own interest to set a good example by removing restrictions on imports of products such as butter which, because of its very competitive prices, could scarcely have any significant effect on the Danish market. Since there had apparently been no licensing applications for imports of butter, little damage could be expected from subsidized imports. The representative of Denmark pointed out that there had, in fact, been a request for an import licence where the price quoted for butter had been approximately one third of the domestic price in the country of production. He repeated that Danish exporters had experienced such difficulties with subsidized butter in traditional Danish markets, such as the United Kingdom, and that they did not wish to invite this situation into the Danish domestic market. He emphasized, however, that Denmark would be the first country to abolish such measures on agricultural products if concerted action for the removal of protectionist measures to agriculture was undertaken by the CONTRACTING PARTIES.

27. A member of the Committee enquired about the effect which quantitative restrictions had had on Danish domestic price levels. He enquired how the domestic prices of apples and pears, for example, compared with world prices and whether quantitative restrictions did not in fact constitute an indirect form of price support. The representative of Denmark explained that it was

very difficult to ascertain world prices; Danish domestic prices followed closely international prices. He stated that in general food prices in Denmark were lower than in most countries. He concluded, therefore, that the quantitative restrictions maintained by Denmark did not have the effect of creating higher prices in the domestic market than would exist without restrictions.

28. A member of the Committee observed that some countries, such as Denmark, which were consistently pressing agricultural importing countries to remove non-tariff measures which adversely affected imports did, in certain cases, maintain restrictive measures themselves. The representative of Denmark informed the Committee that as of 1 March 1960 his Government had taken wide measures of liberalization which included many important agricultural products. In response to further questions on quantitative restrictions, he informed the Committee that, taking into consideration the liberalization measures of 1 March, the percentage of liberalization for imports from former European Payments Union countries, calculated on the base year of 1948, was 83 per cent for agricultural products, 100 per cent for raw materials and 95 per cent for industrial goods. For the dollar area, based on 1953, the percentage of liberalization was 92 per cent for agricultural products, 100 per cent for raw materials and 98 per cent for industrial goods.

29. A member of the Committee stated that while it could certainly be said that restrictions were imposed for balance-of-payments reasons, in the case of commodities which were produced in Denmark and which could be imported freely only during seasons when Danish supplies were inadequate, it was fair to add that there were protective effects. In making this comment, the member stated that the Danish system was indeed a liberal one and that he did not wish to give the impression that he was criticizing basic Danish agricultural policy. The representative of Denmark agreed that all quantitative restrictions, regardless of the reasons for which they were imposed, did have protectionist effects. He explained, however, that in administering Danish quantitative restrictions the authorities were guided by provisions in Danish legislation which ensured that the restrictions did not unduly protect domestic industry. They were also administered in full accordance with Article XIII of the General Agreement.

30. It was noted by a member of the Committee that the liberalization measures taken on 1 March included certain deciduous fruits but did not include apples and pears, imports of which were prohibited. The fact that imports of certain deciduous fruits were now permitted appeared to eliminate any balance-of-payments reasons for restricting imports of other deciduous fruits. He asked what were, in fact, the reasons for retaining restrictions on imports of apples and pears. The representative of Denmark explained that it was not possible to remove all restrictions at one time. It was normal to liberalize first those imports which would have the least adverse effect on the balance of payments. He emphasized that to liberalize apples and pears could have an adverse effect on the balance of payments since Denmark would be one of the few markets open to such imports.

31. The representative of Denmark informed the Committee, in response to a question, that imports of cheese were liberalized. He added that whereas certain commodities were free of import restrictions for certain seasons of the year, the restrictions applied for the remainder of the year were retained for balance-of-payments reasons.

32. A member of the Committee enquired about the treatment of imports from Latin American countries. The representative of Denmark informed the Committee that imports from Latin American countries were treated as liberally as imports from the dollar and Organization for European Economic Co-operation areas. He informed the Committee that raw cocoa and cocoa powder had been liberalized from these areas and that licences requested for imports which were liberalized from dollar and OEEC sources would normally be granted for imports from Latin America.

33. A member of the Committee noted that Denmark used bilateral agreements for the export of certain agricultural produce and enquired whether import quotas were in fact used as a means of bargaining for increased access to external markets. If this were so, he asked whether it did not confer an advantage on Denmark which could not be enjoyed by a country which did not have such bargaining coin. The representative of Denmark informed the Committee that the importance of bilateral agreements had declined considerably in recent years and that those remaining were with countries whose trade was conducted on a bilateral basis and which were outside the General Agreement. He agreed that bilateral agreements could give a country an advantage over countries which did not enter into such agreements, but he stressed that any such advantage gained by Denmark was very modest and would become even less important in the future.

34. A member of the Committee pointed out that in certain cases bilateral agreements violated the basic GATT concept of non-discrimination. He expressed satisfaction with the information that bilateral agreements entered into by Denmark were in fact declining with the improvement of the balance-of-payments situation. He emphasized, however, that there still existed certain bilateral agreements which gave Denmark a preferred position in external markets and gave other countries a preferred position in the Danish market. He pointed out that to retain a preferred position it was necessary to maintain quantitative restrictions on imports from other sources. He felt that it would be helpful to have the assurance of the Danish Government that the interests of contracting parties in the Danish market were not being impaired by bilateral agreements between Denmark and non-GATT countries. The representative of Denmark informed the Committee that when concluding bilateral agreements his Government bore in mind the interests of other contracting parties. He stressed that these agreements were made public and were in the Danish view not such as to infringe Article XIII of the General Agreement. The danger of non-GATT countries receiving a preferred position in the Danish market would disappear completely as restrictions were removed. He felt that no contracting party to the General Agreement could claim that their interests were being threatened by the existing bilateral agreements which had been entered into by Denmark.

35. In response to a question, the representative of Denmark informed the Committee that as long as Denmark had balance-of-payments difficulties, sugar factories would receive preferences in the granting of licences for the importation of sugar since these factories had the established means of distribution. He felt that it was a question of judgment whether or not this operation was considered to be State trading.

36. A member of the Committee noted that on the basis of 1953, 92 per cent of imports from the dollar area had been liberalized. He felt that although this figure was impressive it could be misleading in that it might not include certain products of great importance to certain countries. He enquired whether liberalization actually meant freedom from licences, import charges and levies. He also enquired whether the Danish Government regarded coarse grains as being liberalized. The representative of Denmark agreed that describing liberalization as a percentage was not entirely satisfactory. He explained that for liberalized products no import licences were required. This did not mean, however, that these commodities were not subject to normal import charges. He stated that his Government considered coarse grains as being liberalized.

37. In response to a request for information on the development of agricultural exports for the past few years as compared with pre-war years, the representative of Denmark stated that in 1939 total agricultural exports had amounted to Kr.1,175 million which represented approximately 75 per cent of total exports. In 1946, agricultural exports amounted to Kr.1,063 million or 63 per cent of total exports. In 1957, agricultural exports had risen to Kr.4,616 million which represented 58 per cent of exports; the figure for 1958 was approximately the same as for 1957.

38. In answer to a question on land reform and regarding the measures taken to amalgamate holdings, the representative of Denmark stated that it was the policy of his Government to adapt the size of farms more to the economic situation. Where it had been the policy to parcel out large farms to individual farmers, it was now more the intention to form larger units. He explained that a new Agricultural Commission had recently been established to study Danish agriculture in relation to international as well as national conditions. The representative of Denmark stated that, although the free play of economic forces was relied upon to bring about the formation of larger units, the Government also assisted the farmers to bring about this development. He informed the Committee that it was at present only possible to amalgamate small farms with Government approval, but that this situation was being reviewed by the Agricultural Commission.

39. In response to a number of questions on the Dollar Export Incentive Scheme, the representative of Denmark informed the Committee that the scheme was applied to all agricultural commodities but that as from 1 January 1960 the Danish authorities had begun to liquidate the Scheme. From that date the actual value of the premium was reduced to 4 per cent. From 1 January 1961 it would be reduced to 2 per cent and by 1962 the export premium would be terminated.

40. It was considered by a member of the Committee that the mixing regulations for grain in Denmark constituted direct intervention by the Government. He enquired whether these regulations pre-dated the General Agreement and whether it was the intention of the Danish Government to retain these regulations after balance-of-payments difficulties disappeared. He felt that an importer of bread grains could "buy freely" only up to the limit permitted by the mixing regulations. The representative of Denmark agreed that mixing regulations did place a limit on free purchases, but explained that the mixing regulations had been implemented prior to the war. There had been a complete ban on imports in 1947, one of the base periods set out in paragraph 6 of Article III of the General Agreement. He felt that his Government was acting in accordance with this provision of the General Agreement. He pointed out that the Grain Act was valid for only one year at a time; he was therefore unable to predict whether or not the regulations would be prolonged after balance-of-payments difficulties disappeared.

41. It was the understanding of a member of the Committee that mixing regulations had provided for a required amount of total soft wheat in flour marketed in Denmark. The representative of Denmark explained that it was considered necessary to have uniformity of qualities of wheat-flour on the market. The member enquired about the relationship between the guaranteed price to farmers for bread grain and the prices for imports. He asked whether these arrangements netted the Government any funds and if so, how they were used. The representative of Denmark explained that there was no levy on imported grain if imported at a price lower than the price fixed for Danish grain. Likewise, there was no subsidy if the import price was higher than the price of Danish grain. The miller was required to base the price of flour on a weighted average of the prices of the grains obtained for milling. If the price of imported grains, therefore, was lower than the Danish price, the average price of flour was lower than the Danish price. Generally speaking, the price of Danish wheat had recently been a little below the import price whereas the price of Danish rye had generally been higher.

42. A member of the Committee was of the understanding that the Danish Export Marketing Board had recently planned to spend the equivalent of £1 1/4 million developing new markets for pig meat, cheese and butter. In addition, he understood that the Danish Milk Board had appropriated the equivalent of £400,000 to stabilize butter and cheese markets and to develop new markets. He also was of the understanding that the Danish Parliament was considering the establishment of a fund to finance and stimulate exports. He requested details from the representative of Denmark who was unable to provide any information in this respect. The Danish representative felt, however, that the Marketing Board referred to by the member of the Committee could possibly be the Marketing Board established by the agricultural organizations to carry out market research. For the rest, he had no knowledge of the developments mentioned.

B. Commodities

Dairy Products

43. In response to a question on the pricing system for dairy products the representative of Denmark stated that prices paid to producers were an average of prices received for export sales to various markets. If there was an upward trend in export prices the price received by producers also followed an upward trend with a certain time lag. It could be readily seen therefore that the domestic price might for a short time be higher or lower than the price on the international market. He pointed out that in 1959 when prices were rising the average figure for butter on the London market was Kr.7.40 per kg. compared to a Danish producer price of Kr.6.50. At present the domestic price was slightly higher than the price on the London market. He emphasized that quantitative restrictions were not maintained for the purpose of preventing Danish butter from re-entering the Danish market, but solely for balance-of-payments reasons.

44. As the Danish Export Boards exerted a very great influence on Danish export policy, members of the Committee requested information on the way in which these Boards established export prices. The representative of Denmark informed the Committee that these Boards had no connexion with the Government and that he was unable to give the Committee any information concerning their operations. He referred the Committee, however, to the Third Report of the Agricultural Policies of Europe and North America, published by the OEEC (October 1958) which contained a description of the operations of the Boards.

45. In answer to a question on the Home Market Milk Scheme, the representative of Denmark explained that, although nearly one year old, the scheme had only been in operation for a short time. He explained that the scheme was introduced because Danish farmers considered that any depression of prices for Danish agricultural exports brought about by subsidized exports should not be to the benefit of the Danish consumer. He explained that if the export price should fall below Kr.6 a levy would be charged on domestic sales. The member of the Committee pointed out that in this situation the position would come close to dumping or subsidization such as Denmark criticized in other countries. He enquired how the figure of Kr.6 was determined and whether there was any provision for varying the amount. The Danish representative explained that the price of Kr.6 was considered a fair price and was arrived at after consultation with producers and consumers. There was no provision for adjusting this price without the amendment of the basic law.

46. A member of the Committee enquired whether, in the circumstances that the six Kroner scheme was in operation and the present quantitative restrictions did not exist, a corresponding levy would be imposed on butter imports. The representative of Denmark stated that there was no provision in the law for such a situation; the legislation would have to be revised or removed. He pointed out that it would not be fair to farmers to levy a charge on domestic butter without also levying a charge on the imported product. He emphasized once again that the Act was not mandatory. It was only after consultation with the farmers' organization that a levy would be imposed. He stated that the Government would be pleased to avoid such measures which it had been forced to under-

take because of adverse conditions for Danish products in export markets. He reminded the Committee that Denmark was not maintaining an artificially high price on butter by subsidies and he felt that the minimum price was indeed a fairly low one.

47. One member pointed out that the only dairy product which had been liberalized was cheese. He noted that with the exception of skimmed milk powder there were no importations of other dairy products. He enquired how licences for the importation of skimmed milk powder were granted. The representative of Denmark informed the Committee that licences were granted on a non-discriminatory basis.

48. In answer to a question the Danish representative explained that proceeds derived from import levies on skimmed milk went into a fund which was used for the reduction of price of the domestic product used for feeding purposes.

49. Noting that the base price of butter for the Home Market Milk Scheme was Kr.6 per kg., a member of the Committee enquired whether this figure was below the cost of production. The representative of Denmark explained that butter was produced on mixed farms where it was difficult to determine the amount of labour going into butter production. He felt, however, that the price of Kr.6 per kg. was above the cost of production since otherwise the farming organizations would not have accepted the price.

50. A member of the Committee noted that all exporters of butter and cheese were first authorized by the Ministry of Agriculture. He enquired whether an exporter who was not a member of the Danish Export Board could also export. The Danish representative stated that it was not an absolute prerequisite that a butter exporter should be a member of the Danish Export Board. He stated, however, that almost all dairies were members of the Board and they had committed themselves to sell only through Board members.

51. A member of the Committee understood that the reason for the maintenance of minimum export prices was because of extreme price variations on the export market. He asked what percentage of Danish butter exports was sold at premium prices and whether Denmark's position in premium markets was possible because of Government licensing policy in those markets. The representative of Denmark explained that the bulk of butter exports were sold on the United Kingdom market. Minor quantities were sold under import quotas in some markets while other sales were made to countries which found themselves in a position of short supply. These latter sales generally fetched higher prices than the normal sales on the London market. He stressed that there was no Government intervention and the fact that another government opened a quota for Danish exports did not give the Danish Government any say regarding which exporters should fill the quota. He added that there were very few quotas left for butter. In 1959 exports totalled 118,000 tons, of which 96,000 tons went to the United Kingdom, 5,500 tons to Germany and 6,400 tons to France.

Meat

52. On the operations of the Danish Export Boards in the meat sector regarding the establishment of export prices, the Committee once again referred to the OEEC Third Report on the Agricultural Policies of Europe and North America. Members of the Committee observed that a number of meat products were still subject to import restrictions. They expressed the hope that these restrictions would be removed as soon as possible. The representative of Denmark agreed with a member of the Committee that reasons for maintaining quantitative restrictions were not as important for meat as for dairy products.

53. A member of the Committee noted that there was very little mutton and lamb production in Denmark and asked why mutton and lamb could not be placed on the liberalization list. The representative of Denmark explained that the production and consumption of lamb was very small in Denmark, but that the Government was contemplating permitting increased imports of lamb and of mutton. Any relaxations made would be made on a non-discriminatory basis.

54. A member of the Committee enquired whether levies on imported feed grains were repaid when the meat for the production of which it was used was exported. The representative of Denmark stated that there was no provision for drawback under these conditions. He added that the funds collected from the levies entered a fund, the use of which had not yet been decided by the Ministry of Agriculture.

55. The representative of Denmark was asked whether he could give an assurance that prices which livestock farmers paid for sugar beet pulp were in line with the prices paid for feedingstuffs generally. He informed the Committee that sugar beet pulp did not enter into normal trade, but was the subject of a contract between the sugar beet producers and the sugar factories.

56. A member of the Committee enquired whether the 10 per cent benefit in extra dollars earned on exports of canned ham to the United States was still received by Danish exporters. The representative of Denmark stated that exports to the United States received a 6 per cent premium during 1959. The premium would be 4 per cent during 1960 and 2 per cent during 1961. The premiums would be abolished from 1 January 1962. He stated that there was a tax levied on exports of fresh ham of 20 öre per kg.

Cereals

57. A member of the Committee noted that the Danish Government had stated that all domestic marketing of the 1959/60 Danish crop of rye and wheat was unrestricted and that every grower of bread grains in 1959 was entitled to obtain for specified quality, Kr.47 per 100 kgs. for rye and Kr.49 per 100 kgs. for wheat. He enquired whether these prices were guaranteed by the Government, otherwise what assurance was there that producers would receive these prices. The representative of Denmark explained that the internal trade was free in the sense that farmers were permitted to sell grain freely on the market. The prices of Kr.47 per 100 kgs. for rye and Kr.49 per 100 kgs. for wheat were prices guaranteed by the Government, but the farmer was free, if he could, to

market his products at higher prices. Only if the domestic production was in excess of the demand for grains for human consumption was there any Government assistance involved. In such an event the surplus was sold at a lower price for feeding purposes and the Government absorbed the difference in price.

58. A member of the Committee expressed surprise that it was considered necessary to give a guaranteed price and an assured market to producers of bread grains and to support the prices of coarse grains by import levies. Another member asked whether the Danish representative expected that the guaranteed price would affect production. The representative of Denmark stated that the size of the production of bread grains depended to a great extent on the prices prevailing for other crops. In response to a further question the representative of Denmark assured the Committee that the support price system did not apply to any exports of grain from Denmark. He explained that wage agreements in Denmark were concluded for three-year periods and that during the last round of negotiations difficulties had been experienced in arriving at a compromise, particularly amongst the farming organizations. The farms employing wage labour were, for the most part, the larger farms which were the major grain producers. Confronted with rising wages this sector of agriculture requested minimum prices for their products. A member noted that the arrangements for grains were on a yearly basis, yet the wage negotiations took place every three years. The representative of Denmark stated that while the law was only valid for one year at a time it could be prolonged from year to year.

59. The representative of Denmark agreed with a member of the Committee that it would probably not be possible to maintain a scheme for wheat and rye without resorting to quantitative restrictions. He stated, however, that there were no subsidies and no bilateral agreements affecting wheat.

60. A member of the Committee noted that the price of Danish barley was above the world price and yet there were exports of barley from Denmark. The representative of Denmark confirmed that there was an export of special higher priced barley for malting purposes.

Sugar

61. It was noted by a member of the Committee that Danish industries using sugar for the production of sugar containing merchandise for export were permitted to buy sugar at world market prices even if these prices were lower than the home market price. He enquired whether sugar for such purposes was restricted to the domestically produced product. He also asked whether permits to import sugar were limited in time or in quantity. The representative of Denmark informed the Committee that it was usual for Danish sugar to be used in export products. Permits which were granted generally to the exporting industry were limited neither in time nor in quantity, but there was a control to ensure that sugar purchased at world market prices actually went into merchandise for export.

62. In response to a question the representative of Denmark stated that the Government had the Act of 1950 regarding the sugar scheme under consideration with a view, inter alia, to ensuring that trade in sugar would be in accordance with the General Agreement when balance-of-payments difficulties disappeared.

63. A member of the Committee felt that whereas Denmark had participated very actively in the sugar market immediately following the war, Danish producers had been sheltered from difficulties experienced by traditional exporters in recent years. He expressed the fear that when the market situation again improved traditional sugar producers would again suffer from Danish competition. The Danish representative did not share this view. He stressed that at present acreage was limited by the Government which had considerable sugar stocks which it had refrained from releasing at subsidized prices. He reminded the Committee that the Danish sugar industry had developed during and immediately following the war when there had been an acute shortage. In answer to a further question he explained that sugar was not sold at world prices to manufacturers producing sugar containing merchandise for the domestic market.

64. A member of the Committee expressed the view that quantitative restrictions were essential for the present system of trading in sugar in Denmark. He stated that this system would require substantial changes when balance-of-payments difficulties disappeared.

Fish

65. The representative of Denmark informed the Committee that since Denmark was surrounded by the North Sea, the Skagerrak, the Kattegat and the Baltic, it was natural that the fishing industry was of great importance. Furthermore, the country was excellently situated with regard to Continental markets, the United Kingdom and overseas countries.

66. Denmark had expanded the fishing industry steadily and very markedly in recent decades so that the total production of fish in 1959 was 662,000 tons. The remarkable expansion since the war was mainly due to the improvement of the fishing fleet and fishing methods. The number of motor boats, which were a typical craft used in the Danish fisheries, had been fairly stable at some 8,000 units in recent years. The fleet, however, had steadily been better equipped with echo-sounders, transmitters, etc. The invention some years ago of the mid-water trawl was also of great benefit, particularly to the herring fisheries. The expansion of the fishing industry had taken place without any increase in the number of fishermen. The value of the fishing fleet in 1958 was estimated at \$33 million.

67. Due to the proximity of the fishing grounds, fish as a rule could be landed in fresh condition in Danish harbours. Both the fishing industry and the authorities attached a very great importance to maintaining a high quality standard. The inspection officials controlled the observance of provisions concerning minimum size limit, closed seasons, etc., in order to protect stocks.

68. The main species caught by Danish fishermen were herring, plaice, cod and mackerel. The post-war rise in landings was to a large extent connected with the development of fishing for reduction purposes, especially of herring, whereas this form of fishing was of little significance prior to the war. There had been however a steady rise in fish for consumption, and an increasing part of the catch was processed as fillets, canned fish, etc. There had been recently a heavy fall in the prices of fish meal which had forced many fishermen to give up fishing for reduction purposes and to turn to fishing for consumption.

69. A characteristic factor of the Danish fishing industry was that most of the vessels were owned by the fishermen themselves and that the crews generally worked on a share basis; they did not wish to be dependent on State aids. No subsidies were granted by the Government and the price formation for fish catches were quite free with by far the greater part of the catches being sold at public auctions. The total population of Denmark amounted to approximately $4\frac{1}{2}$ million inhabitants who could not possibly consume the large and still increasing quantity of fish landed in Denmark so that approximately two-thirds of the catches for human consumption and two-thirds of the production of fish meal were exported. The fishing industry was therefore to a very high degree dependent on exports and Denmark had succeeded in developing a still increasing export market for fish and fish products, which in 1959 amounted to \$60 million.

70. The Danish fishing industry might be considered fully competitive under equal conditions. With the exception of certain canned fish products Denmark had no customs duties on fish. Since there were no subsidies on fish the only protective measures maintained by Denmark were quantitative restrictions on certain species of fish. A further step towards the abolition of quantitative restrictions had been taken on 1 March 1960, from which date the import of all canned fish and several species of fish had been liberalized so that the percentage of liberalization was estimated to be about 92 per cent on a 1948 basis.

71. A member of the Committee enquired why it was considered necessary to retain quantitative restrictions on fish products when the Danish fishing industry was considered to be efficient and competitive. The representative of Denmark pointed out that the liberalization of remaining restrictions on fish was under consideration by his Government; he emphasized, however, that it had not been possible to liberalize the entire sector at one time. An attempt had been made to liberalize those species which were of greatest interest to trading partners. He stressed that the particular conditions for fish products in Denmark, where price formations were absolutely free which was not the case in some neighbouring countries, could create the danger of an influx if all restrictions were suddenly removed.

72. A member of the Committee was of the understanding that exports were controlled by the Government and asked to what extent and for what reasons such controls took place. The representative of Denmark informed the Committee that export controls only existed for pond trout for very particular and understandable reasons. In response to a further question he advised that imports of salted salmon had been liberalized in the most recent measures of liberalization.

Vegetable Oils

73. A member of the Committee asked what incentives existed for the margarine factories to engage in the voluntary agreement on rapeseed. It appeared that the factories had agreed to pay a higher price for the domestic product than for imports. He enquired whether licences were in fact granted for imports. The representative of Denmark stressed that there was no advantage for the participation of the margarine factories in the agreement, but added that there

was also no disadvantage since the factories were able to charge a higher price in the Danish market. He pointed out that the margarine factories had had traditional connexions with the rapeseed growers. Under the agreement the factories were required to purchase domestically quantities corresponding to 10 per cent of their consumption of raw materials. They were, however, permitted to import up to 20 per cent of their raw materials in the form of oils from other countries.

74. In response to a question the representative of Denmark informed the Committee that linseed oil, citicica oil, olive oil and castor oil, had been liberalized for some time. A member of the Committee enquired whether the representative of Denmark could give some estimate of the savings in foreign exchange resulting from restrictions on other vegetable oils. He pointed out that since there was little or no domestic production of oilseeds in Denmark, the saving of foreign exchange from the restrictions on vegetable oils could not be substantial. The representative of Denmark was unable to supply any exact data but estimated that the saving would not be impressive when seen against a background of total imports. He stressed, however, that since Denmark had balance-of-payments difficulties it was necessary to select certain sectors for restrictions and that one of these had been vegetable oils. He felt that the restrictions on imports of vegetable oils had little effect on the cost of marketing margarine for which vegetable oils were used; there were no exports of margarine from Denmark. He pointed out to the Committee that although vegetable oils received the incidental protection of quantitative restrictions they had remained competitive to the point where there was a certain export of vegetable oils to other Scandinavian countries. He explained that total production in pre-war years amounted to somewhat more than 100,000 tons, whereas in 1957 production had dropped to 70,000 tons, which demonstrated that restrictions had not had the effect of unduly stimulating production. He added that quotas were available for imports from all sources. One member of the Committee pointed out that a comparison between the pre-war and post-war figures of production would be misleading and that during the post-war years there had been an appreciable increase in production to which quantitative restrictions on imports appeared to have contributed.

75. Noting that the margarine manufacturer was permitted to charge a higher price for the product under certain conditions, a member of the Committee asked whether there was some form of price control for the sale of margarine on the domestic market. The representative of Denmark explained that prices in Denmark were only controlled in the sense that monopolies operating in Denmark were required to have their prices accepted and approved by the Government.

76. In response to a question the representative of Denmark informed the Committee that linseed oil, flaxseed and linseed oil cake were liberalized.

Canned Fruits and Fruit

77. A member of the Committee expressed appreciation for the recent measures of liberalization in which certain canned deciduous fruits were removed from restriction. He enquired whether the complete prohibition of imports of apples and pears had resulted in the maintenance of a number of marginal producers who would not be competitive without restrictions. The representative of Denmark felt that on the whole this had not been the case. He explained

that during the war when imported fruit was not available the acreage covered by apple trees had expanded substantially. There had been a marginal production which was quickly disappearing and it was possible that without quantitative restrictions more would disappear. He emphasized, however, that during the past ten years Danish fruit growers had been very successful in improving and standardizing their products.

78. A member of the Committee noting that the Danish representative had stated that his Government would find it difficult to remove restrictions on apples unless other countries took similar steps, pointed out that a number of European countries admitted apples during the non-European season. The representative of Denmark explained that the Danish production of apples more than covered domestic consumption. Methods had been adopted to improve storage possibilities which he agreed were not necessary when export possibilities existed. He pointed out, however, that export opportunities had declined considerably. A member of the Committee, while noting the reasons given for the increased post-war production of apples in Denmark, said that in pre-war years certain countries had important shares in the Danish apple market, whereas now they were confronted with a complete embargo. He stated that the result was that for two or three months during the year apples, particularly those of first quality, virtually disappeared from the Danish market and that during such periods prices were high. He enquired whether the Danish authorities had given consideration to the provisions in Article XII "not to apply restrictions so as to prevent unreasonably the importation of any description of goods in minimum commercial quantities". The representative of Denmark assured the Committee that he would bring this reference to Article XII to the attention of the appropriate authorities.

79. In answer to a question the representative of Denmark stated that restrictions were maintained on bananas for balance-of-payments reasons. The issue of licences was on a country basis and in accordance with Article XIII of the General Agreement and was based on representative periods. He pointed out that the entire import demand for bananas was met. In response to a question regarding sanitary requirements in Denmark for bananas the representative of Denmark agreed to obtain the information for the Committee.

Grass and Clover Seed

80. In reply to a question the Danish delegate affirmed that imports of grass and clover seed were completely liberalized, that imports were not subject to import levies and that no Government assistance was granted to the industry.