

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

L/1948/Add.9
3 April 1963

Limited Distribution

Original: English

SUBSIDIES

Notifications Pursuant to Article XVI:1

KINGDOM OF THE NETHERLANDS

A. SUBSIDIES ON NON-PRIMARY PRODUCTS

Nil

B. SUBSIDIES ON PRIMARY PRODUCTS

The products falling under the Common Agricultural Policy are now subject to a system of measures which application is within the purview of Community obligations; the European Commission will send a communication in this respect on behalf of the Community.

The present notification refers to stabilization and price support measures for commodities, which are in force in the Netherlands on 31 January 1963 and are not covered by the Common Agricultural Policy.

The stabilization and price support measures here notified are based in the Agriculture Law of 1957 and established either by degree of the Ministry of Agriculture or by rules of the Commodity Board, when the public authority on the matter has been delegated to these Boards by the Ministry of Agriculture.

The measures are listed for each commodity according to the following classification:

- A. Equalization levies and reimbursements;
- B. Stabilization and price support purchases;
- C. Subsidy arrangements.

MILK

A. Equalization levies and reimbursements

There is no equalization levy on milk imports. However, mention should be made of the functions of the Dairy Fund which has been established by the milk producers.

Into this Dairy Fund are paid the proceeds from levies on milk destined for consumption in liquid form, the proceeds from levies on certain dairy products destined for domestic consumption, (cheese, milkpowder), any proceeds from levies on imports and exports of dairy products, an administrative levy and finally a sum of money corresponding to the cost-increasing effect on milk production resulting from import levies on feeding stuffs, but limited to the volume of dairy products actually exported in any one year.

From the Dairy Fund are met the costs of such activities as consumption-promotion (consumer subsidy, sales of cold storage butter) export-promotion and defence of the Netherlands market position abroad (export subsidies), publicity campaigns and finally administrative costs (Marketing Board), costs of control etc.

At the end of each milk year (1 November - 30 October) the balance of the Dairy Fund is taken into account to complete the calculation of the overall farmers income from milk production (see below under C).

B. Stabilization and price support purchases

Not applicable.

C. Subsidy arrangements

I. Nature and extent of subsidy

(a) Background

Until the milk year 1962/1963 the support system for milk production in the Netherlands consisted of a deficiency payment: a guaranteed minimum price was fixed each year for milk deliveries up to a maximum quantity. This resulted in an average price which for the whole quantity of milk actually delivered was lower than the guaranteed minimum price. The difference, related to the maximum quantity, was paid by the Government as a deficiency payment.

Beginning with the milk year 1962/1963 the Netherlands support system for milk provides for a target price for producers in relation to total milk production. It is the intention to realize this target price for producers through:

- the annual fixation of an accounting price for fluid milk for domestic consumption. This accounting price has the purpose to ensure, that the consumers pay for fluid milk and allied products (yoghurt, coffee milk, custard, cream and the like) at least the target price;
- the maximalization of proceeds from milk for industrial use;
- a pre-established allowance on milk for industrial use.

As the prices the farmers receive for consumption milk, as well as the allowance on industrially processed milk, are fixed in advance by the Government, the total return on all milk produced is dependent on the price paid for industrially processed milk which is conditioned by the situation on both the internal and export markets for dairy products.

The allowance fixed for that part of total milk production which is industrially processed, has been fixed for the milk year November 1962/63 at D.fl.6.30 per 100 kg. This allowance is paid by the Government in advance.

Taking conditions as prevailed in 1961/62 as a point of departure, i.e. an average return of D.fl.18.85 per 100 kg. for the industrially processed milk and taking into account the above-mentioned allowances (D.fl. 6.30 per 100 kg.) as well as the reimbursement the farmer receives annually from the balance of the Dairy Fund (see under A above) it is estimated that the total return for all milk in 1962/63 will be about D.fl. 27.00 per 100 kg., at which level the target price for 1962/63 has been fixed.

Insofar as the return of the industrially processed milk will turn out to be higher or lower than the mentioned D.fl. 18.85, the consequential advantages or disadvantages will be shared by both farmers and dairies.

(b) Incidence

The fixed prices for milk with a fat content of 3.75 per cent per 100 kg. delivered to the dairies, has been as follows:

<u>Guaranteed prices:</u>	1958/59	D.fl.28.90	5	mill.tons
	1959/60	" 28.90	5	" "
	1960/61	" 28.50	5.1	" "
	1961/62	" 28.10	5.1	" "
<u>Target price:</u>	1962/63	D.fl.27.00	total production	

(c) Amount of subsidy

The total yearly amount of subsidies paid to the farmers was as follows:

<u>Deficiency payments:</u>	November 1958/59	D.fl.215	mill.
	November 1959/60	" 296	"
	November 1960/61	" 310	"
	November 1961/62	" 272	" (estimate)

Allowance on industrially processed milk:

November 1962/63 D.fl.290 mill. (budget estimate)

(d) Estimated amount per unit

The deficiency payment per 100 kg. milk of 3.7 per cent fat content for all milk amounted to:

November 1958/59	D.fl.	3.84
November 1959/60	"	4.76
November 1960/61	"	4.92
November 1961/62	"	4.20 (estimate)

For November 1962/63 the allowance on industrially processed milk amounts to D.fl.6.30 per 100 kg. However, the ultimate amount of subsidy per unit of all produced milk cannot be given before the end of the present milk year.

II. Effect of subsidy

(a) The support system as it now is applied in the Netherlands contains an incentive for the dairies:

- (i) to rationalize their production as much as possible;
- (ii) to obtain the best prices possible on the market for the commodities they produce,

in order to be able to pay the farmers the best possible price for the milk on delivery to the dairy. If the dairies would not follow this incentive they soon would lose their milk suppliers to competing dairies.

The system also induces farmers to increase their efficiency and improve the quality of milk with a view to obtaining a better return. Compared to the former system the farmers' share in market risks has been increased, or in other words the impact of developments on the world market for dairy products on domestic production has become more direct.

In this connexion it is worth mentioning that of the total milk production of 7.3 billion kg. about 4.65 billion kg. is used for the manufacture of dairy products.

(b) Statistics

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Production of milk in 1,000 tons	6,240	6,411	6,838	6,954	7,274
Consumption of liquid milk and cream	2,127	2,132	2,056	1,969	1,982

BUTTER

A. Equalization levies and reimbursements

There is an equalization levy of D.fl.2.00 per kg. butter on imports of butter. When imported butter is re-exported, this equalization levy is reimbursed. This, however, hardly takes place.

B. Stabilization and price support purchases

In order to avoid excessive downward price fluctuation for dairy products, floor prices for butter, cheese and skimmed milk powder are established. Intervention in the market takes place by the VIB, which is authorized to effect purchases of these products at the floor price. These floor prices are fixed once a year and are based, on the one hand, on reasonable commercial expectations of the market developments (including world market) for the different commodities, and on the other hand take account of the need to influence the production pattern in one or another direction. Losses and profits on these price stabilization purchases by the VIB are charged to the account of the Dairy Fund.

<u>Floor prices</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
D.fl./100 kg. butter (in boxes)	308	333	363	353	353
<u>VIB purchases</u>					
Butter in tons	23,280	313	17,800	30,102	30,700

C. Subsidy arrangements

I. Nature and extent of subsidy

(a) Background

Out of the Dairy Fund export subsidies and losses incurred on sales of cold storage butter are paid. The consumer subsidy, see L/1328/Add.12, also came from this Fund. This subsidy was abolished on 1 June 1961 and was replaced by sales of cold storage butter at reduced prices from VIB stocks.

The export subsidy paid on exports of butter to the United Kingdom was granted in order to maintain the relative position on the United Kingdom market.

(b) Incidence

The subsidy is paid to the export trade. The amounts fluctuate according to market and stock developments.

(c) Amount of subsidy

Total subsidies on exports in 1962 amounted to D.fl.19.9 million.

(d) Estimated amount per unit

At 1 January 1963 the export allowance for the United Kingdom market from the Dairy Fund amounted to D.fl.0.38/kg. butter. During 1962 this allowance fluctuated between D.fl.0.85 and D.fl.0.38/kg.

II. Effect of subsidy

(a) It is hardly possible to give an accurate quantitative trade effect of the export allowance for the United Kingdom market. The sales of cold storage butter on the domestic market at reduced prices have undoubtedly increased home consumption of butter and have stabilized home consumption on a higher level despite the fact, that cold storage butter was not continuously available.

(b) <u>Statistics</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Production of butter (1,000 tons)	91	80	100	97	102
Consumption of butter (1,000 tons)	57	47	54	58	63
Imports of butter (in tons)	8	45	40	216	35
Total exports of butter (1,000 tons)	44	40	39	31	33
Exports of butter to UK (1,000 tons)	30	14	17	16	15

CHEESEA. Equalization levies and reimbursements

In order to maximize the returns of dairy products in general, cheese delivered from the dairies for domestic consumption are subject to a levy. This levy is normally restituted when exports take place. The amount of the levy is the same for domestic cheese and imported cheese. The proceeds from these levies are paid into the Dairy Fund.

B. Stabilization and price support purchases

Floor prices for cheese	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Gouda cheese in D.fl.100/kg.	165	176	187	201	218
VIB purchases Gouda cheese in tons	555	-	2,905	467	9,900

C. Subsidy arrangementsI. Nature and extent of subsidy(a) Background

An allowance has been granted to exports destined for particular markets in order to defend the Netherlands market position. These allowances are paid from the Dairy Fund.

(b) Incidence

This subsidy is paid to the exporter. The amounts fluctuate depending on the conditions on the export market concerned.

(c) Amount of subsidy

Total expenditures from the Dairy Fund for subsidies on exports of cheese were:

1957/58	D.fl.	400,000.00
1958/59	"	1,574,000.00
1959/60	"	500,000.00
1960/61	"	507,000.00
1961/62	"	6,441,000.00

(d) Estimated amounts per unit

The subsidy amounted in:

1957/58	from D.fl.13.00	to D.fl.23.00	per 100 kg. cheese				
1958/59	"	" 54.00	"	"	60.00	"	"
1959/60	"	" 54.00	"	"	0.00	"	"
1960/61	"	" 15.00	"	"	27.00	"	"
1961/62	"	" 27.00	"	"	60.00	"	"

II. Effect of subsidy

(a) It can be stated that the purpose of this subsidy, i.e. to maintain an established market position which otherwise might have suffered considerable losses, was achieved.

(b) <u>Statistics</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Production of cheese (in 1,000 tons)	186	205	202	213	224
Consumption of cheese (in 1,000 tons)	83	83	85	91	92
<u>Imports of cheese</u> (in tons)	97	963	712	1,044	1,200
<u>Exports of cheese</u> (in 1,000 tons)	98	106	109	108	109

MILKPOWDER (WHOLE)

A. Equalization levies and reimbursements

As with cheese the delivery of whole milkpowder for domestic consumption is subject to a levy. Import of whole milkpowder is likewise subject to the same levy. These levies are reimbursed on exports. The levies are paid into the Dairy Fund.

B. Stabilization and price support measures

There is no floor price for whole milkpowder. The prices for this commodity are however indirectly influenced by the floor price (intervention) which are fixed for butter, skimmed milkpowder and cheese.

C. Subsidy arrangements

I. Nature and extent of subsidy

(a) Background

As a result of the changes made in the level of the floor (intervention) prices for butter, skimmed milkpowder and cheese and the consequent indirect influence on the price of whole milkpowder, this commodity lost its competitiveness. On the other hand increased milk production, the narrowing of the world market for butter and the fact that export possibilities for cheese have not increased caused the production of whole milkpowder to rise. However, on traditional Dutch export markets competition was experienced of whole foreign milkpowder, exported with the aid of subsidies. This resulted in a decline of the Netherlands exports of whole milkpowder to those markets. It was therefore decided in 1961 to grant an export subsidy from the Dairy Fund. It has not been possible yet to withdraw this export subsidy.

(b) Incidence

The subsidy is granted to exporters, the amount fluctuating according to world market developments.

(c) Amount of subsidy

Total expenditures from the Dairy Fund on export subsidies for whole milkpowder amounted in:

1961 to D.fl. 1,600,000.00
1962 to D.fl. 11,574,000.00

(d) Estimated amount per unit

The subsidy amounted in:

1961 from D.fl. 7.00 to 22.00 per 100 kg.
1962 from D.fl. 15.00 to 35.00 per 100 kg.

II. Effect of subsidy

(a) The export subsidy in fact curbs the extent to which losses would have been incurred on butter fat sales, because if no export subsidy had been granted, the butter fat would have been turned into butter with consequential greater losses.

The Dutch position on the world market has not yet been re-established.

(b) <u>Statistics</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Production of whole milkpowder (in 1,000 tons)	35	53	56	41	51
Consumption of whole milkpowder (in 1,000 tons)	8	9	9	10	12
Imports of whole milkpowder	-	-	-	-	-
Exports of whole milkpowder (in 1,000 tons)	30	42	42	33	38

SUGAR AND SUGARBEETS

A. Equalization levy and reimbursement

In order to guarantee the Dutch farmers a certain income from sugarbeets, a guaranteed price has been fixed for sugarbeets corresponding to a maximum quantity of sugar equal to internal demand for sugar for direct human consumption.

By establishing a factory price for sugar the sugar industry is enabled to pay on the average the guaranteed price to the sugarbeet grower. The Dutch consumer price is derived from this price by adding the excise duty and normal trade margins so in fact, the Dutch consumers pay for the price guarantee. There are no costs for the Treasury involved. The quantities of sugar produced in excess of domestic demand are to be disposed of at the prevailing world market price on the export market or on the internal market for industrial export purposes.

With regard to the producer price guarantee it can be stated, that for the harvest 1962 a price of D.fl.61.20/100 kg. of white sugar, corresponding to a sugarbeet price of D.fl.52.00/1,000 kg. sugarbeets has been fixed for a quantity of 465,000 tons of sugar, or as much more as domestic human consumption would turn out to exceed this quantity. In order to realize the price guarantee a levy is imposed. This levy amounts to:

D.fl.20.00 per 100 kg. raw sugar
D.fl.40.00 per 100 kg. refined sugar

This levy is reimbursed on sugar which is exported either in the form in which it was imported, or in the form of products containing a certain amount of sugar.

B. Stabilization and price support purchases

There are no such support purchases.

C. Subsidy arrangements

I. Nature and extent

(a) Background

A part of the Dutch refining industry benefits from a subsidy which involved Government expenses. As background for this measure it must be stated that in former times the Dutch sugar factories technically were not able to refine sugar. Raw sugar domestically produced was delivered to the refineries which refined the raw sugar and in their turn sold it on the domestic market. Technical improvements however enabled the sugar factories

to refine sugar themselves. Apart from this development the sugar consuming industries were allowed to buy sugar at world market prices for the export of sugar-containing products. As a result of these developments and the relatively low international prices of refined sugar, when compared to raw sugar (dual pricing), the part of the Dutch industry that was exclusively equipped for and specialized in refining of raw sugar, was threatened by loss of its market. In order to compensate this industry for its loss it was decided to pay this industry during a transitional period an indemnification for a certain quantity of refined sugar. The indemnification character has gradually turned into a subsidy character as a result of events on the world market for white sugar.

(b) Incidence

The sugar refinery indemnification applies to a maximum quantity of 80,000 tons yearly. Within the envisaged gradual elimination of this indemnification allowance, the amounts paid in 1960/61 were for the first 40,000 tons D.fl.22.00 per ton and for the second 40,000 tons D.fl.18.125 per ton.

For 1961/62 the amounts paid were D.fl.13.75 per ton for the first 40,000 tons and D.fl.9.375 per ton for the second 40,000 tons. According to present plans this indemnification measure will be completely abolished on 1 April 1963.

(c) Amount of subsidy

The amount of the indemnification subsidy was:

October 1959/60	D.fl.1,760,000.00
October 1960/61	" 1,605,000.00
October 1961/62	" 925,000.00
October 1962/Apr.63	" 200,000.00

(d) Amount per unit

in 1960/61 D.fl. 22.00 and	
" 18.125	per ton
in 1961/62 D.fl. 13.75 and	
9.375	per ton
in 1962/63 D.fl. 5.00	per ton

II. Effect of subsidy

(a) As a result of the indemnification allowance the sugar refining industry is able to compete with non-domestic refined sugar during a transitional period.

(b) <u>Statistics</u>	<u>1958/59</u>	<u>1959/60</u>	<u>1960/61</u>	<u>1961/62</u>	<u>1962/63</u>
Guaranteed price ¹ (D.fl./1,000 kgs.)	54.00	53.40	54.00	51.50	52.00
Production of sugar- beets (1,000 tons)	3,878	3,098	4,676	4,076	2,934
Production of white sugar (1,000 tons)	528	459	652	540	425
Consumption of white sugar (1,000 tons)	460	475	484	500	*
Imports ² of white sugar (1,000 tons)	215	166	174	181	*
Exports ² of white sugar (1,000 tons)	142	234	244	122	*

¹Sugar contents 16 per cent since 1959 the price guarantee is limited to the quantity used for consumption.

²Including sugar used in other products.

* Not available.

BACON

A. Equalization levy and reimbursements

The Netherlands Government applies a system of target prices for feedgrains. Import levies are imposed on feedgrains in order to bridge the gap between import prices and these domestic target prices.

As pigs are mostly fed with feedgrains in the Netherlands, the pig grower pays for feedgrains the raised price, and thus cannot compete with pig growers abroad which are feeding pigs with feedgrains obtained at world prices. On the other hand imports of pigmeat are free of quantitative restrictions. A reimbursement corresponding to the cost increasing effect on pig production of the difference between the prices for feedgrains on the domestic market and those on the world market is granted on exports of pigmeat to non-EEC countries.

B. Stabilization and price support purchase

Government purchases do not take place.

C. Subsidy arrangements

I. Nature and extent of subsidy

(a) Prices of pigmeat are freely formed, although the Meat Marketing Board attempt to stabilize the market in a certain way. This is done by the fixation of a price for bacon pigs (65/70 kgs. slaughtered weight) for which bacon curers can buy pigs. This price fixation is done by the Marketing Board, having regard to the general market situation for pigs, the available outlets for pigmeat in general, the United Kingdom bacon market prospects.

As the United Kingdom market price is usually low - this market provides the only export market for bacon - the fixed price for bacon pigs does not allow the curer to export bacon to the United Kingdom without an export subsidy. The Government has however limited the yearly total amount of export subsidy to a maximum. It is within this context that the complete stabilization operation has to take place.

(b) Incidence

The export subsidy is paid to the curer of bacon. The amount fluctuates depending on United Kingdom market prices and internal market conditions.

The money comes from the Agricultural Equalization Fund. Yearly a maximum of D.fl.10 million is available to be used for various marketing activities.

(c) Amount of subsidy

The total yearly cost of export subsidies on bacon amounted in:

1959	D.fl.	3,000,000.00
1960	"	3,200,000.00
1961	"	6,100,000.00
1962	"	8,000,000.00

(d) Estimated amount per unit

The amounts per unit were in:

1959	D.fl.	0.19 per kg.
1960	"	0.09 per kg.
1961	"	0.41 per kg.
1962	"	0.50 per kg. (estimate)

II. Effect of subsidy

(a) The export subsidy has had hardly any effect on the quantities exported as bacon.

(b) Statistics

Exports of bacon 1959	15,900 tons
1960	33,100 "
1961	14,660 "
1962	14,500 "

Exports only take place to the United Kingdom market, Imports and domestic consumption have been negligible.

FLAX FIBRE

A. Equalization levy and reimbursements

There are no equalization levies in operation.

B. Stabilization and price support purchases

No such scheme is in operation.

C. Subsidy arrangements

I. Nature and extent of subsidy

(a) Background

In order to make production of flax possible (the need for such a production is the technical need to alternate production) the price of straw flax has to be in relation to prices of the production of cereals and sugar-beets which both are supported.

On the other hand the price for fibre flax or long fibres on the international market, is low, mostly as a result of competition of other natural fibres (subsidized cotton surplus) and of synthetic fibres.

It is therefore not unnatural that the flax industries in most countries receive some sort of support in order to be able to pay a relatively high price for the raw material, straw flax. The Netherlands industry which exclusively processes domestic straw flax, could not compete with these foreign industries, unless it would also receive such a support. It was therefore decided to grant a subsidy for 1962.

(b) Incidence

The subsidy is paid to the Netherlands flax industry for the processing of domestic straw flax and is valid for the straw flax production of 1962.

(c) Amount of subsidy

Formerly there was no subsidy.

1962 D.fl. 1 million (estimate)

(d) Estimated amount per unit

The amount per unit is:

D.fl.20.00 per 1,000 kg. processed domestic straw flax.

II. Effect of subsidy

(a) The effect of the subsidy is a re-establishment of the balance between costs and returns of the Netherlands flax industry in order to maintain the Netherlands export position.

(b) Statistics

	<u>1960</u>	<u>1961</u>	<u>1962</u>
	(crop years)		
Production of straw flax	202,775	172,641	197,100
Manufacture of straw flax in the Netherlands industry	48,776	54,866	51,799
Export of straw flax	76,923	142,205	102,261
Import of straw flax	-	-	-
Production of long fibres	7,804	8,504	8,546
Export of long fibres	9,212	12,578	14,317
Import of long fibres	2,393	3,401	3,829