Committee II - Expansion of Trade

TRADE IN AGRICULTURAL PRODUCTS

THE NETHERLANDS

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

Furnished by the Government of the Kingdom of the Netherlands

I.

NATIONAL AGRICULTURAL POLICIES

A. General Objectives

The main policy objectives are to achieve an adequate income on economically and socially justified farms and to ensure that agricultural land is exploited in the most efficient manner. Although it is not the intention that agriculture should obtain a certain share of the national income, the Government endeavours to link revenue formation in agriculture to the general wage level in the Netherlands.

Agriculture is an export industry and therefore most market regulations aim at keeping prices at competitive levels, avoiding possible sudden fluctuations in export prices and keeping production in line with existing outlets.

Another principal objective is to increase agricultural productivity. To this end the Government continues to examine measures to strengthen agriculture's structural position. Such measures include promotion of an increase in the average size of farms, land consolidation and land reclamation. Various regions have lagged behind in the general economic development. In order to improve the situation in these areas great importance is attached to regional development schemes, of which large-scale consolidation projects form an integral part.

There are no specific production objectives nor special targets for food consumption.

At a meeting of the Benelux Ministers on 3 May 1955 it was decided that the agricultural policies of the Benelux countries must be fully harmonized by 1962.
B. Special Measures

The Government has reserved its sole competence in the fields of price determination and foreign trade, and is empowered to take any necessary measures to further production and marketing of agricultural products.

The application of the Government's marketing and price policy is carried out by semi-official Commodity Boards which exist for all important commodity groups and are representative of all enterprises and employers engaged in the production, manufacturing and trading of agricultural products. These Boards have extensive powers in the field of organization and regulation of production, marketing, distribution, processing, imports and exports of the products under their competence.

The Government intervenes on the market only when the Commodity Boards are unable to exercise the functions allocated to them. If it does intervene, however, it buys or sells either on the home or on foreign markets, through the Central Purchase and Sale Office which works in close co-operation with the Commodity Boards.

General price stabilization funds exist for a number of main commodities, of which the revenue is obtained from farmers' fees, but which occasionally may also receive contributions from the general "Agricultural Equalization Fund". The latter fund has some direct means of revenue, such as receipts of variable import levies raised on cereal imports and of eventual export levies, but its main source of revenue is provided from the Budget.

As a general directive for the annual determination of prices the Government uses "cost price" (unit production cost) calculations prepared by the Agricultural Economic Research Institute which are based on the accounting results of a large number of efficiently managed holdings. Other considerations are also taken into full account, however, such as the desirability of curtailing a certain line of production, development of prices on export markets and the budgetary situation.

Organization in horticulture

Among the measures within this sector - which comprises vegetables and fruit and ornamental crop growing - a few main outlines stand out more or less clearly, which determine the character of horticultural organization.
1. Control of production potentialities

The limitation of the number of producers to a group of recognized skilled growers on the one hand and the control of the area on the other aim at creating a stable production of high-quality products, the volume of which is adapted as well as possible to the demand to be expected from both home and foreign buyers.

2. Canalization of supply and demand

Concentration of supply and demand, particularly at auctions (sometimes even required by public law), which among other things promotes a correct judgement of market situations, and makes a proper price formation more likely.

3. Free price formation

The control of the production potentialities referred to under 1 above is only a rough estimate (per sector), and allows for differences according to types. For each product and/or type the free influence of the principles of supply and demand applies. This tends to prevent the threat of rigidity in the production pattern, and to promote an increase of the productivity.

4. Arrangements in respect of incidental surpluses

Inherent to the production process and the character of the product (liability to deterioration) is the prevention at certain times of daily surpluses. These incidental surpluses are withdrawn from the market. Indications for such procedure are the so-called minimum prices. The level of these prices is determined at the beginning of a period, the idea being on the ground of previous experiences to base this level on the proper satiety point of the market. It has appeared that this level is always appreciably lower than the cost price. For the products withdrawn from the market a compensation scheme has been created which is financed from funds procured by the producers themselves.

5. Export arrangements

Under the adopted export policy only such products are exported as comply with rigorous requirements in respect of quality. Undercutting is prevented through a prohibition of consignments. Sometimes the producers of the importing country are protected by fixing minimum export prices.
6. Influence of the Government

Barring one minor case (protection of cabbage to an amount of D.fl.1 million on behalf of the so-called Geestmarnmbacht area where social conditions are very poor) the horticultural sector is not State-aided. Giving arrangements the force of law, as is desired by the industry will, however, be homologated by the Government.

Fisheries policy

The main lines, determining the character of the organization of horticulture set out above and those applicable to the fisheries sector are very much alike, although there are, of course, minor differences dictated by the nature of the industry.

1. Control of the production potentialities

On account of the fact that the pursuance of fisheries is subjected to a system of licences and the policy governing the issue of these licences is indireatly influonaed by the development of the market­ing possibilities, this system can be considered one of the means to help adapt the supply to the demand. The policy as pursued today merely seeks to prevent any undue extension of the fishing fleet. This adaptation is also reflected in regulations regarding the numbers of nets which may be used, and the processing of the product on board of the fishing craft.

2. Canalization of supply and demand

In view of the fact that the transfer of fish from supplier to the trade is affected via the auction, the market situation is quite clear and a justified price formation is promoted.

3. Free price formation

As in horticulture the price fetched at auctions for the fish landed is a reliable indication for the supplier into which direction the production will have to develop. Needless to say that this adapta­tion is limited by natural circumstances, which especially in fisheries may exercise a great influence.

4. Arrangements in respect of incidental surpluses

As far as the arrangements with regard to incidental surpluses are concerned much about the same measures are taken in the fisheries section as apply to horticulture. Special difficulties, however, attach to the determination of the minimum price at auctions and the relation
between this price and the cost price. The knowledge of the cost price in the fisheries sector is up to this moment not yet sufficiently developed. Moreover, in the fisheries sector it is not always quite clear what is meant by the term cost price, while, as a result of the adopted system of wage formation, the crew are directly interested in the level of the minimum price.

5. Export regulations

Minimum export prices have been fixed for a great number of fishery products. These minimum prices both aim at protecting the home production of the importing country and the prevention of undercutting.

6. Influence by the Government

Fisheries in this country are not State-aided. As in horticulture, giving arrangements the force of law as desired by the industry is homologated by the Government.

C. Measures for the different products

The market organization measures drawn up for the different products are described below. First, a description of the notions used is given:

1. Description of notions used

In describing the market organization measures applied in the Netherlands the following notions have been used:

1. Guaranteed prices - firm prices guaranteed by the Government, realized via the home market prices.

2. Minimum guaranteed prices - minimum prices guaranteed by the Government, which are realized by one or more of the following means:

   (a) via the home market prices;
   (b) via an allowance from equalization funds for bridging the gap between the minimum guaranteed price and the home market price;
   (c) via deliveries on the basis of the minimum guaranteed price, losses on the sale of the products delivered being borne by equalization funds.

3. Minimum prices - arrangements by the industry, which with sales guarantee a minimum price to be realized via:

   (a) possibility of delivery on the basis of the minimum price, any losses on the sale of the products delivered being borne by the joint producers;
(b) withdrawing from the market of surpluses unsaleable on the basis of the minimum price, for which the producers will receive a lower "compensation price". Any losses on the sale of the products withdrawn from the market are borne by the joint producers.

2. **Products**

**Domestic wheat** = a guaranteed price for the producer is determined for delivery free-merchants-storehouse. This price is based on the cost price in the main wheat regions. It increases each month (August - April) so as to compensate farmers for costs of storage. The guaranteed price is realized via the home market price. Under this arrangement an admixture of 35 per cent home-grown wheat in the bread flour has been made obligatory, while a possibility for delivery on the basis of the guaranteed price has been created. Deliveries take place only rarely, the system operating in such a way that the guaranteed price is practically always fetched. Prices of imported wheat are not regulated and are duty-free.

**Feed grains** = (barley, oats, rye and maize) minimum guaranteed prices for the producers are determined, which are realized via the home market prices by applying equalization levies on imported grains. In case processed cereals or livestock products are exported the equalization levies will be refunded (see under livestock products). Producers on the lighter soils are, when the market price level is exceeded, entitled to supplementary premiums. These premiums are paid by the Agricultural Equalization Fund.

**Sugarbeet** = a guaranteed price is fixed for the producers for that part of the sugar production which can be absorbed by the home market. This price is realized by means of a firm ex-factory sugar price for quantities sold in the home market.

**Early potatoes** = minimum guaranteed price for the producers, realized by opening up a possibility for delivery to the Purchase and Sale Office (VIB) twice every season, on the basis of the minimum guaranteed price. The minimum price has been fixed at such a low level that it will exclusively become operative in the case of catastrophic price drops. During the last few years the possibility for delivery has hardly ever been made use of.

**Manufacturing potatoes** = minimum guaranteed price for the producers, realized by means of a premium equal to difference between the minimum guaranteed price and the average sales price. The difference is paid out of the Agricultural Equalization Fund.
Seed potatoes - minimum price realized by means of a possibility of delivery at the end of the marketing season, on the basis of the minimum price. For seed potatoes there is a private equalization fund, maintained by the growers and by means of export levies. This measure aims at an equalization of the price over a number of years.

Milk and dairy products

1. Liquid milk and liquid milk products: Guaranteed price for the joint producers realized via the home market price.

2. Butter and cheese: Minimum prices realized via the possibility of delivery to the VIB, on the basis of the minimum prices. Any losses or profits on products delivered will be paid by or into the Dairy Fund, which is financed by the producers.

3. Skim milk powder: Minimum price realized both via the possibility of delivery to the VIB on the basis of the minimum price and by equalization levy on imported milk powder; any losses or profits on products delivered will be paid by or into the Dairy Fund, which is financed by the producers.

4. All milk delivered: The arrangements referred to above which affect the sales price of the milk are, in their turn, directly influenced by a minimum guaranteed price for the producer which applies to a limited quantity only.

This guaranteed price is realized by means of a premium to an amount equal to a certain part of the difference between the average proceeds of all milk taken over one year and the guaranteed price.

On account of the fact that only one guaranteed price is fixed, and the amount of the premium is based on one average sales price for all milk, the individual dairy factories are encouraged to make as high a price as possible for their products, so as to enable them to pay a price as high as possible to their milk suppliers (cattle farmers) for the milk supplied by them.

The premium is paid out of the Agricultural Equalization Fund.

Pig meat

1. Hams: Reimbursement equalization levy on imported feed grains when exported.

2. Bacon: Restitution equalization levy on imported feed grains when exported.
Eggs, egg products and table chicks: Reimbursement of equalization levy on imported food grains when exported.

Flax (social provision): Premium payable to the flax processing industry per ha of flax processed. This premium is financed out of the Agricultural Equalization Fund. In 1958 an amount of D.fl.1.5 million was paid.

II.

SUBSIDIES

(Including all forms of income and price support)

The Netherlands does not grant any direct subsidies on agricultural production except in some cases indicated under "A" below.

The Government subsidizes agricultural research, educational and advisory services, land improvements and land reclamation.

Agricultural products (with a few exceptions), as well as most raw materials used for agricultural production, are exempt from turnover tax.

Detailed information on measures applied:

A. Production subsidies

Incidentally, subsidies are paid to production of bacon pigs and for molting of pork surpluses.

The funds no ded are obtained from the Meat Fund.

Furthermore, additional amounts are paid to the flax industry, per hectare of processed flax.

B. Other forms of income support

In the Netherlands these may be divided into the following categories:

1. deficiency payments
2. equalization levies
3. fixed prices for produce sold on the internal market
4. floor prices

To the first category belong: food grains, industrial potatoes, all milk
To the second category belong: food grains
To the third category belong: wheat, sugarbeet, liquid milk for consumption
To the fourth category belong: ware potatoes, seed potatoes, cheese, butter, skimmed milk powder
C. Export subsidies

None.

D. Financing of losses on exports

None.

E. Indirect aids to exports

None.

F. Aids to exports involving the use of resources obtained from compensation or price equalization operations

Butter may fall under this heading. At the moment, however, no aid is given.

During the period of top production (summer), export of butter is subsidized, if necessary. The money needed is obtained from the Dairy Fund.

G. Other forms of aid

None.

III.

TOTAL COST OF GOVERNMENT SUPPORT PROGRAMMES AND FARM NET INCOME

A. Total cost of Government support programmes

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost (in F.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>100 million</td>
</tr>
<tr>
<td>1957</td>
<td>268 million</td>
</tr>
<tr>
<td>1958</td>
<td>454 million</td>
</tr>
<tr>
<td>1959</td>
<td>300 million (recent estimate)</td>
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</table>

B. Farm net income

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Income (in F.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>2,761 million</td>
</tr>
<tr>
<td>1957</td>
<td>3,200 million</td>
</tr>
<tr>
<td>1958</td>
<td>3,339 million</td>
</tr>
<tr>
<td>1959</td>
<td>3,500 million (recent estimate)</td>
</tr>
</tbody>
</table>

IV.

MIXING REGULATIONS

Millers are obliged to incorporate home-grown wheat into bread-flour at a rate which cannot exceed 35 per cent.
V.

STATE-TRADING OPERATIONS

None.

VI.

IMPORT RESTRICTIONS

The Netherlands Government has indicated that the following agricultural products, along with certain industrial products, are subject to import restriction, but that "the restrictions are administered in such a way that their restrictive effect is extremely limited".

Foals for slaughter

Horses, other than thoroughbred breeding animals and other than horses for slaughter

Bovine cattle, other than thoroughbred breeding animals excluding oxen

Swine, other than thoroughbred breeding animals

Beef and veal, fresh or chilled

Pork, excluding bacon, other, fresh or chilled

Horseflesh, fresh or chilled

Bacon

Meat (beef, veal, pork, horseflesh), salted, dried, smoked, cooked or otherwise simply prepared

Eel, fresh (live or dead) or preserved fresh by some frigorific or other process

Sea fish, fresh (live or dead) or preserved fresh by some frigorific or other process, excluding smelt and sprat

Herring, simply salted, dried or smoked

Shrimps, fresh, also if simply cooked or salted

Fresh milk, whole or skimmed; butter milk, curdled milk, fermented milk

Milk cream

Milk and cream, condensed (syrupy), without addition of sugar
Butter, fresh or salted, also if melted

Eggs in the shell, of poultry

Cut flowers and buds for bouquets or for ornaments, fresh

Tomatoes

Onions

Potatoes, excluding seed potatoes

Cauliflower, fresh

Other brassica of all kinds, fresh

Spinach, lettuce, endive and various salads, fresh, excluding chicory

Carrots, fresh

French beans and peas, fresh

Celery and leeks, fresh

Grapes

Apples and pears, fresh

Peaches, cherries and plums, fresh

Strawberries, fresh

Wheat, spelt and meslin

Seed-rye

Rice, husked, glazed or not, fully polished, not broken

Seed-barley

Seed-oats

Flour of wheat, spelt or meslin

Groats, semolina and husked or pearled grains of wheat

Sugar beet, whether or not cut up and dried

Chicory roots, green or dried, cut up or not, unroasted
Hops: hop cones and lupulin

Lard and other pig fats; lard oil; poultry fats

Castor oil, fluid or solid

Fatty acids, excluding fatty acids derived from tall oil

Margarine, imitation lard and other edible fats obtained by similar process

Beet sugar, cane sugar and like sugars

Invert sugar and artificial honey