Committee II - Expansion of Trade

TRADE IN AGRICULTURAL PRODUCTS

FEDERAL REPUBLIC OF GERMANY

Synopsis of Non-Tariff Measures for the Protection of Agriculture or in Support of Incomes of Agricultural Producers Furnished by the Government of the Federal Republic of Germany

I.

NATIONAL AGRICULTURAL POLICIES

General Objectives

The basic objective, as stated in the Law on Agriculture of 1955, is to ensure that agriculture will have a share in the progressive development of the national economy. Agriculture is to be enabled to offset the disadvantages sustained by it hitherto. The social conditions of the population engaged in agriculture are to be adjusted to those of comparable occupational categories. Other important objectives are: improvement of agricultural productivity, stabilization of prices on a large scale, and guaranteed supplies of food to the population.

The Law on Agriculture provides that the Federal Government shall submit to Parliament annually a "Report on the Situation of Agriculture" containing comments on the extent to which a wage level corresponding to that of comparable occupational categories and industrial income brackets, an adequate remuneration of managers' activities and an adequate profit income from the required working capital have been attained (Green Report). At the same time the Federal Government indicates every year the measures it has taken and those it intends to take in order to attain the objectives defined in the Law on Agriculture (Green Scheme).

II.

MEASURES OF PROMOTION

A. Production Subsidies

Flax and Hemp Cultivation

The amount granted out of federal funds as a cultivation subsidy is DM.250,000. For flax straw with seeds and for hemp straw with and without seeds the subsidy granted is DM.12.00 per 100 kilos; for flax straw without seeds it is DM.15.40 per 100 kilos.
The subsidized fibrous plant straw is not exported. The relatively small-scale cultivation, which continues to decline in spite of promotion, is intended to be maintained in certain regions in order to preserve sound soils; the cultivation of hemp is mainly intended to serve the economic exploitation of marshy soils.

There is no restriction on the importation of flax and hemp straws.

**Potato Cultivation Bonus**

A bonus for the growing of potatoes is granted, out of funds available under the Green Schemes, for the quantities of potatoes rich in starch delivered to the starch works. The bonus amounts to DM.0.10 per kilo of starch contained in the potatoes delivered. But the bonus quota has been limited to 33,000 tons of potato starch flour in order to avoid excessive production as well as a decline in imports. Total requirements for potato starch in the Federal Republic amount to about 60,000 tons a year; during years with good potato crops the output of the German industry is about 33,000 tons. The remaining 27,000 tons is imported.

**B. Other Methods of Promotion**

**Cultivation of Forage Crop Seeds for Multiplication**

The amount designed to promote the activities of seed multipliers is between DM.2 and 3, granted out of federal funds. The rate of promotion per unit varies. It depends on the volume of the crop yield and on the price obtained for the product. It can be decided each time only after the harvest whether and to what extent the seeds of a plant species need promotion.

The level of plant produce achieved in spite of partially unfavourable growing conditions is largely due to the use of species conforming to local circumstances. In the case of the fodder plants which enjoy promotion, there is a very unfavourable relationship between the fodder value and the seed yield because seeds of plants with a high fodder value are only obtained in small quantities per acreage unit. To compensate for that disadvantage, the promotion bonus is granted to maintain and promote the growing of seeds for multiplication because, due to the partially difficult growing conditions, the efficiency of agriculture can only be secured by way of guaranteeing the supply of tested seeds of protected species.

**Vegetable Seeds and Seeds of Leguminous Vegetables**

Up to DM.640,000 has been granted as a promotion subsidy out of federal funds. That subsidy is designed to cover part of the high cultivation expenses because such expenses cannot be met only by the relatively small requirements for seeds and by sales proceeds. The promotion subsidy does not imply any influencing of import and export developments.

The promotion subsidy is granted for such cultivation species as became marketable for the first time after 31 March 1953 owing to their admission as high quality cultivation species or before 31 March 1958 owing to the granting of species protection.
The subsidy is distributed to owners of vegetable gardening concerns, most of whom are refugees from the Soviet Zone of Occupation having fled, destitute in most cases, to the Federal Republic after 1945. Most of the cultivation concerns in the Soviet Zone were expropriated by way of nationalization. The re-establishment of new concerns required, and still requires today, governmental aid.

**Promotion Grants to Ensure Cheaper Fertilizer Supplies**

The rate of price reduction is 20 per cent on an average. In 1958 the amount made available for this purpose out of federal funds is estimated at DM.295 million. This general measure of promotion under the Law on Agriculture is designed during a transitional period to help improve the competitive position of agriculture in the Federal territory and increase crop yields especially in regions with unfavourable conditions of production.

**Reduction of Diesel Fuel Cost**

Combustion engine fuels in the Federal Republic are heavily charged by the mineral oil tax and the turnover equalization tax. In order to keep within reasonable limits the cost of operating engines and tractors utilized for agricultural work, an operation subsidy for "Diesel fuel" is granted to agricultural concerns under the Fiscal Law on Transport and the Green Scheme. That subsidy is limited to the use of Diesel fuel. The 1958 budget of the Federal Republic provides about DM.150 million for such subsidies. In each individual case the amount of the subsidy depends on the annual rate of consumption which must be proved by evidence and is controlled by agricultural agencies. Despite that cost reduction, the price is very high in the Federal Republic as compared with other European countries; see table below:

<table>
<thead>
<tr>
<th>Country</th>
<th>Price at filling stations</th>
<th>Price for agricultural consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>50.0</td>
<td>27.4</td>
</tr>
<tr>
<td>Belgium</td>
<td>21.4</td>
<td>21.4</td>
</tr>
<tr>
<td>Denmark</td>
<td>20.1</td>
<td>16.6</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>55.02</td>
<td>16.6</td>
</tr>
<tr>
<td>France</td>
<td>64.4</td>
<td>20.7</td>
</tr>
<tr>
<td>Netherlands</td>
<td>17.6</td>
<td>17.6</td>
</tr>
<tr>
<td>Italy</td>
<td>54.3</td>
<td>14.6</td>
</tr>
<tr>
<td>Norway</td>
<td>22.9</td>
<td>22.9</td>
</tr>
<tr>
<td>Sweden</td>
<td>47.9</td>
<td>21.6</td>
</tr>
<tr>
<td>Switzerland</td>
<td>39.4</td>
<td>27.8</td>
</tr>
</tbody>
</table>

**Promotion Supplement on Milk**

A promotion supplement on milk is granted agricultural producers for the milk they deliver to dairies provided that such milk complies with certain conditions of quality. The supplement amounts to DM.0.03 per kilo of milk delivered. For the budget year 1958 a total of DM.400 million was earmarked for that purpose in the budget estimate; of that amount only DM.376 million are available owing to the budget reduction.

The promotion supplement is designed to improve the quality of milk.
Egg Bonus

The compensation amount for eggs is paid to agricultural producers for eggs marked "German standard eggs" which are sold on the market. That compensation amount is calculated on the basis of the difference between the domestic fodder price and the world market price and fixed every three months. The compensation amount is designed to compensate for the difference between domestic and world market prices of coarse grains. It was 2.9 pfennig per egg from 1 April to 30 June 1958 and 3 pfennig from 1 July 1958 to 31 March 1959. For the budget year 1958 the total amount needed for this purpose is estimated at DM. 46 million.

C. Export Aids

In the case of exports of some processed products obtained from agricultural products, the domestic prices of which are legally fixed at a level exceeding substantially the world market prices, no import charges (skimmings) are perceived on the importation of agricultural products used in the production of processed goods for exportation, in order to put the domestic producers on an equal footing with foreign competitors.

D. Other Methods of Aid

Reduction of Diesel Fuel Cost granted to the Fishing Industry

Under the Decree on the Reduction of Diesel Fuel Costs to Large-Scale Deep Sea Fishing, Large-Scale Herring Fishing, Small-Scale Deep Sea, Coastal and River and Lake Fishing (BGBI. I 1951, page 371, and 1955, page 454), fishery concerns purchasing Diesel fuels charged with import duties and taxes are granted a subsidy in the amount of the import duties and taxes paid as well as a direct subsidy of DM.7-,- per 100 kgs. Only the subsidy of DM.7-,- is granted for fishing vessels which obtain their fuel supply from bunkers under customs bond, i.e., which pay neither taxes nor import duties. This subsidy is granted mainly to large-scale herring fishing, small-scale deep sea, coastal and river and lake fishing concerns (30 per cent of the total catches). Concerns engaged on large-scale deep sea fishing are granted the subsidy only in case of evidenced need.

Reduction of Interest Rates

Within the framework of the reduction of interest rates effected since 1954 for loans promoting urgent measures in the field of agriculture and food supply, a total amount of DM. 58.2 million was made available in the budget year 1958. By reducing the interest rates the Federal Government supports the efforts made by the German agriculture for realizing urgent investment projects. The reduction of interest rates is not to be regarded as having a permanent character; it is designed to facilitate the access of agriculture to the capital market in case investments are necessary for adjustment and improvement purposes. The reduction of interest rates is designed to serve the following purposes:
(a) consolidation of property;
(b) vegetable and fruit cultivation and horticulture;*)
(c) inland water trades;
(d) purchase of joint equipment and machinery;*)
(e) dairies and milk trade;*)
(f) conversion of agricultural building and construction of
new ones, including housing units for agricultural labour;
(g) fishing trade:

(1) rehabilitation of the deep sea fishing fleet as
well as conversion of cutters, loggers and steam-
trawlers for modernization and rationalization.

(2) centralized marketing and chilling facilities.*

Favourable developments in the capital market made it possible in the
budgetary year 1959 to restrain the reduction of interest rates scheme
applied since 1954 to loans granted with a view to promoting urgent
measures in the field of agriculture and food. Since 1 July, 1959,
no reduction of interest rates has taken place for the uses earmarked *)
because a reasonable interest rate is approximately attained by loans from
the free market. Since that date, subsidy for the purpose of reducing
interest rates is only granted for loans designed for carrying out the
other measures especially responsive to changes in interest rates.

**Turn-over Tax**

(a) Under the Turn-over Tax Law imported products are made liable to
taxation. This equalization tax perceived on imports is designed to
compensate for the preliminary charge resulting to domestic products
from the taxation of turn-overs.

(b) Exported products are exempted from the turn-over tax if their
exportation is proved on the basis of accountancy. Moreover, fiscal
advantages are granted for exports. They are designed to eliminate
preliminary charges burdening the exported products owing to turn-over
taxation.

(c) The producer stage of agriculture is exempted from the turn-over
tax. The same applies to milk products in the stages of treatment and
processing.

The above-mentioned advantages for exports are applicable without
any restriction to any commodities including the products of the food and
agricultural sector.
III.

COST OF MEASURES TAKEN AND AGRICULTURAL NET INCOME

(a) **Total Cost of Support Measures taken by the Federal Government**

(Budget estimates in million DM)

<table>
<thead>
<tr>
<th></th>
<th>Budgetary Year: 1 April - 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1956/57</td>
</tr>
<tr>
<td>(aa) Improvements in the agricultural structure, and agricultural working and living conditions</td>
<td>644.0</td>
</tr>
<tr>
<td>(bb) reduction of farm expenses</td>
<td>426.1</td>
</tr>
<tr>
<td>(cc) quality improvements; increased efficiency of production and marketing</td>
<td>101.4</td>
</tr>
<tr>
<td>(dd) measures of various kinds</td>
<td>284.8</td>
</tr>
<tr>
<td>(ee) alleviation of damages done to crops by floods and frost</td>
<td>32.9</td>
</tr>
</tbody>
</table>

*ad bb)*

of which

<table>
<thead>
<tr>
<th></th>
<th>Budgetary Year: 1 April - 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1956/57</td>
</tr>
<tr>
<td>reduction of the cost of fertilizer application</td>
<td>226.0</td>
</tr>
<tr>
<td></td>
<td>277.9⁺</td>
</tr>
<tr>
<td>reduction of Diesel fuel cost for agricultural uses</td>
<td>79.4</td>
</tr>
<tr>
<td></td>
<td>117.5⁺</td>
</tr>
<tr>
<td>reduction of interest rates</td>
<td>38.4</td>
</tr>
</tbody>
</table>

*ad (cc)*

of which

<table>
<thead>
<tr>
<th></th>
<th>Budgetary Year: 1 April - 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1956/57</td>
</tr>
<tr>
<td>subsidy for the prices paid to farmers for milk</td>
<td>7.7</td>
</tr>
<tr>
<td></td>
<td>442.8⁺</td>
</tr>
</tbody>
</table>
promotion of seed production and trade; premiums on potatoes rich in starch

ad (dd)

of which

subsidy for grains and sugar, premium on deliveries of rye

support to the domestic price of flax and hemp

subsidy for eggs

subsidy for skim milk powder

+) amounts actually used

++) amounts actually used for premiums on deliveries of rye.

(b) Agricultural National Net Product at Factor Cost

(Income of all those engaged in agriculture (including interest and profit)

Calendar year 1956

" 1957
" 1958

DM.11,484 million

12,790 "

13,500 "

Value of Food Production

Economic year

1 July - 30 June

1956/57
1957/58
1958/59

DM.19,141 million

20,380 "

21,832 "

30.0 ++)

50.0 ++)

85.1++)

59.5++)

2.5 ++)

2.0)

1.0 ++)

19.5++)

19.1++)

1.0 +)

4.0 ++)

3.8 +)

0.3 +)

49.8++)

2.5 +)

20.2++)

5.9 +)

8.0 ++)

50.1 ++)

49.8 ++)

3.8 +)

2.0 +)

50.0

17.9

14.9 +)

5.9 +)
IV.

MIXING REGULATIONS

The Twelfth Executive Decree under the Grain Law (economic year 1958-59) establishes that flour mills, when processing wheat, shall admix 61 per cent of domestic wheat and that the proportion of foreign high quality wheat shall not exceed 30 per cent.

The Annex to the Fodder Ordinance establishes that 2 per cent of shrimps shall be admixed to mixed grain fodder for fowl.

Under the Decree on the Admixture of Domestic Rape-seed Oil and Fine Tallow (BAnz. No. 41 of 28 February 1953), extended until 30 June 1960 (BAnz. No. 249 of 22 December 1956), all concerns commercially producing, for their own account or for another's account, margarine (likewise smelted and drawn margarine) are obliged to admix to every monthly margarine output, or to process within the framework of every monthly production, rape-seed oil of proved domestic origin in the amount of 5 per cent of the pure fat quantity used for every monthly margarine output. As regards the admixture of fine tallow obtained from domestic raw tallow (premier jus, secunda jus and edible tallow), the rate of admixture is one per cent of the yearly pure fat content in margarine. These low rates of admixture do not affect trade operations adversely.
V.

STATE-TRADING OPERATIONS

(Including private enterprises enjoying special privileges)

In Germany there is an alcohol monopoly designed to yield revenues rather than to protect agricultural products.

There are Marketing Laws for four groups of products. The Marketing Laws (reproduced in translation in Document MGT/47/57, Annex III) and the products covered by them are as follows:

<table>
<thead>
<tr>
<th>Products covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar Law</td>
</tr>
<tr>
<td>Milk and Fat Law</td>
</tr>
<tr>
<td>Grain Law</td>
</tr>
<tr>
<td>Meat Law</td>
</tr>
</tbody>
</table>

Sugar Law
Beet and cane sugar, residual products obtained from raw sugar, including syrups with a pure sugar content above 70 degrees.

Milk and Fat Law
(a) milk and cream and specified milk products
(b) butter, lard (pig lard and butter lard), margarine, artificial edible fats, other refined as well as refined and hydrogenated vegetable and animal oils and fats and edible fats and oils obtained therefrom, especially vegetable fats

Grain Law
(a) bread grains (rye, wheat, spelt (Spelz-Dinkel), Fesen-Emer, lesser spelt (triticum monococum))
(b) other grains (barley, oats, maize, buckwheat, millet, rice)
(c) milling products (flour, semolina, dust, whole meal for baking)
(d) fodder (dari, milocorn, millet, as far as used for fodder purposes, residual products of flour and hulling mills, brans, fodder meals of all kinds) secondary and residual products obtained in the production of sugar, beer, malt and starch, as well as potato flakes, solid residues obtained in the production of fixed oils - oil cakes, whether or not ground, and extraction whole meals - fish meal, animal body meal and other fodder products of animal origin, mixtures composed of the abovementioned kinds of fodder or of coarse grains.

Meat Law
livestock (bovine cattle, calves, pigs and sheep), meat (parts of such animals for human consumption) and meat products (treated or processed meat /including preserves/ - with or without addition of other food-stuffs as well as slaughtering fats)
These four Marketing Laws which, though not completely uniform, serve a common aim, regulate and secure the sale of the products concerned in the domestic market as well as the supply to the population. In this way it is intended to secure continuous market conditions and especially stable prices compatible with production costs, on the one hand, and with the purchasing power, on the other, or to keep the market prices of products with legally fixed prices within the set limits. This likewise entails repercussions on production. The regulation of sales and supplies, moreover, implies that imports are influenced through the supply schemes to be set up by virtue of the Laws; on the other hand, exports are subject to approval. In addition, the products covered by the Marketing Laws, both imported and of domestic origin, may be put on store. The stocks of grains, fats and meat are owned by import and storage agencies whereas the stocks of sugar are owned by sugar factories.

The regulation of imports and storage is effected by the import and storage agencies established by the Marketing Laws and operating under the powers conferred on them by the Laws and under instructions to be issued. Their function in connexion with imports is supported by the customs authorities which under the Laws must not clear imports unless approved by the respective import and storage agency.

The procedures of approval and imports provide that any proposed imports must be offered for purchase to the competent import and storage agency. If the offered product is admitted for importation, the agency purchases it formally and resells it to the importer. If it is rejected, it cannot be imported. When this point is decided upon, the general principles of international agreements are observed. The product offered by the importer is not resold to him if it is intended to be stored for the agency's account.

This procedure of "purchase and resale", in addition to guaranteeing the keeping of stocks, permits (a) to influence the quantity, quality and date of imports and (b) to regulate in the case of certain products, the price at which they are sold on the domestic market.

The possibility of importing products covered by the Marketing Laws is announced in the Bundesanzeiger, the quantity and quality concerned being indicated. In case import applications exceed that quantity, the import and storage agencies decide which imports are to be effected. In that case the quantities applied for may be reduced proportionally or the most expensive imports may be excluded. Under this procedure, however, bilateral obligations entered into by the governments must be taken into account.

The possibility of influencing the price at which the imported goods are sold in the domestic market is ensured by the fact that the goods may be resold to the importers by the import and storage agencies at a fixed price. When no influence is exerted on the price, the purchase price
offered by the importer is likewise his re-purchase price. At present, fixed prices are practised only in the case of sugar and grains, whereas the other products are resold at prices equivalent to import costs. When re-purchase is effected at fixed prices, the procedure has the same effect as an import charge if the domestic price exceeds the import price and as an import subsidy if the world market price exceeds the fixed domestic price. As far as the products are not imported for stockpiling (as mentioned above), they are admitted for free circulation in the domestic market as from the moment when their importation is approved.

VI.

IMPORT RESTRICTIONS

(a) Flax and Hemp
No import restrictions.

(b) Potatoes for Starch Production
No import restrictions.

(c) Forage Seeds
There are no quantitative restrictions for certain seed types. Other types will be liberalized by 31 December 1960 at the latest. The remaining types, as far as varieties are concerned which comply with the provisions of land amelioration character, laid down in the German Seed Act, may be imported under the quotas announced from time to time. The quotas are, normally, on an ad valorem basis and are based on arrangements made with exporting countries, taking account of the priority given to indigenous seeds under the Seed Act. Quotas are not subject to a minimum price system nor coupled with purchases of domestic commodities.

Import licences are issued on a purely arithmetic basis to applicants by the "Aussenhandelsstelle für Erzeugnisse der Ernährung und Landwirtschaft". In order to ensure an economically reasonable allocation of quotas, imports made by applicants during a comparable period are, in single cases, taken as a basis.

(d) Vegetable Seeds and Seeds of Leguminous Vegetables
There will no longer be import restrictions on vegetable seeds as from 1 December 1960 at the latest.

The administration of import restrictions for seeds of leguminous vegetables is described in the above section "Forage Crop Seeds".

(e) Fertilizers
No import restrictions.

(f) Diesel Fuel
No import restrictions.
(g) **Milk**

Apart from a special arrangement made with respect to the German-Dutch boundary area, the German Milk and Fat Act (Marketing Law) does not provide a possibility for imports.

(h) **Eggs**

No import restrictions.

(i) **Flour, Starch and Meat Products and Confectionary**

Imports of flour and meat products are subject to the provisions of the Marketing Laws the system of which is described in Section "V. State-Trading Operations". The import licenses necessary with regard to foreign exchange are issued by Ausserhandelsstelle für Erzeugnisse der Ernährung und Landwirtschaft (Foreign Trade Agency for Foodstuffs and Agricultural Products) in accordance with the marketing regulations.

As regards starch, there are import restrictions which are applied under the system described in the Section on "Forage Seed".

There are no import restrictions for sugar.

VII.

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

The Essential Objectives of National Agricultural Policy

The agricultural policy pursued by the Federal Government is designed to improve the efficiency of German agriculture with a view to integrating it into the national economy as a partner on the same footing as other sectors and to increasing its strength in international competition.

The measures taken in the field of agricultural policy centre on the programme launched in 1953 to improve the pattern of agriculture. That programme is designed to improve the structural foundations of agricultural production and especially to create, by way of reduced costs, such conditions as will ensure a higher productivity of the elements on which agricultural production is based. The Federal Government hold the view that the necessary process of adaptation can only be successful if private enterprise and governmental aid complement each other. The structural measures of the past years which for this reason were promoted by increasing expenditure of federal funds covered both the improvement of the pattern of agriculture in a narrower sense (redistribution of land, extension of tillable acreage, settlement of farmers) and the improvement of working and living conditions for the population in rural districts.
The structural adaptation of German agriculture will take quite some
time to complete. Therefore, the Federal Government have started measures,
especially under the "Green Schemes", designed in the first line to reduce
the cost of operation of agricultural concerns, to ensure more economical
production and sale of agricultural products and to improve their quality.
This action will likewise contribute to the stabilization of the food price
level in the interest of overall economy and to the expansion of the
domestic consumption of agricultural products.

The parallel effects of measures aiming at long-term objectives and
of aids granted at short notice are intended to ensure that all the sectors
of agriculture participate in the progress of overall economy and that the
differences existing between the incomes of the population engaging on
agriculture and those of the population carrying on other trades be
eliminated.