

GENERAL AGREEMENT ON
TARIFFS AND TRADE

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SUBSIDIES

Notifications of Contracting Parties

Addendum

AUSTRIA

Notification of 14 February 1961

By letter of 14 February 1961 the Government of Austria has transmitted to the secretariat a notification on subsidies in Austria.

NOTIFICATIONS ON OFFICIAL SUBSIDIES GRANTED
BY THE GOVERNMENT FOR CERTAIN COMMODITIES
AND FINANCED BY THE BUDGET

In order to guarantee to farmers a certain level of income, bearing in mind production costs, as well as the need for staple food supplies at moderate prices, subsidies for the following commodities are financed from the budget: milk, wheat, rye, barley and maize intended as fodder, fertilizers. For purposes of simplicity the following categories are used: dairy products, bread grains, coarse grains and fertilizers, in view of the similarity of the respective measures.

Milk and Dairy Products

I. Nature and extent of subsidy

(a) Background and authority

As a result of the introduction or maintenance of an official subsidy, the farmer will tend to obtain a price for milk delivered to market corresponding to the producer price of an efficiently managed and equipped agricultural undertaking located in an area favourable to milk production; on the other hand, prices paid by consumers for milk and dairy products are, for social and economic reasons, kept as low and as stable as possible by means of ceiling prices. In March 1956 the milk subsidy was increased from 20 to 50 groschen per litre in order to take account of the high production costs and to avoid increasing the price paid by the consumer. Since then, the subsidy has not been changed notwithstanding the increase in production costs.

Legal basis

Law on Price Regulation; Federal Legal Gazette No.151/1957; also the relevant Government Decrees on prices (fixation of milk producer prices and ceiling prices for consumers for the most important dairy products).

Federal Finance Law, published annually (approval of the total subsidies for milk for the relevant fiscal year).

Law on Market Regulation; Federal Legal Gazette No.276/1958 (legal basis for guidance measures necessitated by the Decrees and the price subsidies).

(b) Incidence

The 50 groschen subsidy is a part of the Sch.1.90 paid by the dairy to the producer for the quantities of milk delivered. In recent years the quantities of milk marketed have varied from 49 to 53 per cent of total milk production. Thus, the 50 groschen subsidy - as calculated on total milk production - is reduced to around 25 groschen per litre.

Operating deficits of the Dairy Products Board are also met out of public funds. These deficits are incurred as a result of the cost of measures to market dairy products, such as deliveries of milk at reduced prices to various undertakings and to schools, butter deliveries at reduced prices to the army and to hospitals, and so forth, as well as additional charges due to the successive increases of equalization costs for transport, wages and other processing factors. Supplementary payments to the Dairy Products Board amounted to Sch.42 million per annum in 1956 and 1957, Sch.86 million in 1958 and 1959, and around Sch.114 million in 1960. These sums are included in the following table showing total amount of subsidy.

(c) Amount of subsidy (millions of schillings)

1956 - 565
1957 - 688
1958 - 803
1959 - 919
1960 - 930

(d) Amount per unit

Sch.0.50 per litre.

II. Effect of subsidy

(a) It is not possible to give even a rough estimate of the effect of the subsidy on trade since, apart from the subsidy itself - which can be regarded as an aid to producers and consumers alike - there are other factors which exert considerable influence on imports and exports. In view of increasing per capita consumption, it would be correct to presume that the subsidy has a favourable effect on consumption. On the other hand, milk production has also increased in a modest but steady way (see statistical annex).

The public funds utilized since 1954 to cover the operating deficit of the Dairy Products Board likewise stabilize the price structure of dairy products in the domestic market but can hardly influence foreign trade.

(b) The annex to this study contains statistics for production, total consumption, as well as imports and exports over the last four years: however, it does not contain, for purposes of comparison, data on previous periods, in view of the danger of drawing false conclusions, as the situation in Austria during 1934/1937 and the post-war period was totally different from the situation obtaining today.

Normal production, independent of the effects of war and foreign occupation, was only resumed in 1956/1957.

Bread Grains

I. Nature and extent of subsidy

(a) Background and authority

The aim of the subsidy on feed grains - in force in Austria since 1952 - is to ensure stable and remunerative prices to the farmer and also to keep flour and bread prices as low as possible for social reasons, and in order to stabilize prices and wages.

Legal basis

Law on Price Regulation; Federal Legal Gazette No.151/1957, as well as Government Orders on prices (fixation of producer prices for wheat and rye, as well as of ceiling prices for flour and bread at the retail stage). The Federal Finance Law, published annually (approval of total subsidies for bread grains for the relevant calendar year). Law on Market Regulation, Federal Legal Gazette No.276/1958 (measures for market guidance necessitated by the price subsidies and orders).

(b) Incidence

In the case of bread grains a basic price was fixed in 1952, and the mills are required to buy at such a price. For "quality wheat" this price amounts to Sch.195 plus an additional bonus of Sch.7, 9 and 12 per kg. according to special quality. For soft wheat prices range from a basic level of Sch.185 to a top level of Sch.204 per 100 kgs., which results in an average annual price of Sch.195.

The present annual average price of rye amounts to Sch.175 per 100 kgs. This is the average of prices which vary every month between Sch.164 and 185.

Flour and bread prices are calculated on the basis of the average basic price of Sch.195 and Sch.175 respectively, for wheat and rye. The official subsidies for imported and domestically produced bread grains are granted on the same basis.

If the actual cost to the importer (including customs duties and other charges, as well as expenses and profit margin) are higher than the fixed basic prices, the State pays the difference; if actual import prices are lower the importer has to pay the difference to the State.

The farmer obtains a guaranteed price of Sch.250 for wheat and Sch.230 for rye per 100 kgs.; the difference between these prices and the average basic price of Sch.195 resp. Sch.175 (i.e. Sch.55) is paid to the farmer by the State via the mills.

¹ "Fillweizen".

(c) Amount of subsidy (millions of schillings)

| | <u>1956</u> | <u>1957</u> | <u>1958</u> | <u>1959</u> | <u>1960</u> |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Bread grains | 401 | 398 | 371 | 356 | 440 |
| of which, for import subsidies | 86 | 113 | 84 | 56 | 15 |

The totals include the considerable storage expenses, e.g. around Sch.14 million for 1960.

(d) Amount per unit

Sch.55 per 100 kgs.

II. Effect of subsidy

(a) It is not possible to give even an approximate estimate of the quantitative effect of the subsidy to Austrian imports of bread grains since other factors exert considerable influence on the quantity imported. The statistics show that both production and imports have remained relatively stable during recent years. As a consequence of the fixation of prices and of subsidization, the producers can draw up cultivation plans for the future; on the other hand, the fixation of moderate prices for bread has a favourable effect on consumption. In fact, the stabilization of the price structure - apart from the effects of crop fluctuations - acts so that imports are relatively regular. It is because of low bread prices that bread consumption and, consequently, the marketing of imported bread grains decline less rapidly than it would in the absence of a subsidy - the contraction in consumption being due to a change in consumers' habits as a result of a higher standard of living.

The subsidy to domestic production covers only marketed wheat and rye. Since marketed bread grains have in recent years varied from 50 to 57 per cent of total production, the effective subsidy per 100 kgs. of domestically produced bread grains can be calculated at Sch.27 - 32.

(b) The statistics in the annex show data on production, total consumption and imports and exports during the last few years. In order to avoid erroneous interpretation the statistics do not include comparative data for previous periods, because the situation in Austria before the second world war and during the post-war period until 1955 was radically different from the situation existing today.

Normal production, independent of the effects of war and foreign occupation, was only resumed during the 1956/57 season.

Coarse Grains

I. Nature and extent of subsidy

(a) Background and authority

The import prices of the most important coarse grains (feed maize, barley and wheat) have been fixed at a certain necessary level to avoid, on the one hand, over-production of meat and, consequently, unduly depressed meat prices, and, on the other hand, to encourage Austrian farmers to increase production of coarse grains, since prices paid for domestic coarse grains follow prices for imported coarse grains due to the fact that in Austria two-thirds approximately of the coarse grain requirements are imported.

Legal basis

Law on Price Regulation; Federal Legal Gazette No. 151/1957 as well as Government Orders for 1953 (fixation of import prices at Sch.170.21 per 100 kgs.).

Federal Finance Law promulgated annually (approval of total subsidy for coarse grains imported during the year in question).

Law on Market Regulation; Federal Legal Gazette No. 276/1958 (guidance measures necessitated by those subsidies).

(b) Incidence

The subsidies are paid to the importer who is required to adhere to the fixed selling price, which he can do since the State pays him the difference between the fixed import price and the actual import price. If the import price is below the import selling price, the importer has to pay the difference to the State.

(c) Amount of subsidy (millions of schillings)

| | |
|--------|-----|
| 1956 - | 200 |
| 1957 - | 148 |
| 1958 - | 54 |
| 1959 - | 15 |
| 1960 - | - |

Due to price developments in world markets the subsidies required have been steadily decreasing over recent years. In 1960 importers' payments exceeded State subsidies.

(d) Amount per unit

The subsidy varies depending upon the relevant import prices.

II. Effect of subsidy

(a) It is hardly possible to give even a rough estimate of the quantitative effects of the subsidies on imports of coarse grains as these depend in the first place on the nation's needs resulting from domestic harvests.

(b) The statistics in the annex show data on production, total consumption and imports and exports for the last four years for those coarse grains imported under subsidy. In order to avoid any possible misinterpretation the statistics do not include comparative data for previous periods because the situation in Austria before the Second World War and during the post-war period until 1955 was radically different from the situation existing today.

Fertilizers

I. Nature and extent of subsidy

(a) Background and authority

Chemical fertilizers are supplied to the farmer at stable prices that are relatively independent of the world market so that he can include this important item as a constant factor in his production plan. Official domestic selling prices are generally below import prices and, in the case of superphosphates, below the price for domestic production. There is thus a general subsidy for agricultural production.

Legal basis

Law on Price Regulation; Federal Legal Gazette No. 151/1957, as well as the relevant Orders of the Federal Ministry of Agriculture and Forestry, the last of which being the Order of 23 June 1960.

The Federal Finance Law of the relevant year approves the total subsidy provided for the year in question.

(b) Incidence

In 1960 the subsidies covered the fertilizers listed under item (c). As regards imported fertilizers, importers receive the difference between domestic prices and import prices, including transport costs. The selling price for domestically produced superphosphates is also subsidized so it can correspond to that of imported superphosphates. In this case it is the domestic producer who obtains the subsidy and not the importer.

(c) Amount of subsidy (millions of schillings)

1956 - 123
1957 - 142
1958 - 232
1959 - 220
1960 - 227

In 1960 the following fertilizers were subsidized:

basic slag; hyperphosphates; superphosphates; "patented potash"; potash 40%; potassium sulphate 48%; potassium sulphate 60%; triple phosphate; mixed lime; calcium carbonate.

The largest sums paid out were in respect of basic slag, superphosphates, hyperphosphates and potash.

(d) Amount per unit

The subsidy varies according to the actual content in nutritive substances, differences in import prices, transport costs, etc.

II. Effect of subsidy

(a) It is not possible to give even a rough estimate of the effect of the subsidy on trade in farm produce. It is, however, certain that the subsidy has a favourable effect on production in general and thus, indirectly, on import and export possibilities.

(b) Statistics in the annex cover production, total consumption and imports and exports over the last four years. However, there are no data, for purposes of comparison, for previous periods since normal economic activity was not resumed until 1956/57 after the end of the Occupation. Before the second world war, the consumption of fertilizers was much smaller than during the period under consideration.

ANNEX

Statistics (thousands of tons)

| <u>Agricultural year</u> (1 July/30 June) | <u>Production</u> | <u>Carryover</u> | <u>Imports</u> ¹ 1 | <u>Exports</u> ¹ | <u>Domestic Consumption</u> |
|--|-------------------|------------------|----------------------------------|-----------------------------|-----------------------------|
| <u>Grains</u> | | | | | |
| <u>Wheat</u> | | | | | |
| 1956/57 | 570 | + 36 | 223 | 7 | 750 |
| 1957/58 | 574 | - 14 | 180 | - | 768 |
| 1958/59 | 549 | - 14 | 207 | - | 770 |
| 1959/60 | 588 | + 34 | 269 | - | 823 |
| <u>Rye</u> | | | | | |
| 1956/57 | 434 | - 2 | 24 | - | 460 |
| 1957/58 | 400 | - 2 | 66 | - | 468 |
| 1958/59 | 397 | - 15 | 34 | - | 446 |
| 1959/60 | 417 | + 33 | 71 | 5 | 450 |
| <u>Barley</u> ² | | | | | |
| 1956/57 | 385 | + 40 | 143 | 7 | 481 |
| 1957/58 | 392 | - 39 | 42 | 12 | 461 |
| 1958/59 | 335 | + 16 | 166 | 10 | 475 |
| 1959/60 | 405 | - 10 | 145 | 10 | 550 |
| <u>Maize</u> | | | | | |
| 1956/57 | 144 | - | 379 | 1 | 522 |
| 1957/58 | 149 | + 76 | 419 | 1 | 491 |
| 1958/59 | 155 | - 47 | 278 | 2 | 478 |
| 1959/60 | 146 | - 5 | 417 | 2 | 566 |
| <u>Cows' milk</u> | | | | | |
| 1956/57 | 2,693 | | | | |
| 1957/58 | 2,756 | | | | |
| 1958/59 | 2,761 | | | | |
| 1959/60 | 2,800 | | | | |

¹Including wheat flour for feeding purposes and malt.

²Including barley for brewing purposes.

| <u>Agricultural year</u> (1 July/30 June) | <u>Production</u> | <u>Carryover</u> | <u>Imports</u> ¹ | <u>Exports</u> ¹ | <u>Domestic Consumption</u> |
|--|-------------------|------------------|-----------------------------|-----------------------------|-----------------------------|
| <u>Fresh liquid milk</u> | | | | | |
| 1956/57 | 1,138 | - | - | 14 | 1,124 |
| 1957/58 | 1,147 | - | - | 14 | 1,133 |
| 1958/59 | 1,152 | - | - | 17 | 1,135 |
| 1959/60 | 1,161 | - | - | 16 | 1,145 |
| <u>Cream</u> | | | | | |
| 1956/57 | 8.5 | - | - | - | 8.5 |
| 1957/58 | 10 | - | - | - | 10 |
| 1958/59 | 11 | - | - | - | 11 |
| 1959/60 | 12.5 | - | - | - | 12.5 |
| <u>Butter</u> | | | | | |
| 1956/57 | 36 | + 2 | 1 | 4 | 31 |
| 1957/58 | 38 | - 1 | - | 9.5 | 29.5 |
| 1958/59 | 36.5 | - 0.5 | - | 7.5 | 29.5 |
| 1959/60 | 35 | + 0.5 | - | 4 | 30.5 |
| <u>Cheese and curds</u> | | | | | |
| 1956/57 | 28 | - | 4 | 3 | 29 |
| 1957/58 | 30 | - | 5 | 5.5 | 29.5 |
| 1958/59 | 31.5 | - | 4 | 7 | 28.5 |
| 1959/60 | 34 | - | 3 | 6.5 | 30.5 |
| <u>Milk powder</u> (skimmed or otherwise) | | | | | |
| 1956/57 | 3 | - | 3 | 1 | 5 |
| 1957/58 | 6 | - | 3 | 2.5 | 6.5 |
| 1958/59 | 9 | - | - | 5 | 4 |
| 1959/60 | 7.5 | + 0.5 | 3 | 4 | 6 |

¹Including wheat flour for feeding purposes and malt.

