

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

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SUBSIDIES

Notifications Pursuant to Article XVI:1

AUSTRIA

The following notification has been received from the Permanent Mission of Austria.

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A. MILK AND DAIRY PRODUCTS

I. Nature and extent of subsidy

(a) Background and authority

The granting of an official subsidy aims at guaranteeing to farmers a price for milk delivered, corresponding to production costs of an efficiently managed and equipped enterprise in an area favourable to milk production. On the other hand, consumer prices for milk and dairy products are, thereby, mainly for social and economic reasons, kept as stable and low as possible by means of ceiling prices.

Legal basis

Price Act, Federal Law Gazette No. 260/1976, as amended and the relevant price regulations (fixing of producer price for milk and consumer ceiling prices for milk and other more important dairy products).

The Federal Finance Act (approval of total subsidies for milk for the relevant calendar year).

The 1967 Market Regulation Act, Federal Law Gazette No. 36/1968 in its respective version.

(b) Incidence

(i) The milk price for the farmer is not a guaranteed price but a maximum price based on the Price Act. As from 1 January 1977 the maximum price including the official subsidy amounts to 235.20 groschen per litre (228.35 groschen per kg) with a fat content of 3.5 per cent. Hence the following supplements per kg (regardless of fat content) are valid:

for milk of first quality	104 groschen
for milk of second quality	59 groschen

(ii) However, this maximum price is reduced by the contribution to sales promotion and by the payment of milk recording charge. As from 1 July 1976 the milk recording charge amounts to 1.1 per cent of the producer price for 1 kg of milk, calculated on the basis of the highest quality and a fat content of 3.8 per cent. The contribution to sales promotion varied in its drain on the milk farmers according to the delivery to the market and the international market situation. As from 1 January 1977 the contribution to sales promotion contains 1.5 groschen for publicity.

The contribution to sales promotion per litre of milk delivered, based on a fat content of 3.5 per cent read as follows:

	Basis in per cent milk price subsidy	Groschen per litre
1 January 1977	50.0	26.0
1 May 1977	59.6	31.0
1 September 1977	69.2	36.0
1 January 1978	81.7	42.5
1 February 1978	76.0	39.5

(iii) The increases in the producer prices for milk which have become necessary on account of the rising costs of working material and wages have, to an ever increasing extent, been passed on to the consumer prices.

(iv) The Dairy Production Board is entrusted with various administrative tasks (control of production and sales, promotion of quality,

regulation of production areas and areas supplied, price equalization, transport equalization cost, etc.) and therefore received the following subsidies to cover relevant expenditure:

1975	S 458 million <sup>1/</sup>
1976	S 458 million
1977	0

<sup>1/</sup> Without means for price reduction for skimmed milk amounting to S 27.3 million.

(v) Furthermore, in the years under review, the Federal Ministry of Agriculture and Forestry placed the following sums, derived from various sources of income, at the disposal of the Österreich Molkerel und Käsevereiverband reg. GmbH (OEMOLK) (Austrian Dairy and Cheese Dairy Association, Ltd.), who are charged on the basis of a contract with sales promotion and other measures:

Pursuant to § 9 of the Market Regulation Act (increase in consumer price)	Pursuant to § 19 of the Market Regulation Act (import equalization)	Contribution for sales promotion	Sum total
1975 177.0	30.0	484.7 <sup>1/</sup>	691.7
1976 173.7	30.3	653.9 <sup>2/</sup>	857.9
1977 205.6	28.6	1,131.2 <sup>3/</sup>	1,365.4

<sup>1/</sup> Including grant of the Federation (S 134.5 million).

<sup>2/</sup> Including grant of the Federation (S 217.7 million).

<sup>3/</sup> Including grant of the Federation (S 461.4 million).

(c) and (d) Extent of subsidy and amount per unit:

	Delivery (in million tons)	Subsidies from budget funds	
		S million	groschen/kg
1975	2.11	1,129	53
1976	2.19	1,150	53
1977*	2.27	1,234	54

\*Provisional figures

Among the measures for the promotion of domestic sales enforced by the Dairy Production Board the temporary disposal of butter at reduced prices should be mentioned. Among the 1973 actions the following should be mentioned: price reduction for butter lard, school milk programme, food relief for pupils, addition (price reduction) of farm butter to whole milk substitutes, price-reduced butter for children's recreation homes, disposal of milk from automats at a reduced price in barracks, in 1974 also a price-reduced butter programme was carried out.

Furthermore, OEMOLK have been entrusted with the disposal of skim milk powder at reduced prices within the country.

Export subsidies from public funds and from the contribution for agricultural sales promotion were continued for whole milk powder and butter through OEMOLK.

		Whole milk powder	Butter	Hard cheese	Semi-hard cheese
Export	1974	10.29	28.60	15.18	15.55
subsidies	1975	9.84	27.83	13.48	16.24
(net)	1976	16.41	31.20	14.45	18.24

## II. Effects of subsidy

(a) The effects of the official subsidy for the Austrian intergovernmental trade in dairy products can hardly be estimated, since numerous other factors influenced exports and imports, however, these stimuli are supposed to be rather weak, as export is meeting with manifold resistance.

The official subsidies granted to the Dairy Production Board serve the purpose of the national market regulation and have stabilizing effects on the price structure, but no incidence on foreign trade.

The official subsidies placed at the disposal of OEMOLK in addition to the disposal of skim-milk powder and milk protein feeds at reduced prices to farmers and mixed fodder plants enable the exports of the Austrian dairy industry.

(b) Statistical data regarding production and foreign trade in the economic years 1974 to 1976 are herewith enclosed.

B. CATTLE FOR SLAUGHTER

I. Nature and extent of subsidy

(a) Background and authority

Until 20 May 1977 export subsidies were granted for the exportation of cattle for slaughter and beef to the EC, in order to partly compensate import levies. The subsidies were used for the extension of the export volume in African States.

Legal basis

1976 Cattle Industry Act, Federal Law Gazette No. 258.

Federal Finance Act (approval of the total subsidies for the marketing of cattle and beef for the calendar year).

(b) Incidence

Year	Quantity of exports total subsidized (in tons)	Export subsidies (S'000)	Average subsidy per kg	
1977	34,257	29,304	273.7	9.34

II. Effects of subsidies

The subsidies enabled sales of surplus quality fattening cattle from foreign markets and thus secured the maintenance of Austrian quality beef production.

C. BREAD GRAIN

I. Nature and extent of subsidy

(a) Background and authority

The aim of the subsidy on breadgrains, in force in Austria since 1952, is on the one hand to ensure stable and remunerative prices for the farmer and, on the other hand, to keep flour and bread prices as low as possible for social reasons, viz. to stabilize prices and wages respectively.

Legal basis

Price Act, Federal Law Gazette No. 260/1976, as amended and the relevant price regulations (fixing of basic producer prices for wheat and rye, of trade margins as well as of consumer ceiling prices for flour and bread).

The Federal Finance Act (approval of total subsidies for breadgrains for the relevant calendar year).

The 1967 Act on Market Regulation, Federal Law Gazette No. 36/1968, as amended, providing for relevant market guidance measures.

(b) Incidence

In the case of breadgrains (wheat and rye) the official basic prices are fixed by regulation after a hearing of the Price Commission; the mills have to take over the grains at these prices which cover with a small margin the costs of medium-sized farms in lowland areas, but not in mountainous regions, where breadgrain production is usually not marketed.

As from July 1974, these basic producer prices without added value tax, graduated per month, amounted within the crop year (July to June) to the following (in schillings per 100 kgs.):

for rye	from S 246.00 to 277.00
for wheat	from S 275.50 to 305.50

Consequently, in 1977/78 the arithmetical average annual price amounts to S 266.66 for rye and to S 289.25 for wheat. The weighted average price, however, is far lower, because more than 95 per cent of the marketed output are sold in the first months of the crop year (till the end of October).

The prices indicated for wheat apply to products of average quality. As from July 1977 a uniform basic price of S 312.50 per 100kgs. is fixed for wheat of certain specified qualities.

Also for domestic durum wheat an official basic price without added value tax is fixed, as from July 1977 amounting to S 446.32 per 100kgs.

Transport costs, milling, trade and bakers' profit margins are pooled, viz. unified, so that the prices for breadgrains, flour and bread are the same throughout the country.

(c) The following sums (in S millions) had been spent on price subsidies, freight equalization payments, etc. in the breadgrain sector from means of the budget:

1975	:	S 142.6 million
1976	:	S 200.8 million
1977	:	S 149.0 million

Prices graduated per month had been introduced for wheat and rye at that time in order to give the farmer a stimulus towards increased storage. However, the lack of appropriate storage place and dehydrators as regards the farmers as well as the increased marketed output owing to further mechanization, especially at harvest time, prevent own storage to the desired extent.

In order to secure the smooth acceptance of marketed quantities and in order to prevent a fall of the officially fixed producer prices, contributions for the storage of breadgrains are made within the framework of the existing Grain Market Regulation from public funds, by mills, co-operative societies, and tradesmen.

The following amounts have been expended:

1975	:	S 570.6 million
1976	:	S 527.5 million
1977	:	S 592.0 million

Owing to the differences in the planning of the respective storage programmes, the statement of average costs per ton would be of no value.

In 1974 subsidies had been necessary for imports in breadgrains, as the prices for imported goods (only durum wheat) generally ranged below the prices fixed for comparable domestic goods.

The means used for this are contained in the amount for subsidies stated under item (c).

(d) Subsidies for domestic breadgrains per unit, as from July 1977:

	Normal wheat (soft wheat) S/100 kgs.	Contract wheat confirmed as quality wheat S/100 kgs.	Rye S/100 kgs.	Durum wheat S/100 kgs.
Subsidy <sup>1/</sup>	5.00	17.00	20.00	17.00
Additional subsidy <sup>1/</sup>	-	7.00	-	48.00
Quality supplement <sup>2/</sup>	-	8.50	-	-

<sup>1/</sup> Paid from federal means.

<sup>2/</sup> Paid by the mills.

Total proceeds gained by the farmer consist of the basic price stated under (b) and of above subsidies.

## II. Effects of subsidy

(a) With regard to the development of production in Austria and to market regulation for breadgrains limiting imports to the quantities in demand, the quantitative effect of subsidies is but a secondary element.

The downward tendency in rye production could be stopped by a relevant price formation.

(b) Production planning still concentrates on the cultivation of quality wheat. In the climatically suitable Pannonian area some 120,000 ha. are available for the production of quality wheat. By autumn 1977 already 95,000 ha. were incorporated in the existing contract wheat system. The exhaustion of the remaining areas is planned for the 1978 autumn cultivation.

This price policy discussed above in detail, makes prospective planning of cultivation possible according to the Act on Market Regulation. On the other hand, the stabilization of bread prices on a comparatively low level brings about a slower recession of bread consumption than would be the case without subsidies - owing to shifts in consumption connected with the rising standard of living.

The excellent yields of recent years - especially the 1976/77 bumper crop - enabled the exportation of 200,000 tons of wheat. Also in the years to come exports are quite possible.



(c) Statistical data regarding production, total consumption, as well as imports and exports during the last three economic years are given in the annex as enclosure 3.

D. FEED GRAINS

I. Nature and extent of subsidy

(a) Background and authority

Import prices for the most important feed grains (maize, barley and fodder wheat) have been fixed at a certain level, necessary for encouraging the production of feed grains, especially to the debit of wheat cultivation.

Legal basis

Price Act, Federal Law Gazette No. 260/1976, as amended and price regulations issued by the Federal Government.

Federal Finance Act (approval of total subsidies for imported feed grains for the respective calendar year).

The 1967 Act on Market Regulation, Federal Law Gazette No. 36/1968 in its respective version (import planning and other market policies).

(b) Incidence

The subsidies are paid to the importer who, on his part, is required to observe the fixed wholesale prices for imported feed grains.

(c) Extent of subsidies

(1) Defrayment of storage costs:	1975	S 70 million (S 17.5 million of which for import subsidies)
	1976	S 67.6 million (S 1.7 million of which for import subsidies)
	1977	S 62.9 million
(2) Restitution of transport costs:	1975	S 65.9 million
	1976	S 75.4 million
	1977	S 60.0 million

(d) Amount per unit

The average storage costs without transport costs in the years under review amounted to approximately S 200 per ton.

As from 1970 only domestic feed grains were stored. The average quantity stored amounted to some 150,000 tons at the beginning of the harvest.

II. Effects of subsidy

(a) Subsidization and raising of equalization levies on imports for the importation of feed grains served the stabilization of prices, as long as this was necessary.

The defrayment of storage costs serves also the purpose of price equalization and market regulation.

(b) Statistical data on production as well as imports and exports during the past three economic years are given in the annex.

E. FERTILIZERS

(a) Background and authority

The import prices for basic fertilizers (Thomas slag and potash fertilizers), which cannot be produced within the country owing to the lack of raw materials, have been reduced to a level which contributed considerably towards profitable production.

Furthermore, fertilizers, such as superphosphates and hyperphosphates, formerly imported and now produced within the country, are sold by means of budget funds at reduced prices, just like imported goods.

For budgetary reasons the official subsidies affecting the price reduction of phosphatic and potash fertilizers in 1968 have been reduced by 50 per cent as compared with the preceding year. As from 1 January 1971, only a subsidy for transport costs is granted; this constitutes a further reduction by 50 per cent of the official subsidy.

Legal basis

Price Act, Federal Law Gazette No. 260/1976 as amended.

Federal Finance Act (approval of total subsidies for the price reduction for commercial fertilizers in the respective calendar year).

(b) Incidence

Subsidies are paid to importers and to the Austrian fertilizer industry, who in turn have to observe the fixed lower wholesale price for imported goods.

(c) Extent of subsidies:

1975	:	S 65 million
1976	:	S 53 million
1977	:	S 65 million

(d) Amount per unit

As from 1 January 1971 in the case of potash fertilizers the subsidy for transport costs amounted to an average of S 100 per ton (viz. S 200 per ton %  $K_2O$ ) for a required total amount of about 300,000 tons.

As from the same date in the case of phosphatic fertilizers the average rate of subsidies for transport costs was S 70 per ton (viz. S 320 per ton %  $P_2O_5$ ) for a required total amount of about 700,000 tons.

II. Effects of subsidy

In the last decade the subsidy contributed towards a considerable increase of the consumption of fertilizers and hence to a rise of production. The bisection in 1968 resulted for the first time in a recession of consumption by about 8 per cent in 1968, as compared with the preceding year.

The 50 per cent reduction as from 1 January 1971 again resulted in a recession of consumption by about 13 per cent. The introduction of the added value tax as from 1 January 1973 amounted to 16 per cent, as well as increasing world market prices, led to further sales decreases which, however, stabilized in recent years.

