

RESTRICTED

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Limited Distribution

# GENERAL AGREEMENT ON TARIFFS AND TRADE

Original: English

## SUBSIDIES

### Notifications Pursuant to Article XVI:1

#### Addendum

#### NORWAY

##### A. Agricultural products

(a) Under chapters 1147 and 1531 of the Budget, price support is provided for milk and dairy products, Norwegian domestic grain and fertilizers. Price support on concentrated animal feed is allocated by a Feed Concentrate Fund (Kraftfôrfondet). Appropriations for such support are fixed annually by the Storting. Allocations for the regulation of consumer prices are made in chapter 1531, item 70, and for the fulfilment of the Agricultural Agreement in chapter 1147.

(b) Subsidies on milk and dairy products are granted to the producers represented by the Norwegian Milk Producers National Association (Norske Melkeprodusenters Landsforbund). Subsidies are given in fixed amounts per unit of produce. Part of the subsidies are given for milk delivered by the producer. The consumer subsidies cover domestic sales of milk for consumption and dairy products, (see (e) below).

(c) Subsidies on flour are paid to the State Grain Corporation (Statens Kornforretning) in fixed amounts per unit of produce. Subsidies on Norwegian domestic grain are effected by means of grain bonuses (Korntrygd) and premiums given through State purchases of Norwegian grain at prices equivalent to those for imported grain. The grain bonus is a monetary contribution to the producer for grain which he grinds for his own uses, either for human consumption or for feeding purposes. The bonus is paid to the producers through the local mills. The premium on Norwegian grain equals the difference between buying prices of the State Grain Corporation for Norwegian grain, including costs, and the prices of imported grain. The premiums will fluctuate according to variations in import prices. Subsidies on feed concentrates are effected through discounts on purchases made by the individual farmer. These subsidies are like a two-price arrangement where a definite quantity is purchased to a reduced price varying according to farm size, livestock species and partly to the length of the pasture season. The amount required for this purpose is granted by a Feed Concentrate Fund accumulated by a levy on feed concentrates. The levy totalled in 1968/69 approximately Nkr 300 million of which Nkr 120 million were used for the financing of sales of concentrates at reduced prices.

(d) Subsidies on fertilizers are given in the form of general discounts on the prices of phosphate fertilizers, potassic fertilizers, and complete fertilizers, and are paid to producers and importers. Fertilizers are subjected to a particular arrangement through which support is granted to small sized farms, the size of which varies between 10 and 75 dekars (approximately 2.5 to 20 acres) according to income derived from and capital value of such farms. For farms in Northern Norway and for hill farms in Southern Norway, there is no maximum area limitation. This support is granted upon request from the individual farmer. Part of the subsidy on fertilizers is given by way of freight allowances. These rates vary according to freight costs. A similar freight allowance has been established for limestone and silo preservative acid. Freight allowances are made to the wholesale distributors.

(e) With regard to the subsidy arrangement in force on 1 January 1970 the appropriations made in chapters 1147 and 1531 of the Budget for 1970 are as follows:

Chapter 1147: For the Fulfilment of the Agricultural Agreement

Milk and dairy products	NKr 392 million
Premiums on domestic grains	NKr 157 million
Grain bonuses	NKr 63 million
Write-offs on fertilizers	NKr 67 million

Chapter 1531: For the Regulation of the Consumer Prices

Milk and dairy products	NKr 362 million
Flour	NKr 172 million
The price support on concentrates totalled in 1970	NKr 100 million

(f) The price compensations were distributed as follows according to unit of production:

Milk and dairy products (1970)

Subsidies granted for milk deliveries to the dairies (1969) approximately	42.5 øre per litre
Special compensation for consumer whole milk (domestic sales) approximately	37.3 øre per litre
Special compensation for consumer skimmed milk (domestic sales) approximately	19.0 øre per litre
Special compensation for butter (domestic sales) approximately	260.0 øre per litre
Special compensation for cheese (domestic sales) approximately	230.0 øre per litre

### Subsidies on flour

The average subsidy on flour has been 7 øre per kilo in 1970.

### Grain bonuses (1970)

Bonus for bread grain of wheat and rye, up to 1,000 kilos per farm unit approximately 40 øre per kilo

Basic bonus paid for wheat and rye (excluding 1,000 kilos per farm unit) as well as for oats, barley, mixed grain and pease approximately 28 øre per kilo

Additional bonus paid for wheat and rye (exceeding 1,000 kilos per farm unit) and for barley, oats and pease approximately 12 øre per kilo

Additional bonuses are paid only for fixed grain quantities calculated per head of cattle or other domestic animals possessed by the grain producer.

### Premiums on domestic grain

In 1970 the average premium on domestic grain bought by the State Grain Corporation has been 57 øre per kilo. Additionally a premium on barley of 4 øre per kilo was granted to certain regions.

### Feed concentrates

The present returnable discount on feeding stuff is 35 øre per kilo.

### Fertilizers

Farm units mentioned under (d) above enjoy, when located in Northern Norway or in certain Southern sections, a 55 per cent price reduction on fertilizers. For the rest of the country this reduction is 33 per cent. The material available is insufficient, however, to make possible a calculation of the average price reduction in øre per kilo. The amount spent on this scheme totals Nkr 67 million in 1970. Some Nkr 14 million is spent on transportation allowances.

ANNEX

The following tables show developments in production, exports and consumption of the above-mentioned products.

Milk

	Net production in million litres	Consumption milk	(Million litres) <sup>1/</sup> cream
1969	1,677	681	234
1970	1,653	680	232
1971 <sup>2/</sup>	1,672	674	233

<sup>1/</sup> Converted into whole milk

<sup>2/</sup> Preliminary figures

Apart from liquid milk consumption, milk has been used in the production of cheese and butter.

White and brown cheese (million kgs.)

	Production	Imports	Exports	Consumption <sup>2/</sup>
1969	50.5	0.3	16.3	34.1
1970	53.3	0.3	17.7	34.8
1971 <sup>1/</sup>	55.0	0.30	18.5	35.6

<sup>1/</sup> Preliminary figures

<sup>2/</sup> The figures are corrigated with changes in stocks

Dairy butter (million kgs.)

	Production	Imports	Exports	Consumption <sup>2</sup>
1969	21.2	1.3	1.4	21.3
1970	19.0	4.6	1.4	21.7
1971 <sup>1</sup>	20.0	-	-	20.0

<sup>1</sup>/ Preliminary figures

<sup>2</sup>/ Corrigated with changes in stocks

Feed concentrates (million kgs.)

As from 1 July 1956 the sales prices were fixed at a higher level than the cost prices of the State Grain Corporation, the difference being regarded as charge of concentrated feeding stuff.

	Production	Imports	Consumption	Consumption with discount
1968	594.0	574.3	1,316.2	347.4
1969	704.0	385.0	1,339.4	436.6
1970	627.0	633.0	1,339.6	386.0

Production is calculated on deliveries from producers, including the local mills, and consumption rectified with changes in stocks. Hired milling of the grain for farmers' own use is included in the consumption figures only (about 190 million kgs.).

Fertilizers (million kgs.)

	Production	Imports	Exports	Consumption
1968		204.0	1,336.0	508.6
1969		210.0	1,365.0	511.2
1970		n.a.	1,365.0	545.8

Grain and flour

		Production	Imports	Exports
<u>Wheat</u> (million kgs.)	1968	16.4	316.2	-
	1969	11.1	330.7	0.73
	1970	11.6	420.4	0.75
<u>Wheat flour</u> (tons)	1968		2,829	7,584
	1969		2,775	5,752
	1970		2,425	61
<u>Rye</u> (tons)	1968	4,200	46,220	0
	1969	2,600	30,148	0
	1970	2,800	34,296	0
<u>Barley</u> (tons)	1968	621,300	94,028	2
	1969	505,500	53,276	1
	1970	511,100	237,130	8,268
<u>Oats and mixed grain</u> (tons)	1968	178,200	21,133	2
	1969	143,100	342	0
	1970	154,800	196	1

Meat, pork and bacon (million kgs.)

	Production	Imports	Exports	Consumption
1968	140.1	11.4	1.6	148.3
1969	148.8	6.2	4.5	149.9
1970	146.3	9.3	4.3	152.8

Fish

I. Nature and extent of the subsidy

(a) Background and authority

The total catch has increased during recent years from 1.2 million tons in 1963 to 3 million in 1967. In 1968 the catch decreased to 2.6 million tons. The catch in 1971 was 2.8 million tons. Along the coast the fisheries represent the major means of livelihood for large groups of the population, and some districts are wholly dependent on fisheries, which have created the population structure of the coastal districts. Even though considerable rationalization has improved the efficiency and reduced the number of fishermen from approximately 60,000 in 1960 to approximately 43,000 in 1971, the average income for fishermen would have been unreasonably low if the State had not contributed with financial aid and this could have created considerable regional problems. Consequently, the objective of the State support is to provide earnings in the fishing industry which are reasonably related to incomes in other industries and also to avoid a depopulation of large districts.

The most important scheme concerns subsidies to increase fishermen's incomes.

The major portion of the loan-capital invested in fishing boats, equipment and fishing gear is made available by the State Fishery Bank (Statens Fiskarbank). The loans are given as first, second and third priority loans. The first priority loans are granted in accordance with ordinary banking principles at an interest rate slightly below ordinary commercial rates. The second priority loans are granted in accordance with certain regulations at an interest rate of 2 per cent. The State Fishery Bank granted in 1971 second priority loans to the value of approximately Nkr 10.5 million. The third priority loans are granted to skilled fishermen, who want to buy special types of sea-going vessels. There are no payments of interest or repayment the first ten years. The amount granted in 1971 was Nkr 0.7 million. The Bank was established to overcome the difficulties which the fishermen have had in obtaining necessary capital for their investments in boats and equipment from private credit institutions, which are inadequate in many coastal districts, especially in Northern Norway. The primary task of the Bank is to be a credit institution able to meet the fishermen's need for capital thereby furthering an efficient development of the fishing industry and its fleet.

(b) Incidence

The premiums on the prices of landed fish and herring are distributed to the sales associations and paid according to regulations laid down in an agreement between the Norwegian Fishermen's Association (Norges Fiskarlag) and the authorities. The sales associations lay down detailed rules for allocation within the

framework of the agreement. The price supplements coming from State grants and equalization funds, are made for certain types of fish and certain forms of production and are mostly effected through rates per kilogramme or hectolitre.

The price support for fishing gear is provided and paid to the State monopoly for import of fishing gear (Statens Fiskeredskapsimport). Subsidies are granted both to imported and home produced gear for the purpose of reducing prices to be paid by the fishermen. Allowances for bait are made to the freezing plants and a special co-operative company of fishermen.

(c) Subsidy schemes in 1971

Type of aid	Brief particulars	Amount provided
First, second and third mortgage loan schemes, for the investment in vessels, gear and other equipment	<p><u>First mortgage loans:</u> up to 60% of total investments. Maximum period: about 15 years. Rate of interest: 5%</p> <p><u>Second mortgage loans:</u> including first mortgage loans up to 70 to 90% of total investment. Maximum period about 15 years. (Eventually up to 2 years no repayment.) Rate of interest: 2%</p> <p><u>Special third mortgage loans:</u> including 1st and 2nd mortgage loans 100% of total investment. These loans are given to specially qualified young fishermen having obtained in the State Fishing Bank at least 80% of total investment as 1st and 2nd mortgage loans. Fishing vessel must be above 55 ft. No payments of interest or repayment the first 10 years. At the end of this period decision on the rate of interest and the repayment would be taken</p>	<p>Extension of loans in 1971: NKr 72.1 million. 1st mortgage: NKr 60.9 million. 2nd mortgage: NKr 10.5 million.</p> <p>3rd mortgage: NKr 0.7 million</p>

Type of aid	Brief particulars	Amount provided
Grants for scrapping of vessels	<p>(a) Vessels of 30 ft. or longer may obtain scrapping subsidies when engines are totally damaged or the hull of wooden vessel is damaged by dry rot. Subsidies amount: 15% of the cost of a new engine and NKr 1,000 per g.r.t.</p> <p>(b) Vessels of 30 ft. or longer which are old and unsuitable may obtain scrapping subsidies. Amount: 15% of the cost of a new engine of the same type. In addition from NKr 650 per g.r.t. for vessels less than 20 g.r.t. increasing to NKr 1,100 per g.r.t. for vessels more than 80 g.r.t. Maximum amount per vessel: NKr 350,000. (In 1972 no general scheme of this type in operation.)</p>	1971: (a) NKr 29,000
Grants to reduce prices of equipment and bait	Granted to imported and home produced gear. Equipment: about 20% of the price	1971: for equipment: NKr 32.5 million for bait: NKr 10.5 million
Subsidies to increase fishermen's incomes by increasing landing prices of herring and certain species of whitefish	Yearly fixed basic sum: certain amount per kg. or hectolitre	1971: NKr 115 million
Guarantee of minimum weekly earnings for fishermen instead of contribution under the State's unemployment insurance system	A minimum of NKr 175 per week is guaranteed	Government's part in 1971: NKr 3.1 million

Type of aid	Brief particulars	Amount provided
Loans and loan guarantees for financing large sea-going fishing vessels and processing plants in certain areas	Loans: Rate of interest: 5% Period 10-15 years Guarantees: for loans by private lenders	1971: Loans: NKR 30.7 million Guarantees: NKR 2.3 million
Loans to the processing industry	Interest 5.25% Maximum period 20 years	Loan extension in 1971: NKR 14.7 million
Government investment in the fish freezing industry by way of participation (shares) or loans	As far as loans are concerned: interest 5.5%. Period 10 to 20 years (eventually 3-10 years of interest and repayment exemption)	1971: NKR 6 million
Loan guarantees for fish processing and trade (short-term credit)	Loans up to 70 to 100% of production costs. Interest 5%	Maximum limit 1971: NKR 100 million
Grants for improving the industry's efficiency	Experimental work	1971: NKR 11.5 million
Grants to reduce the fishermen's social expenses	Governmental part to secure fishermen pension from the age of 65 instead of generally the age of 70	NKR 25.5 million
Sales guarantee	Guarantee to the stockfish industry for the production in 1971	1971: NKR 18 million

## II. Effect of subsidy

(a) In spite of subsidies provided for the fishing industry the number of fishermen shows a declining trend. The subsidies have hardly influenced the prices of the products. With regard to imports the subsidies have had little or no effects. The total quantity of fish for human consumption imported has risen considerably in recent years and reached approximately 47,000 tons in 1971. The domestic consumption of fish products, constituting a minor part of the total production, is probably not affected by the subsidy arrangements.

(b) Statistics of production, consumption, imports and exports

Fish Production by Quantity and Value for the Years 1969,  
1970 and 1971

	Quantity in tons	Value in NKR 1,000
1969	2,234,592	1,100,344
1970	2,696,297	1,402,868
1971	2,782,287	1,510,157

Exports of Fish and Fish Products<sup>1/</sup> for the Years 1969,  
1970 and 1971

	Quantity in tons product weight	Value in NKR 1,000
1969	796,144	1,670,878
1970	721,010	1,878,103
1971	739,082	2,126,064

Imports of Fish and Fish Products<sup>1/</sup> 1969, 1970 and 1971

	Quantity in tons product weight	Value in NKR 1,000
1969	59,987	86,790
1970	63,873	123,016
1971	79,280	138,594

<sup>1/</sup> Excluding hardened fats and hardened oils