Synopsis of Non-Tariff Measures for the Protection of Agriculture or in Support of Incomes of Agricultural Producers

I. NATIONAL AGRICULTURAL POLICIES

A. General Objectives

The primary objective of agricultural policy is to secure for the farmer an equitable remuneration and thus to enable him to achieve a standard of living commensurate with the part played by agriculture in the domestic economy. In particular, the aim is to increase productivity and to make the main agricultural products a sound economic proposition by reserving the internal market for home production and by fixing prices which yield a fair return.

As the Luxemburg agriculture operates in clearly unfavourable circumstances, production costs are high. The particular structure of the Luxemburg economy, which is based mainly on production for export, does not make it possible to fix consumer prices for agricultural products at a level covering production costs. Therefore, the Government has established a dual pricing system to take account of both industrial and agricultural interests: on the one hand, prices paid to agricultural producers which are established on the basis of actual costs and on the other retail prices which are fixed at a relatively low level, the difference being covered by structural subsidies borne by the State budget.

The achievement of the difficult task of integrating the agricultural industry in the European market will call for considerable efforts on the part of the Government to improve the structure of agriculture. The objects of the Government's efforts are to maintain and develop family holdings large enough to provide full employment for all the working members of the family and which can be efficiently worked without recourse to hired labour, and to scale down production costs.

Within the framework of Benelux and of the European Economic Community the Luxemburg Government has undertaken to improve the structure of agriculture and to rationalize agricultural production.

1 The principal sources for this synopsis are the OEEC Reports of 1956, 1957 and 1958.
B. Special Measures

1. Reserving the internal market for home production

Under the Benelux Agreements, Luxemburg is entitled to exercise unilateral control over imports of certain agricultural products from Belgium and the Netherlands. Products subject to this special treatment in favour of the Benelux partners are listed in the annex to the Decision of the CONTRACTING PARTIES dated 1 December 1955 permitting the Government of Luxemburg to restrict imports of certain products (see Chapter V). Within the European Economic Community, unilateral import controls are the object of the special protocol concerning the Grand Duchy of Luxemburg.

2. Price fixing

(a) Official producer and consumer prices

After consultation with the "Centrale Paysanne" (National Farmers' Association), acting on behalf of the Chamber of Agriculture, the Government fixes official prices to be paid to producers of bread grains (wheat and rye), beef and veal and pigmeat, milk and butter. These prices are fixed on the basis of costs in soundly managed holdings which are economically and socially justified.

In order that consumer prices for supported products should not reach an unduly high level contrary to the interests of exporting industries, the Government fixes prices for bread, beef and veal and pigmeat, at a lower level. The difference between actual production costs and consumer prices is covered by structural subsidies.

(b) Potatoes

There is no fixed official price for potatoes. In agreement with the Ministry of Economic Affairs the "Centrale Paysanne", acting on behalf of the Chamber of Agriculture, publishes annually a target price for store potatoes, thus giving agricultural producers some idea of the price levels which are likely to obtain for the corresponding crop.

(c) Eggs

Prices for eggs are free but are limited by the maximum retail price imposed by the Ministry of Economic Affairs.

(d) Horticultural Products (fruits and vegetables)

Prices for horticultural products are also free. Except in the case of apples, imports of which may be controlled during the period 1 September to 31 December. For those products, Luxemburg has agreed to follow the Belgian import system based on a horticultural calendar with minimum Benelux prices.
3. Disposal of Surpluses

Any amount of production which cannot be taken up by the domestic market has to be exported at a loss or stored to be offered for sale at a subsequent date. Agricultural producers themselves bear the storage costs or export losses.

Such losses are financed out of equalization funds maintained on monies levied on the occasion of the sale of agricultural products and administered by the "Centrale Paysanne", acting on behalf of the Chamber of Agriculture. At present such equalization funds exist in respect of beef and veal, pork and bread cereals. In the case of butter, the Dairies' Association which incorporates all private dairies and dairy co-operatives in Luxembourg, levies certain amounts on prices paid to producers for the purpose of financing any losses incurred.

II. SUBSIDIES

(Including all forms of incomes and price support)

The Government of Luxembourg does not grant any direct subsidies on production or export. As stated in Section II, however, the Government has instituted a dual pricing system in order to prevent agricultural products from fetching too high retail prices. The difference between producer and consumer prices is covered by structural subsidies. These subsidies are only paid on the amount of produce actually absorbed by the home market; they are paid on bread grains and bread, dairy products, beef and veal and pigmeat. In 1954-56 the total amount of subsidy payments averaged Belgian Frs. 285 m. annually.

The agricultural sector is provided with a whole range of technical and vocational training services. The State also intervenes to stimulate individual and collective efforts in production processing and distribution of agricultural products by granting subsidies or bearing the cost of interest rates on loans contracted to that effect.

At present Luxembourg agriculture is still in a position, under a law on mining concessions granted to the iron and steel industry, to purchase basic slag at prices lower than international prices.

Storage bonuses are paid to wheat merchants and millers so that all grain offered by growers may be taken up quickly by the trade and to ensure the carry-over from one season to the next. In order to encourage farmers to improve their land and to promote investment, the Government shares the cost of interest rates (up to 2 per cent) on loans for agricultural purposes.

III. MIXING REGULATIONS

Under the compulsory home production incorporation system for bread grains, the Government fixes annually the percentage of domestic bread grain to be used in millers' grists and the rate of extraction to be achieved, as well as the total quantity of imported wheat that millers may use. At present, ordinary bread is composed of 80 per cent of wheat (rate of extraction = 70 per cent) and 20 per cent of rye.
IV. STATE-TRADING OPERATIONS

(Including private enterprises enjoying special privileges)

There is no State-trading in agricultural products in Luxemburg.

V. IMPORT RESTRICTIONS

By their Decision of 3 December 1955, the CONTRACTING PARTIES have granted Luxemburg a waiver permitting it to maintain restrictions on certain products. The importation of these products is subject to individual license and is generally authorized in accordance with the requirements of the domestic market. Import quotas may be fixed in cases where these are provided for in trade agreements concluded by the Belgium-Luxemburg Economic Union with third countries. The products in question, as listed in the Annex to the waiver Decision, are the following:

- Bovine cattle
- Swine
- Beef and veal
- Pigmeat (pork and bacon)
- Prepared meat
- Milk and milk products (fresh milk, buttermilk, curdled milk, fermented milk, milk cream, preserved milk and cream, etc.)
- Butter
- Eggs: seasonal restrictions from 1 February to 1 September
- Potatoes (except fresh potatoes imported from 1 January to 31 May): seasonal restrictions from 1 August to 30 March
- Apples
- Wheat, spelt and meslin and flour thereof
- Rye and flour thereof
- Wheat groats and semolina
- Bran and sharps from wheat and rye
- Sausages and the like
- Macaroni, spaghetti and like products
- Bread, ships' biscuits and other ordinary bakers' wares

Apart from eggs (for which there is a maximum domestic price and of which imports are limited seasonally) and apples, all these products are, or are derivatives of, products which are the subject of price support measures. (See Sections IB and II above.)

VI. MEASURES WHICH TEND TO REDUCE OR REMOVE THE NEED FOR NON-TARIFF MEASURES OF PROTECTION OR SUPPORT

In the past it has been possible to secure to the Luxemburg farmers fair returns as a result of a system of official prices based on effective costs and protection from foreign competition. In future it will be more and more difficult to use such ways and means considering the need to export the surpluses arising out of an increasing agricultural output. Access to foreign outlets is possible only as a result of active integration in European markets.
Such a policy must be aimed primarily at a lowering of production costs and the technical and structural rehabilitation of agricultural holdings, as well as the improvement of the marketing organization for agricultural products. To achieve these objectives, many steps will have to be taken in the legislative, technical and structural fields. The results which such measures will yield will determine eventually the extent to which the State will have to intervene in order to secure adequate returns for agricultural producers.