

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## SUBSIDIES

### Notification Pursuant to Article XVI:1

#### Addendum

#### DENMARK

On 7 June 1972 the Danish Parliament adopted Act No. 238 amending the Marketing of Agricultural Products Act and Act No. 293 amending the Grain Marketing Scheme Act.

By these two Acts the agricultural schemes which have been in force in recent years were extended with certain modifications until 1 February 1973.

The following description of the existing agricultural support schemes is based on GATT's questionnaire on subsidies.

#### I. Cash subsidy

##### 1. Support related to milk production

(a) In pursuance of Act No. 238 of 7 June 1972 amending the Marketing of Agricultural Products Act the Minister for Agriculture may disburse to farmers out of Treasury funds an annual amount of DKr 250 million, related to milk production.

This represents a continuation of the previous scheme, except that the ceiling has been reduced by DKr 50 million annually, see below.

(b)-(d) Apart from an annual amount of DKr 7 million earmarked for rationalization of the activities of milk recording associations, the subsidy is distributed weekly to dairies through the Federation of Danish Dairies partly as a fixed amount per kg. whole milk supplied to each dairy, partly as a payment related to fat content (with some seasonal variation). Dairies pass on the subsidy to milk producers at the time of the first periodical (normally weekly) payment. These payments cease when the total annual amount disbursed reaches DKr 250 million plus the Federation's expenses on distribution and control.

##### 2. General Purposes Fund

(1) (a) In pursuance of the aforementioned Act No. 238 of 7 June 1972 the Minister for Agriculture may pay DKr 478 million out of Treasury Funds to the agricultural General Purposes Fund until 1 February 1972.

This appropriation represents a continuation of previous appropriations to the General Purposes Fund - see L/3178/Add.9 and L/3513/Add.9, with the modification that the ceiling, on the one hand, has been reduced by DKr 36.7 million - which amount, pursuant to Act No. 231 of 19 May 1971 may be expended in support of investment in agricultural production buildings - and, on the other, been raised by DKr 13 million out of the funds earmarked for milk subsidies.

(b)-(d) The Fund is used for measures to promote the marketing of agricultural products and may also be used for adjustments of production including quality improvement. A committee composed of representatives of agriculture, trade and industry administers the Fund under rules approved by the Minister for Agriculture.

The Fund has so far been used for purposes falling within the following main categories:

A. Marketing

- (a) promotion of agricultural products in foreign markets, including contributions towards the farming industry's participation in agricultural exhibitions, trade fairs, etc.;
- (b) experiments and scientific research of importance to Danish agricultural exports;
- (c) establishment of recombination dairies, pilot farms, etc. - especially in developing countries, and
- (d) quantity discounts, e.g. for pigmeat to be used for canning; the main purpose of these discounts is to enable producers to allow processing industries discounts equal to those allowed for regular large-scale purchases of raw materials in normal commercial practice.

B. Production

Subsidizing of production adjustment, including quality improvement.

3. Dairy Rationalization Fund

(1) (a) In pursuance of Act No. 238 of 7 June 1972 the Minister for Agriculture may order an annual amount of Dkr 10 million to be transferred from the Treasury to a fund earmarked for dairy rationalization. Disbursements are subject to recommendation by the Federation of Danish Dairies.

This appropriation represents an extension, without change, of appropriations made for the two preceding years in pursuance of Act No. 278 of 18 June 1969 and Act No. 267 of 10 June 1971.

(b)-(d) The Fund is used mainly for loans and direct grants for structural rationalization of the dairy industry through amalgamation of dairies in connexion with specialization of the individual dairies' production, closing down of the smallest dairies, and other forms of dairy rationalization.

(2) (a) The benefits of the various forms of cash support accrue to the farming industry as a whole and are not - apart from the milk subsidy - tied to any particular commodity or commodity group. The main object of the support schemes is to alleviate the consequences of the widening gap seen in recent years between the incomes of the agricultural sector and those of other sectors. This disparity is due mainly to the difficulties which Danish agricultural products encounter in export markets as a result of the agricultural protectionism and subsidies of other countries and groups of countries.

The measures adopted have not resulted in any increase in Danish agricultural production.

(b) See Statistical Annex.

## II. Home market schemes

### 1. Home market schemes for pork, beef and veal, poultry meat, and eggs

(i) (a) These schemes, originally introduced by Act No. 301 of 5 September 1962, have been extended several times - most recently by Act No. 238 of 7 June 1972.

(b)-(d) In pursuance of that Act, levies may be made on home market sales with the aim of maintaining predetermined price levels for sales of the above-mentioned products to Danish consumers.

Home market prices are subject to approval by the monopoly control authorities. Price adjustments may be approved to meet significant changes in the costs of production and reasonable adjustments of profit and of the return of capital investments.

The latest home market prices were as follows:

Home market price (øre per kg.)	Beef and veal	Pork <sup>1/</sup>	Poultry meat	Eggs
1 January 1970	641	602	449	473
1 January 1971	663	524 <sup>2/</sup>	471	495
1 January 1972	698	718 <sup>2/</sup>	490	515

<sup>1/</sup> Excluding the 50 øre levy mentioned below.

<sup>2/</sup> 11/1-1972. 60 øre of the rise reflects a change in the basis of calculation (from producer price to wholesale price).

Two øre per kg. may be added to the price of beef and veal and 1 øre per kg. to the price of poultry meat to cover the cost of administering the levies.

The above-mentioned Act, like previous legislation on home market schemes for pork, meat etc., provides that if the average price obtained for exports of any of the products covered by this legislation exceeds the home market price approved by the monopoly control authorities, the farming industry shall be entitled to that average price also on the home market.

Since early December 1968, the export prices obtained for beef and veal have exceeded the approved home market prices, with the result that the home market price scheme for beef and veal has been suspended. The home market price scheme for eggs has been suspended for short periods for the same reason.

Before 1 October 1962, when the home market price schemes were introduced, home market prices were determined by the average prices obtained for exports. By imposing levies on home market sales, domestic prices can be kept at higher levels than export prices, which are often low because of support and protection in importing countries or competition from subsidized exports.

Since the levies are designed to keep home market prices at levels approved by the monopoly control authorities, they should, in principle, be equal to the difference between approved home market prices and the average of export prices.

However, levies are not directly related to export prices, seeing that they are calculated on the basis of weekly producer quotations which are derived from export prices. The home market levies imposed on the commodities covered by this legislation are fixed, week by week, as the difference between the approved home market price and the producer quotation for the week concerned.

Proceeds from levies are generally distributed among producers as additions to producer quotations for all supplies.

Pursuant to the Act of 18 June 1969, a special levy of up to 50 øre per kg. may be imposed on pork in addition to the aforementioned home market levy. This special levy, which was introduced in 1961, is not geared to export prices; consequently it represents a regular addition to the variable home market levy. Pursuant to the Act, the proceeds from the special levy are used for price equalization and sales promotion with the aim of stabilizing or improving producer prices.

As for eggs, the Act of 7 June 1972, amending the aforementioned Act of 1969, provides that up to 25 øre per kg. of the revenue from egg levies may be paid into a special fund to support egg production during periods of low prices.

In recent years, the proceeds accruing to farmers from the home market schemes for pork, beef and veal, poultry meat and eggs, including the special levy on eggs, have been in the region of DKr 200-300 million annually.

(ii) (a) Seeing that up to 80 per cent of the production that is covered by statutory home market price schemes is exported, the prices obtained on export markets - together with domestic costs - still determine the profitability of the production. The home market schemes merely enable farmers to recover proved increases in production costs for that part of the production which is sold on the home market. This has not resulted in any expansion of the production.

In 1970/71, the production of eggs was around 50 per cent lower than in 1959/60 before the home market price scheme was adopted. In the case of pork, only a small proportion (20-25 per cent) is sold on the home market at the higher price; the impact on the producer price is thus correspondingly modest. The home market schemes for beef and veal have, as indicated above, been suspended for long periods.

(b) See Statistical Annex.

## 2. Home market scheme for dairy products

Whereas the home market price schemes for pork, beef and veal, poultry meat and eggs are based on legislation, the home market scheme for dairy products, established in 1961, is based on voluntary agreement among Danish dairies. The underlying arrangements have been notified to the register of prices maintained by the monopoly control authorities, and the price maintenance intended under this scheme is controlled under the rules laid down in the Monopoly Control Act.

## III. Grain marketing schemes

I (a) Existing regulations governing bread grain, feed grain and skim milk powder are based on Act No. 281 of 18 June 1969 establishing a Grain Marketing Scheme as amended by Act No. 266 of 10 June 1970 and Act No. 293 of 7 June 1972.

### 1. Bread grain

(b)-(d) Guaranteed prices for bread grain, i.e. wheat and rye, have been fixed by annual Grain Marketing Acts since 1958, but these guaranteed prices were abolished as from the harvest year 1966/67. On the other hand, minimum milling quotas and equalization charges were retained in the new Act.

In pursuance of this Act, the Minister for Agriculture may order all bread grain milled for human consumption to contain Danish wheat and rye in minimum proportions. The milling quota for Danish wheat was 100 per cent in 1971/72; for rye it was reduced to 90 per cent from 1 July 1971 and to 70 per cent from 16 October 1971.

Equalization charges may be levied on imported bread grain in order to raise the price of imported grain to basic levels fixed by the Act. For the harvest year 1972/73 the basic price fixed for both wheat and rye is LKr 60 per 100 kg., which is the same as for feed grain. This price will be raised by 50 øre per month for four months, as from 1 October 1972; the basic price will lapse on 1 February 1973.

To exempt consumers of bread and flour from the rise in the price of bread grain resulting from the above-mentioned increase of the basic price to DKr 60 per 100 kg., the Act of 7 June 1972 allows of a milling subsidy of up to DKr 10 per 100 kg. Danish rye and wheat of the 1972 harvest milled for human consumption for the period ending 31 January 1973. The monopoly control authorities estimate that the cost of this arrangement will be DKr 12 million.

II (a) Areas sown to bread grain - wheat and rye - have increased slightly in recent years, viz from 136,000 hectares in 1969 to 159,000 hectares in 1970 and 163,000 hectares in 1971, but they remain below the level of 1958 (the year of introduction of the bread grain scheme) when they totalled around 200,000 hectares.

This slight increase, in spite of reduced (1970/71) or unaltered basic prices (1971/72) is primarily accounted for by restructuring, see the below comments on feed grain.

As long as there is practically no need for imported wheat and rye for milling because of the milling quotas established for Danish grain, the basic prices established by the Grain Marketing Act will give little support to the domestic price level.

(b) See Statistical Annex.

## 2. Feed grain

(b)-(d) Since the harvest year 1958/59, annual Grain Marketing Acts have been adopted to support the price of domestic feed grain by means of variable equalization charges levied on imported grain, milled or unmilled, and grain products. Equalization charges are fixed as the difference between basic prices (minimum import prices) specified in the Act and the lowest prices payable for grain, c.i.f. Danish port; basic prices are generally fixed for relatively short periods at a time.

Under the present Act of 7 June 1972, the basic price of feed grain for the harvest year 1972/73 is DKr 60 per cent per 100 kg., which is DKr 10 more than in the previous harvest year. The basic price will be raised by 50 øre per month for four months, as from 1 October 1972. The basic price will lapse on 1 February 1973.

For cereals of the aforementioned descriptions, which are imported in crushed, ground, hulled and broken, malted, rolled or otherwise worked condition, the charges are fixed in the same manner. Charges are collected by the customs authorities at the rate in force on the date of clearance. The proceeds of the equalization charge -

less refunds allowed for exports of Danish seed grain, malting barley, malt and mixed feed - amounted to DKr 24.8 million in the harvest year 1969/70 and DKr 39.6 million in 1970/71.

These proceeds are paid into the Grain Equalization Fund, administered under the supervision of the Minister for Agriculture. Since 1966/67 the Treasury has paid grants to the Equalization Funds in the amount of DKr 50 million per year; pursuant to the new Act the grant for the harvest year 1972/73 will be reduced to DKr 25 million, payable until 1 February 1973.

Pursuant to the Act of 7 June 1972, the Minister for Agriculture may levy a charge of DKr 10 per 100 kg. on stocks of corn and corn products held by dealers in Denmark as at 1 August 1972. The charges levied shall be paid into the Equalization Fund.

Moreover, the Act authorizes the Minister for Agriculture to approve price agreements for Danish bread grain - and for Danish feed grain - between, on the one hand, the Federation of Danish Smallholder Societies and the Federation of Danish Agricultural Societies and, on the other, the Federation of Danish Importers of Grain and Feeding-stuffs, the Society of Danish Grain Exporters, and the National Society of Dealers in Grain and Feeding-stuffs.

In pursuance of the Act, the Grain Equalization Fund is used, in consultation with the farmers' organizations, for the benefit of small farmers and poultry and egg producers, who are normally net buyers of feed grain, in order to allow them a certain compensation for the higher costs of production resulting from the basic price system.

Allocations to small farmers are still based on the number of cows kept. For holdings under 16 hectares, or a land value of under DKr 70,000 (land assessment 1969 the allocation is DKr 90 per cow up to a maximum of DKr 1.080 per holding).

For holdings above 16 but not exceeding 18 hectares or a land value of under DKr 75,000, the allocation is DKr 45 per cow up to a maximum of DKr 540 per holding.

Larger holdings are not eligible for allocations from the Grain Equalization Fund.

II (a) Although imports have declined as a result of the big domestic grain harvest, the relatively low world market prices have led to substantial payments of equalization charges into the Grain Marketing Fund.

In the last few years, the area sown to feed grain (barley, oats and mixtures thereof) has totalled about 1.6 million hectares, compared to 1.3 million hectares during the period 1963/65. This increase is due in the main to a general diversification of production, accompanied by reductions in livestock holdings and structural developments towards larger holdings which traditionally are producers

of grain. The rise registered in the production of feed grain since 1958 derives partly from the increased area and partly from higher yields per hectare achieved through technological progress.

(b) See Statistical Annex.

### 3. Skim milk powder

Since 1959/60, annual Grain Marketing Acts have provided for the levy of an equalization charge on imported skim milk powder (on the same principles as the charge levied on imported feed grain) to bring the price of skim milk powder, c.i.f. Danish port and including the charge, up to a specified basic price (minimum import price).

In 1970/71 and 1971/72 this basic price was DKr 170 per 100 kg., the charge being no less than DKr 40 per 100 kg. The minimum charge has however been reduced to the extent that the world market price exceeds DKr 170.

In the harvest years 1969/70 and 1970/71 the equalization charges levied on imported skim milk powder yielded DKr 6.9 million and DKr 0.2 million, respectively. Under the terms of the Act, the proceeds from the charge are used for reduction of the price of Danish skim milk powder for feeding purposes so as to enable such powder to be sold to consumers at the same price as imported skim milk powder.

### IV. Rapeseed Scheme

In pursuance of section 8 of Act No. 278 of 18 June 1969, the Treasury pays an annual grant of up to DKr 8 million to Danish rapeseed.

The grant is based on rapeseed of 98 per cent purity, including broken seeds, with a water content of 9 per cent and an oil content of 42 per cent. In 1969/70 the grant was 35 øre per kg. and in 1970/71 34 øre per kg.

### V. Grant to growing of crops of high protein content

Pursuant to Act No. 267 of 10 June 1970 a grant designed to promote the growing of feeding stuffs of high protein content may be paid in the amount of DKr 200 per hectare on which horse beans, fodder peas and sweet lupine are grown.

Under this provision, DKr 4.6 million was disbursed in 1970/71, mainly to growers of horse beans.

ANNEXExports, Imports, Production and Consumption  
of Certain Agricultural Products,  
1966/67, 1968/69-1970/71

	Exports	Imports	Production	Consumption	Production: Consumption
	(1)	(2)	(3)	(4)	pCt
			'000 m.t.		
<u>Beef and veal</u> (Live cattle included)					
1966/67	155	0	268	106	254
1968/69	149	0	258	108	238
1969/70	136	0	250	112	222
1970/71	123	0	234	111	212
<u>Pigmeat and bacon</u> (Live swine included)					
1966/67	601	0	781	173	452
1968/69	586	0	741	164	453
1969/70	587	0	764	167	458
1970/71	611	0	797	169	471
<u>Poultry</u>					
1966/67	47	0	69	20	348
1968/69	47	0	65	20	335
1969/70	51	0	75	22	341
1970/71	54	0	80	25	327
<u>Eggs</u>					
1966/67	26	0	89	59	152
1968/69	27	0	88	56	156
1969/70	28	0	90	55	163
1970/71	20	0	79	54	146
<u>Butter</u>					
1966/67	106	0	156	47	329
1968/69	107	0	153	45	339
1969/70	95	0	135	45	301
1970/71	82	0	125	44	286

	Exports	Imports	Production	Consumption	Production: Consumption
	(1)	(2)	(3) '000 m.t.	(4)	pCt
<u>Cheese</u>					
1966/67	83	0	129	43	301
1968/69	60	2.6	107	47	226
1969/70	63	2.1	108	45	240
1970/71	68	2.5	115	47	246
<u>Wheat</u>					
1966/67	38	26	380	458	83
1968/69	41	5	441	416	106
1969/70	27	4	407	383	106
1970/71	49	3	487	442	110
<u>Rye</u>					
1966/67	1	38	130	185	70
1968/69	0	17	124	139	89
1969/70	0	14	120	133	90
1970/71	0	21	126	148	85
<u>Barley</u>					
1966/67	223	351	3,951	4,185	94
1968/69	290	17	4,795	4,346	110
1969/70	317	30	4,992	4,796	104
1970/71	147	425	4,572	4,880	94
<u>Oats</u>					
1966/67	12	34	820	859	95
1968/69	5	2	820	800	102
1969/70	44	3	727	724	100
1970/71	4	66	600	649	92
<u>Maize</u>					
1966/67	-	223	-	222	-
1968/69	-	151	-	153	-
1969/70	-	261	-	250	-
1970/71	-	235	-	243	-
<u>Milicorn, millet, etc.</u>					
1966/67	-	42	-	43	-
1968/69	-	13	-	14	-
1969/70	-	4	-	4	-
1970/71	-	3	-	3	-

	Exports	Imports	Production	Consumption	Production: Consumption
	(1)	(2)	(3) '000 m.t.	(4)	pCt
<u>Rapeseed</u> <sup>1</sup>					
1966/67	30	0	33	3	1,068
1968/69	9	0	30	21	146
1969/70	7	0	22	15	145
1970/71	19	0	23	4	571

<sup>1</sup>Consumption = production + exports + imports