SUBSIDIES

Notifications Pursuant to Article XVI:1

FEDERAL REPUBLIC OF GERMANY

The products which come under the common agricultural policy will henceforth be the object of a set of measures whose application is governed by the obligations of the Community. The Commission of the EEC will transmit a communication concerning these products.

FORAGE PLANT SEEDS

I. Nature and extent of subsidy

(a) Background and authority

To be able to supply the German consumer with indigenous seeds at reasonable prices, a sufficient growing of suitable varieties is indispensable. This can only be achieved by guaranteeing the producer a gross yield per hectare which will correspond to an average grain harvest also in the event of a poor harvest caused by unfavourable weather conditions. In the case of subsidized forage plants the fodder value is often very disproportionate to the seeds yield since seeds of plants with a high fodder value are only produced at a small value per acreage. As a compensation the promotion bonus is granted to maintain and stimulate seed growing since the efficiency of agriculture - under, in part, difficult farming conditions - cannot be safeguarded, unless tested seeds of certified varieties are made available. The legal basis is constituted by the Budget Law.

(b) Incidence

The promotion bonus is only granted to farmers growing seeds and only in cases where it has been established that the particular seed needs and deserves promotion. A fixed amount per unit is established for each variety. The amount of the annually fixed bonus or likewise the cancelling of the bonus depends on the harvest and the world market price.

As a matter of principle, no subsidies are paid for seeds to be exported.
(c) **Amount of subsidy**

In the fiscal year 1961 an amount of DM 2,340,000 was appropriated in the budget for such aids and actually disbursed. In the fiscal year of 1962 DM 2,340,000 are provided for this purpose.

(d) **Estimated amount per unit**

In the fiscal year 1962 the promotion contribution ranges from DM 5.00 to DM 180.00 per 100 kg. depending on the species of crop. On the average it amounts to DM 23.37 per 100 kg.

II. **Effect of subsidy**

(a) **Estimated quantitative trade effects of subsidy and the reason why it is considered that the subsidy will have these effects**

Despite several extremely unfavourable harvest years, production of high-quality stock seeds rose in the case of some important species and could be maintained in the case of others. This success in respect of cultivation made it possible to prohibit the admission of German commercial seeds for some varieties of seeds. In the event of a decline in the production of high-quality stock seeds the admission of German commercial seeds would have to be permitted at an accordingly larger volume in order to meet demand. Although these seeds produced at home are not subject to such rigid regulation and control as they exist for high-quality stock seeds, they still offer a greater guarantee for a successful cultivation in Germany than a large number of varieties from abroad.

(b) **Statistics of production, consumption, imports and exports**

(i) for the last three years:

<table>
<thead>
<tr>
<th>Subsidized species of seeds</th>
<th>1959/60</th>
<th>1960/61</th>
<th>1961/62</th>
</tr>
</thead>
<tbody>
<tr>
<td>in tons</td>
<td>in tons</td>
<td>in tons</td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumption</td>
<td>9,213</td>
<td>8,079.6</td>
<td>9,464.9</td>
</tr>
<tr>
<td>Imports</td>
<td>44,060</td>
<td>32,741.5</td>
<td>39,930.9</td>
</tr>
<tr>
<td>Exports</td>
<td>35,548</td>
<td>24,000.0</td>
<td>28,687.2</td>
</tr>
<tr>
<td></td>
<td>701</td>
<td>650.4</td>
<td>726.1</td>
</tr>
</tbody>
</table>

(ii) This promotion measure was implemented already before World War II and resumed after the war already for the harvest of 1948 when conditions were getting organized. No substantial changes can be noted since then.
POTATOES WITH HIGH-STARCH CONTENT

I. Nature and extent of subsidy

(a) Background and authority

To guarantee the necessary yield of light soils which depend on the cultivation of potatoes and are not so much in a position to participate in the supply of food potatoes owing to their long distance from the markets the growers of potatoes with a high-starch content receive a cultivation premium out of the Federal Budget. Legal basis is constituted by the annual Green Plans based on the Agricultural Act of 5 September 1955 (BGBl. I, 1955, page 565).

(b) Incidence

The premium is limited to the amount of potatoes with a high-starch content provided there is a proof that they have been supplied on the basis of concluded cultivation and delivery contracts to the potato starch industry in the Federal territory. The payment of the premium is limited to the supply to the starch industry because these factories are not in a position to pay more than 0.40 DM per kilo of potato starch owing to the foreign competitive prices which, due to governmental measures, are considerably lower than the German production prices while a yield per hectare amounting from 2,000 to 2,400 DM which is worthwhile for the cultivation of potatoes has been calculated in the Agricultural Act. A yield per hectare in the amount of DM 2,000 will only be achieved if the farmer obtains DM 0.50 per kilo of starch for potatoes containing 16 per cent of starch. A fixed amount per unit is established for the premium which falls due only if the starch factory proves that a minimum price of DM 0.50 per kilo of starch including the premium has been paid to the grower of potatoes.

(c) Amount of subsidy

The premium quota is limited to the quantity of potatoes needed to produce 30,000 tons of potato starch flour. In the fiscal year 1961 DM 3 million were provided for these premium payments which were fully disbursed. In the fiscal year 1962 DM 3 million have again been provided for this purpose.

(d) Estimated amount per unit

The premium amounts to DM 0.10 per kg. of starch obtained from the total quantity of potatoes supplied.
II. Effect of subsidy

(a) Estimated quantitative trade effects of the subsidy and the reason why it is considered that the subsidy will have these effects

The payment of the premium does not affect the volume of potato imports or exports since it does not result in any increase of national production of potatoes and since the total of premium disbursements is limited to a quantity of potatoes equivalent to not more than 60 to 70 per cent of the Federal Republic's demand for potato starch flour. No potato starch flour is exported from the Federal Republic.

(b) Statistics of production, consumption, imports and exports

(i) for the last three years:

<table>
<thead>
<tr>
<th>Potatoes for the starch industry</th>
<th>1959/60</th>
<th>1960/61</th>
<th>1961/62</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>130,000</td>
<td>200,000</td>
<td>136,000</td>
</tr>
<tr>
<td>Consumption</td>
<td>256,190</td>
<td>252,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Imports</td>
<td>126,190</td>
<td>52,000</td>
<td>114,000</td>
</tr>
<tr>
<td>Exports</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(ii) for the year 1956:

(the cultivation premium was paid for the first time in the fiscal year 1956/57)

<table>
<thead>
<tr>
<th>Potatoes for the starch industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
</tr>
<tr>
<td>Consumption</td>
</tr>
<tr>
<td>Imports</td>
</tr>
<tr>
<td>Exports</td>
</tr>
</tbody>
</table>

FERTILIZERS

I. Nature and extent of subsidy

(a) Background and authority

In order to increase both the competitiveness of agriculture and its productivity especially in regions with unfavourable conditions of production, contributions out of budgetary funds are necessary during a certain transitional period to reduce prices of fertilizers. The legal basis is provided by the Agricultural Act of 5 September 1955 (Bundesgesetzblatt I, 1955, page 565).
(b) **Incidence**

These contributions are paid to consumers of fertilizers through manufacturers and/or traders of fertilizers who are in turn obliged to pass on these benefits to the ultimate domestic consumers. Specific rates are calculated as contributions in percentages of annual average prices without making any allowance for packing charges and extra charges levied by the retail trade. These rates are reviewed annually and calculated according to available budget funds. Since the statistical year 1958/59 for prices of fertilizers contributions are subject to a gradual reduction; they are to be discontinued in 1962/63.

(c) **Amount of subsidy**

In the fiscal year 1961 DM 185 million were provided for the purpose of reducing consumer's prices for fertilizers; of this amount DM 165,900,000 were disbursed. DM 185,000,000 have again been entered in the budget of the fiscal year 1962.

(d) **Estimated amount per unit**

Up to the economic year 1958/59 reduction of prices amounted to about 20 per cent and for the economic year 1959/60 to about 14 per cent, for 1960/61 to about 12 per cent and for 1961/62 to about 9.5 per cent of the yearly averages of prices.

In the economic year 1961/62 (1 July 1961 - 30 June 1962) approximately DM 144 million were disbursed to reduce costs of

- 621,000 tons of nitrogen (N)
- 634,000 tons of phosphate (P$_2$O$_5$
- 1,036,000 tons of potash (K$_2$O)
- 544,000 tons of lime (CaO)

This corresponds to an average price reduction amounting to

- DM 11.00 for 100 kg. nitrogen (N)
- DM 6.50 for 100 kg. phosphate (P$_2$O$_5$
- DM 3.00 for 100 kg. potash (K$_2$O)
- DM 0.50 for 100 kg. lime (CaO)
or to an estimated average price reduction amounting to

- DM 2.30 for 100 kg. of nitrogenous fertilizers
- DM 0.90 for 100 kg. of phosphatic fertilizers
- DM 1.20 for 100 kg. of potassic fertilizers
- DM 2.70 for 100 kg. of compound fertilizers (containing two or more of the aforementioned individual nutrients)
- DM 0.45 for 100 kg. of lime fertilizers

These are but approximate figures since, as is well known, the nutritive contents of the individual fertilizers vary greatly. In the individual case the nutritive contents, however, determine the price, and consequently the amount of the contribution payment.

II. Effect of subsidy

(a) Estimated quantitative trade effects of the subsidy and the reason why it is considered that the subsidy will have these effects

The reduction of price is only granted for fertilizers consumed in the Federal Republic regardless whether they have been manufactured at home or imported. Therefore, this measure promotes the consumption of fertilizers in general as it may equally affect domestic and imported products. No subsidies are granted for exports of fertilizers.

(b) Statistics of production, consumption, imports and exports

For data, see Annex.
GAS OIL FOR FISHERIES

I. Nature and extent of the subsidy

(a) Background and authority

Shipping (including fisheries) may use gas oil duty and tax free (General Tariff Law dated 29 November 1961 and Ninth Ordinance amending the implementing regulation relative to the Mineral Oil Tax dated 4 February 1962). In order to keep operating costs of fishing vessels at a reasonable level aids are granted for the use of gas oil. The legal basis for these contributions is provided by the annual Federal Budget Law.

(b) Incidence

As a rule, this aid is granted to the large-scale herring fisheries, small-scale deep sea fisheries, coastal and inland fisheries (in total about 35 per cent) of the total fishing yield of the Federal Republic of Germany to maintain the operation of these enterprises. No large-scale deep sea fishery shall receive this aid unless its need has been proved (operational losses).

(c) Amount of subsidy

In the fiscal year 1961 DM 3.5 million were provided for these aids. About DM 3.6 million were actually disbursed. In the fiscal year 1962 DM 3.7 million have been provided for this purpose.

(d) Estimated amount per unit

The aid given amounts to DM 7 per 100 kg. of gas oil consumed.

II. Effect of subsidy

(a) Estimated quantitative trade effects of the subsidy and the reason why it is considered that the subsidy will have these effects

The gas (diesel) oil aids have no impact on exports, since they are granted for domestic consumption only; as regards imports they can induce but an increase since gas (diesel) oil is primarily an imported product. Since 1950 imports of fish and fishing products have been constantly increasing.

(b) Statistics of production, consumption, imports and exports data are not available.
LANDING PREMIUMS PAID TO DEEP-SEA FISHERIES

I. Nature and extent of the subsidy

(a) Background and authority

Landing premiums serve to improve quality in the interest of the consumer. They are to lead to a higher consumption of fish and are to enable deep-sea fisheries weakened by a structural crisis to purchase additional installations and equipment designed to improve quality. The legal basis for these payments is provided by the Federal Budget Law.

(b) Incidence

Landing premiums are paid to deep-sea fisheries whenever they produce evidence showing that these landings have been

(a) either sold for immediate human consumption or

(b) deeply frozen or salted for storage purposes.

(c) Amount of subsidy

In the fiscal year 1962 an amount of DM 16.5 million has been provided for the first time.

(d) Estimated amount per unit

The landing premium (basic premium) amounts:

For the deep-sea fisheries depending on the tonnage of their active vessels from 3 to 6 per cent of gross receipts from sales; and

for the large-scale herring fisheries and small-scale deep-sea and coastal fisheries 6 per cent of gross receipts from sales, plus a supplementary bonus amounting to:

4 per cent of gross receipt from the sale of shrimps
3 per cent of gross receipts from the sales of fish packed aboard in boxes with chopped ice
3 per cent for live fish or large fish of special quality standards
3 per cent for deep-frozen fish fillet sold in 1 kg. household packages
3 per cent of gross receipts from sales of herrings salted aboard and having special quality and grading standards.
II. Effect of subsidy

(a) Estimated quantitative trade effects of the subsidy and the reason why it is considered that the subsidy will have these effects

It is expected that these subsidies will tend to improve quality standards and to increase consumption and thus help to overcome the structural crisis but that they will have no impact on foreign trade.

(b) Statistics of production, consumption, imports and exports

<table>
<thead>
<tr>
<th></th>
<th>in 1961 in 1000 tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own landings</td>
<td>536.7</td>
</tr>
<tr>
<td>Less quantity not used</td>
<td>111.2</td>
</tr>
<tr>
<td>consumption(^1)</td>
<td></td>
</tr>
<tr>
<td>For human consumption</td>
<td>425.5</td>
</tr>
<tr>
<td>Imports(^3)</td>
<td>247.0</td>
</tr>
<tr>
<td>Exports(^3)</td>
<td>65.4 181.6</td>
</tr>
<tr>
<td>Net consumption (for</td>
<td>607.1</td>
</tr>
<tr>
<td>human consumption)</td>
<td></td>
</tr>
</tbody>
</table>

MILK

I. Nature and extent of the subsidy

(a) Background and authority

The bonus is granted from budgetary funds on the basis of the dairies' purchasing price of milk; its purpose is to further improve the quality and hygienic standards of milk and also to contribute some compensation for the appreciably higher performance of the dairy farmers necessitated by the ever increasing demand for better quality milk and higher hygienic standards in milk production. The bonus is, therefore, not to be regarded as a subsidy but as a compensation payment. The so-called "Green Plan" based on the Agricultural Act of 5 September 1955 constitutes the legal basis for these compensation payments.

(b) Incidence

The bonus is only paid to milk producers supplying the quality grades I and II. The fixed amount per unit is reviewed annually.

\(^1\)Landing weight of fish.

\(^2\)Including fishliver oil, fish meal, and pressed (fish) liver oil.

\(^3\)By weight.
(c) **Amount of subsidy**

In the fiscal year 1961 DM 425 million were provided for the bonus. Actually approximately DM 440 million were disbursed to this end. Moreover, in 1961 bonus disbursements for milk for manufacturing purposes in the fiscal year 1960 totalled DM 108 million. In the fiscal year 1962 DM 470 million have been entered in the budget for this bonus and an additional DM 115 million have been provided for a single bonus paid for milk produced for manufacturing purposes in 1961.

(d) **Estimated amount per unit**

The bonus amounts to DM 0.03 per kg. of milk from cattle free from Tbc and brucellosis. For the time being this bonus will be payable until 31 December 1962. This single bonus-payment amounted to 0.008 DM for each kg. of milk supplied to all dairies in 1960 and in 1961.

II. Effects of subsidy

(a) **Estimated quantitative trade effects of the subsidy and the reason why it is considered that the subsidy will have these effects**

As already stated under I(a) the purpose of the bonus is to improve the quality of milk and to increase productivity. Imports of milk are in no way affected by this bonus since in the Federal Republic of Germany the milk market is organized on a regional basis. According to this organizational pattern regional milk markets may be supplied, in principle, just as little from German milk producing areas not incorporated into their region as from any foreign country. Milk exports are of no importance.

(b) **Statistics on production, consumption, imports and exports**

(i) covering the three most recent years (1959/61)

<table>
<thead>
<tr>
<th>Fresh milk and cream</th>
<th>1959</th>
<th>1960</th>
<th>1961</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production*</td>
<td>5,650,900 t</td>
<td>5,841,200 t</td>
<td>5,847,600 t</td>
</tr>
<tr>
<td>Consumption*</td>
<td>5,658,100 t</td>
<td>5,849,600 t</td>
<td>5,855,700 t</td>
</tr>
<tr>
<td>Imports</td>
<td>21,374 t</td>
<td>44,461 t</td>
<td>53,995 t</td>
</tr>
<tr>
<td>Exports</td>
<td>1,017 t</td>
<td>607 t</td>
<td>3,117 t</td>
</tr>
</tbody>
</table>

*only unskimmed milk for immediate consumption.
(ii) covering the year 1955 preceding the payment of promotion bonuses:

<table>
<thead>
<tr>
<th></th>
<th>Fresh milk and cream</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production*</td>
<td>5,841,400 t</td>
</tr>
<tr>
<td>Consumption*</td>
<td>5,843,400 t</td>
</tr>
<tr>
<td>Imports</td>
<td>2,080 t</td>
</tr>
<tr>
<td>Exports</td>
<td>100 t</td>
</tr>
</tbody>
</table>

*only unskimmed milk for immediate consumption.
ANNEX

Statistics on Production, Consumption, Imports and Exports

(Quantities in 1000 tons; figures for the fertilizer year from July 1 - June 30)

<table>
<thead>
<tr>
<th>Nutrient</th>
<th>Production</th>
<th>Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nitrogen (N)</td>
<td>752</td>
<td>1,051</td>
</tr>
<tr>
<td>Phosphate (P₂O₅)</td>
<td>498</td>
<td>814</td>
</tr>
<tr>
<td>Potash (K₂O)</td>
<td>1,630</td>
<td>1,908</td>
</tr>
<tr>
<td>Lime (CaO)</td>
<td>606*</td>
<td>606*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nutrient</th>
<th>Imports</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nitrogen (N)</td>
<td>4.9</td>
<td>4.3</td>
</tr>
<tr>
<td>Phosphate (P₂O₅)</td>
<td>39.0</td>
<td>83.0</td>
</tr>
<tr>
<td>Potash (K₂O)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lime (CaO)</td>
<td>not available</td>
<td></td>
</tr>
</tbody>
</table>

*The figures are based on quicklime and on the calendar years 1955, 1959, 1960 and 1961.