EXPANSION OF TRADE - AGRICULTURAL POLICY

Report of Committee II on the Consultation with Norway

1. In accordance with the Decision 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 Norway. The Committee had before it:

(i) document COM.II/2(c), dated 3 March 1959, which contained a synopsis supplied by the Government of Norway, of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers;

(ii) document COM.II/2(c)/Add.1, dated 28 December 1959, which contained statistics on the cost of programmes and farm net income;

(iii) document COM.II/2(c)/Add.2, dated 2 February 1960, which reproduced the Norwegian Agricultural Agreement for 1 July 1958 to 30 June 1961;

(iv) documents COM.II/39, COM.II/39/Add.1 and COM.II/39/Add.2, dated 12 January 1960, 27 January 1960 and 2 February 1960, respectively, which contained detailed information, also supplied by the Government of Norway, on commodities entering importantly into international trade.

In conducting the consultation the Committee followed the plan for consultation contained in Annex A to COM.II/5 and adopted by the CONTRACTING PARTIES at their fourteenth session. The consultation was completed on 4 February 1960.

A. General Agricultural Policy

2. In his opening statement the representative of Norway stressed the varying and very difficult conditions for agriculture in his very mountainous country which covered more than twelve latitudes and was divided by the Polar Circle. Only 3 per cent of the total land area was under cultivation which represented about one million hectares compared with three million hectares for Denmark and two million hectares for Switzerland. The cultivated area was divided into more than 200,000 agricultural units, the average size of which was only five to six hectares; the great majority of farms were of less than ten hectares.
3. With industrialization Norway's agricultural population had steadily decreased from 40 per cent of the total population at the beginning of the twentieth century to 25 per cent in 1939 and to some 16 per cent today. Since 1939 the total labour force in agriculture had decreased by 40 per cent and since 1949 by nearly 30 per cent. Despite this development the agricultural population was still considered to be too high in relation to the limited land resources. Thus, small farm units with limited output and income per man constituted the current basic problem for Norway's agriculture.

4. With the relatively high income level in Norway, this situation had resulted in a unit cost level in agriculture which was generally higher than prices prevailing in international trade. The Norwegian Government fully realized the paramount importance of creating more economically viable farm units. This was in particular the main objective of the revised Land Act of 1955 which provided for the promotion of structural rationalization in agriculture, e.g. through amalgamation of farm units. Furthermore, fifty years of experiments of afforestation had given extremely promising results. A new afforestation programme was now being executed. This should increase Norway's timber output by 25 per cent within the next sixty years, thus creating new income opportunities for the agricultural population.

5. Referring to the production pattern of the agricultural sector, the representative of Norway informed the Committee that 70 per cent of the agricultural area was devoted to grass and that animal production was responsible for about 70 per cent of total gross income in agriculture. Milk production alone contributed 55 per cent of the gross income from animal production. Not less than 85 per cent of all plant products were converted into animal products so that mixed farming consisting of a combination of animal husbandry and plant production constituted the prevailing feature of Norwegian agriculture. Although some regions were relatively well suited for the production of cash crops, such as fruits and vegetables, the possibilities of a general shift from animal production to other lines of production were rather limited. With the present rate of increase in the areas being placed under grains, the economically justified limit might also be reached for this sector of production within a few years. In concluding his comments on the conditions of agricultural production, the Norwegian representative reminded the Committee that his country produced neither sugar beet nor oil crops.

6. With respect to the main considerations and objectives of Norwegian agricultural policy, the representative of Norway declared that these were directed towards securing the most economic use of the resources which were devoted to agriculture. In this connexion he recalled the considerable decrease in manpower which had enabled the remaining agricultural population to improve their standard of living by increased output per man. It was the declared aim of Norwegian agricultural policy to go further in this direction so as to render the agricultural industry more competitive than it was today.
7. The Norwegian representative drew the attention of the Committee to three specific considerations which had to be taken into account in designing his country's agricultural policy. As in most other countries which had reached a certain level of economic development, there was a social element in Norway's agricultural policy, in that it had been generally agreed that some kind of income support should be given to those parts of Norway's agricultural population which was bound to work under unsatisfactory conditions as long as opportunities for other and more profitable occupations were limited. Secondly, the Committee had to bear in mind Norway's experience of extreme food shortage during two world wars; this had certainly influenced the post-war agricultural policy of the country. Thirdly, the Committee had to recognize the persistent balance-of-payments difficulties with which Norway was faced after the last world war and which had meant that the Government could not overlook the savings to be obtained by restoring the productive capacity of agriculture. This was for several years the only way to improve for the Norwegian population the food supplies which had been limited due to general shortage both of food and of foreign currency. It was, however, expected that the balance-of-payments problem would disappear within the not too distant future. For reasons already referred to Norway would still have to maintain for the time being certain forms of protection of agriculture.

8. The representative of Norway emphasized that the policy of his Government had never aimed at an increase in total production leading to exports, except for some special products like fur skins for which Norway had particularly favourable natural conditions. The agricultural production programme, although it was first formulated in a period of heavy balance-of-payments difficulties and high international prices, stated as its objective a production of animal products which corresponded only roughly to domestic consumption. It was, however, not to be denied that in an agricultural economy like the Norwegian, with manpower abundant relative to land, there existed a tendency to increase production unduly by using large amounts of purchased concentrated feeding-stuffs. This would reduce prices and income intolerably and lead to considerable exports of livestock and animal products which was the intention neither of his Government nor of the farmers' organizations. Norway's production programme, in particular with respect to livestock, had therefore a restrictive character which could not be effected without strong and complex regulations, especially relating to the use of feedingstuffs which in fact had come to be the key to the Norwegian agricultural policy. In concluding this part of his statement, the representative of Norway declared that, in a summarized form, the main objective of his country's agricultural policy was a progressive rationalization of the agricultural output. This meant a gradual decrease in agricultural manpower so as to give room for an increased output and income per man. The various measures with regard to the different commodities for implementing this general objective had been reported in the documents submitted by the Government of Norway and enumerated in paragraph 1 of this Report.
9. Norway would always have to import a large part of its food requirements; without taking into account imports of concentrates and other farm requisites, 31 per cent of consumers' total expenditure on food was devoted to imported food. Based on the calory intake some 50 per cent of foodstuffs were imported.

10. The representative of Norway concluded his statement by mentioning that the problems of Norwegian agriculture were basically the same as those of many other countries. Their solution was not easy in view of the difficult social and political factors involved. Moreover, structural factors could, for many reasons, only be changed over a period of years. The experience in Norway during the post-war period was that the rate of improvement in agriculture was decisively dependent on both the general level and the rate of increase in overall economic activity. Therefore, the most important factor for making Norway's agriculture more efficient was a national as well as an international climate favouring continued industrialization and full employment.

11. The Committee expressed appreciation for the statement of the Norwegian representative and for the comprehensive and detailed documentation which had been furnished by the Government of Norway. At the outset of the discussion one member of the Committee drew attention to the statement in the documents submitted by the Government of Norway that the long-term objective of Norway's price and income support policy was to assure the farming sector a standard of living comparable with that of the other sectors of the population, and enquired whether this was to be understood as meaning that full income parity was the objective. In his reply the representative of Norway stated that there existed an income discrepancy of 50 per cent between the agricultural and industrial population and that the objective of assuring the farming sector a standard of living comparable with that of the other sectors of the population could not be understood as a full comparability in the sense of an income parity. The meaning of the term represented rather an aim of the Government to create such conditions for agriculture as would enable efficient farms to reach an income level comparable to that in industry. Another member of the Committee drew attention to the fact that industrial development might lead to an ever growing discrepancy between the average income of the farming population and that of the population engaged in the other sectors of the economy. In his view such a trend could only be avoided by State intervention to secure a more rapid decrease of the agricultural population or an increase in the prices of the agricultural products paid to the producers. He wondered what were the concrete plans of the Norwegian Government in this respect. In his answer the representative of Norway stated that in the post-war period the increase in productivity in agriculture had kept pace with the productivity in industry. After deduction of increased input of farm machinery and requisites, the net increase in output per man and per year in agriculture amounted to 4.5 per cent during the last ten years. Since more than 90 per cent of the farm work in Norway was now done by the farmers and their families, and less than 10 per cent by hired farm workers, it was questionable whether this increase in labour productivity in agriculture could be maintained at the same rate because the necessary structural improvement could only be brought about gradually.
12. In response to a question on the effects of the increase in agricultural productivity on consumers and producers the representative of Norway stated that in the case of livestock the benefits remained mostly with the producers and led to a net income increase whilst for fruit and vegetables the benefits went to a much larger extent to the consumers.

13. In answer to an enquiry about the proportion of the income of the agricultural population which was derived from the fishery and forestry industries, the representative of Norway informed the Committee that 20 to 25 per cent of the net agricultural income came from forestry. No concrete figures could be given for the fishing industry as they varied widely from region to region. Based on national accounts it could be seen that 10 per cent of the national income originated from agriculture and forestry and 2 per cent from fisheries.

14. Some members of the Committee expressed their concern about the tendency in some countries to replace balance-of-payments restrictions by other non-tariff restrictions for protective purposes, and expressed their hope and expectation that Norway would not follow such a procedure. It was stressed that countries which were no longer in balance-of-payments difficulties could have recourse to the hard-core procedures under GATT and should not replace quantitative restrictions by new protective restrictions. In this respect the representative of Norway assured the Committee that his country, in seeking a solution to these problems would of course abide by its GATT obligations. The report of the present consultations would in his opinion constitute an important basis and background for discussions on the future agricultural policy of his country. At the present stage, however, no firm statements and assurances could be given as to future solutions which at present were being studied in a committee appointed by the Government.

15. A member of the Committee enquired whether the aims of the production programme, which had resulted in self-sufficiency for many commodities, had been achieved. This seemed to be the case as exports of certain products had already taken place. The representative of Norway explained the situation which prevailed for the various products. As a general principle production was limited to domestic demand; some marginal exports, however, did take place because of seasonal variations. No exports, and small imports in the order of 235 tons for 1957 and 1,500 tons for 1958 and 730 tons for 1959, had taken place for beef and veal. Similar conditions prevailed on the pigmeat market where in 1959 no exports took place but imports of 2,400 tons were effected. Whereas the annual exports of eggs varied between 1,000 tons and 2,000 tons for the period 1957 to 1959, imports of eggs amounted to 400 tons for 1958 and 200 tons for 1959. No butter had been imported during the last few years; the export figures for butter were: 7,000 tons for 1957, 4,000 tons for 1958 and 7,000 tons for 1959. Cheese imports were effected under bilateral agreements and amounted to 200-300 tons per year as compared with exports of 5,000-6,000 tons.
16. In a general comment a member of the Committee recognized the special problems with which Norway's agriculture was faced, but at the same time wondered whether, for a country which possessed relatively little land suitable for agricultural production, the aim of self-sufficiency was compatible with a multilateral trade system. He expressed interest in the attitude of the Norwegian Government to consumer interests; no mention of the role of the consumers was made in the information submitted to the Committee by the Norwegian Government. In reply, the representative of Norway stressed that his country imported agricultural products in very large amounts. This was especially the case for cereals, sugar, vegetables and fruit. The information given in document COM.II/W.6 revealed that Norway's average price level for agricultural products was only 13 per cent above that of the United States. He confirmed that the interests of the consumers were fully taken into account. A low average incidence of prices to consumers was necessary in order to maintain his country's competitiveness in other sectors of international trade on which Norway depended. He recognized that the Norwegian authorities had to be realistic and for this very reason the problems of manpower, industrialization and investment were of paramount interest.

17. A member of the Committee pointed out that Norway was self-sufficient in many agricultural products, which seemed to be in contradiction with the general principles laid down in the Norwegian Agricultural Agreement. In his opinion it would be more realistic to replace the rather extensive subsidy structure by a new and more realistic structural system which would lead to higher farm incomes but without necessarily resulting in production surpluses. He wondered whether the Norwegian Government had made any studies in that direction so as to have a basis for applying a new agricultural policy after expiration of the agreement at present in force. The representative of Norway made it clear that the agricultural agreement did set limits in an effort to discourage surplus production; the corresponding regulations were different from product to product. He mentioned that a possible shift in the price system from support measures to a deficiency payments system or some such similar system was under study. However, the implementation of a deficiency payments system was very difficult for his country as the percentage of the agricultural population of Norway was higher than that of countries which were applying deficiency payments systems. The lower prices for agricultural products would be counter-balanced by the higher taxes which had to be levied for financing deficiency payments.

18. Another member of the Committee stated that small farming led to surpluses in animal production and that by a modification of the farming structure such effects could be avoided. In reply the representative of Norway stated that in this respect the main difficulty lay in the geographical and topographical conditions of the country. Even if the farmers were prepared to leave agricultural production, they were not always prepared to sell their farms. A shift from animal production to other sectors of agricultural production was in many instances not possible because of Norway's climatic
conditions. It was to be recalled that Norway did not produce any oilseeds or sugar beet. A change in the production pattern was only possible, and this to a limited extent, for cereals where the production area had been increased from 150,000 hectares in 1949 to 220,000 hectares in 1959. This latter level could not easily be raised much more. Whereas the conditions for wheat production were not favourable in his country, barley production had led to much more satisfactory harvest results. Furthermore, important research work for rationalization had been undertaken in this field.

19. A member of the Committee commented that the present complex agricultural system in Norway involved administrative decisions which were difficult and often resulted in effects which were not intended. Guaranteed prices had to be reduced by consumer subsidies. At the same time they led to surpluses which in turn resulted in the imposition of restrictions on feedingstuffs which were sold at prices higher than world market prices. In his opinion the Norwegian agricultural policy should in more instances take into account world market prices. For example, under the present Agricultural Agreement ceiling prices, which constituted the upper limit below which free imports were not allowed, could only be modified if changes occurred in internal cost or price trends; it seemed to him that it would be more realistic if the provisions for the modification of such maximum prices took into account price shifts on the world market rather than on internal price changes alone. The representative of Norway replied that one of the main problems for his country was the fact that if Norway adopted a more liberal policy on imports of feedingstuffs this would lead to excessive consumption of concentrated feedingstuffs by the small farming units. At present 25 per cent of fodder consumed was in the form of concentrated feeds of which about half was being imported. An increased use of concentrated feedingstuffs would increase production of livestock products, bringing down the farm income and making Norway a considerable exporter of livestock products; the choice to be made in this respect was most difficult. A more liberal feedingstuff policy would lead to an overproduction of animal products and would adversely affect the income derived from domestic fodder production, which was the basic crop in Norwegian agriculture. Furthermore, increased exports of livestock products might adversely affect the trade of other contracting parties which were exporters of livestock products.

20. A member of the Committee expressed the view that the fact that Norway's average price level for agricultural products was only 13 per cent above that of the United States did not necessarily mean that Norway's level was low. In reply the representative of Norway stated that his country's average was only 12 per cent above the Danish level.

21. In the opinion of another member of the Committee the structural improvement of Norway's farming system was most important for solving Norway's agricultural problems. A structural improvement could partly avoid the present difficulties arising from the price support system on which Norway's agriculture relied. He pointed out that some increases in Norwegian agricultural prices had taken place in a period when world market prices were stable,
and when some other countries consulted had kept their support prices stable. He furthermore called the Committee's attention to the low consumption of meat and butter in Norway which he admitted was partly due to the competition of fish, margarine and certain marine oils. In his response the representative of Norway explained that the price increases allowed for in the Agricultural Agreement of 1958 should be considered in connexion with the negotiations for the new wage agreement which came into force at the same time. With regard to the consumption of agricultural products the representative of Norway informed the Committee of the following per capita consumption in kilogrammes per year: milk 190, butter 3.8, cheese 9, margarine 22, meat 39, eggs 8.3, vegetables 40, fruit 44, and fish 37.

22. A member of the Committee asked whether it was possible to carry out any changes in fixed prices, price limits, and other factors influencing prices which were the results of negotiations and were parts of the provisions of the Norwegian Agricultural Agreement. The representative of Norway cited Article 19 of that Agreement. It provided for an adjustment of prices if cost-of-living index numbers or production costs had risen or fallen to a prescribed extent. It did not provide, however, for an automatic adjustment but only for a re-opening of the negotiations on the prices and the price provisions contained in the Agreement.

23. A member of the Committee enquired whether the funds maintained by the marketing boards and financed by the imposition of levies were sufficient to cover all the costs of the market regulating measures, including losses on exports, or whether the State had to intervene from time to time with financial aid for exports. The representative of Norway informed the Committee that some State aid amounting to 8 million crowns had been granted for exports in the years 1956 to 1958, but that with the entering into operation of the new Agricultural Agreement, Government export aid had been discontinued. Under the present regulations all such aid was carried out by means of the Feed Fund, supplemented by moderate funds raised by marketing levies varying from 0.5 to 2 per cent of the price received by farmers on milk, meat, eggs, vegetables and fruit.

24. A member of the Committee quoted a passage from the documents submitted by the Norwegian Government where it was said that the prices for meat were free. He questioned this statement in view of the profit margins which were fixed for meat retailers. He wanted to know for what reasons and by what procedure such margins were fixed. In his answer the representative of Norway agreed that it might be an over-statement to say that the meat prices in his country were free. They were free in the sense that the prices to be paid to the farmers were not bound to certain ceiling figures. The farmers' organization were obliged to keep the prices to producers at or below a fixed yearly average price which affected the marketing prices indirectly. The fixed profit margins for retail sales, which were determined by the Government, had been introduced to keep down living costs. The system for regulating the retail market for meat was based on regulations from the Price Directorate.
In reply to a supplementary question, the representative of Norway stated that controlled margins also applied to dairy products where normal retail margins were fixed for sales from the dairies to consumers.

25. Another member of the Committee expressed interest in the system for the automatic freeing of imports. He enquired how such imports were terminated. In his opinion the termination of imports at short notice could create difficulties for exporters. In his reply the representative of Norway explained that during the regulation period when the price of a domestic product had been quoted above the upper price limit for two consecutive weeks, the importation of the commodity concerned would be free. It remained free until the domestic price had dropped again below this limit at which time the importers were informed immediately. Goods ordered in periods of free importation were supposed to be cleared within a week after the free importation had been suspended. In the case of fruits not produced domestically all imports were completely free.

26. One member of the Committee pointed to the complexity of Norway's present agricultural policy which appeared to result in the isolation of Norwegian agriculture from world trade. He expressed the hope that the future policy might bring modifications in this respect. In his view the Norwegian Government should re-examine the overall considerations and in doing so take into account new techniques so as to balance the programme between the measures for supporting agricultural incomes and for correcting structural differences. With regard to the latter, efforts should be concentrated on enlarging the average size of farms; such a procedure could lead to a considerable reduction in Norway's isolation from world markets. The representative of Norway confirmed that his Government had considered steps directed towards structural changes. There existed a scheme for promoting more viable farm units for which purpose a fund with annual contributions of 50 million crowns was available. By creating larger farms more economic farm-units could be attained. To assist in this, the Farm Building Fund had been established which made available yearly 20 million crowns for aiding consolidation and farm improvement based on approved farm management plans. The cost of this scheme had been offset by a reduction in general price supports.

27. A member of the Committee requested clarification on the subsidy system. In the documentation submitted, the Government of Norway had referred to several types of subsidies, such as producer and consumer subsidies, transport subsidies and certain export subsidies. The member in particular enquired whether the indirect subsidies for producers of domestic feedingstuffs were counterbalanced by levies on concentrated feeds and whether in general producer subsidies were paid from the State budget, and export subsidies from levies on feedingstuffs and other products. He pointed out to the Committee that in 1958/59 the total expenditure for subsidies on low-priced feeds amounted to 56 million crowns. In providing the Committee with the requested information the representative of Norway agreed that the system of operating subsidies in his country was rather complex. Of the total feed consumed by
farmers, 20 per cent was purchased concentrated feed. On the latter, levies amounting to about 20 øre per kilo were imposed regardless of whether they were domestically produced or imported. In 1959 a sum of 56 million crowns was paid by the Government from the treasury for subsidizing feeds as part of the programme of assistance to small farmers. This amount went to the internal rebate scheme under which the purchasers of concentrated feeds were refunded a part of the full price which they were obliged to pay to the Feed Fund. On the other hand the Feed Fund was not financed by the State, but exclusively by the levies on the concentrated feedingstuffs. In 1958/59 such levies were imposed on 600,000 tons of concentrated feeds and resulted in an income of 110 million crowns. Of this amount 88 million crowns were used for the purposes agreed upon in the agricultural agreement. The balances from the financial years 1957/58 and 1958/59 amounted to 109 million crowns and 22 million crowns respectively so that the Feed Fund disposed of 131 million crowns in cash at the end of the period 1958/59.

28. In reply to a question about the various funds operated in Norway and referred to in the background information, the representative of Norway made it clear that the so-called "Guarantee Fund", which operated during the 1956-58 agreement, had been discontinued by the entry into force of the current agreement (1958-61). The functions of the "Guarantee Fund" had been taken over by the new Feed Fund, financed exclusively by the levy of about 20 øre per kilogramme imposed on all feed concentrates.

29. In addition to this Feed Fund there were the Marketing Funds established in 1930 and referred to earlier. These were financed by marketing levies varying from 0.5 to 2 per cent of the sale of some agricultural products. The receipts from the Marketing Funds were used for financing slaughter houses, storage of commodity stocks, advertising, transport cost equalization, and losses on exports. In 1957 the levies totalled 16.7 million crowns which were composed of the following commodity levies (in million crowns): meat 8; milk 3; eggs and poultry 1; fruit and vegetables 1.7; furs and skins 1.5. The receipts of the Feed Fund could be used for the same purposes as those of the Marketing Fund. They also aided in solving surplus problems; export aids had been granted for butter, cheese and eggs and recently the Fund financed sales at 30 per cent discount on frozen meat and eggs on the home market. The representative of Norway stressed that his Government did not any longer cover losses incurred by exports of agricultural products.

30. With respect to questions concerning State-trading operations the representative of Norway pointed out that the grain monopoly had the exclusive right to import cereals. Such imports were carried out by the monopoly itself and no private trade was involved. Imports took place on the basis of normal commercial considerations. The joint import system for sugar and coffee was made necessary because of the special trading problems which prevailed after the last war and in order to carry out price equalization. For coffee the special circumstances were no longer valid, and the representative of Norway confirmed that the joint import of coffee was to be abolished.
31. In reply to questions about the restrictions on imports the representative of Norway stated that the imports of eggs were subject to restrictions under a system of case-by-case licensing when the domestic prices were less than the upper price limit established by agreement between the Government and the producers and were free if this price limit had been exceeded by domestic prices during two consecutive weeks. This automatic release from restrictions had, however, never yet taken place as the upper ceiling price had not been exceeded. Thus, to date all imports of eggs had been carried out under the licensing systems. The annual import figures in tons were as follows: in 1957, 62; in 1958, 400 and in the first nine months of 1959, 200. The sharp rise in imports from 1957 to 1958 reflected the entering into operation of the new Agricultural Agreement under which imports were used as a regulating factor. Although no liberalization for eggs had taken place there was an increase in imports as compared with the situation prior to the new agreement.

32. In response to several questions raised by members of the Committee, the representative of Norway gave some detailed information on the import régime for vegetables and fruit. Imports of various kinds of these products were regulated during specific periods which differed from product to product and which reflected the periods during which such products were usually available in sufficient quantities on the domestic markets. The complete list of products falling under these provisions was to be found in the Royal Decree of 1 August 1958; it mainly covered potatoes, vegetables, canned products of vegetables, fruit and berries of types grown in Norway, and live plants. For tomatoes, carrots, apples and potatoes the regulation periods were laid down in the Agricultural Agreement. For the other products the regulation periods were fixed by the Ministry of Agriculture on proposals from the Import Council, an advisory organ consisting of representatives of the producers, the marketing institutions, the consumers and the Ministry. On proposals from this body the regulation periods could also be amended each year depending on the harvest time and the crop estimates in Norway. During the regulation period free imports could only take place if the domestic price had been quoted above the upper price limit for two consecutive weeks, whereas outside the regulation period imports were completely free without regard to prices or sources. If during a regulation period Norwegian products were not available in sufficient quantities to meet the demand, supplementary imports might take place after the opinion of the Import Council had been heard. Such imports might be carried out by time-limited free imports or by imports subject to quantitative limitations. The regulation periods provided for in the Agricultural Agreement were 15 May to 30 November for tomatoes and 1 August to 31 March for apples. For carrots and potatoes the regulation period covered the whole year as Norway was normally self-sufficient in these products at all times. In the case of potatoes there had been, however, a period of three weeks in 1959 during which imports were free as the domestic prices had exceeded the upper price limit.
33. For the fruit and vegetables covered by it, the Agricultural Agreement fixed a "normal" price and an upper price limit. The "normal" price was the average price for the years 1955/57 with an addition of 8 per cent. This 8 per cent increase resulted from negotiations and reflected a general rise in prices which was the consequence of wage increases. The upper price limit which was decisive for possible free importations was fixed at 12 per cent above the "normal" prices. The representative of Norway stated that on the basis of these principles normal prices and upper price limits for vegetables and fruit were fixed for each week. By a weekly fixing of these prices the seasonal fluctuations could be taken into account, whereas the 12 per cent difference between normal and ceiling prices represented the normal fluctuations.

34. In contrast to the system for fruit and vegetables, the normal and ceiling prices for meat and eggs were fixed on a yearly basis with no seasonal fluctuations. For meat the upper price limit was 10 per cent above the average annual price and for eggs the corresponding figure was 15 per cent. In the case of these products the margin for seasonal fluctuations was thus limited to the difference between the average and ceiling prices.

35. In the view of a member of the Committee the general use of maximum prices as a trigger device to free imports should only be a provisional measure applied during a transitional stage from rigid quantitative restrictions to full liberalization. Their final abolition would be welcomed but if the present system was to be maintained for any considerable period the margins between the normal and the ceiling price should become narrower and narrower.

36. With regard to the ceiling prices for apples and pears a member of the Committee noted that they were so high in comparison with open market values that they would probably never be reached during the regulation periods. The situation for exporters of such products to Norway was rendered still
more difficult by the fact that the periods for free imports were changed each year depending on the Norwegian crop. In his reply the representative of Norway agreed that the normal and maximum prices for apples and pears which had been fixed following the procedures explained earlier, were high compared with the prices on the Norwegian market in 1958 and 1959. The actual prices in Norway for these fruits amounted to 40 or 50 per cent of the normal prices. However, during the three years' validity of the Agricultural Agreement these prices could probably not be adjusted except under the provisions for adjustment in the Agreement which related to changes in internal Norwegian cost and price levels. Such adjustments were most unlikely and a request for adjustment of the prices of potatoes had been refused some time ago. The opening and closing of the free periods were decided by the Ministry of Agriculture on proposals by the Import Council and such decisions had been taken with respect to twenty-five products. The interested parties, such as importers, agents, etc., were immediately informed about the free seasons, whether these were due to domestic prices being higher than the upper price limit or to the close of the regulation period. In the case of the latter the Norwegian Government endeavoured to take decisions at a time as far in advance as possible so that importers could be informed with adequate notice. In answer to a question the representative of Norway stated that in 1958/59 the maximum prices were not exceeded for apples, but only for some vegetables and potatoes.

37. In reply to several questions the representative of Norway stated that in 1959 the global quotas for apples and pears totalled a sum of 15 million crowns. He confirmed that outside the regulation period imports were entirely free. Such imports had at one time been partially carried out under bilateral agreements, but only prior to the new Agricultural Agreement by which such imports had been cancelled.
38. The representative of Norway pointed out that imports of canned fruit not produced in Norway were in fact completely free, although they had not yet been formally liberalized. The treatment of imports of canned apples and pears was that provided for under the Agricultural Agreement and had already been described.

39. With respect to the import system for oilseeds and vegetable oils, the representative of Norway informed the Committee that imports of oilseeds were completely free whereas imports of vegetable oils were restricted for balance-of-payments reasons. No domestic production of vegetable oils existed. There was therefore no protection. Neither was there any protection for animal oils; Norway was a very big producer and exporter of whale oils and fish oils and these products were sold at world market prices.

40. In closing the discussion on the general agricultural policy a member of the Committee stressed once more the advantages which would arise for Norway from a shift from the present complicated support system to a deficiency payments system. Such a system could exert an important influence on consumption and at the same time the deficiency payments would reveal the costs of support measures in a more concrete and clear way than was the case under the present system. By the reductions in the consumer prices brought about by a deficiency payments system, increases in cost in other parts of the economy such as industry and trade could be avoided, and this would appear to be of paramount interest to Norway. For all these reasons he was interested to know what prospects existed for such a change in the basic agricultural system once the present Agricultural Agreement expired. In his reply the representative of Norway recalled what he had stated earlier in this regard. He also recalled to the Committee that 50 per cent of the calorie intake of foodstuffs consumed in his country was imported and that such imports took place over very low tariffs. Furthermore, some domestically-produced foodstuffs like fish and margarine were available for the consumers at prices lower than most prices in other countries. Prices on bread were at the world market level. For dairy products and in particular for fluid milk the Norwegian system in fact brought retail prices down to a comparatively low level. Therefore, it was only for products like meat, eggs and partly for butter, cheese, fruit and vegetable where the imports restrictions meant greater prices for the consumers. The introduction of a deficiency payments system would therefore have a limited effect on the cost of living index. In this connexion he mentioned that of the total consumers' expenditure, which was the base of the cost of living index, producers' prices on farm products represented some 16 per cent of total expenditure. The deficiency payments system was not likely to result in much change in the marketing margins for meat, dairy products and eggs, which were amongst the lowest in Europe. Nevertheless, the representative of Norway assured the Committee that the deficiency payments system as well as other devices for changing the present system would be carefully studied.
B. Commodities

Dairy products

41. A member of the Committee pointed out that the reductions of the prices of concentrated feedingstuffs and home-produced fodder which were granted to the small farmers under a rebate system could not but result in increased difficulties in the field of milk production which already necessitated the exportation of milk products. In order to break this development it seemed to him advisable to institute limits corresponding to the domestic consumption of liquid milk and dairy products in the quantity of milk for which prices were guaranteed to the producers. In reply, the representative of Norway agreed that the comment was reasonable. However, it was because of the seasonal variation in mixed production that there would normally be a certain surplus for export of butter and cheese. In fact, the present system limited the quantity of the surplus which could be exported without having a decreasing effect on the milk prices received by the farmers. For structural reasons the rebates on feedingstuffs had to be maintained under the present agricultural system. Although the number of milk cows had been decreasing over the last few years there was an evident increase in the milk production. The Milk Producers’ Association was contemplating possible measures for checking this trend, e.g. by introduction of farm quotas and a two-price system.

42. In reply to questions, the representative of Norway informed the Committee that the household price for butter was Cr. 8.05 per kg. and for cheese Cr. 6.35 to Cr. 7.25 per kg. depending on the type. He also pointed out that the production figures for milk as shown on page 4 of document COM.II/39/Add.2, which showed a decrease between 1957 and 1958, did not include milk used for feeding purposes, unlike the statistics assembled by the OECD which took those figures into account and which revealed an increasing trend. In reply to further questions the representative of Norway agreed that the price relationship between butter and cheese in Norway was different from that prevailing on the world markets. By a special inter-dairies equalization scheme it had been made possible to obtain prices for butter and cheese which were fairly close to each other.

43. In reply to a request by a member of the Committee the representative of Norway gave some information on the consumption figures for dairy products. The per capita consumption of milk was 233 kgs. in 1955/56 and 229 kgs. in 1956/57, and the total annual consumption of milk for the years 1955 to 1958 was about 800,000 tons. In the period 1958/59 this figure showed a slight upward trend which reflected the introduction of a new consumer subsidy for counterbalancing rising prices. The total consumption of cheese was 32,000 tons in 1955/56 and in 1956/57 and 33,000 tons in 1957/58. The representative of Norway pointed out that, although cheese prices were high compared with those for butter, the per capita consumption of cheese in his country was among the highest in the world. A member of the Committee pointed out that the consumption of cheese in Norway could be higher if the price relationship between cheese and butter was more normal. In his view Norway exported dairy products at prices which represented a heavy burden to the economy and he expressed his hope that Norway would in the near future be able to put an end to such exports.
44. In reply to a question about the purposes of the "working subsidies" which were listed among the subsidies on domestic dairy production in the documentation submitted by the Norwegian Government the representative of Norway explained that such subsidies were paid to farmers who produced milk under difficult conditions. In order to give some assistance to the producers of small and medium deliveries the payments of those subsidies were graduated in that 9 öre per kg. were paid for a first delivery of 5,000 kgs. and 5 öre per kg. for a further delivery of 5,000 kgs. This system, which resulted in relatively more substantial aid for the small farm units, was originally introduced in 1947. With respect to the dairy policy as applied by Norway the Committee was referred to the detailed picture given in the third report on the agricultural policies in Europe and North America published in 1958 by the OEEC. The main feature of that policy was a pooling system, the aims of which were to avoid any substantial differences in the net national milk price depending on the use of the milk. Under a centralized scheme, governed by the National Milk Producers' Association, all milk must be used and processed in the most economic way. This body decided whether the milk available for processing should be used for the production of butter or cheese. In this respect a member of the Committee drew attention to the fact that there had been an increase in exports of cheese whereas exports of butter did not show the same tendency. This in his view could only be explained by the fact that the prices for cheese production were more favourable than those for the butter production. The representative of Norway explained that the utilization of surplus milk was decided according to the market conditions with a view to obtaining the highest possible export earnings.

45. With regard to the production of cheese the representative of Norway provided the Committee with the following figures: 30,000 tons for 1953/54, 32,000 tons for 1954/55, 1955/56 and 1956/57, 33,000 tons for 1957/58 and 39,000 tons for 1958/59.

46. In reply to a question, the representative of Norway agreed that the rebates granted on certain feedingstuffs used by small farmers might constitute an incentive for expanding egg production which in turn might lead to increased egg exports. He pointed out, however, that the influence of these rebates on egg output, and hence on exports, was declining as production moved more and more into the hands of specialized producers who did not qualify for the feedingstuffs subsidy.

47. A member of the Committee observed that internal Norwegian prices for meat appeared to be more in accord with price levels in international markets than in the case of dairy products. He enquired whether there were any special reasons for giving the dairy sector more incentive than the meat sector. The representative of Norway pointed out that prices were more competitive for meats than for milk products and that it was technically much easier to base a subsidy on milk than on meat. He felt that another consideration was that the cost of living index would be kept lower by subsidizing milk than by subsidizing meat production.
48. Another member of the Committee enquired whether the Norwegian meat associations held a monopoly for the import of meats or whether private importers could participate. He noted that if the price on the domestic market exceeding during two consecutive weeks the fixed price level, free imports were permitted. He explained that such a system afforded little opportunity to compete for countries which were several weeks' shipping time away from the Norwegian market. He felt that such an arrangement was in this sense discriminatory. The representative of Norway informed the Committee that no monopoly for the importation of meat existed in Norway. He stressed that although imports were subject to licence, importers were free to make their own arrangements about delivery.

Cereals

49. A member of the Committee observed that the average price for wheat in Norway in 1958 was United States $120.00 per ton, which was 58 per cent above the price at which it could be imported. He enquired about the production of grains, the degree of self sufficiency, and the percentage of trade under bilateral agreements. The representative of Norway informed the Committee that Norway was from 5 to 9 per cent self sufficient in wheat. He added that all of the 490 thousand tons of bread grains and coarse grains produced in 1957, with the exception of 30,000 tons, represented coarse grains. For 1958, of the 489 thousand tons of grain production, all except 20,000 tons represented coarse grains. The extent to which cereal production might increase would depend on the relative prices of domestic production and imports. Norway had a bilateral trade agreement with the Soviet Union containing a quota for wheat.

50. In answer to a question about the exact reason for placing trade in grains under a State-trading corporation, the representative of Norway said that security considerations were the main reasons why the monopoly had been established under the Grain Act of 1928. This required that the monopoly held stocks equal to total requirements for one year.

51. One Committee member asked about the position of quantitative restrictions on barley. He also enquired whether the State Grain Corporation called for tenders and whether the bilateral agreement with the Soviet Union covered coarse grains as well as wheat. The representative of Norway stated that the import monopoly covered barley imported for food and feed purposes, but that barley for brewery purposes was liberalized; the bilateral agreement with the Soviet Union did not cover coarse grains, and the State Grain Corporation did not call for public tenders, but negotiated these purchases on the basis of normal commercial considerations.

Sugar

52. It was noted by a member of the Committee that a panel consisting of members of the Wholesale Dealers Association and the Norwegian Administration were responsible for sugar imports. He enquired from which
countries sugar was imported and whether preference were given by the Panel to imports from OEEC countries. He also asked whether Norway was a party to the International Sugar Agreement. The representative of Norway explained that Norway had established quotas from some countries with State-trading systems. He added that no preferential treatment was accorded to imports from OEEC countries. Norway was not a member of the International Sugar Agreement.

**Fish**

53. The representative of Norway informed the Committee that Norway was one of the countries where the fishing industry was of very great importance to the country's economy. The total catch of fish and shellfish in the ten-year period 1950/59 averaged 1.5 million tons landed weight annually. Approximately 75 to 80 per cent of this amount had to be exported; total exports of fishery products which were valued at 1,000 million Norwegian Kroner made up 25 per cent of the country's commodity exports. With 60,000 fishermen, and 40,000 men engaged in the processing of fish and related industries, the fishing industry employed at least 8 per cent of the working population in Norway.

54. The dominating feature of Norway's fishing was that the bulk of catches were taken on the inshore fishing grounds. In recent years, however, there had been some development in fisheries in Arctic waters. For great areas along the Norwegian coast fishing was the main, or only, occupation. The main objectives of the Norwegian fishery policy were outlined in document COM.II/39.

55. Most imports of fish and fish products were liberalized and could be imported into Norway free of customs duties. Only on canned fishery products, live oysters, caviar and a few other items, were customs duties imposed. Importers of fish products were rather stable, but fairly insignificant. Some 2,500 tons of Danish and Swedish fish was imported annually. Approximately the same quantity of salted herring was imported annually from the Netherlands. There were no internal regulations on imported fish.

56. Since the greater part of the fishermen were engaged in inshore fisheries it was feared that free trawling in Norway and free landings by foreign trawlers would have a damaging effect on prices. The fishermen, therefore, were generally opposed to trawling. The Norwegian representative informed the Committee that a modification in the landing ban might be considered in the not too distant future. He explained, however, that since all fish landed by foreign trawlers was required to be exported from Norway, it seemed impossible for Norway to permit free landings as long as the home countries of these trawlers were restricting imports from Norway.

57. Experience had shown that prices could vary considerably within a short period of time. Such variations were considered to be extremely unfavourable for fishermen as well as for buyers and a number of measures had been introduced to correct them. The fishermen's sales organizations had received exclusive rights to sales more than twenty years ago, legally ensured minimum export prices had been implemented for most important
commodities and price equalization funds were also established. The representative of Norway stressed that it was the industry itself which contributed to these funds by means of export levies.

58. During the last few years the organizations in the fishing industry and the Government had been very concerned about the low profitability of the fishing industry. While no exact information on fishermen's income was available it was quite clear that average earnings were lower than those of industrial workers. In 1957 a Royal Commission was established with the object of reviewing the position of the industry and of recommending the steps which could be taken in order to increase the incomes of fishermen. The Commission had submitted its report at the end of 1958. The main features determining the profitability in the fishing industry were, broadly speaking, fishing conditions and fishing equipment, combined with the ability of the fishermen and the prices on foreign markets. With regard to fishing conditions the representative of Norway explained that research and experience had indicated that the problem of overfishing on certain of the most important fishing waters in the North Atlantic was evident. It seemed to be generally agreed that total catches in the North Atlantic could not be substantially increased in the near future. It was felt therefore that the question of obtaining better profitability had to be solved through more modern fishing vessels which permitted the use of more efficient fishing methods, and by obtaining better access to world markets and improvements in marketing conditions. It was also felt that more efficient fishing involved reducing the number of men engaged in the industry. A structural change in the fishing industry also seemed necessary in order to reduce the great dependence on inshore fishing. During the past ten years the sea-going fleet had been developed. It seemed, however, necessary to strengthen this development, although it had met with some reluctance from the fishermen's organizations. The most important question therefore appeared to be to what extent alternative employment could be offered to the population currently engaged in fishery. During the next few years it seemed necessary to promote and support the industry by certain government measures. As mentioned in document COM.II/39, financial support had been given to the fishermen since 1958. In 1959 the total direct subsidy amounted to Norwegian Kroner 34 million. In 1960 it was expected that the amount would be somewhat lower, in the vicinity of 28 - 30 million, of which 14 million would be used to reduce prices on fishing equipment and 4 million to reduce prices on bait. The remainder would be placed at the disposal of fishermen's organizations in Northern Norway for increasing prices on cod-fish in the northern-most parts of the country. The representative of Norway also added that for several years the fishing industry had benefited from loans given at low interest rates by the State Fishery Bank.

59. In concluding his statement on fish the representative of Norway stressed that trade restrictions and subsidies in other countries had a considerable influence on the profitability of the Norwegian fishing industry.

60. In response to a question the representative of Norway informed the Committee that prices to the fishermen guaranteed by the equalization fund which existed for herring were fixed by agreement with the authorities. For white fish the fishermen's sales organizations established minimum prices after consultation with buyers.
61. A member of the Committee enquired whether the quantitative restrictions on fresh mackerel and fish meal were for protective or balance-of-payments reasons. The representative of Norway stated that it had been an oversight on the part of the authorities that the restriction on fish meal had not been removed. He assured the Committee that this product would be liberalized as of 1 July 1960. Import restrictions on fresh mackerel were applied for protective reasons.

62. It was stated by a member of the Committee that Norway had entered into bilateral agreements in an effort to promote exports and he wondered whether this did not have some bearing on the degree of liberalization. The representative of Norway felt that these agreements had little effect on overall liberalization. He pointed out that certain fish products were not too popular in most countries and were therefore promoted by means of bilateral agreements.

63. A member of the Committee asked whether some form of State support entered into the operation of processing and freezing plants in Norway. The representative of Norway stated that Government finance for such enterprises generally was on a commercial basis, either as loans or as Government share-holdings.

64. In response to a request for an explanation of the intention of the Trawlers Act the representative of Norway stated that in 1936, the Act was introduced to prevent any trawling in Norwegian waters. The Act was amended in 1951 to permit trawling when licensed by the authorities. As a result a considerable Norwegian trawler fleet now existed.