

GENERAL AGREEMENT ON TARIFFS AND TRADE

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AGRICULTURAL POLICY

Report of Committee II on the Consultation with Yugoslavia

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 Yugoslavia. The Committee had before it:

- (i) document COM.II/40(d) dated 5 May 1960 which contained a synopsis supplied by the Government of Yugoslavia of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers;
- (ii) document COM.II/70 dated 18 May 1960 which contained detailed information also supplied by the Government of Yugoslavia on commodities entering importantly into international trade; and
- (iii) document COM.II/70/Add.1 which contained statistical information on commodities.

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 24 May 1960.

A. General Agricultural Policies

2. In his opening statement, the representative of Yugoslavia called attention to the conditions under which agriculture had developed in Yugoslavia. Before the second world war, Yugoslavia was one of the most under-developed agrarian countries of Europe. The high annual rate of population growth, of 15 to 16 per thousand, coupled with obsolete methods of agricultural production and with delayed industrialization, had caused agrarian over-population of serious proportions. With an average density of agricultural population of 116 per 100 hectares of arable land, which was the ratio in 1931, Yugoslavia was also one of the most densely populated agrarian countries in Europe. The problem of agricultural over-population was closely connected with the high degree of fragmentation of land holdings. During the nineteen-thirties, more than two-thirds of all land holdings

were under 5 hectares, while more than one third were under 2 hectares. This situation prevailed in the post-war period as well. Thus, according to some estimates, until recently the surplus agricultural population made up one third of the total rural population.

3. Before the second world war, the technical level of agriculture in Yugoslavia was very low. In 1939, there were barely 2,500 tractors and 18,000 threshing machines in the whole country, while only about 50 per cent of all rural households owned draught cattle. Arable land was increased in a wasteful and irrational way, not only by the use of land of inferior grade, but also by the use of forest areas and pastures. This pronounced one-sided and extensive character of agricultural production impeded the development of livestock breeding, and the destruction of forest land adversely affected the otherwise favourable natural conditions for agricultural production.

4. In the course of the second world war, even such modest means for agricultural production as had existed were largely destroyed. Thus, in the conditions which prevailed in Yugoslavia in the immediate post-war years, agriculture, the basic branch of the economy, was so backward that it could not set its own development into motion, let alone support the development of the economy as a whole. For that reason, the Government chose the course of giving priority to accelerated industrialization. Only in that way was it possible to achieve an annual transfer of about 190,000 persons from agriculture to industry and other non-farm activities. In addition, industrialization provided the necessary material basis for new investments in agriculture and also created an internal market for increased agricultural production. Moreover, industrialization created the necessary conditions for the mechanization of agricultural production and for the introduction of modern techniques in land cultivation. The Government of Yugoslavia was fully aware, of course, that this line of economic development would temporarily give rise to many problems of a structural nature before the results aimed at were achieved.

5. Indeed, the policy of accelerated industrial development of the backward economy was, for a number of years, reflected in the distribution of the national income, the structure of investments, price policy and foreign trade relations. The annual rate of capital formation was from 13 to 15 per cent, and the annual rate of net investment in fixed assets was from 22 to 23 per cent. These high rates, at the stage of development then reached, could only be achieved through strenuous efforts by accepting a low standard of living, by absorbing manpower on a large scale, by additional use of foreign resources, and by slackening the rate of investments in other economic branches, more especially in agriculture. Thus, in the 1947-1956 period, the average annual share of industry and mining in overall economic investments was almost 60 per cent, whilst that of agriculture was only 7 per cent.

6. Characteristic of this period were comparatively high prices of industrial commodities and comparatively low prices of agricultural products. The transfer of capital formation from agriculture to industry led to a temporary standstill in agricultural production generally.

7. This policy of economic development, which resulted from the specific economic and political position of Yugoslavia, was inevitably reflected in the pattern of domestic prices as a whole, both in their mutual relations and in their relation to prices abroad. This gave rise to a system of multiple exchange rates, the purpose of which was to cover the difference between domestic and foreign prices.
8. A second consequence was that agricultural exports declined, while food imports increased substantially. This, in turn, led to a deterioration of Yugoslavia's balance-of-payments position. As late as 1957, agricultural exports were still only about 50 per cent of the pre-war level, while food imports absorbed one third of all foreign trade earnings.
9. The industrial transformation of the country, best illustrated by the average annual rate of growth of industrial production of 12.5 per cent in the 1953-1960 period, opened new possibilities for the development of agricultural production and for the establishment of improved conditions in the rural areas. The economic policy pursued in that period was also designed to bring about a more balanced economic growth by the development of agriculture which, until 1952, had been at a standstill.
10. Consequently, from 1953 onwards, investment in agriculture began to increase. In the 1953-1956 period, this investment amounted to some 26,000 million dinars per year, while in the 1957-1960 period it reached 87,000 million dinars per year, or 18.6 per cent of total gross investment. This initiated the process of mechanization of agricultural production and of a large-scale application of modern methods and technology. As a result, between 1957 and 1960, agricultural production has been able to achieve a high annual rate of growth of 10.8 per cent, as against a rate of 5.3 per cent in the 1953-1956 period and an even lower annual rate in the preceding years.
11. The introduction of modern techniques and the promotion of agricultural production in general could not have been carried out on the basis of the scattered and fragmented small and medium-sized land holding, with primitive methods of production, which Yugoslav agriculture had inherited from the past. For that reason, the technical advance of agriculture in Yugoslavia was closely linked to the policy of strengthening large-scale agricultural enterprises and developing different forms of co-operation between the private producers and the co-operative organizations.
12. The more balanced development of the economy in the past few years had made it possible to readjust many price relations inherited from the previous period. A number of corrections and gradual readjustments of agricultural prices were also made in the course of time. The policy of the Government was designed to stabilize the level of wholesale price at which socialist agricultural organizations sold their products. At the same time, the aim was to increase productivity of labour and thus raise the income of both agricultural organizations and private producers.
13. In view of the very low level of consumption of agricultural products, the growth of agricultural output was primarily designed to increase domestic consumption and to improve the population's diet. In addition,

increased production of commodities for which favourable natural conditions existed in Yugoslavia, was conducive to the further expansion of traditional agricultural exports. Although the rise of agricultural output would mean the elimination of certain agricultural imports, nonetheless it was believed that the expanded domestic market would lead to increased imports of other agricultural products.

14. As for the particular methods applied in carrying out Yugoslavia's agricultural policy, the representative of Yugoslavia pointed out that, in most cases, they reflected specific Yugoslav development problems and structural difficulties characteristic of the country's economic advance generally. He also stressed that many of the practical measures in Yugoslavia's agricultural policy were of a very recent date and that this agricultural policy and the economic system as a whole were still in a process of continuous development.

15. In Yugoslavia Government intervention in agriculture was an inevitable transitional factor for development, rather than a permanent feature of Yugoslavia's economic system. The basic trend was to give as much freedom as possible to economic enterprises and agricultural organizations to take decisions on matters relating to their activities, while reserving to the Government the right to set the basic pattern of current and future economic development.

16. In concluding his statement, the representative of Yugoslavia stated that the Yugoslav Government was now drafting the basic outlines of the programme of economic development for the 1960-1965 period following the principles outlined above. He also stated that during the consultations presently taking place with the International Monetary Fund, the modes and methods of the further evolution of Yugoslavia's foreign trade and foreign exchange system would be examined and discussed. He expressed the hope that Yugoslavia's advancing economy and her readiness to engage in international economic co-operation, irrespective of differences in social and political systems, would contribute to the establishment of even closer relations between Yugoslavia and the CONTRACTING PARTIES.

17. A member of the Committee requested information about the agricultural population and agricultural production generally in relation to the economy as a whole. The representative of Yugoslavia explained that 50 per cent of the total population of 18 million were dependent for their livelihood on agriculture compared with approximately 75 per cent in the years prior to the war. Of the total present gross national product, 26 per cent was derived from the agricultural sector.

18. A member of the Committee referred to a Food and Agriculture Organization figure which expressed the per capita income in agriculture as 30 per cent of the income in industry. He enquired whether it was the policy of the Yugoslav Government to reduce this disparity by increases in production or by the further movement of the population out of agriculture. The representative of Yugoslavia stated that both methods were being used by the Government to solve the problem. To increase agricultural production and productivity in agriculture the Government was investing in agriculture to a much larger

extent than previously. Regarding the increases in production which were expected to result from the policies being pursued by the Yugoslav Government, the member of the Committee asked whether the Yugoslav Government envisaged that this increased production would result in a reduction of imports, an increase in consumption internally or result in increased exports. The representative of Yugoslavia explained that it was the Government's policy to increase agricultural production primarily for the purpose of increasing domestic consumption. Per capita consumption of meat, for example, which was at present 24 kgs. was expected to be increased to 45 kgs. by 1965. Sugar consumption was expected to be increased from 15 kgs. per capita at present to 26 kgs. by 1965. The primary objective therefore was to increase domestic consumption. The secondary consideration was to decrease imports, especially of cereals, which had proved to be a very heavy burden on the balance of payments, and to increase exports. He emphasized that it was for the products for which Yugoslavia had favourable conditions for production that exports were expected to take place. Such products included livestock and feed grains.

19. In response to a question on the degree of self-sufficiency achieved at present and the degree expected to be reached in the future, the representative of Yugoslavia explained that imports of wheat had been reduced and were expected to be reduced even further during 1960. Sugar and lard imports had also declined. It was not, however, the aim of the Government to achieve self-sufficiency in all products, but only in those for which Yugoslavia had favourable conditions and which had been important exports at one time. He added that the increase in overall per capita income had resulted in increased imports of agricultural products. Such products included rice and citrus fruits.

20. A member of the Committee enquired about the percentage of acreage covered by various forms of agricultural production such as State farms, agricultural co-operatives, private farms, etc. He asked what proportion of production was derived from each form of production. The representative of Yugoslavia emphasized that no State farms existed in Yugoslavia; farms were operated either on a social (collective), co-operative or private basis. He informed the Committee that 9.6 per cent of agricultural land in 1959 belonged to the social sector, while 90.4 per cent belonged to individual private farmers. Although data on the total production of the social sector as compared to the private sector were incomplete, some of these data could be found in the book "Les Problèmes de la Politique Socialiste dans les Campagnes", copies of which had been made available to the Committee. In addition, there was data on yields in two sectors of Yugoslav agriculture which revealed the marked difference between these two sectors. In 1959, for instance, the wheat yield in the private sector was 19.4 quintals per hectare, compared with 39 quintals per hectare in the social sector. For maize, the yield in the private sector was 25.4 quintals as against 52 quintals in the social sector.

21. A member of the Committee asked whether social farms were distributed throughout the country or were confined to certain areas. The representative of Yugoslavia stated that such farms were distributed throughout Yugoslavia in locations where cultivation could be undertaken in modern ways. The size of the social sector was gradually increasing.

22. A member of the Committee enquired whether there were State farms in the sense of model State experimental farms, etc. The representative of Yugoslavia explained that the factories and the means of production in Yugoslavia were not owned by the State, but were managed by the workers. Therefore, under such a system there were no State farms. With the possible exception of experimental farms at certain universities, model farms did not exist unless owned by those who operated them.

23. In response to a request for details on the methods used in the marketing and distribution of agricultural products, the representative of Yugoslavia stated that both the social and private sectors participated. Individual producers were able to sell directly to private consumers or to co-operatives. However, the commercial enterprises could buy only from the co-operatives or collectively owned farms.

24. Referring to the importance of pricing policy in regulating the market, a member of the Committee requested further information on the system of guaranteed prices. He asked whether production costs and prices at which imported products were available were taken into consideration in establishing guaranteed prices. The Yugoslav representative stated that both costs of agricultural production and internal prices were below those of agriculturally developed countries. He added that guaranteed prices existed for certain basic commodities such as maize and wheat and for certain types of livestock. In fixing the prices, the cost of production was the basic consideration. The guaranteed prices were maintained for the purposes of giving a minimum of stability to agricultural producers; guaranteed prices only came into operation when market prices fell below the guaranteed level.

25. A member of the Committee stated that since one of the basic aims of Yugoslav policy was to increase productivity he assumed that production costs were calculated on the basis of costs in the most efficient sector of agriculture. The representative of Yugoslavia informed the Committee that production costs were determined on the basis of average costs in the social sector which was more efficient than the private sector.

26. A member of the Committee enquired about the meaning of the terms "Government intervention in the market" and "rational market organization" which were stated to be measures used in order to maintain the relatively low level of retail prices intended to safeguard the cost of living of the urban and industrial population. The representative of Yugoslavia explained that it was the practice of the Government to import certain commodities should deficiencies occur on the domestic market. The Government was also interested in organizing the internal market to provide agricultural products at the cheapest possible prices. The general rule was that the market forces of supply and demand should come into play. In view of this, producers also used producers' exchanges to bid for the market. The Government only intervened in conditions of shortage when it was necessary to prevent unduly high prices.

27. In response to a question the Yugoslav representative stated that wholesale prices in Yugoslavia were the prices paid to co-operatives and collective farms. The margin between wholesale selling prices and retail prices was comparatively smaller than in some other countries. It was the policy of the Yugoslav Government to decrease costs both by increasing productivity and by introducing modern agricultural methods.

28. A member of the Committee noted that the State Food Administration was required to purchase at guaranteed prices and store certain specific products offered for sale by agricultural undertaking. The representative of Yugoslavia informed the Committee that these commodities were later used to stabilize the market. On being asked whether there was any question of exporting the stocks accumulated by the State Food Administration the Yugoslav representative informed the Committee that the system of stocks had only recently been introduced. It was felt that it would rarely be necessary for the State Food Administration to resort to the purchase of stocks. To date, the stocks had only been used for internal consumption.

29. In response to a question on agreement prices, the Yugoslav representative explained that the union of Chambers of Commerce which represented consumer and trade interests was responsible for conducting negotiations between representatives of social organizations on the one hand, and the agricultural producers, the processing industry and the trade on the other. Such prices established in these negotiations were maximum prices; products were however free to be sold at lower prices.

30. Noting that local boards in cities and industrial centres were empowered to supervise the level of ceiling prices on items of farm produce entering more importantly into the diet of the working classes, a member of the Committee requested further information. The Yugoslav representative explained that the local authorities were not specific bodies created for the purpose of supervising the level of ceiling prices. Their main powers were to place price ceilings on certain commodities in times of shortages.

31. A member of the Committee requested further information about the aims of the guaranteed price system which was stated to be to stimulate agricultural production and to "steer its course", in view of the fact that the guaranteed prices themselves appeared to be simple floor prices. The representative of Yugoslavia explained that there was a large gap between the cost of producing products on social farms and on individual farms where the cost was much higher. The Government wished to maintain a certain level of stability but not by fixing prices. It was felt that the guaranteed price would give the farmers a certain guarantee that they would receive prices sufficient to cover their cost of production and to enable them to earn a fair profit. Such a policy was expected to have the desired result of increasing agricultural production.

32. In response to a question the Yugoslav representative stated that the same guaranteed price was made available to all sectors of agriculture whether produce was from social or private farms. The guaranteed prices were based on the average price in the social sector where the costs of production were lower.

33. A member of the Committee asked whether the system of free contracting still existed for sales by the farmer to the co-operatives and whether farmers were protected by the guaranteed price-level in the absence of such contracts. The Yugoslav representative explained that there was no advance contracting as a system but that this did not exclude the wholesale trade from contracting with the co-operatives, or collectively-owned farms, or between individual producers and co-operatives.

34. A member of the Committee observed that it was possible to calculate the level of agricultural prices either on the basis of an IMF parity of 300 dinars per US dollar or on the basis of a rate established by the Yugoslav Government of 632 dinars per US dollar. He felt that in making comparisons with international prices the IMF parity should be employed since it involved dealing with external rather than internal operations. The representative of Yugoslavia explained that the Yugoslav foreign exchange system was rather complicated. Apart from the official parity rate of 300 dinars per US dollar there was a settlement rate of 632 dinars per US dollar which was used for convertible currency. There were settlement rates of 626 dinars per US dollar for various non-convertible currencies, a settlement rate of 600 dinars per US dollar for Eastern Europe currencies and a separate settlement rate for the United Arab Republic. He explained that there were also co-efficients calculated on the settlement rate used which resulted in a system of multiple exchange rates. The co-efficients replaced certain instruments, such as tariffs, which were not part of the Yugoslav system. He also stated that price relations in Yugoslavia, following the immediate post-war period were disturbed thus making it necessary to introduce the system of co-efficients.
35. A member of the Committee asked whether the system of exchange co-efficients was such as to equalize domestic and import prices. He asked why export restrictions should be necessary since with the system of co-efficients it appeared that it would be immaterial to the exporter whether his products were exported or marketed internally. The Yugoslav representative stressed that export restrictions were rare and affected products in short supply only.
36. A member of the Committee noted that different settlement rates were applied to different areas and enquired whether for particular products the co-efficients remained constant or whether they varied with the area as did settlement rates. The Yugoslav representative explained that co-efficients remained the same for imports from all regions and that they were subject to occasional changes.
37. A member of the Committee enquired whether the co-efficients also remained the same from time to time. The Yugoslav representative stated that whereas there were no co-efficients on imported foodstuffs, there was an actual price differential to be paid which was comparable with a co-efficient. It was the policy of the Government to have co-efficients as stable as possible although they were altered from time to time. If the external price rose it was then felt necessary to lower the co-efficient, etc. It was the intention of the Government to reduce the number of co-efficients as soon as possible. In response to further questions he explained that a co-efficient below "1" meant that exporters had to pay to the State the difference between the co-efficient and "1". For example, an exporter of maize which had an export co-efficient of 0.9 would have to pay the State 0.1 of the settlement rate which was 632 dinars per US dollar in convertible currency, 626 in non-convertible currency, etc. Agriculture on the average had a co-efficient of "1" but individual products had various rates; the export co-efficient of various fruits was 0.8, for linseed 0.8, hops 0.9, cereals 0.9, pig meat 0.9, honey 1.20, processed fruit products 1.30, etc. He repeated that there were no import co-efficients for agricultural products. The Government paid the difference between the import and domestic prices. One member expressed the view that the co-efficient system could be a considerable aid to exports if the co-efficient was above "1".

38. A Committee member observed that prices for the majority of commodities in Yugoslavia were below world prices and that negative co-efficients were applied to these products when exported, the State, rather than the exporter, receiving the higher export price. He asked whether such receipts were used by the State to subsidize imports. The Yugoslav representative stated that the co-efficient did not take into consideration farmers' prices only but also included transport costs and other export charges which resulted in a higher figure than the actual return to the farmer. He stressed that it was therefore the difference between the export price and the external price which the co-efficient attempted to bridge rather than the difference between the farmers' price and the external price.

39. A member of the Committee enquired about the definite steps planned by the Yugoslav Government to abolish co-efficients. The representative of Yugoslavia assured the Committee that although no precise period had been fixed on which to terminate the arrangements, it was the definite policy of the Government eventually to abolish the co-efficient system as soon as conditions permitted it.

40. It was noted by members of the Committee that many of the objectives of Yugoslav agricultural policy were stated to be pursued in principle through the free play of supply and demand. They expressed the view, however, that there were many interventions in the Yugoslav system which limited the free play of market forces. Doubt was expressed by members of the Committee whether meaningful comparisons could be made between domestic prices and prices at which commodities could be imported or exported. The representative of Yugoslavia stresses that such comparisons were indeed possible.

41. One member of the Committee noted that undertakings engaging in exports were afforded the opportunity through their trade organization of fixing by common agreement minimum export prices on a number of agricultural products. In explaining the purpose of such agreements, the Yugoslav representative stated that a number of enterprises existed for the export of the same commodities. He pointed out that there were for example eighteen organizations exporting poultry, thirty-two exporting livestock and twenty-nine exporting fruits and vegetables. To avoid any unfair competition among such organizations, the possibility was provided for their reaching agreement on minimum prices.

42. It was noted by a Committee member that since 1952 the introduction of modern agricultural production methods had been encouraged through a rebate policy whereby a proportion of the purchase price was rebated on farming equipment and supplies to organized agricultural producers. He suggested that if these rebates were eliminated, domestic prices would move closer to world prices. The representative of Yugoslavia agreed and pointed out that the general policy of the Government was gradually to dismantle all measures interfering with the free-play of the market. At present, the amount of rebates represented only 6 per cent of the gross social product of agriculture.

Subsidies

43. A member of the Committee enquired about the part played in total production by agricultural commodities which were subject to Government measures of support. The Yugoslav representative stated that exact figures

were difficult to obtain. The fact that guaranteed prices applied to cereals and to certain parts of livestock production, and that crop production accounted for approximately 50 per cent of the total gross social products and livestock for approximately 33 per cent, provided an indication of the volume involved.

44. Noting that it has been stated by the Yugoslav authorities that there were no specific export subsidies in force on agricultural products a member of the Committee expressed the view that the various measures which had been adopted to reduce costs of imports and to lower costs of exports constituted indirect subsidies. The representative of Yugoslavia disagreed stating that there was no policy on the part of the Government of Yugoslavia to subsidize any products. Although it could be that the whole foreign exchange system had certain aspects of subsidization, it was not a question of subsidizing but of eliminating price differences.

45. A Committee member expressed the view that rebates had the effect of lowering the cost of imports and thus keeping internal prices down. This had the effect of making export prices attractive to exporters except that this was offset by minimum export prices or exchange rates. He felt that such an extensive system of administration might be simplified if there was a single rate of exchange which returned less dinars per United States dollar. He enquired whether it was possible for the Yugoslav representative to say anything about the time-table for reaching a uniformity of exchange. The representative of Yugoslavia assured the Committee that it was a definite policy of the Government to move in the direction of uniform exchange rates which he agreed would be much simpler. He emphasized, however, that such a move was not an easy one in present circumstances.

46. A member of the Committee expressed the opinion that the Committee would have difficulty in accepting the view that measures which had the effect of reducing production costs of products which were exported did not constitute an indirect subsidy.

Quantitative Restrictions

47. Pointing out that internal prices were lower than world market prices, a member of the Committee questioned the need for quantitative restrictions. He requested information on the nature of the exchange quotas. The representative of Yugoslavia stressed that his country was striving to move out of the backward, under-developed position which existed prior to the second world war. Following the war, it was felt that the expansion of industry was the best method of employing the agrarian over-population. The rapid industrialization had proved a very heavy burden on the balance-of-payments position and it was for balance-of-payments reasons that restrictions had been introduced. He assured the Committee that as soon as balance-of-payments difficulties disappeared the restrictions would be removed. He added that exchange quotas were associated with quantitative restrictions. Foreign exchange resources were not sufficient to cover all needs. This made it necessary for the Government to maintain the structure of imports. Quotas were on a global basis; they were established in dinars which were transferred into the various foreign currencies according to the availability of foreign exchange and the possibility of buying goods in certain countries which was also dependent on the existence of bilateral agreements. He added that freely convertible foreign exchange could be used for imports from any convertible account country.

48. A member of the Committee asked whether there were any major agricultural commodities which could be imported freely or whether the majority of commodities were subject to bilateral agreements. The representative of Yugoslavia stated that bilateral agreements merely set the overall framework for bilateral trade and did not represent any formal obligation to export or import goods involved. Commercial considerations took first place in bilateral agreements as well. Yugoslavia had bilateral agreements with soft-currency countries with which trade could otherwise not be conducted. Most of Yugoslavia's trade, however, was conducted on a multilateral basis. The aim of Yugoslavia's policy was to move in the direction of multilateral trade.

State Trading

49. A member of the Committee noted that trade in cereals was handled exclusively by the State enterprise "Granexport". Internal trade in other products was handled by Food Importing Organizations. He enquired why cereals were singled out for treatment different from that accorded to other products. The Yugoslav representative pointed out that although per capita consumption was decreasing, bread was the main staple food of Yugoslavia. It was therefore important for the Government to ensure that adequate quantities were always available. In 1949, the per capita annual consumption of wheat and rye had been 226 kgs. This figure was expected to fall to 170 kgs. during 1960. Partly due to a series of bad crops domestic production was unable to meet fully domestic demand. Under such conditions it was likely that the status of "Granexport" would also change. With increasing production, however, it was hoped that imports would not be required; "Granexport" would then lose its special status.

B. Commodities

Cereals

50. A member of the Committee assumed that in determining cereal imports, exchange would be the vital factor. He enquired whether there were any other factors in a restrictive sense which would affect the source of supply of grains. The Yugoslav representative emphasized that the first consideration affecting the import of grains was market conditions; the second and only other consideration was the availability of foreign exchange.

51. It was noted by a Committee member that the five-year plan ending in 1961 aimed at an annual production of $3\frac{1}{2}$ million tons of wheat whereas the 1959 harvest had amounted to 4 million tons. He asked the Yugoslav representative to inform the Committee of the expected development of wheat production over the next few years and whether imports would be entirely eliminated. The Yugoslav representative replied that the policy was to increase production within a limited range until it fully covered domestic consumption.

52. A member of the Committee, observing that the Yugoslav Government expected that there would be a rise in the production of wheat which would directly affect the amounts imported, noted that there would also be a rise in the production of maize which would make maize available for export. He enquired whether the guaranteed prices for wheat and maize were expected to remain unchanged over the next few years. The representative of Yugoslavia informed the

Committee that the level of guaranteed prices was still under consideration by the Government but that it was expected that these prices would, for the present, remain at the same levels.

53. A member of the Committee asked how prices of imported and home-produced wheat were equalized when sold to millers. The representative of Yugoslavia pointed out that the margin between internal and external prices was covered by the Government; millers obtained wheat at the internal price.

Meat

54. A member of the Committee observed that although consumption of meat products was rather low in Yugoslavia, there was an important export trade conducted in these products. He stated that the subsidies on meat production ought therefore to be considered as export subsidies. The Yugoslav representative pointed out that one of the primary aims of agricultural policy was to increase livestock production for the purpose of increasing internal consumption. Yugoslavia did however have a number of traditional export markets, such as Italy and Greece the trade with which it hoped to maintain and increase if possible. It was considered that by expanding exports internal development would be accelerated since Yugoslavia had favourable natural conditions for meat production. He added that the total amount of meat exported was only 7 per cent of total production. The Committee member also noted that the measures taken to provide farmers with inexpensive feedingstuffs benefited the entire meat production including that for export. He added that the rebates on tin plate used in the meat-canning industry also constituted a form of export subsidy. The Yugoslav representative stressed that these measures applied to total production and were entirely aimed at increasing consumption; the rebate on tin plate was introduced to popularize the domestic consumption of canned meat. He also stated that premiums were paid on the production of pigs since it was felt by the Government that pig production could be expanded in a much shorter time than the production of other livestock. The Committee member took note that the premiums were paid on the entire pig production whether directed to home consumption or for export. He observed, however, that a subsidy was paid to baby beef and fat calves which appeared to be especially directed to export markets. The Yugoslav representative stated that these products were not especially produced for exports; there was not as yet, however, an important consumption of these products in Yugoslavia. The Government wished to discourage the slaughter of young animals to build up herds.

55. A member of the Committee asked about the reasons for the large increase in mutton prices in Yugoslavia. Prices had increased from 70 dinars per kilogramme in 1953 to 109 dinars in 1956, 142 in 1957 and 222 in 1958. The Yugoslav representative explained that increased prices resulted from the policy of the Government to introduce sheep for wool purposes rather than meat.

56. In answer to a question from a member of the Committee about the maximum prices payable to agricultural undertakings for the purchase of cattle and pigs, the Yugoslav representative explained that this system only applied at a time of imbalance between supply and demand. The Committee member expressed the view that the quickest way to increase production would be to permit prices to rise. The Yugoslav representative said that he realized that there appeared to be a contradiction between a system of maximum prices and a policy of increasing production. He informed the Committee that there were many items contributing to high production costs which could be reduced; it was felt that

maximum prices would assist in achieving the reduction of these costs. At the present stage of Yugoslavia's development, all efforts were being directed towards the reduction of costs.

57. A member of the Committee asked whether such arrangements as the selling of tin plate to meat canners at less than cost were seen by the Yugoslav Government as instruments of agricultural policy or as instruments for the development of the food-processing industry. The representative explained that rebates and similar measures were introduced to assist in the development both of agriculture itself and of food-processing industries as well.

58. A member of the Committee asked whether there was a pronounced increase in prices of agricultural products during the past few years and enquired whether there had been similar increases in prices generally. The representative of Yugoslavia explained that based on an index of 100 in 1959 the index of prices of industrial products was 96 in 1953. In 1958, the agricultural products index was 97 as against 78 in 1953. The rise in the agricultural products index was largely because of the definite policy of the Government to encourage production.

59. One member of the Committee was of the understanding that exporters of meat products were permitted to retain a proportion of their export earnings and that the proportion increased when exports exceeded a given export goal. The representative of Yugoslavia explained that 1 per cent of total export earnings on all exports, agricultural and industrial alike, could be retained in foreign exchange by exporters. This proportion, which was given as an incentive, did not increase with increases in quantity. There was, however, a system under which an exporter who obtained higher prices than expected could retain a certain portion of the difference in dinars.

60. Members of the Committee expressed the view that by paying a premium of 35 dinars per kg. on young slaughter cattle the Yugoslav Government would defeat the object of building up herds. The representative of Yugoslavia informed the Committee that there was a prohibition on the slaughter of cattle less than six months old. It was felt to be more economical to slaughter cattle when over 300 kgs. in weight. Members of the Committee felt that if the building-up of herds was to be achieved it would be a better policy for Yugoslavia not to slaughter young female cattle.

Milk and Dairy Products

61. In reply to a request for the production figures for butter, the representative for Yugoslavia stated that such figures were available for industrial production only which was on a rather low level. A member of the Committee stated that milk consumption in Yugoslavia amounted to 70 kgs. per head per year which left less than half of the milk production of 2,344,000 tons available for butter production. He felt that it was unlikely butter consumption exceeded 3 kgs. per capita per annum.

Sugar

62. In response to a request for information regarding the broad gap existing between the prices for sugar beet and for sugar, the representative of Yugoslavia stated that sugar production was not sufficient to cover consumption. Because of balance-of-payments difficulties, the Government was attempting to limit consumption of sugar by increasing prices. In the long run, it was the object to increase consumption further but while balance-of-payments difficulties existed, it was not considered feasible to increase imports. He added that consumption at present was three times greater than during pre-war years. The difference between the sugar beet price and the high sugar price was explained by the high consumption tax on sugar.

Vegetable oils

63. A member of the Committee asked if it was the intention of the Yugoslav Government eventually to liberalize imports of vegetable oils. The representative of Yugoslavia stated that the policy of the Government was to increase production of vegetable oils for human consumption and for fodder to a point where imports would no longer be necessary.

General

64. The consultation has established in the opinion of one member of the Committee that one of the primary aims of Yugoslavian policy was to achieve a high degree of self-sufficiency in agriculture. He expressed concern that Yugoslavia might pursue the aim of self-sufficiency as an end in itself. The Yugoslav representative emphasized that he did not wish to leave the impression that the main aim of Yugoslav agricultural policy was self-sufficiency. He stressed that the aim of Yugoslav policy was to increase the standard of living of the population which was still on a low level compared with most other European countries and to secure for expanding Yugoslav industry the necessary raw material. He stated that all other aspects of the agricultural system were merely a consequence of this policy. The Yugoslav economy was still in the development stage and the great efforts made in industrialization had proved a considerable burden on the balance of payments. Restrictions were therefore necessary if further dangers to the balance-of-payments position were to be avoided. When industrial and agricultural production had reached satisfactory levels all restrictions would be eliminated. He added that the aim of the Government was to establish closer economic relations with other countries but that this could only be achieved when Yugoslavia's internal economic structure had improved. He emphasized in closing that self-sufficiency was not, and could not be, the aim of Yugoslavian agricultural policy.