EXPANSION OF TRADE - AGRICULTURAL POLICY

Report of Committee II on the Consultation with Austria on Agricultural Policies

1. In accordance with the Decision adopted by the CONTRACTING PARTIES at their fourteenth session that consultations should be held with the individual contracting parties regarding their agricultural policies, the Committee carried out the consultation with Austria. The Committee had before it:

   (i) document COM.II/2(a), dated 17 February 1959 which contained a synopsis supplied by the Government of Austria of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers;

   (ii) document COM.II/2(a)/Add.1, dated 12 January 1960 which contained statistics on the cost of programmes and farm net income; and

   (iii) document COM.II/41, dated 12 January 1960 which contained detailed information, also supplied by the Government of Austria, on commodities entering importantly into international trade.

In conducting the consultation, the Committee followed the plan for consultations contained in Annex A to COM.II/5, and adopted by the CONTRACTING PARTIES at their fourteenth session. The consultation was completed on 3 February 1960.

A. General Agricultural Policies

2. In his opening statement the representative of Austria stressed the importance played by agriculture in the Austrian economy. Although the agricultural population had decreased continuously during recent years, 20 per cent of the total population were still engaged in agriculture. The share of the national income derived from agriculture and forestry had also decreased considerably so that in 1958, the net income of this sector was 12.3 per cent of the national income.

3. Approximately one third of all agricultural holdings, covering more than two-thirds of the total area of production, was situated in mountainous regions where conditions were for the most part extremely unfavourable to agricultural production. At the same time, possibilities for supplementing farm income in these areas did not always exist. A primary objective of Austrian agricultural policy therefore was to improve the economic position of the agricultural
population. Another great problem confronting Austria was the structure of agriculture. Nearly 90 per cent of holdings were less than 20 hectares, and approximately one half of agricultural holdings were smaller than 5 hectares. The situation was further complicated by the fact that many plots were widely separated from each other and from the farmstead. Great efforts were being made to improve the structure by consolidation and enlargement of holdings.

4. Efforts were also being made to provide sources of additional income in other economic spheres for the families of smallholders and mountain farmers. In addition, extensive areas in mountainous districts which were difficult to cultivate economically, were being afforested.

5. In 1945, when there was a general worldwide scarcity of foodstuffs and when Austria was unable to produce the industrial goods in exchange for which food could have been obtained, home production of agricultural commodities assumed great importance. All efforts were concentrated on the speedy increase of agricultural production. This increase was achieved and maintained despite a reduction of the area under cultivation and the consequent decrease in the agricultural population. Whereas during the period of rehabilitation following the war, the primary goal was to increase total agricultural output, in recent years the emphasis had been placed on increasing productivity. Both productivity of labour and productivity per area unit had shown marked increases. Great importance was being attached to the production of first quality goods.

6. During recent years, Austria had produced 85 per cent of the value of agricultural commodities and 79 per cent of the calories the population consumed. These percentage figures were only slightly higher than those applying prior to the war. The representative of Austria stressed that Austrian policymakers did not aim at total self-sufficiency in agriculture. However, in view of the political situation, and especially the neutral status of Austria, the Government considered it essential to ensure a minimum supply from domestic sources.

7. The representative of Austria emphasized that as international trade was of vital importance for the Austrian economy, the authorities had always been anxious not to hamper unduly the agricultural import trade. Imports of agricultural products had continually increased since the end of the war which meant that an important part of the rising demand had been covered by imports.

8. Austrian agricultural policy aimed at an even flow of supplies of quality products to domestic markets at fairly stable prices. It was felt that consumers should be able to obtain food at the lowest possible price, while producers should be able to earn an income comparable to that enjoyed in other sectors of the economy. It was the aim of the Government, therefore, to develop an agricultural price system of great stability in the interest of consumers as well as of producers. Experience had shown that the desired stability of the price level of important agricultural products could only be assured through State intervention. In the 1930's, Austria had liberalized for a short period the importation of such
key products as foodstuffs. The result was that imports rose sharply. A further consequence was a surplus production of animals and animal products, followed by a catastrophic price slump in this sector as well as in the sector of vegetable production.

9. By 1951, producers' prices no longer covered producers' costs, which had increased continually during the post-war period. Had consumer prices been raised accordingly, a further increase in industrial wages and production costs would have taken place. It was felt that this had to be avoided in order to arrest the serious decrease in the purchasing power of the Austrian schilling and that the only course was the introduction of price support measures by the State. In this way the inflationary movement was brought to a standstill, social tensions were avoided, and the support was used, as far as possible, to cover reasonable production costs in agriculture which were assessed on the basis of the accounts of 1,300 test enterprises. Supports of this type were granted for bread, milk and dairy products.

10. On the basis of the Marketing Law, the marketing of milk and dairy products, cereals, slaughtering cattle, meat and meat products, had been regulated by separate Boards since 1950. The Grain Compensation Board and the Board for Livestock and Meat established annual import programmes on the basis of which details regarding the quantity, quality and period of individual imports were fixed. Tenders for such imports were invited by the Boards and the tender which appeared most reasonable in view of price, quality and date of delivery, etc., was accepted. If prices of imported bread grains proved to be higher than domestic prices, the State granted a subsidy on imports. If they proved to be lower, the importer was required to pay an equalization levy. Imports which were subject to an equalization levy were admitted without payment of duty regardless of whether the levy was actually collected or waived.

11. The Administrative Commissions of the three Boards consisted of producers', consumers' and trade representatives in equal numbers. Decisions by these Commissions could be taken only if agreement was reached by a majority of four-fifths of the members.

12. During recent years the stabilization policy had brought about regular deliveries to the market at fairly stable prices to the advantage of both producers and consumers. As mentioned previously, prices of milk and dairy products, as well as those of rye and wheat, were fixed. Prices of domestically produced feed grains were free and followed automatically the fixed prices of imported feed grains. Domestic prices of livestock and meat products were on the whole free; only prices of live pigs were regulated. If they rose above a certain level imports were permitted; if they fell below a minimum price, exports were permitted. A maximum price for sugar was also fixed by the Government. The price of sugar beets was privately negotiated by sugar factories and beet-producing farmers. For 1960 quotas were introduced for sugar beet deliveries in an effort to avoid a sugar surplus.

13. The representative of Austria concluded his statement by summing up the aims of the Austrian agricultural policy as being the assurance of a minimum supply of food under all conditions, the promotion of productivity, the development of the competitive quality of Austrian products and the raising of
the standard of living of the agricultural population to a level comparable with other sectors of the economy. These aims were sought through the improvement of the structure and production techniques in agriculture, through the opening of possibilities for smallholders to earn additional income outside of agriculture, and through the application of the regulative measures described previously. The Austrian representative stressed that in applying these measures the authorities were aware of, and anxious to safeguard, the legitimate interests of Austria's trade partners.

14. Members of the Committee thanked the Austrian representative for his very informative statement and requested elaboration on a number of points. One member, referring to the structural problem confronting Austrian agriculture, felt that it was generally agreed that an obvious solution would be to encourage as much as possible the movement of the population out of agriculture. He questioned, therefore, the wisdom of the stated policy of the Austrian Government "to avoid further desertion from the land".

15. The representative of Austria explained that it was the hope of his Government that the movement of the population out of agriculture would not exceed the rate at which the agricultural population would normally be displaced by the introduction of technical improvements. He pointed to the serious problem of congestion in the cities; Vienna alone accounted for approximately one quarter of the Austrian population. It was the hope of the Government that the agricultural population would remain in rural areas, but would at the same time secure employment in pursuits other than agriculture. He stressed that it was not the Government's intention to obstruct normal movement out of agriculture and in this connexion explained that the proportion of the population engaged in agriculture had been reduced from the pre-war figure of 31 per cent to the present figure of 20 per cent. He added that many farmers were reluctant to sell their land, but that it was not uncommon to rent holdings to other farmers. This had the tendency of reducing the movement of the agricultural population to populated centres while at the same time contributing towards solving the problem of agricultural consolidation. Another member of the Committee, while expressing appreciation of the difficulties facing the authorities in creating alternative employment for the agricultural population, stressed that any restriction of the movement of the agricultural population to sectors where better opportunities were offered was contrary to the aims of the General Agreement to increase living standards. The representative of Austria expressed entire agreement with these general aims and pointed out to the Committee that the movement was indeed a large and relatively fast one consisting approximately 10,000 workers a year employed in agriculture, which represented a decrease of some 6 per cent.

16. A member of the Committee noted that domestic food production covered approximately 85 per cent of domestic requirements on a value basis and that the aim of the agricultural policy was to increase the level of production to 90 per cent. He asked which portion of the remaining 10 per cent would constitute foodstuffs such as tropical products of a type not produced in Austria. The representative of Austria explained that 90 per cent self-sufficiency was not a specific aim of agricultural policy. It was, however,
envisaged that if productivity continued to increase at the present rate, 90 per cent self-sufficiency might eventually be reached. He informed the Committee that on a calorie basis in 1958 and 1959, tropical foodstuffs constituted 2 per cent of total food consumption.

17. A member of the Committee observing that the agricultural price policy was firmly linked with the economic aim of maintaining the general price level as stable and as low a level as possible, enquired whether the agricultural price policy was subordinate. He stated that for the agricultural system to be subordinate would tend to give it a fairly rigid character. He felt that such a rigid agricultural policy would be possible only where national agriculture was isolated from developments in other countries. He pointed out that such isolation would take away any incentive to produce at the lowest prices. He requested a comparison of incomes in Austrian agriculture with those in the non-agricultural sector. The representative of Austria explained that there had been a strong upward tendency in wages in recent years. With 1945 as a base year representing 100, the average wage level reached 934 in November 1959. Emphasizing the disparity between agricultural income and industrial wages, he explained that with a base year of 1938 representing 100, average farm income in the autumn of 1959 represented 806, whereas the cost of operating the average farm reached 1,002. Austrian agricultural interests pointed to this development as an indication of the sacrifices made by agriculture in the interest of general economic stability. He stated that the present agricultural system did not require isolation in order to function and pointed out that rather than resort to a policy of isolation it was the practice to bring the imported price to the domestic level. This policy in his opinion did not lead to a restriction of imports; indeed, imports from parties to the General Agreement had increased considerably in recent years. Wheat imports from contracting parties to the General Agreement had increased from the yearly average of 62,000 tons in 1924-26 and 11,300 tons in 1934-36 to 144,000 tons in 1954-57. He explained that there was a tendency away from the use of rye for bread which partly accounted for the decrease in imports of rye from the yearly average of 22,000 tons in 1934-36 to 17,500 tons in 1954-57, but for corn, average yearly imports from contracting parties had risen from 5,000 tons in 1924-26 and 1,000 tons in 1934-36 to 240,000 tons in 1954-57. He added that there was an incentive in the system of internal support to produce more economically since fixed prices were established not on the basis of the cost of marginal producers, but on the basis of costs of middle-sized well managed farms, to which reference was made in paragraph 9.
18. In response to a question, the representative of Austria informed the Committee that measures similar to those introduced to limit the over-production of sugar beet did not exist for other commodities, since there was over-production only in the case of sugar.

19. Members of the Committee were of the opinion that the Austrian system for the regulation of agriculture involved a great deal of intervention in that sector of the Austrian economy with adverse effects on international trade. Imports of feed grains, for example, were subsidized which had the effect of increasing production of animal products which in turn were exported. He felt that while the mixture of motives lying behind the Austrian system was similar to that for some other countries, many of these countries had found less complicated methods of dealing with the situation. He wondered whether it would not be better to deal with the structural problem in Austria by direct income support of a non-price character which would enable the Austrian trading system to become a good deal more liberal than it was at present. The representative of Austria agreed that the system was complicated, but again pointed to the greatly increased imports of agricultural products as evidence of the liberal treatment accorded to imports. He informed the Committee that total agricultural imports had increased from Sch.204 million in 1947 to over 4,000 million in 1957 and in 1958. Imports for the first half of 1959 amounted to Sch.2,075 million. Referring to the effects of subsidized imports of feeding grains on exports of animal products, the representative of Austria informed the Committee that subsidization of imported feeding grains had decreased from Sch.200 million in 1956 to 15 million in 1959. Subsidized imported feeding grains were used almost exclusively for the production of pork which was exported only incidentally; imports of slaughter pigs had risen considerably. In answer to a further question, he assured the Committee that imports of feeding stuffs, other than cereals, were not subsidized.

20. A member of the Committee requested information on the Austrian Marketing Laws and the Foreign Trade Law of 1956. Noting the rising trend of agricultural imports, he also requested a breakdown of the products in which this increase was taking place. The representative of Austria explained that the Foreign Trade Law contained regulations governing foreign trade including import licensing; the Marketing Laws, although to some extent dealing with exports and imports, mainly regulated the internal market. He informed the Committee that imports continued to rise for eggs, cheese, pigs, vegetables and fruits. Imports of feed grains also continued to increase slightly, but imports of wheat and rye were now more or less stable. The member of the Committee stated that for meat and dairy products, exports had exceeded imports in recent years. He enquired what the level of imports would be in the event of full liberalization. The representative of Austria said that he was not able to give any estimate. He thought however that in view of the price level for agricultural commodities which were fairly low, no extraordinary increase of imports could be expected. In support of this view, he went on to quote examples from an ECE/FAO study which showed that the average price received by farmers for slaughter cattle per 100 kgs. live weight for the season 1958-59, was US$38 in Austria, which was well below the
European average; the same was true for pigs. Among the fifteen European countries reporting their price levels for these commodities, Austria was thirteenth for cattle and tenth for pigs.

21. In view of the favourable position of Austrian prices in relation to prices in other countries, as explained by the representative of Austria, a member of the Committee questioned the need for any quantitative restrictions. He also sought clarification on the degree of subsidization in Austria and the ways in which funds were raised to cover various subsidies. He enquired whether the figures supplied by the Government of Austria showing the costs of support programmes, included levies on imports. The representative of Austria stressed that it was not his intention to give the Committee the impression that Austrian prices were exceptionally low, but to point out that Austrian prices were not exceptionally high. The Austrian agricultural policy was directed not towards the creation of trade barriers but towards stabilization and equalization of the agricultural price level in an effort to prevent sudden increases in world prices from having an adverse effect on the Austrian consumer while at the same time preventing severe drops in world prices from having serious effects on producers' incomes. He emphasized that the structural problems of Austria must be borne in mind. He added that levies on imports were included in the cost of official support programmes and informed the Committee that such levies were imposed not in addition to, but in lieu of import duties.

22. A member of the Committee enquired whether increased efficiency was taken into consideration when guaranteed prices were negotiated. He also enquired whether there was Government representation on the semi-official Boards which had been created by Parliament to advise the Government and to implement the policies of price stabilization, imposition of equalization levies, and import control measures pertaining to cereals, dairy products, livestock and meat. The representative of Austria informed the Committee that the commissions managing the Boards consisted in equal parts of representatives of the Chambers of Agriculture, Labour and Commerce. These Chambers formed the legal representation of farmers, workers, and trade and industry, respectively. By virtue of the laws instituting the Chambers, every farmer automatically was a member of the Chamber of Agriculture, every employee a member of the Chamber of Labour and every entrepreneur a member of the Chamber of Commerce. He explained that there was a Government Commissioner on each Board who had no vote and did not participate in actual policy making, but had a supervisory capacity.

23. Bearing in mind the statement of the Austrian representative that increased efficiency was taken into account in establishing guaranteed prices, a member of the Committee considered it unusual that prices had been changed very little since 1955. The representative of Austria assured the Committee that increases in productivity were taken into account. The fact that the agricultural price level had remained stable while wages and other production costs had risen continuously, was a clear indication that this was the case.
24. In response to requests for information on the Agricultural Bill which was intended to become the fundamental law of Austrian agriculture, the representative of Austria informed the Committee that it was still in the preparatory stage; there was still no unanimity on this subject within the Government. He confirmed, however, that a main feature of the Bill, if enacted, would be the requirement of an annual report by the Minister of Agriculture which, it was felt, would give the system more flexibility.

25. A member of the Committee observed that the general objectives of Austrian agricultural policy were to safeguard agricultural production and to make foodstuffs available to consumers at reasonable prices. He had the impression that to reach these objectives the Government of Austria was pursuing a policy of self-sufficiency. He pointed out that the guaranteed price of wheat was above the world market price and that pork was subsidized by making available subsidized imported feedstuffs; for dairy products it appeared that the point had been reached where production was in excess of domestic demand. He enquired whether a gradual limitation of support was envisaged by the Austrian authorities. He also enquired why the prices of coarse grains in Austria, with the exception of maize, of which there was little production, were well above average world prices.

26. The Austrian representative repeated that his Government was not aiming at complete self-sufficiency in agriculture, but that the assurance of a certain minimum supply from home sources was essential to ensure the maintenance of Austria's status of neutrality. Regarding the relative position of Austria's prices, he referred again to the comparative prices received by farmers for several commodities which had been collected by the ECE and the Food and Agriculture Organization. In the year 1958-59 the price of milk in Austria was US$7.31 per 100 kgs. compared with US$5.00 and US$11.00 for the lowest and the highest prices in Europe; the Austrian milk price was tenth amongst the sixteen countries reporting. The Austrian price of wheat per 100 kgs. was US$9.62 compared with the high price of US$15.33 and the low price of US$6.60 amongst the sixteen countries reporting, which placed Austria again below the European average. Only the Austrian price of rye was slightly above the European average, because rye was a bread grain in Austria. For oats the Austrian price was close to the European average. The representative of Austria stated that it was the opinion of many experts that dairy farming was one sector in which a high degree of competitiveness could be achieved in Austria. It was true that for certain dairy products production had exceeded domestic consumption, but this was considered a natural result in a country where dairy farming was for a great part the traditional and natural form of agricultural production. Only comparatively small areas of the country were suitable for the production of wheat and rye and the degree of self-sufficiency in these products was relatively low; it was not the policy of the Government in such cases to strive for self-sufficiency, but solely to attain a reasonable level of production. He stated that the contention that the price levels for grain were exceedingly high was not correct.

27. The member of the Committee was not satisfied that the European average was a good basis for comparison. He explained that such figures included subsidies on exports and reflected price supports. He felt that the question of true
competitiveness in the Austrian dairy industry depended on the extent to which the industry relied on subsidies and other types of export supports. The representative of Austria felt that a study of prices prevailing in European agriculture drawn up by such objective bodies as the ECE and FAO was certainly not devoid of interest for the work of the Committee; he admitted, however, that comparisons of this kind did not have an absolute value. He explained that his country did not expect to become a large-scale exporter of dairy products. Butter exports for the first three-quarters of 1959 were 4,424 tons which was considerably less than for the previous year and was not much in excess of the levels of the traditional surplus regularly experienced prior to the war.

28. A member of the Committee noted that although there had been an increase in Austria's total imports in recent years, there was a declining trend for many imports, including wheat, rye, oats, butter, beef and slaughter cattle, which were covered by the Marketing Laws. He was of the opinion that this situation arose from the agricultural policy pursued by Austria. He felt that it would be helpful to the Committee if the Austrian representative could give additional information about the operation of the Marketing Laws in regulating the domestic market and determining the level of imports, particularly on the functioning of the semi-official Boards which appeared to play a very important rôle in the system. He was of the opinion that from the way the Boards were constituted, they seemed to have a vested interest in restricting imports. He enquired whether it was not a fact that the Boards only permitted imports when consumption could not be fully satisfied from domestic production.

29. The representative of Austria stated that although the import figures he had given previously represented imports from contracting parties only, imports from the world as a whole had also risen sharply from 1948 to 1955. Since 1955 imports had remained relatively stable. Referring to the functions of the Boards which came under the Marketing Laws, he stated that although the Boards held considerable powers, it was felt that the different interests of the consumers, producers, and the trade, who were represented on the Boards, offset each other. He pointed out that both the consumers and industry were interested in lower agricultural prices which would tend to offset any pressure from agricultural producers for increases. The finances of the Boards was obtained by means of levies. The Board for Dairy Products was entitled to receive 0.4 per cent of the value of milk and dairy products delivered to processing enterprises, the Grain Board 0.3 per cent of the value of deliveries of bread grains to the mills, and the Meat Board 0.4 per cent of the value of meats imported and exported; these levies covered administrative expenses. In addition the Board for Dairy Products and the Grain Board might impose price equalization and transport equalization levies which would be paid by treating and processing enterprises in an effort to equalize prices throughout the country. The import equalization levies, which the Boards were free to establish at average rates based on differences between the import price and the domestic price, were in the case of dairy products a revenue of the Treasury. These levies could not exceed the tariff rates which would have been applicable if no levy had been imposed. The State had paid Sch.80 million in 1958 towards the deficit incurred by the Milk Board; to increase the revenue of the Board by other means would have caused a rise in the price of milk which the State wished to avoid in the interest of consumption. The representative of Austria expressed the view that since the
equalization levies on the importation of dairy products went to the State, it
seemed justified that the State should come to the aid of the Board when it
experienced difficulties. The position of the Boards varied with respect to
import policy. The Dairy Board was directed entirely towards the equalization of
prices and the serving of the domestic market and was not concerned with imports.
The Boards for Grains and for Meat and Livestock prepared annual import plans
which were generally accepted by the Minister of Agriculture. The Boards for
Grains and Livestock controlled individual imports on the basis of the approved
import plan, tenders were invited, the most attractive of which in terms of price,
delivery, quality, etc., were accepted; for bread grain, quality was most
important. The representative of Austria added that acceptance by the two last
mentioned Boards was the pre-requisite for the authorities' permission to import.
The revenues of the import equalization levy on imports of bread grains received
by the Grain Board were used for the stabilization of cereal, flour and bread
prices; levies on imports of feed grains were to be used for the promotion of
fodder production, for the sales of animal and animal products, for fodder
transport equalization and for measures to aid agriculture in mountainous areas.
Up to very recently, however, practically no levies were collected since import
prices for cereals had usually been above the Austrian price level. The revenues
of the Livestock Board derived from import equalization were used for animal
husbandry, price stabilization and to ensure an adequate supply of animal products.
The representative of Austria informed the Committee that the supervision of all
Boards was under the Minister of Agriculture.

30. In response to a question, why Austria did not apply normal import duties,
and abolish the complicated system of equalization levies, etc., the representative
of Austria stressed that the system of import equalization levies was flexible;
the Boards were free to adjust the amount of the levy, the absolute maximum being
the tariff rate.

31. A member of the Committee was of the opinion that if the effect of the
equalization levies was to equalize prices and thus place imported and domestic
products on the same basis, there should be no necessity to maintain quantitative
restrictions as well in order to protect the Austrian market from imports. The
representative of Austria stated that the situation in Austria might be compared
with the situation existing in many countries where there were both tariffs and
quantitative restrictions, except that in the case of Austria an import levy took
the place of the duties for these commodities.

32. The Committee closely examined the quantitative restrictions maintained by
Austria on agricultural products. One member noted that certain agricultural items
were liberalized from OEEC countries while at the same time they remained subject
to restrictions when imported from other sources. The Austrian representative
pointed out that although certain commodities were formally restricted from
non-OEEC sources, they were in fact for the most part liberally licensed from
all areas. He referred again to the great increase in imports of key agricultural
commodities in recent years from contracting parties to the General Agreement.
33. A member of the Committee noted that the twenty main agricultural products listed on page 4 of document COM,II/2(a) were subject to quantitative restrictions. In cases where some degree of liberalization did exist, it was on a discriminatory basis which he felt was not very encouraging for the expansion of international trade. He considered that the only conclusion to be drawn from the large number of quantitative restrictions and from the degree of discrimination was that Austrian agriculture was quite isolated and practically unexposed to the beneficial effects of external competition. He requested the Austrian representative to inform the Committee whether any measures which might lead to the removal of discriminatory restrictions were under consideration. The representative of Austria assured the Committee that this problem was receiving the attention of his Government. He explained, however, that an important part of Austria’s trade in agricultural products was conducted with countries which maintained a strictly bilateral trade-and-payments system. The percentage of trade conducted with these countries had decreased substantially as compared with the pre-war period. Imports of wheat from these countries, for example, had dropped from 94.3 per cent of all imports in 1934-36 to 35.1 per cent in 1954-57. On the whole, this problem was not one of agricultural protectionism but one of a general economic nature; the representative of Austria suggested, therefore, that it should not be discussed at length in this Committee.

34. Noting that import equalization levies replaced import duties on a number of important agricultural products, a member of the Committee enquired whether such levies were considered to be bound under the General Agreement if the replaced duties had been bound. The representative of Austria stated that of the products subject to equalization levies, only the duties on certain types of cheese were bound and in such cases the levies cannot exceed the bound rate. In reply to another question the Austrian representative stated that import levies were not refunded on export of goods containing ingredients on which they had been paid. A member of the Committee found it difficult to understand why cheese should be restricted when imported from sources outside the OEEC and dollar areas. The representative of Austria referred to his previous statement on this matter. Concerning cheese in particular, he felt that liberalization from all areas would not result in any great change in the pattern of imports owing to consumer habits.

35. The opinion was expressed by a member of the Committee that the protective effects of quantitative restrictions were essential for the existing Austrian agricultural system. Although at the present time Austria was entitled to maintain import restrictions for balance-of-payments reasons, it seemed that many of the restrictions currently in force in Austria were required for their protective effects. The representative of Austria felt that it was not unusual for quantitative restrictions introduced for balance-of-payments reasons also to have protective effects which in certain cases would benefit agriculture.

36. Another member of the Committee enquired whether any imports of meat or dairy products took place under bilateral quotas. The representative of Austria advised that several quotas existed for animals or products thereof except dairy products but that in negotiating these quotas it had been made quite clear that they did not constitute a guarantee.
37. A member of the Committee referred to the mixing regulations on bread flour and enquired whether they were long-standing regulations which existed independently of balance-of-payments restrictions. He also asked whether the Austrian Government was contemplating their removal. The representative of Austria explained that the regulations did not require the mixture of domestic wheat with imported wheat but instead required a mixture of certain percentages of soft and hard wheat irrespective of origin. Their removal was not contemplated by the Government.

B. Commodities

Vegetable oils

38. A member of the Committee noted that a voluntary agreement existed between the Rapeseed Growers Association and the vegetable oil processing industry and enquired whether the Government participated in the agreement and whether the agreement constituted a support price for domestic rapeseed. The representative of Austria informed the Committee that the agreement was undertaken to give stability to producers' prices in relation to production costs. The Government had not been involved in either concluding or implementing the agreement.

Sugar

39. In response to a question on import licensing, the representative of Austria informed the Committee that sugar was subject to licensing when imported from all sources except in the case of raw sugar imported from OEEC countries. A member of the Committee observed that such a restriction had the effect of permitting imports of raw beet sugar, but excluding imports of raw cane sugar. The Austrian representative referred to his previous statements on the question of treatment of different sources of supply; he added that cane sugar was usually produced at very low cost and might therefore completely upset marketing of domestic beet sugar. A member of the Committee pointed out that irrespective of production costs the same price prevailed in world markets for beet and cane sugar. The Austrian representative reminded the Committee that during the summer of 1957 there had been a shortage of cane sugar in world markets and at that time Austria had no alternative but to purchase beet sugar. Moreover, because of balance-of-payments difficulties Austria's purchases had had to be limited to certain areas. As a consequence premium prices had to be paid for the supplies required.

40. The Austrian representative went on to explain that at present Austria had an over-production of sugar and that delivery quotas were being established which would have a restraining effect on production.

41. A member of the Committee presumed that since Austria had attained self-sufficiency in sugar, raw sugar would be freed from import restrictions from all sources since there would be little demand for exports. The representative of Austria informed the Committee that Austria was bound by a quota arrangement to take a specified amount of cane sugar from one of the world's major producers.
42. Another member of the Committee was of the opinion that protection was afforded to Austrian sugar through the equalization levies when sugar was imported from countries from which imports were formally liberalized. The representative of Austria explained that in general, Austria relied on import duties for imports of sugar. Only in the event of exemption from the customs duty might equalization levies be imposed. The levies varied in the same way as the duties which they replaced and therefore offered no greater protection than that afforded by the general tariff rate.

Dairy products

43. A member of the Committee was informed by the Austrian representative that the levy voluntarily imposed by the agricultural organizations on milk and accruing to the special fund set up by the Austrian Chamber for Agriculture, was not included when the cost of production was assessed as a basis for establishing the guarantee prices. A member of the Committee observed that the stated use of the levies was to discourage surplus production and to equalize export losses, and he expressed the view that these two aims were contradictory. The representative of Austria reminded the Committee that the Fund was not a Government undertaking. The Fund had the effect of reducing the prices received by the farmer; during the period of over-production in 1958 the levy had been increased to Gr.15 per litre which certainly tended to prevent over-production. He explained that it was the primary aim of the Fund to dispose of surplus products domestically by distribution at reduced prices mainly for social purposes. In the event that the entire surplus could not be disposed of in this way, the remainder would be exported. The guarantee price of Sch.1,90 per litre was established on the basis of costs of well-equipped and well-managed farms in areas suited for dairy production - the 1,300 test farms whose accounts were taken into consideration when the price for dairy products was established. The Austrian representative re-emphasized that the Fund was strictly private and that contributions were decided upon by the freely elected representatives of agricultural producers. The member of the Committee accepted the fact that the Fund was not a Government measure, but pointed out that the Government did exert considerable influence on the Fund since it was responsible for establishing the guarantee price. He noted that the per capita consumption of butter in Austria, which was 4.2 lbs. in 1956/57, represented a decrease of 1 kg. per capita from the previous year; he felt that a different pricing system might be more desirable for the domestic consumer as well as for international trade. The representative of Austria informed the Committee that his Government had studied the deficiency payments system and had concluded that it would be difficult to introduce such a system in Austria because of the comparatively large and important function played by agriculture in the Austrian economy. He stated that the decrease in domestic consumption in 1956/57 had been due to the termination of donated imports for social purposes such as refugee relief. He added that in 1958/59 domestic consumption reached 4.5 kgs. per capita, which brought the Austrian per capita consumption to approximately the OEEC level. Very recent figures indicated that consumption continued to rise. This rise was a slow one, however, because of the relatively high consumption of pork and lard.
44. In answer to further questions on milk production the representative of Austria informed the Committee that in 1958, when there were unusually large exports, production amounted to 2,752,000 tons, of which dairy products representing from 300,000 to 330,000 tons of milk (roughly 12 per cent of total production) were exported. He felt that since one of the purposes of the subsidy was to ensure an adequate supply of milk, a surplus over domestic needs representing approximately 12 per cent of total production should not be considered excessive in a year of over-production such as 1958. One of the major exporting countries had subsidies for quantities exceeding home consumption by 20 per cent. The representative of Austria added that the import levies on dairy products were established by the Dairy Board. He pointed out that the levy on fine table cheese was 15 per cent, whereas the tariff had been 23 per cent. Earnings derived from the levies went to consolidated revenue.

45. A member of the Committee acknowledged that there could be certain justifiable reasons for paying higher support prices for milk produced in isolated mountain areas, but he felt that high prices should not be paid in areas where milk went largely towards excessive production of milk products. He explained that with the subsidy on milk, the price of butter was equivalent to US$1.20 per kg. However, if the price of butter was based on actual production costs it would be approximately US$1.60 per kg, which was double what was generally considered to be the world market price. Such high prices were a great incentive to excessive milk production. He also felt that the present domestic price of butter was one of the main reasons for the low consumption of butter in Austria. The representative of Austria disagreed that the present fixed price was an incentive for over-production; the average annual prices received in Austria were below the European average and did not cover production costs of marginal enterprises.

46. Commenting on a suggestion that Government policy should be directed towards switching from milk and milk products to meat, the Austrian representative stated that while there was a marked tendency this way, there were certain limitations to meat production in Austria, particularly in mountainous areas. He informed the Committee that in an effort to stimulate meat production, it was required by the marketing law that sugar beet producers and distillers fatten cattle from mountainous areas.

47. A member of the Committee asked why the cost of the support programme for milk had increased from Sch.565 million in 1956 to Sch.805 million in 1959. The representative of Austria stated that the subsidy had been increased in 1956 from Gr.30 to 50 per litre to cover rapidly rising production costs. Increases in 1957/58 were due to an appropriation from the budget to cover a deficit in the Dairy Fund of Sch.80 million, arising from the provision of free milk for school children. He informed the Committee that this programme was being continued.

48. On being informed that the margins for the processing, distribution and transport were fixed as a result of fixed producer and consumer prices, a member of the Committee enquired who paid for the difference when increasing costs such as rising wages were experienced. The representative of Austria stated that wages
had been recently increased in the milk processing industry, but explained that increases in efficiency, and the introduction of a new type of milk with a higher fat content which was marketed at higher prices, made it possible to maintain the margins unchanged.

49. In response to a question, the representative of Austria informed the Committee that only the internal turnover tax was refunded on export.

50. The representative of Austria assured the Committee that increased domestic consumption of dairy products would be receiving the particular attention of his Government.

Meat

51. A member of the Committee requested information on the operation of the maximum and minimum pricing policy for meat. The representative of Austria informed the Committee that the meat prices agreement was not a Government scheme, but was an agreement between the Chambers of Commerce, Labour and Agriculture. The prices agreement was used only in the Viennese market, but prices in other domestic markets closely followed developments in Vienna. He informed the Committee that very rarely in recent years had licences been issued for the export of pigs; Austria annually imported large numbers of pigs. In answer to a further question, the representative of Austria informed the Committee that the receipts of the equalization levy on livestock and meat did not go into Austrian consolidated revenue, but had to be expended for agricultural purposes. Therefore they were included in the total cost of the official support programme as shown in document COM.II/2(a)/Add.1.

52. A member of the Committee enquired whether there were any exports of meat products such as canned meats. The representative of Austria stated that for the first three quarters of 1959, the exports of sausage and canned meat amounted only to a few thousand dollars each.

53. In response to a question concerning the criteria used in drawing up the annual import programme on which licences were granted, the representative of Austria stated that consideration was given to the forecast market situation, internal production, demand, etc. He explained that programmes were set up for half-yearly periods in order to provide for more flexibility.

54. Questions were asked concerning the Austrian system relating to the importation of lard. The Austrian representative explained that a price equalization programme was in force under which all imported lard was required to be purchased by the Austrian Import Association, which was an association of private firms charged with the marketing of imported lard. If the price of the imported lard fell below the officially fixed price to the wholesaler, the difference was paid into the equalization fund; if the import price was higher, the sale was subsidized. From 1951 until the end of 1959, the lard equalization scheme showed a deficit of only Sch.6 million; this balance was made good by appropriations from Government funds.
55. A member of the Committee enquired whether tenders were invited on a global basis and whether considerations other than price, quality and time of delivery, such as commitments under bilateral agreements, were taken into consideration when bids for the importation of lard were accepted. The representative of Austria stated that tenders were generally invited on a global basis; considerations of price, quality and time of delivery came foremost in choosing between bids, but at times other factors had to be taken into account.

56. A member of the Committee pointed to the discriminatory treatment regarding importations of tallow in Austria. Tallow was subject to quantitative restrictions, except when imported from Canada and the United States. The representative of Austria confirmed that tallow from other sources was restricted.

57. A member of the Committee noted from the basic papers that the average price for imported pigs corresponded on the whole to the average price of domestically-produced pigs. He was of the opinion that if this were the case, the meat sector should be quite competitive. He was of the opinion, however, that the Austrian prices for pork were above the world market price. Since Austria was almost self-sufficient in pigs, he expressed the view that a continuation of incentives for pig production would result in an over-production and exports. He felt it advisable that the Austrian authorities should explore measures to limit the incentives for the production of meat.

58. The representative of Austria stressed that imports of pigs had to be confined generally to countries in close proximity to Austria, since the Austrian consumer demanded fresh meat; there was very little demand for frozen pork. Live pigs, however, could not be imported from distant sources of supply. Therefore, it was unavoidable to import pigs from neighbouring countries where export prices were in recent times higher than those prevailing in Austria. It was very unlikely that Austria would become an important exporter of pigs. The same member expressed doubt whether Austria was really able to export cattle at prices higher than those prevailing on the home market, as stated in document OOM.II/41. If this were true, Austria was really competitive in this field and should accentuate the switch from milk to meat production. He felt, however, that the price policy followed by Austria in respect of meat and dairy products was indeed a disincentive to meat production. The Austrian representative confirmed that in recent years export prices for cattle had indeed exceeded prices on the domestic market; in order to maintain domestic prices at reasonably low levels, exports were sometimes not permitted and were still restricted. There was, in fact, a tendency to switch from milk to meat production (there were now fewer milking cows than in previous years); in spite of this trend the total quantity of milk produced had not decreased because of the increased productivity.

Cereals

59. A member of the Committee enquired whether imports of grains were in private hands and whether tenders invited for imports were on a global basis. He also asked whether imports of wheat comprised soft, as well as hard wheat. The representative of Austria stated that imports were in private hands, but that it
was possible that importations would be placed under State trading. Tenders were generally invited by the Grain Board on a global basis, but there had been no imports of soft wheat in recent years. A member of the Committee noted a rise in the domestic production of soft wheat. He enquired whether the Austrian authorities felt that this rise would continue and whether Austria might not eventually become an exporter of wheat. The Austrian representative emphasized that there was no desire in agricultural circles to ever become an exporter of wheat. He thought that the system would be changed if such a tendency was evident and quoted figures showing that the production of wheat had remained quite stable over the last few years. The subsidy on the import of rye in 1956 amounted to Sch.23 million; during the same period the subsidy on wheat was Sch.14 million. A member of the Committee enquired whether the decrease in the subsidy on imported feed grains from Sch.200 million in 1956 to Sch.15 million in 1959, meant that the end of this subsidy was in sight. He wondered whether this subsidy was not an indirect support for the exportation of animals and animal products. The representative of Austria explained that these imported feed grains (which were subsidized) were used almost exclusively for the production of pigs which were exported only incidentally and never in great quantities. On the contrary, Austria was a large importer of pigs. In general, the decrease in the amount expended for this subsidy was due to a decrease in the world market prices which had the effect of gradually closing the gap between the world market price and the lower Austrian price.

60. A member of the Committee sought clarification on the Austrian system for barley. He noted that the import of feed grains was free of restriction from all OEEC countries and enquired whether there were any imports from other sources. The Austrian representative informed the Committee that for the first three-quarters of 1959 imports of feeding barley amounted to 82,000 tons, of which 28,800 tons were imported from the Soviet Union, 21,300 tons from the United States and 10,800 tons from Yugoslavia. Other important suppliers were Hungary, Argentina and Czechoslovakia. For malting barley, imports for the first three-quarters of 1959 were 45,700 tons, of which 20,000 tons were imported from the United Kingdom and 10,000 tons from Denmark. Other important suppliers were Poland, France (Algeria), Yugoslavia, Sweden, Czechoslovakia and Argentina. He added that licences were granted for imports from all countries who could fulfill the required terms.

Fish

61. The representative of Austria informed the Committee that there were no quantitative restrictions on saltwater fish entering Austria and that fish were admitted free of import duty. There were no questions from members of the Committee.
A member of the Committee noted that imports of fresh apples and pears were prohibited when domestic production was deemed able to supply domestic demand. He enquired whether the criteria used in determining the period when production was able to supply demand was based on a pre-determined formula or whether it was a question of administrative judgement. The Austrian representative explained that it was a question of administrative judgement within the framework of the law and that the period during which licences were issued depended on harvesting conditions and the marketing of the domestic product. The member of the Committee noted that when quotas for apples and pears were announced they were for very short periods and without very much advance notice. This made it difficult for distant suppliers to secure any share of the quota. The Austrian representative suggested that an indication of the period of the quotas could be obtained by referring to the Austrian tariff, which varied depending on the season. Imports of fine dessert fruit were freed for much longer periods than ordinary fruit. The Committee member observed that the seasonal tariff periods and quota periods did not necessarily coincide.