

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

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SUBSIDIES

Notifications Pursuant to Article XVI:1

Addendum

SPAIN

Section A (paragraph 1) of Article XVI of the General Agreement provides that contracting parties which maintain subsidies shall give notice of the extent and nature of the subsidization, including in the concept of subsidization all forms of protection of earnings or support prices, the affect of which is to increase directly or indirectly the exports of a product or else to reduce their imports.

In the case of Spain it must be pointed out first of all that there are no subsidies whatsoever for industrial products.

In so far as agriculture is concerned the Spanish Government is directing its efforts essentially at maintaining a productive level which is sufficient to cover in so far as possible, the food requirements of the Spanish people and satisfy traditional farm exports. It is for this reason that the measures taken for the improvement of production techniques are considered to be so important, as well as those taken for the change in agrarian structures as it is felt that without a reform in such structures it will be very difficult to raise the living standard of the farm population - another of our fundamental goals.

In order to achieve the purposes mentioned in the preceding paragraph the Spanish Government grants farmers a certain number of direct subsidies which are very small when compared with those which are granted to farmers by most countries.

At the same time, and with a view to achieving stability in farm earnings, a policy has been followed of maintaining the level of our agricultural earnings through the fixing of guaranteed prices which, when established well beforehand, may prevent a drop in the purchasing power of the farmer. Although there is no special legislation in this respect in Spain which guarantees the farmer stable earnings, there are provisions aimed at achieving this goal through the establishment of minimum support prices for given products.

Lastly, in a small number of cases subsidies are granted for the production of certain products grown under special circumstances: wheat, rice and sugar beet. An incentive bonus is also given for the production of yearling calves.

Let us consider separately the assistance system: direct general subsidies, price support system, and subsidies for the production of given articles.

I. DIRECT SUBSIDIES IN SPAIN FOR FARMERS

The following is an outline of subsidies granted in Spain: for a wider utilization of selected wheat seed; increased consumption of fertilizers, anti-cryptogamics and fuels; as well as subsidies granted to encourage the structural improvement of wheat farms.

These subsidies have been increasing over the past few crop years although their quantity, which today amounts to about 5,400,000,000 pesetas, does not even account for 3 per cent of final agricultural production.

We shall now analyze the main items included in these subsidies.

Wheat seed

In order to bring about a rapid and effective distribution of selected wheat seed the Decree of the Ministry of Agriculture of 9 November 1951 entrusted the National Institute for the Production of Selected Seeds with their production and multiplication, and the National Wheat Service with their distribution.

The National Wheat Service purchases from seed producers who are co-operative members of the National Institute for the Production of Selected Seeds "pure" and "prepared" seeds and gives them bonuses over a normal price which through the Decree of 25 June 1959 (subsequently implemented by the Decrees of 2 June 1960, 31 May 1961, 5 July 1962, 31 May 1963 and 12 June 1965), amount to at the present time 53 and 25 pesetas per metric quintal respectively, and then gives the farmers in exchange clean wheat of the same commercial type with additional prices of 35 and 12 pesetas per metric quintal for the "pure" and "prepared" wheats respectively.

Production, selection, conservation, transportation and distribution costs of the seeds are assumed by the National Wheat Service, as provided under the Decree of the Ministry of Agriculture of 9 November 1951, and are credited under the "expenses, selection and disinfection of seeds account" which covers the operations authorized under the Ministerial Decree of 16 July 1942.

The consumption of "pure" and "prepared" seeds has been as follows over the past three crop years:

CONSUMPTION OF WHEAT SEED PURE AND PREPARED
(metric quintals)

Crop year	Pure	Prepared
1959-60	195,109	1,334,234
1961-62	157,037	1,679,400
1962-63	163,156	1,935,157
1963-64	173,337	1,864,448
1964-65	134,043	2,336,732

and the total cost of the subsidy, broken down into its main items, is as follows:

SUBSIDY FOR WHEAT SEED
(millions of pesetas)

Crop Years	Highest price paid to the farmers by the N.W.S.	Cleaning and disinfecting costs paid by the N.W.S.	Amount paid by farmers to the N.W.S.	N.W.S. subsidy
1960-61	39.5	100.0	17.7	121.8
1961-62	48.2	110.0	21.5	136.7
1962-63	53.7	115.0	24.2	144.5
1963-64	58.4	120.0	28.4	147.4
1964-65	62.7	125.0	32.7	157.8

Fertilizers

The Order of the Ministry of Agriculture of 10 October 1959 provided that operators of farms located in agricultural zones at an average distance of more than 200 kilometers from points of origin, factory or port of importation and who are consumers of nitrogenous fertilizers and Thomas slag would receive a compensation in order to reduce price differences resulting from greater transport costs. Accordingly, the Resolution of the General Direction of Agriculture of 16 November 1959, and extended to the 1960-61, 1961-62, 1962-63 and 1963-64 crop years, listed the provinces which would receive the compensation together with the corresponding unit amount for each of them, which ranged between 5 to 20 pesetas per metric quintal.

following chart gives both the value of the total consumption of fertilizers over the past three crop years and the amount of the subsidies, together with their relationship to the consumption of fertilizers.

Crop years	Consumption of fertilizers (millions of pesetas)	Subsidy (millions of pesetas)	Per cent
1960-61	7,442.7	331.3	4.5
1961-62	8,538.5	459.2	5.4
1962-63	8,851.7	284.4	3.2
1963-64	9,070.7	339.9	3.7
1964-65	10,286.3	-	-

Fuels

The Decree of the Ministry of Finance of 14 June 1957 provided for an increase in the price of gas oil except for those sectors of the national economy such as agriculture and the fishing industry for which the rise was to be applied gradually in order to mitigate its effects. As a result the CAMPSA was ordered to supply a minimum quota of gas oil yearly to the General Direction of Agriculture intended for farm tractors and irrigation motors at lower than prevailing prices for distribution through the Provincial Agronomical Main Department to farmers in the form of vouchers. The Order of the Ministry of Finance of 27 May 1958 provided that the same system would continue to be applied to gas oil for agricultural uses; this Order is still in effect with the modifications provided for under the Decree of the Ministry of Finance of 27 July concerning prices and quotas.

The following chart shows the amounts of fuel subsidies over the past three crop years.

GAS OIL SUBSIDIES

Years	Millions of pesetas
1962-63	450.8
1963-64	602.2
1964-65	747.8

The scope of these figures gives an idea of their importance in relation to the consumption of fuels, the value of which together with the subsidy is given in the following table:

Crop years	Total value of fuels (millions of pesetas)	Paid by the farmer (millions of pesetas)	Subsidy (millions of pesetas)	Percentage of subsidy in relation to the total value of the fuels
1960-61	1,839.7	988.2	851.5	46.3
1961-62	2,351.5	1,256.9	1,094.6	46.5
1962-63	3,423.3	1,958.3	1,465.0	42.8
1963-64	4,158.5	2,201.3	1,957.2	47.1
1964-65	4,942.5	2,572.2	2,430.3	49.2

Treatments against agricultural plagues

The Decree of the Ministry of Agriculture of 13 August 1940 provided for a number of subsidies for the treatment of the most characteristic plagues of Spanish agriculture.

Every year the General Direction of Agriculture draws up the rules governing the implementation of this Decree, indicating the plagues which are to be subsidized and the amount of the subsidy.

The following chart lists the hectares which have been treated against plagues and the amount of the subsidy:

Years	Area treated ('000 hectares)	Subsidy (millions of pesetas)
1961	470	8
1962	1,043	35
1963	1,139	38
1964	1,207	145
1965	1,567	240

Small wheat farms

The Ministerial Order of 25 June 1963, designed to improve the structure of wheat farms, provides the following in its Article 1:

Farmers who are grouped or who may group themselves in syndical, co-operative or farm settlement bodies, or other legally constituted associations, formed to cultivate in common farms which are dedicated in whole or in part to the production of wheat, may take advantage of the benefits provided in this Order on condition that they comply with its conditions.

In order to enjoy the benefits offered under this Order, the following circumstances must be met:

1. Each of the farmers belonging to the body shall earmark areas not exceeding 14 hectares for the sowing of wheat.
2. The amount of the areas in the grouping of each entity shall attain an annual wheat sowing extension of more than 50 hectares.
3. They shall have available or be able to obtain, when needed, sufficient machinery for the mechanized (growing in) common cultivation of the area referred to in the preceding paragraph.

When one of the farmers in the grouping holds the land as a tenant or share cropper, the written consent of the owner is required.

For this type of farm operation, the Ministerial Order grants: loans of wheat seed required for the grouped area to be sown with this cereal; and the loan of fertilizers in order to fertilize the area to be sown with wheat.

When the farmers' grouping has fulfilled all the prerequisites, settlements will be made with the following discounts:

- (a) In the amount of the seed loan - 50 per cent
- (b) In the amount of fertilizer loans an amount will be subtracted which, when combined with the discount applied in the amount of the seed loan may amount to, but not exceed 1,200 pesetas per hectare of wheat eligible for the benefits.

For the 1964-65 and 1965-66 crop years farmers may apply for wheat seed and fertilizers on loan although discounts will amount to 50 and 25 per cent respectively of the amounts set for the 1963-64 crop year; therefore the benefit may not exceed 600 and 300 pesetas respectively per sown hectare of wheat.

Apart from these provisions, grouped farmers may enjoy all the benefits granted to farmers in general, such as social benefits granted by the Government in the form of subsidies, if they fulfill the requirements and conditions.

Under these provisions, 3,754 wheat growing groups, bringing together about 50,000 farmers, have been formed.

Crop year	Number of groups	Number of farmers	Number of hectares
1963-64	2,060	31,551	178,748
1964-65	1,694	17,346	121,656

Subsidies granted to wheat farmers under this legislation are as follows:

Crop year	Millions of pesetas
1963-64	200.0
1964-65	423.3

In addition to these subsidies the Government agreed to subsidize wheat farmers whose sowing area came to less than 14 hectares and those with low yields. The amount of this new subsidy is as follows:

	Crop year 1963-64 (millions of pesetas)	Crop year 1964-65
Farmers with less than 14 hectares	600.0	600.0
Farmers with low yields	-	1,600.0

II. RULES FOR THE REGULATION OF FARM PRODUCTS AND SUPPORT PRICES

It is common knowledge that most countries, especially those with more highly developed economies, regulate their domestic market in farm products and livestock and establish guaranteed prices for their farmers. The purpose is to protect them from price fluctuations by affording them greater earnings and channelling production towards levels in keeping with demand on these markets. In our case, in view of the structure of Spanish agriculture as regards the size of farms, this policy concerning prices and regulation of markets is tantamount for a large number of farm operators and cattle raisers to a wages policy; it moreover represents a very appropriate instrument to offset in part the economic and social shortcomings of agriculture when compared with other economic structures of the country.

This policy of price supports and market regulation does not apply, of course, to all agricultural or cattle products but only to those which because of their special conditions require such regulation. Let us now review the various products which are affected by such measures.

Wheat

Wheat accounts for about 20 per cent of the total value of farm production and is therefore a basic product in Spanish agriculture as a whole. The Agency charged with handling the wheat market is the National Wheat Service; this Agency regulates crops and stores surpluses; it also imports whenever necessary.

The National Wheat Service ensures the producer a fixed price before sowing and it is the sole purchaser of wheat. Farmers may withhold such wheat for the following year and wheat for personal consumption, and the sole seller to processors. Wheat prices vary according to grades on a rising scale according to the time of delivery. The National Wheat Service was created by the Wheat Handling Decree of 23 August 1957.

The Ministry of Agriculture establishes every year, through Decree and according to the grade, the prices at which the National Wheat Service will buy this cereal from the farms. The most recent official provision is the Decree of this department of 12 June 1965 regulating the 1965/66 cereal crop.

Barley, rye, oats and maize

Protection afforded to these cereals is provided through the posting of minimum purchase prices fixed in the same decree as that regulating wheat prices. Consequently, the latest provision is the Decree of the Ministry of Agriculture of 12 June 1965 regulating the 1965/66 cereal crop.

Rice

All rice may be freely disposed of by the farmer for its sale on the home market. The National Wheat Service buys paddy-rice from the farmer who offers it to the Service at the minimum prices set by the Government for each crop year. These guaranteed prices will be established for the various types of rice.

Current provisions on rice are in the Decree 2.222/1965 of 22 July 1965 regulating production and marketing; the Order of the Presidency of 31 July 1965 setting prices for the 1965/66 rice crop; the Circular of the General Commissariat of Supplies and Transport of 6 August 1965 regulating the trade in white rice during the 1965/66 crop; and the Order of the Ministry of Agriculture of 23 March 1966 establishing prices for paddy-rice.

Sugar beet and sugar cane

Each year there is established before sowing the price for beet and sugar cane calculated on an average sugar yield and differentiated on a regional basis. This price is used as a basis for the contracts between farmers and sugar mills of each region. Sugar is sold through normal trade channels and the Government fixes the sale price to the public. The Order of the Presidency of 2 March 1966 regulates the 1966/67 crop, establishing the same conditions and types as were provided during the previous season, which was in turn regulated by the Orders of the Presidency of 30 December 1964 and 11 March 1965, and the Orders of the Ministry of Agriculture of 30 January and 12 March 1965; the Order of the Ministry of Agriculture of 30 March 1966 established the prices for sugar beet and production in the contracts for the different zones in the 1966/67 crop.

Olive oil

The Presidency of the Council establishes yearly minimum protection prices for different grades of olive oil. The General Commissariat of Supplies and Transport is the purchaser at these prices of the amounts of olive oil which are offered to it provided the specified conditions and grades are met. It also purchases the following oils produced in the national territory: peanut, oil from olive oil foots, cotton, safflower.

For the 1965/66 crop the rules and prices for the sale of oils acquired by the General Commissariat of Supplies and Transport are stipulated in the Order of the Presidency of the Government of 19 October 1965 and implemented in Circular 11/65 of the General Commissariat of Supplies and Transport.

Wine

The Wine Surplus Purchasing Commission purchases all those healthy and drinkable wines which are offered to it by co-operatives or private vintners at minimum guaranteed prices. The current official Provisions in this case are the Orders of the Presidency of the Government of 20 August and 14 September 1964 extended for the 1965/66 crop by the Orders of 20 August, 14 September and 11 October 1965.

Cotton

Farmers may freely contract with any cotton gin mill as concessions granted to various firms in each cotton zone have lapsed. The Government establishes each year the minimum prices for the various grades which farmers sell to the mills. Currently effective provisions are contained in the Decree of 14 March 1963, the Order of the Ministry of Agriculture of 29 January 1965 regulating the 1965/66 crop, Decree 737/1966 of 17 March 1966 concerning cotton handling and production, and the Order of 31 March 1966 on the organization of the 1966/67 crop and the posting of minimum prices for that crop.

Tobacco

Tobacco production is regulated by the Ministry of Agriculture through the Tobacco Growing and Fermentation Service - an agency of this department - which establishes for each crop year the concessions and types of tobacco to be grown, the area to be planted and the corresponding production zones as well as the prices of the various classes of tobacco which vary according to the zones and grades.

Seeds are supplied without charge by the Service and there are five types of tobacco grown. Tobacco growing for the 1965/66 crop year is regulated by the Order of the Ministry of Agriculture of 17 September 1964.

Neat, black or horned cattle

Production, trade, movement and prices of live cattle as well as fresh, frozen or chilled meat are free throughout the national territory.

The General Commissariat of Supplies and Transport is obliged to purchase at fixed guaranteed prices all slaughtered cattle which is offered to it providing that prescribed minimum quality conditions are met.

The current official provision is the Order of the Presidency of 16 August 1965 which lays down guaranteed prices for meat-producing cattle.

Eggs

The trade, prices and movement of eggs are free.

In order to achieve stability in this sector the General Commissariat of Supplies and Transport must acquire and place in refrigerated chambers all consignments of eggs weighing over 45 grammes per unit which are offered to it at fixed prices according to grade and size and disposes of them over the year, for consumption or industrial use, at the time which is most advantageous.

Apart from the General Commissariat of Supplies and Transport, Co-operatives, wholesalers and private producers may conserve in refrigerated chambers egg surpluses of the months of peak production, without Government intervention.

The latest official Provision in this case is Circular 4/1965 of 18 February 1965 of the General Commissariat of Supplies and Transport regulating the trade in eggs for 1965/66.

The above-mentioned farm products in Spain enjoy a price-support system which is necessary in view of the special characteristics of Spanish agriculture, intrinsically unstable because of climatic conditions, and currently undergoing a complete renewal in structure, production and growing methods.

The sectors of Spanish agriculture included in the price-support system represent roughly 40 per cent of the value of final farm production; of this 40 per cent, wheat alone accounts for one half.

Bearing in mind that what is involved here is only a price-support system it is very difficult, not to say impossible, to indicate the incidence of its application on national production. Nonetheless, there is no questioning the fact that this system of price support has not resulted in any substantial increase in Spanish agricultural production which in 1964 dropped by 9 per cent

in volume and 7 per cent in value as compared to 1963, and which remained at similar levels in 1965. These points are reflected in the following chart which shows the production of the most important items of Spanish agriculture in the 1961-64 four-year period:

Commodities	Units	1961	1962	1963	1964
Wheat	'000 m.q.	34,312	48,116	48,595	39,700
Rye	"	3,512	4,527	4,236	3,497
Barley	"	17,437	21,620	20,707	16,100
Oats	"	4,949	5,130	4,657	3,813
Maize	"	10,668	9,204	11,713	11,300
Rice	"	3,935	3,924	3,966	3,355
Sugar beet	"	44,232	35,842	27,504	33,500
Sugar cane	"	3,356	3,625	3,544	3,600
Olive oil	"	3,608	3,159	6,380	1,500
Cotton	"	3,179	3,347	2,849	2,500
Tobacco	"	367	315	272	280
Neat, black or horned cattle	"	1,775	1,632	1,725	2,213
Pig meat	"	2,393	2,453	3,110	3,307
Wine	'000 hl.	20,482	24,508	25,836	29,178
Eggs	millions of dozs.	382	429	577	520

As may be seen from the preceding data, the direct or indirect assistance which Spain grants to its farmers has not given rise - quite the contrary - to elements disruptive of normal international trade in farm products as it has not created any exportable surpluses and has only permitted a stepping up of the pace of Spanish foodstuff imports. This means that the system of price support and subsidies which is applied to agricultural products in Spain only affects production and in no case exports.

It should not be forgotten moreover that although it is true that a sizeable percentage of agricultural and livestock production has its market regulated, this assistance is relative as in most cases the price guarantee applies only if there is a sharp drop in prices. This is the case with most coarse grains and cattle products for although guaranteed target or minimum prices are set, the levels that are established are lower than those which are quoted normally on the national markets.

Price movements in the regulated markets over the past few years tend towards stabilization and thus in 1965 as compared with 1964 the fixed prices for wheat did not change nor did the prices for fodder cereals, which have remained unchanged over the past few crop years. The same occurs with American and Egyptian cotton, and the guide prices for cattle also remained unchanged during 1965 as compared with the preceding year.

There are even some products in which guaranteed minimum prices have been lowered. This was the case with paddy-rice and chicken eggs.

In view of the crisis through which Spanish agriculture is passing it is felt necessary to continue with the regulation of the agricultural markets of given commodities as it is necessary to channel production by means of an appropriate price policy towards the real demand of the next few years, the rate of which is steadily rising.

III. PRODUCTION SUBSIDIES FOR SPECIFIC PRODUCTS

The agricultural products which are specially subsidized by the production bonus system are the following:

Wheat, sugar beet and rice, provided that they are harvested in dry land or newly-irrigated areas. This measure applies only to those lands which still enjoy these benefits as the periods for such benefits which were previously referred to have not lapsed as yet. In any event, these bonuses may be paid only until 1 September, the last day of its application.

Wheat bonuses vary between 50 and 70 pesetas per metric quintal depending whether they are harvested in dry land, irrigated land previously used as vineyards, zones that were broken up into small plots or surfaces resulting from the draining and cleaning up of lagoons and swamp land.

The sugar beet subsidy is 130 pesetas per metric ton and the rice subsidy 24 pesetas per metric quintal.

Current legislation is contained in Circular 13/1964 of the General Commissariat of Supplies and Transport, 30 September 1964.

Yearling calves. The purpose of production benefits for yearling calves is to slow up the slaughtering of young cattle and thus to increase meat yield and to acquaint the consumer with grades of meat of heavier, more tasteful and nutritious young animals than the meat of milk animals.

The subsidy is 3 pesetas per kg. for clean carcasses which is given to the owner of the animal at slaughtering time. The cattle must have a carcass weight of more than 180 kgs.

Current provisions are contained in the Orders of the Presidency of the Government of 3 August 1964, 25 November 1964, 8 February 1965 and 15 March 1966.