

# WORLD TRADE ORGANIZATION

RESTRICTED

**G/AG/R/38**

28 May 2004

(04-2308)

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## Committee on Agriculture

### SUMMARY REPORT OF THE MEETING HELD ON 25 MARCH 2004

Note by the Secretariat<sup>1</sup>

1. The Committee on Agriculture held its thirty-eighth regular meeting on 25 March 2004 under the chairmanship of Dr. Magdi Farahat of Egypt. The agenda of the meeting as contained in WTO/AIR/2269 was adopted.

#### **PART I: THE REVIEW PROCESS**

A. MATTERS RELEVANT TO THE IMPLEMENTATION OF COMMITMENTS UNDER THE REFORM PROGRAMME: ARTICLE 18.6

(a) Argentina: Hungary – Tariff quota underfill – Article 18.6

2. Argentina reverted to Hungary's deferred response to questions that Argentina had raised under Article 18.6 of the Agreement at the November 2003 meeting concerning the matter of tariff quota underfill. At the November meeting, Argentina had observed that the tariff quotas for milk and cream, corn and poultry and poultry meat during 1995-2001 were not filled and questioned whether there was any linkage between tariff quota underfill and the use of export subsidies for those products in same period. Argentina sought clarification as to why, as stated in Hungary's deferred response, this issue should not have been raised as an implementation matter under the provisions of Article 18.6 of the Agreement (see G/AG/R/37, paragraph 5 and page 22).

3. Hungary noted that Article 18.6 foresees the discussion of "matters relevant to the implementation of commitments" of Members, while Article 18.2 provides for the possibility of the discussion of notifications in general. In its view, this discussion should properly take place under the agenda item related to Article 18.2 of the Agreement.

4. This said, Hungary responded to Argentina that the quotas in question were opened in accordance with Hungary's scheduled commitments and were made available to all Members. There is no obligation to import or to ensure that the quotas are actually filled. By opening the quotas Hungary had fully met its multilateral commitments, something which Argentina had not questioned. Furthermore, Hungary had provided export subsidies for a number of products within the budgetary and quantity limits contained in its Schedule. Again, Argentina had not questioned that Hungary had met these multilateral commitments.

5. For a number of reasons, Hungary did not believe, as presumed by Argentina, that there was a linkage between underfill of quotas and the provision of export subsidies to those products. Many of Hungary's commitments are at 4-digit level, while the traded products where there was quota underfill and for which export subsidies were provided might be quite different. Furthermore, due to the

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<sup>1</sup> This document has been prepared under the Secretariat's own responsibility and is without prejudice to the positions of Members or to their rights or obligations under the WTO.

weather and other conditions, production, exports and imports might fluctuate widely from year to year. Trade flows are also to a large extent influenced by existing business links and traditional patterns of exports and imports. Hungary's trade is to a large extent influenced by preferential market access opportunities and many products can be imported at lower tariffs than under the WTO quotas. Other factors such as transport costs and its land-locked position can influence the sources of Hungary's imports. In Hungary's view, there might be many factors influencing trade flows which are not related to the fulfilment of commitments.

6. In response Argentina noted that this issue had a procedural and a substantive dimension. From a procedural point of view, Argentina considered Hungary's answer at the last meeting to be unacceptable because Article 18.6 of the Agreement allows Members to raise any implementation issue and because Argentina was seeking an explanation for the repeated tariff quota underfill of subsidized products, which in Argentina's view had not been provided by Hungary. In any event, Argentina reserved its rights in negotiations under Article XXIV:6 and/or Article XXVIII of the GATT 1994 to object to import trade statistics of Hungary or other EU member States with tariff quota underfill.

(b) Argentina: Switzerland – Export subsidies

7. Argentina reverted to the Article 18.6 matter it had raised at the November 2003 meeting concerning export subsidies provided by Switzerland (G/AG/R/37, paragraphs 7-11). Argentina sought further clarification regarding the measures for the provision of export subsidies. It also requested a response to its questions concerning export subsidies provided for incorporated products.

8. Switzerland responded that information concerning export subsidies for the products concerned (see G/AG/N/CHE/25) is available on the Internet.<sup>2</sup> As regards incorporated products, the compensation amounts on a raw material-specific basis are adjusted four times a year.<sup>3</sup> Switzerland also provided information regarding the compensation amounts for incorporated products for the year 2000 (see Attachment hereto).

(c) Australia: European Communities – Sugar regime

9. Australia requested the EC to clarify the following matters concerning its sugar regime:

(i) Whether the sugar imports from the ACP countries and India constitute imports under the WTO tariff quota allocated to certain ACP Members and India. It also requested information concerning the quantities imported under arrangements, other than the WTO tariff quota. The EC responded that imports are made under the ACP and India tariff quota, under a second special preferential sugar tariff quota, the GSP and the Everything-But-Arms arrangements since 2001-2002.

(ii) Whether the data on sugar imports from the ACP countries and India communicated to the EC are expressed in white sugar equivalent. The EC responded that the data are expressed in product weight which corresponds to approximately 97 per cent of white sugar equivalent.

(iii) Whether the EC could provide import data from the ACP countries and India for 2002/03 in white sugar equivalent. The EC responded that such data are not available.

(iv) Whether the annual imports from the ACP and India relate to the marketing year. The EC responded in the affirmative.

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<sup>2</sup> See <http://www.bk.admin.ch/ch/f/rs/rs.html>. Then search for: Dairy products - order 916.350.21; cattle for breeding and horses – order 916.310.51; fruits – order 916.131.11; potatoes – order 916.113.11; processed products - orders 632.111.72 and 632.111.722 and 632.111.723.

<sup>3</sup> See <http://www.seco-admin.ch/themen/aussenwirtschaft/warenverkehr/zollfragen/index.html?lang=fr>.

(v) Whether the figure of 1.6 million tonnes referred to in the footnote to the EC Schedule of export subsidy commitments is expressed in white sugar equivalent. The EC responded in the affirmative.

(vi) How does the EC define "sugar of ACP and Indian origin"? The EC responded that the definition is determined under the applicable preferential agreement.

(vii) What arrangements are in place to ensure that EC export subsidies on sugar of ACP and Indian origin, as referred to in the footnote to the EC Schedule, are restricted to such sugar? The EC responded that it is equivalent sugar which is exported.

(viii) Whether the EC provides export subsidies on sugar of ACP and Indian origin according to the quantities imported from those countries in (a) the year of import, or (b) the previous year, or (c) on some other basis. The EC responded that footnote 1 to its Schedule permits the granting of export subsidies with respect to a quantity of exports equivalent to the imports from the ACP countries and India during the base period, i.e. 1.6 million tonnes. The EC referred to its explanation on how it ensures that such quantity is not exceeded in the context of the ongoing Panel proceeding concerning the EC sugar regime.

(d) United States – Skim milk powder provided as food aid

*Questions from Australia*

10. Australia stated that so far in 2004 the United States had announced food aid donations of non-fat dry milk powder (skim milk powder - SMP) to three countries (Indonesia, Viet Nam and Georgia). In making these announcements the United States had indicated that it expected to donate 60,000 tonnes of US SMP in fiscal year (FY) 2004. Australia sought clarification regarding SMP food aid in FY 2003, stock levels (a question also raised by the EC) and subsidized exports of SMP.

11. The United States responded that it had donated 70,870 tonnes of SMP in FY 2003 under the 416 program. Information on total FY 2003 SMP donations would be notified. At the end of December 2003 US stocks of SMP were approximately 500,000 tonnes. In the period July 2002 to June 2003, the United States had exported 68,201 tonnes of SMP with subsidies which represented 100 per cent of the corresponding export subsidy commitment level. In FY 2003 outlays for SMP were \$14.8 million, 17.9 per cent of the US commitment level.

12. Australia also sought clarification as to how the United States ensured that the SMP food aid that was monetized or bartered did not adversely affect local commercial market prices. The US responded that it adheres to the "Principles of Surplus Disposal and Consultative Obligations" as laid out by the Consultative Subcommittee on Surplus Disposal (CSSD). The primary discipline under the CSSD is the usual marketing requirement (UMR) which is an average of the preceding five years of commercial imports for the particular recipient country and commodity in question. The maximum level of food aid to avoid commercial disruption is the difference between the country's consumption needs and the UMR plus domestic supplies (production and stocks). The monetization programmes identified are aimed at filling the gap between local demand and the country's food availability, thus avoiding disruption of commercial markets.

*Questions from Canada*

13. Canada expressed concern about the US food aid donations of 3,500 tonnes of SMP to Viet Nam and 4,000 tonnes of SMP to Indonesia in February 2004. Both donations were made to Land O'Lakes, an American dairy cooperative under USDA's Section 416(b) program administered by the Foreign Agricultural Service. In both instances the SMP was not used for direct feeding. Land

O'Lakes monetized SMP to be used in various projects including improving dairy markets in these countries. Land O'Lakes is a significant dairy exporter and its international development projects serve to generate international market opportunities.

14. Canada noted that USDA Section 416(b) states that "priority will be given to programs that use the non-fat dry milk in direct feeding operations. Large monetization programmes that support development projects are the least likely to be approved". In light of these stated priorities, Canada sought clarification as to how these transactions met US program objectives and the food needs in these countries, and as to why Land O'Lakes had been chosen for these donations.

15. The United States responded that the monetization proceeds were indeed used for humanitarian objectives. While monetization projects were not given the top priority in the selection of Section 416(b) programs, USDA objectives of the programme state that "Programs that use the monetization proceeds for humanitarian objectives (HIV/AIDS, health, nutrition, and similar projects) will be favoured." The programmes being carried out by Land O'Lakes in Viet Nam and Indonesia were clearly cases where the monetization proceeds were used for humanitarian objectives, objectives that the United States considered worthwhile.

16. The objectives of the Section 416(b) SMP program in Viet Nam are to address immediate child malnutrition and health concerns through the Mekong Delta Child Feeding Project and to promote longer term food security through the Dairy Link Pilot Project. Of the 3,500 tonnes of SMP to be provided, 1,400 tonnes are to be bartered for fortified UHT milk. The remaining 2,100 tonnes are to be monetized. Using both bartered goods and monetized proceeds, the Mekong Delta Child Feeding Project will provide a 200-ml package of UHT milk and a fortified biscuit to 167,000 school children and teachers every school day. The project is targeted at several rural and remote districts with a high percentage of malnourished children in families with low income levels.

17. The Dairy Link Project is an effort to partner the private and public sectors to develop the dairy sector in Southern Viet Nam and increase the nutrition of children in that district. Land O'Lakes will work with a local dairy organization willing to improve operations, especially in food safety, and develop nutritious products to combat malnutrition. The project will be linked to a school feeding programme and the local partner must agree to provide fresh milk to local schools in exchange for equipment, technical assistance and training. Approximately 2,000 children will benefit.

18. The objectives of the Section 416(b) SMP program in Indonesia are to improve child nutrition for Indonesian school children; provide supplemental rations for HIV/AIDS patients; provide technical assistance on food safety to local businesses; and increase health awareness in schools. Of the 4,000 tonnes of SMP to be provided, 1,500 are to be bartered for fortified UHT milk. The remaining 2,500 tonnes are to be monetized. Using both bartered goods and monetized proceeds, 353,000 school children and their teachers in economically disadvantaged areas of Java, Lombok, Bali, and South Sulawesi will receive UHT milk for 29 weeks during the school year. 51,000 children will receive fortified biscuits for 29 weeks. Proceeds from the monetization will also be used to provide a highly fortified food product to low-income HIV/AIDS patients in Jakarta.

19. The SMP food aid was provided by United States to the Land O' Lakes International Division, which is a separate unit from the commercial unit. The International Division is registered as a Cooperative Development Organization with the US Agency for International Development. This unit implements the food aid programmes at cost. The commercial and humanitarian units of Land O'Lakes have distinct employees and Land O'Lakes has clear rules to ensure that the employees are independent of one another. Land O'Lakes is not a major exporter in the areas where the cooperative implements food aid programmes. Commercial operations are mostly completed with one US processor for sale in Latin American countries.

20. When reviewing proposed programmes for approval, USDA examines the past food aid and development activities of the proposing organization, its experience within the country where the programme is proposed, and any other relevant information to demonstrate its capability to implement the programme. Land O'Lakes has extensive background worldwide in managing programmes to combat malnutrition. This organization also has experience partnering with government and non-governmental organizations to carry out projects similar to those in Indonesia and Viet Nam. Given its extensive experience, USDA considers Land O' Lakes an appropriate choice in carrying out US food aid and humanitarian objectives.

21. Furthermore, with respect to Canada's question as to why these transactions should not be considered as export subsidies under Article 9.1(a) of the Agreement, the United States responded that it considered that, to the extent international food aid transactions were in conformity with the requirements of Article 10.4, they did not constitute export subsidies under the Agreement on Agriculture, any export subsidies described in Article 9.1(a), or the anti-circumvention provisions of Article 10.1 of the Agreement.

*Questions from the European Communities*

22. The EC requested an update of the situation concerning the provision of 200,000 tonnes of international food aid announced in 2002 and expressed concern about awards to the National Dairy Authority (see also G/AG/R/35, paragraphs 4-6). In light of the build-up of SMP stocks in excess of one billion lbs. by the end of 2002, the EC sought clarification from the US regarding its disposal strategy for these government stocks, including food aid.

23. The United States responded that it had announced in October 2002 that 200,000 tonnes of SMP were available for food aid under the 416(b) program. Actual FY 2003 programming of 416(b) food aid totalled 70,870 tonnes. The US intends to use the SMP stocks by increasing the use of SMP in domestic school lunch programmes and as donations to domestic aid organizations. US food aid is used to provide famine relief, assist food insecure countries, and support critical development programmes, with stocks at the disposal of the US government.<sup>4</sup>

*Questions from New Zealand*

24. New Zealand stated that the US had announced in December 2002 its intention to donate over 24,000 tonnes of SMP from its non-commercial stockpile as food aid to Central and South America, with assurances to the Committee that this food aid would not displace normal commercial transactions, including both SMP imports and domestic production in those markets. However, in light of information of donations of SMP being monetized in Guatemala (December 2003) and El Salvador (January 2004) by private companies, which appears to have resulted in lost commercial sales, New Zealand sought clarification from the US regarding the consistency of these donations with Article 10.4 of the Agreement.

25. The United States responded that the private voluntary organization Food for the Poor had been selected to carry out the donations referred to by New Zealand, which were destined for 14 Latin American countries. Under this programme, El Salvador and Guatemala received 1,000 tonnes and 5,800 tonnes of SMP, respectively. Donations under this programme were being used to feed approximately 1.5 million children and adults in hospitals, orphanages, schools, homes for the elderly, and homeless people; none of this food aid was monetized. In addition, USDA provided 1,000 tonnes of SMP to a private voluntary organization Project Concern International (PCI) for a FY 2003 programme in Guatemala. This quantity was monetized in December 2003 and January 2004. None of the SMP provided to El Salvador in FY 2003 was monetized.

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<sup>4</sup> For further information, see [www.fas.usda.gov/excredits/FoodAid/FFP/eligibleCountries.html](http://www.fas.usda.gov/excredits/FoodAid/FFP/eligibleCountries.html).

26. In following the guidelines of the CSSD, the United States had calculated the UMR for Guatemala prior to approving this programme and determined that up to 1,000 tonnes of SMP could be monetized without disrupting commercial imports. Therefore, this programme was in line with the FAO "Principles of Surplus Disposal".

27. A number of Members had follow-up questions or made comments.

28. Canada sought clarification from the United States if it considered that whenever a company in the commercial export business establishes a non-profit division, the food aid provided to that company for sale in export markets is not covered by Article 9.1 of the Agreement; or whether this has to be judged on a case-by-case basis. It also requested the US to provide information on the origin and the suppliers of the food and beverages in the context of the monetization process referred to above.

29. Australia observed that this issue involved a situation where a Member had reached the limit in terms of allowable export subsidies and was faced with a domestic surplus, some of which was disposed on the world market. The Australian dairy industry had raised a question as to how the WTO rules apply in this case. How can one be sure that this is genuine food aid? While Australia was very supportive of helping to improve the general humanitarian conditions in developing countries, in its view the same objective could be achieved more directly by providing aid funds rather than selling the product into those markets (monetization).

30. The EC commented that the position of the United States in justifying its food aid programmes – conformity with usual marketing requirements obligations, provision of notifications – was contradicted by information from various commercial sources that these operations displaced commercial sales, in particular in the Dominican Republic. In the view of the EC, it might be preferable if food aid operations are undertaken by specialized agencies with more experience in this area than governments. It requested clarification of whether in the case of Viet Nam the US had carried out an impact assessment of the food aid on the Vietnamese dairy industry and local production and whether the possibility of local purchases or triangular operations had been examined. The concern is that the US food aid operations may be stunting the growth prospects for dairy production in Viet Nam, whereby food aid displaces commercial and domestic production.

31. Argentina said that it does not question the humanitarian objectives of the United States but the means to achieve them. Argentina also sought clarification as to whether these donations have been notified to the CSSD of the FAO.

32. The United States responded that the US commercial dairy industry is paying close attention to the government's food aid donations and certainly does not want to be displaced, nor hindered in its efforts to expand international markets. In response to Argentina, the US said that it had to verify whether FAO had been notified about the food aid operations but in any case the US had submitted its Table NF:1 notifications for 2001 and 2002. The United States did not expect its food aid operations will undermine the growth prospects in the dairy market of Viet Nam. Its dairy exports to Viet Nam amounted to 30,000 tonnes of US milk powder, whey, lactose, WPC34 and WPC80 in the period 2001 to 2004, a total value of approximately US\$14 million. The United States reassured the Committee that its commercial export interests were also at stake.

33. Australia noted in response that the US dairy industry had not only an international focus but also domestic interests. As a large dairy stockpile reduces the returns in the domestic market for US dairy producers, there is a question of whether the US dairy industry does not on balance gain from the US food aid operations.

(e) European Communities: United States– Domestic processing requirement linked to orange juice purchase

34. The EC stated that on 15 January 2004 USDA had published news release No. 0020.04 in which Secretary Veneman announced the purchase of up to US\$50 million of orange juice. The release contained the following sentence: "The purchase offer will be open to those processing 100 per cent domestic orange juice". The EC sought clarification from the United States concerning the compatibility of the stated condition for participation in the purchase with the Agreement on Agriculture and how this measure would be notified.

35. The US responded that this purchase of orange juice was made as part of the US school lunch programmes which are notified as Green Box measures under domestic food aid - child nutrition programmes. Commodities for the programme were purchased at market prices based on open bids which are then donated to the schools for subsidized or free school lunches.

36. With regard to the question of compatibility with the Agreement on Agriculture, the US stated that the longstanding general rule of Article III of the GATT is to prohibit the treatment of domestic goods more favourably in commerce than imported goods. Article III of the GATT has an explicit exception to this general rule, however, for the payment of certain domestic subsidies. Article III:8(b) allows the payment of subsidies exclusively to domestic producers. Consequently, domestic support paid exclusively to domestic producers of agricultural goods is permissible.

(f) Mexico: Panama – Tariffs applied on dairy products

37. Mexico expressed concern about Panama's tariff of 65 per cent applied in respect of milk products classified under subheading 1901.10.19, which appears to be higher than Panama's corresponding binding. Mexico sought clarification regarding this information and steps taken by Panama to rectify this measure. Argentina, Colombia, Costa Rica and the EC supported the statement made by Mexico.

38. As Panama was not in the room when this point was raised, the Chair requested Mexico to provide its questions in writing to Panama.

B. REVIEW OF NOTIFICATIONS

(a) Notifications in respect of which questions have been raised in advance of the issuance of the convening airgram

39. The Committee reviewed the following notifications as listed in the agenda:

- (i) on the administration of tariff and other quota commitments (Table MA:1): from El Salvador (SLV/21);
- (ii) relating to imports under tariff and other quota commitments (Table MA:2): from European Communities (EEC/48), South Africa (ZAF/51) and Thailand (THA/48 and THA/49);
- (iii) in the context of the special safeguard (Tables MA:3 to MA:5): from Japan (JPN/84 and JPN/88) and United States (USA/49);
- (iv) relating to domestic support commitments (Table DS:1): from Australia (AUS/52), Czech Republic (CZE/52), Morocco (MAR/28), Poland (POL/60), Romania (ROM/20 and Corr.1) and Slovak Republic (SVK/42); and

- (v) relating to new or modified domestic support measures exempt from reduction (Table DS:2): from Australia (AUS/53) and Czech Republic (CZE/53).

40. Specific points raised with respect to the notifications listed above and the responses thereto are summarized in Part I of the Annex to this report.

- (b) Notifications subject to review in respect of which no questions have been raised in advance of the issuance of the convening airgram

41. The Committee took note of the following notifications, which had been circulated in advance of the date on which the notice convening the present meeting was issued but in respect of which no questions had been raised by that date under the Committee's Working Procedures:

- (i) on the administration of tariff and other quota commitments (Table MA:1): from Japan (JPN/91) and the United States (USA/50);
- (ii) relating to imports under tariff and other quota commitments (Table MA:2): from Guatemala (GTM/28), Japan (JPN/92), Morocco (MAR/26), Nicaragua (NIC/14/Corr.1), Panama (PAN/8), Slovenia (SVN/26) and Thailand (THA/48/Corr.1);
- (iii) in the context of the special safeguard (Tables MA:3 to MA:5): from Barbados (BRB/13 and BRB/14), Guatemala (GTM/29), Japan (JPN/89 and JPN/93), Morocco (MAR/27), Panama (PAN/7), Poland (POL/59 and POL/61), Slovak Republic (SVK/41), Chinese Taipei (TPKM/12), and Thailand (THA/46);
- (iv) in the context of domestic support commitments (Table DS:1): from Chile (CHL/14), Hong Kong, China (HKG/16), Singapore (SGP/10) and the United States (USA/51);
- (v) in the context of new or modified domestic support measures exempt from reduction (Table DS:2): from Chile (CHL/15);
- (vi) on export subsidy commitments (Tables ES:1 to ES:3): from Armenia (ARM/1), Barbados (BRB/12), Czech Republic (CZE/51), Guyana (GUY/11), Hong Kong, China (HKG/17), Hungary (HUN/32), Japan (JPN/90), Morocco (MAR/29), Namibia (NAM/15), Oman (OMN/2), Saint Lucia (LCA/1), Singapore (SGP/11), Thailand (THA/47) and Zambia (ZMB/5);
- (vii) on export prohibitions and restrictions (Table ER:1): from the Former Yugoslav Republic of Macedonia (MKD/1).

42. Specific points raised with respect to Table DS:1 notification from the United States (G/AG/N/USA/51) and the response thereto are summarized in Part I of the Annex to this report (see page 25).

- (c) Notifications circulated or made available after the notice convening the meeting was issued

43. The following notifications were subject to preliminary review and are to be reverted to at the next meeting for substantive review in accordance with paragraph 9 of the Committee's Working Procedures (G/AG/1):

- (i) relating to imports under tariff and other quota commitments (Table MA:2): from El Salvador (SLV/22) and Latvia (LVA/9);

- (ii) in the context of the special safeguard (Tables MA:3 to MA:5): from Japan (JPN/94);
  - (iii) on export subsidy commitments (Tables ES:1 to ES:3): from Argentina (ARG/23) and Chile (CHL/16).
- (d) Points concerning notifications raised at previous meetings
44. There was no discussion under this agenda item.
- (e) Counter notifications under Article 18.7 of the Agreement
45. The Committee took note that no counter-notifications had been received under Article 18.7 of the Agreement.
- (f) Deferred replies to questions raised under the Review Process
46. The deferred reply from India regarding the Article 18.6 matter raised by Canada at the November 2003 meeting concerning India's tariff quota for refined colza oil (see G/AG/R/37, paragraphs 19-20) is summarized in Part II of the Annex to this report.
47. Following the March meeting, the Secretariat received deferred replies from Romania regarding its Table DS:1 notification (G/AG/N/ROM/20) and from the Slovak Republic concerning its Table DS:1 notification (G/AG/N/SVK/42). These replies are included in Part I of the Annex to this report.
- (g) Overdue notifications
48. The Committee took note of the room document, dated 24 March 2004, made available by the Secretariat showing the current status of compliance with the notification obligations.
- (h) Addenda to Table MA:1 notifications
49. The Committee took note that the following Members administering tariff quotas had submitted the requisite Table MA:1 Addenda in accordance with the General Council Decision of December 2000 (paragraph 1.1 of WT/L/384 refers): Australia, Canada, the Czech Republic, the EC, Hungary, Japan, Latvia, New Zealand, Norway, Slovenia, Switzerland, Thailand, and the United States. The Chairman urged those Members administering tariff quotas which had not yet done so to provide Addenda to their Table MA:1 notifications in accordance with the General Council Decision in WT/L/384.

## **PART II: OTHER MATTERS WITHIN THE PURVIEW OF THE COMMITTEE**

- A. IMPLEMENTATION OF ARTICLE 10.2 OF THE AGREEMENT ON AGRICULTURE, ON THE DEVELOPMENT OF INTERNATIONALLY AGREED DISCIPLINES TO GOVERN THE PROVISION OF EXPORT CREDITS, EXPORT CREDIT GUARANTEES OR INSURANCE PROGRAMMES (G/AG/16, SECTION A)
50. Argentina recalled the statement it had made under this agenda item at the September meeting of the Committee (G/AG/R/36, paragraph 35).

B. MARRAKESH NFIDC DECISION – PROPOSAL BY THE AFRICAN GROUP IN THE CONTEXT OF THE REVIEW OF ALL SPECIAL AND DIFFERENTIAL TREATMENT PROVISIONS BY THE COMMITTEE ON TRADE AND DEVELOPMENT IN SPECIAL SESSION

51. The Committee took note that this agenda item concerned a proposal by the African Group (TN/CTD/W/3/Rev.2, paragraph 52) that had been referred to the Committee in the context of the review of all special and differential treatment provisions by the Committee on Trade and Development meeting in Special Session (see report by the Chairman of the Committee to the General Council on the discussion held at the June 2003 meeting, G/AG/17 and Corr.1). The Chairman of the General Council who had been undertaking consultations on this matter had invited the Committee, through its Chairman, to further consider this matter.

52. There was no discussion under this agenda item and the Committee agreed to revert to this matter at a future meeting.

C. WTO LIST OF NET FOOD-IMPORTING DEVELOPING COUNTRIES: APPLICATION BY GABON

53. The Committee noted that paragraph 3 of the Committee's November 1995 decision on the establishment of a WTO List of Net Food-Importing Developing Countries for the purposes of the Marrakesh NFIDC Decision provided that the list shall be reviewed by the Committee at its regular March meetings (G/AG/3, refers). In this regard, an application had been received from Gabon. The relevant statistical data, submitted by Gabon in line with paragraph 2 of the Committee's decision on the establishment of the list, was available for consultation in the Agriculture and Commodities Division. The Committee agreed to include Gabon in the WTO List of Net Food-Importing Developing Countries (G/AG/5/Rev.7).

D. ELECTION OF CHAIRPERSON

54. The Committee took note that the Chairman of the Council for Trade in Goods had carried out informal consultations on a slate of names for appointment as chairpersons to the subsidiary bodies of the Council for Trade in Goods in accordance with the established Guidelines for Appointment of Officers to WTO bodies (contained in document WT/L/31). In light of the fact that these consultations had not yet reached a conclusion, the Committee postponed the election of the Chairperson of the Committee until its next meeting.

E. MATTERS RAISED UNDER "OTHER BUSINESS"

55. The Philippines informed the Committee under "Other Business" that it intended to engage in negotiations on the question of continuation of Special Treatment – Annex 5 of the Agreement. A notification concerning this matter was submitted after the meeting (G/AG/W/63 – G/L/677 dated 29 March 2004).

Date of Next Meeting

56. The next regular meeting of the Committee on Agriculture will be held on Thursday, 17 June 2004. The airgram convening the meeting and containing the draft agenda will be issued on Monday, 7 June 2004.

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**ANNEX – PART I**

**Review of notifications by the Committee on Agriculture on 25 March 2004**

**Summary of specific points raised and responses thereto**

**Table MA:1 Notifications**

<b>El Salvador G/AG/N/SLV/21 Tariff Quota Administration (Table MA:1)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>New Zealand – Sought clarification as to how El Salvador justifies the government collecting revenue in excess of the in-quota tariff rate for cheese, as is likely to occur under the public auctioning system used to allocate quotas.</p> <p>Clarification sought as to what efforts are being made to remove the domestic purchasing requirements in the allocation of the cheese quota, i.e. the requirement that those receiving quota must purchase at least 10,000 bottles a day of the national milk supply.</p> <p><i>Follow-up comment by Argentina</i> – In Argentina's view, the auctioning system is not in compliance with the WTO provisions.</p>	<p>The Government of El Salvador, consistent with its rights and obligations under the WTO Agreements, uses auctioning as an internal measure for allocating tariff quotas, pursuant to the legal instrument "Regulations on the Opening and Administration of Quotas", which was duly notified to the relevant WTO Committee.</p> <p>These regulations serve as the basis for the allocation of tariff quotas through the issue of import licences free of charge. El Salvador makes the quotas available in order to guarantee the level of market access undertaken with regard to imports of certain products, in keeping with the national policy of promoting the strengthening of production chains, in particular the production and trade of micro, small and medium agricultural producers.</p>

**Table MA:2 Notifications**

<b>European Communities G/AG/N/EEC/48 Tariff Quota Fill (Table MA:2)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
New Zealand – Reasons for underfill of a number of TQs in 2002/2003, in particular cheese for processing (HS 0406.90.01)	There was sufficient supply at competitive prices on the internal market.

<b>South Africa G/AG/N/ZAF/51 Tariff Quota Fill (Table MA:2)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
New Zealand – Explanation sought for the declining fill rates for the butter and cheese TQs in recent years.	Currency fluctuations and the local market conditions were the main reasons for the low utilization of the butter and cheese TQs in recent years.

<b>Thailand G/AG/N/THA/48 and THA/49 Tariff Quota Fill (Table MA:2)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>EC – Noted significant underfill of several TQs in 2001 and 2002. Requested reasons for the underfill of TQs for "not concentrated milk and cream (0401.2202.90)" and "cane or beet sugar (1701)".</p> <p>United States – Considered that the low fill rates of certain TQs was partially due to the manner in which Thailand administers its TQs. Requested reasons for the low or zero fill rate of the milk and cream, garlic, maize, and soybean oil TQs in 2001 and 2002.</p>	<p><u>Milk and cream</u> The zero fill rate of the TQ for milk and cream (0401.2202.90) in 2001 and 2002 was due to a lack of domestic demand, some of which might have shifted to milk and cream in powder form under another tariff line (0402.10.0007). In both 2001 and 2002, Thailand allowed in-quota importation of milk and cream in powder form at considerably higher levels than bound commitments.</p> <p><u>Sugar</u> Thailand is one of the world's major sugar exporters due to its comparative advantage in both price and quality. It is therefore reasonable for most of domestic consumption of sugar to be satisfied by domestically-produced sugar. Exceptions exist only for some specialty sugar which cannot be produced domestically and where imports are needed.</p> <p><u>Garlic</u> Due to good agricultural conditions for garlic cultivation in 2001 and 2002 which resulted in adequate domestic supply, there was no demand for imports of garlic. According to the statistics, Thailand even exported certain amounts of garlic during the period in question.</p> <p><u>Maize</u> Similar to garlic, there were adequate supplies of domestically produced maize as a result of increased cultivation. Therefore, there was no demand for imports of maize.</p>

Thailand G/AG/N/THA/48 and THA/49 Tariff Quota Fill (Table MA:2)	
Points raised by other Members	Response by Notifying Member
United States (cont'd)	<u>Soybean oil</u> The demand for imports of soybean oil in 2001 and 2002 was low due to unlimited duty-free access for imports of soybeans. Thailand imported more than 1.3 and 1.4 million tonnes of soybeans in 2001 and 2002 respectively, some of which was used to produce soybean oil. Therefore, there was no demand for imports of soybean oil.

**Tables MA:3 to MA:5 Notifications**

<b>Japan G/AG/N/JPN/84 Volume-Based Special Safeguard (Table MA:3)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>United States – Clarification sought concerning the data used for calculating the trigger level for tariff items 1901.20 and 1901.90. Noted that Japan had used the three-year average imports at 7,604 tonnes while Japan Customs reported imports over the same three-year period for products imported under HS codes 1901.20 and 1901.90 at nearly 400,000 tonnes.</p>	<p>Under HS codes 1901.20 and 1901.90, imports in excess of the trigger volume relate to the six tariff lines with the highest starch content by weight in their rice-, wheat-, barley- or starch-based components, in other words HS lines 1901.20-156, 1901.20-157, 1901.20-159, 1901.90-176, 1901.90-177, and 1901.90-179. The volume of "nearly 400,000 tonnes" probably refers to the average volume of imports for the last three years of all of the products listed under HS codes 1901.20 and 1901.90 when in fact, these codes include products other than the six mentioned tariff lines.</p> <p>The trigger level of the volume-based SSG applied to "food preparations of flour, meal or starch" as from 1 October was calculated on the basis of the average import volume of the six above-mentioned tariff lines over the past three years, i.e. 7,604 tonnes.</p>

Japan G/AG/N/JPN/88 Volume-Based Special Safeguard (Table MA:3)	
Points raised by other Members	Response by Notifying Member
<p>New Zealand – With respect to the SSG on imports of butter and other fats and oils derived from milk, requested information concerning the level of imports affected by the SSG and the additional rate of duty.</p>	<p>From April to the end of November 2003, imports of butter and other fats and oils derived from milk, and dairy spreads, exceeded the trigger level of the volume-based SSG. That is why duties were raised on 1 January 2004: from 29.8% + 985 yen/kg. to 39.7% + 1,313.33 yen/kg. for products with a fat content lower than 85% and dairy spreads ; and from 29.8% + 1,159 yen/kg. to 39.7% + 1,545.33 yen/kg. for other products.</p> <p>Since the trade statistics (confirmed figures) for the period following the triggering of this SSG have not yet been published, the import volume subject to the application of additional duties after the increase, is not known.</p> <p>The volume-based SSG is automatically triggered for products if the volume of imports from April onwards exceeds the trigger level determined in accordance with the method of calculation under Article 5.4 of the Agreement. The procedure is not linked to full utilization of the tariff quota including those products.</p> <p>This volume-based SSG measure does not apply to imports covered by the tariff quota.</p>
<p><i>Follow-up comment by New Zealand</i> – Considered that in line with the Agreement on Agriculture, when applying a safeguard to a product that has a tariff quota, the quota must first be filled before a safeguard measure can be applied to out-of-quota imports.</p> <p><i>Follow-up comment by Argentina</i> – Supported New Zealand's intervention and considered that the level of protection appeared highly distortive, hence there is a question as to whether it was the appropriate means for protection.</p>	<p>With regard to the relationship between the trigger level of the volume-based SSG and the tariff quota, this SSG measure does not apply to imports covered by the tariff quota. To determine whether the trigger level has been exceeded, Japan calculated imports within the TQ as from April 2003. The above meets the requirements set out in Article 5.2 of the Agreement.</p> <p>Furthermore, under the Agreement on Agriculture Members are entitled to increase the rate of duty by one third when the cumulative volume of imports since the beginning of the financial year, including in-quota import volumes, exceeds the trigger level.</p> <p>Japan considers that the purpose of this notification review mechanism is to discuss the compliance of measures adopted by Members with the rules of the existing Agreement on Agriculture, which is the case.</p>

<p style="text-align: center;"><b>United States    G/AG/N/USA/49</b>  <b>Annual Summary of Special Safeguard Actions (Table MA:5)</b></p>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>New Zealand – Explanation sought as regards the need to impose SSG duties on products with small affected quantities (e.g. quantities under 100 kg.).</p> <p><i>Follow-up comment by New Zealand</i> – Questioned the value of the safeguard when it is applied to such small quantities. Expressed hope that safeguards would be removed as a result of the ongoing negotiations, hence the unnecessary administrative procedures would no longer be required.</p>	<p>Price-based safeguards are invoked automatically on a shipment-by-shipment basis. Importers declare a pre-established price range for their product. If there is a safeguard duty associated with that price range, the additional charge is assessed.</p> <p>The US replied that in the Special Session it had proposed the elimination of the special safeguard which would alleviate the problem identified by New Zealand. In the meantime, there is a computer-generated system in place, which appears to be the most efficient way of operating a safeguard.</p>

**Table DS:1 Notifications**

Australia G/AG/N/AUS/52 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
Green Box	
<p>EC – <u>Farm Management Deposits Scheme</u></p> <p>Noted a significant increase in expenditure under this programme since Australia's previous notification. Information sought as regards the current methodology for estimating revenue foregone and compliance of the scheme with Annex 2, para. 7 criteria.</p>	<p>Producers use the Farm Management Deposit (FMD) as a risk and cash management tool. Surplus pre-tax primary production income in profitable years can be placed in FMDs and withdrawn in later years of low income and therefore low tax. Deposits are fully tax deductible in the year of deposit and interest is earned on deposits at market interest rates.</p> <p>The Australian Treasury calculates the cost of the FMD scheme as the cost to revenue. Revenue is foregone when a primary producer's tax deductible FMD deposits exceed their taxable FMD withdrawals. The estimated cost of the scheme is the difference between the estimated revenue that would have been collected in the absence of the FMD scheme and the estimated revenue that would be collected if the scheme were to continue. In other words, it is the difference between the two marginal tax rates that would have applied as a way of covering income losses.</p> <p>Despite an indication that the revision of the methodology for calculating the revenue foregone was among the reasons for the increase in expenditure under the scheme, Australia ascertains that the methodology has not changed. To reflect this, a corrigendum will be issued shortly. The reason for the increase therefore is due to the fact that the notification covers the period when there was a widespread drought in Australia and farmers used the money that they had put away and took it out of the scheme at that stage.</p> <p>This scheme meets the criteria of Annex 2, para. 7 because of the way it is structured. In terms of the amount of payment and the notified increase, it is useful to consider that in the drought period 2002/03, the gross value of farm production declined by \$A 9.21 billion. This payment of about \$A 400 million represents about 5% of the production loss. It is a very small amount compared to the amount of loss that farmers suffered during the drought.</p>

Australia G/AG/N/AUS/52 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<b>Green Box</b>	
<p>EC – <u>Exceptional Circumstances Relief Payment</u></p> <p>Information sought as to the areas affected by exceptional circumstances.</p> <p><u>Support to farm families in New South Wales and the Farm Business Support Grants in Victoria</u></p> <p>Information sought as to the forms of support.</p> <p>Explanation sought whether the three above-mentioned support programmes comply with Annex 2, para. 8 criteria.</p>	<p>In 2002/03, approximately 90% of New South Wales and approximately 30% of Victoria was drought declared. A total of 30 regions in Australia were declared to be in exceptional circumstances. Of those regions, 15 were within the State of New South Wales and four within Victoria. To be classified as "exceptional circumstances", the drought has to be considered a rare and severe event that occurs once in every 20 to 25 years and other criteria have to be met.</p> <p>Support to New South Wales farm families and farm businesses took the form of counselling, grants and interest subsidies aimed at mitigating the effects of drought. The Farm Business Support Grants in Victoria, also aimed at mitigating the effects of drought, took the form of cash grants for business support, including preparation of business advice and business plans of up to \$A 20,000 and counselling.</p> <p>Detailed responses were previously provided to the Committee at the June 2000 and September 2001 meetings as to how the Exceptional Circumstances Relief Payments program operates. Very stringent criteria need to be met, including that the natural disaster is unpredictable and occurs once in every 20 to 25 years. In addition, assistance is only provided for events that are not foreseeable and could not be managed through normal and reasonable risk management practices. The Exceptional Circumstances support is not intended to underwrite producer's income and declines in farm income caused by normal changes in commodity prices.</p> <p>The 2002/03 drought was particularly severe. As mentioned earlier, the gross value of farm production declined by \$A 9.211 billion. Total payments provided amounted to \$A 233 million or 2.5% of the production loss. During that period, average farm cash incomes declined from \$A 112,800 to \$A 31,000 and farm business profit declined from \$A 60,800 to minus \$A 49,700.</p>

Australia G/AG/N/AUS/52 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<b>Green Box</b>	
<p><i>Follow-up comment by the EC:</i> Noted the seriousness of the drought in Australia and the targeted approach used in setting up the disaster relief programme. Pointed out that Australia's Green Box support had doubled over the last few years to reach \$A 2 billion (partly due to the disaster relief programmes) which in per capita terms has put Australia on an equal footing with the EC as regards utilization of the Green Box. Hence, the EC counted on Australia's support when the Green Box is discussed in the Special Session, especially as regards the need to avoid capping of the Green Box since payments can vary considerably from one year to another, as evidenced by Australia's experience.</p>	<p>Australia noted that 2002/03 was an unusual year because of the widespread drought, hence there was a significant increase in disaster relief payments. Australia stated that it was prepared to review the Green Box but recognized its public goods aspects. The Cairns Group proposal was focused on specific aspects of the Green Box and whether capping would be appropriate was an issue for discussion in another forum.</p>

Czech Republic G/AG/N/CZE/52 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<b>Green Box</b>	
<p>Australia – <u>General Services – Silt removal and renewal of pond functions</u></p> <p>Explanation sought as to which of the sub-criteria of paragraph 2 are met by the programme. Conformation sought that the payments are not intended to support on-farm works.</p>	<p>This scheme meets sub-criterion 2(g) of Annex 2 of the Agreement on Agriculture. The objective of this programme is to support proper pond management, to increase the capacity of the landscape to accumulate water and to support anti-flood measures. This is one of the programmes aimed to support the activities involved in landscape maintenance. The Czech Republic confirms that this programme is not intended to support on-farm works.</p>
<p><u>Domestic food aid – School milk (donation of milk for basic schools)</u></p> <p>Explanation sought for the near by six-fold increase in payments under this programme from Kč10.6 million in 2001 to Kč62.5 million in 2002.</p>	<p>The increase was due to an increase in the number of schools eligible for payment and an increased number of pupils within those schools.</p>
<p><u>Other – Support for suckler cow farming and sheep farming</u></p> <p>Explanation sought as to the classification of this programme under the "Other" category while the Table DS:2 notification (G/AG/N/CZE/35) listed the programme as meeting Annex 2, para. 11 criteria. Considered that the payment provided product-specific support linked to production and requested that it be notified as part of the Total AMS.</p>	<p>The purpose of this scheme is not to support production but to reduce it by means of extensive cow and sheep farming. The main objective of this programme is to support farming of ruminants in areas with lower soil fertility and with a higher share of permanent grassland. The preservation of ruminants in these areas is important for landscape maintenance. As such, the programme should be listed under "Other" of Annex 2 of the Agreement. Regarding its classification in document G/AG/N/CZE/35, a corrigendum will be submitted.</p>

Czech Republic G/AG/N/CZE/52 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<b>Amber Box</b>	
<p>Australia – <u>Non-product-specific AMS – Support for cattle breeding</u></p> <p>Explanation sought as to how this measure can be considered non-product-specific. Suggested that it should be re-notified as product-specific AMS.</p>	<p>The Czech Republic is considering Australia's suggestion to notify payments under this programme as product-specific AMS.</p>
<p>Australia – <u>Non-product-specific AMS</u></p> <p>Information sought concerning the nature of payments under certain programmes which have been classified as non-product-specific support.</p>	<p>All of these payments are non-product-specific. Each of the programmes in question consists of several schemes and sub-schemes. The main objectives of the individual programmes are as follows:</p> <p><u>Maintenance and improvement of livestock, fish and seed genetic potential</u></p> <p>Maintenance and improvement of livestock, fish and seed genetic potential through support of insemination and natural breeding, support of introduction (loading) and administration of breeding books, support of development of embryo transfer from selected donors, support of cultivation of seed varieties and testing of original Czech varieties in foreign countries.</p> <p><u>Support and Guarantee Farmer and Forestry Fund</u></p> <p>Creation of pre-conditions for the development of prospective farmers involved in basic production and facilitation of investment for the regeneration of forests through support of purchase of machinery, purchase of intangible investment (licenses, software, etc.), construction investments, manufacturing of farming products, construction of field roads, investment in agro-tourism, etc.</p> <p><u>Genetic Sources</u></p> <p>Maintenance and utilization of livestock and seed genetic sources, conservation and utilization of microorganism genetic resources.</p> <p><u>Infection Fund</u></p> <p>Support of activities aimed to avoid a spread of harmful diseases of livestock.</p> <p><u>Support to forest and water management</u></p> <p>Conservation, regeneration and sustainable management of forest and water sources damaged by air and water pollution.</p>

Morocco G/AG/N/MAR/28 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<b>Green Box</b>	
<p>Australia – <u>Infrastructural services – Structure and infrastructure: General construction and equipping of central and external administrative services</u></p> <p>Confirmation sought as regards compliance with Annex 2, para. 2(g) criteria, i.e. whether expenditure for infrastructure services is directed to the provision of publicly accessible capital works only, and does not constitute the subsidized provision of on-farm facilities. Examples requested of publicly accessible capital works programmes.</p> <p><u>Other – Pilot programme for the recycling of waste water, environmental management programme</u></p> <p>Suggested that Morocco re-notify this programme under Annex 2, para. 12 – Payments under environmental programmes, and submit a Table DS:2 notification to reflect any modification.</p>	<p>Structure- and infrastructure-type measures do not consist in the subsidized provision of on-farm facilities, and concern only public expenditure, including the construction and equipping of administrative buildings and the construction and equipping of central, external and regional services of the Ministry of Agriculture.</p> <p>The pilot project for the recycling of waste water and the environmental management programme were classified under "other" rather than under "payments under environmental programmes" because they are not in the spirit of the latter measure type, which links payments to supplementary costs or income losses in connection with the implementation of the programme.</p>
<b>Amber Box</b>	
<p>Australia – <u>Supporting Table DS:7: Other Product-Specific Support and Total Product-Specific AMS</u></p> <p>Noted that support for sunflowers had been reintroduced (last notified for 1995 in Supporting Table DS:5) and sought details concerning the current support arrangements.</p>	<p>Since 1996, the oilseeds sub-sector in Morocco has undergone policy reforms which led to the liberalization of imports and non-intervention in the fixing of prices, with the exception of consumer prices. However, since 2000, consumer prices have been liberalized and the flat rate consumer price subsidy has been abolished. A subsidy is currently granted for the production of sunflower seeds for pressing.</p> <p>In order to protect the income of sunflower seed producers, the State currently guarantees the purchase of their crop by granting the Compensation Fund a subsidy which is paid to the Moroccan Agricultural Products Marketing Company. The latter is then responsible for collecting the sunflower seed and paying the farmers, applying a profit margin.</p>

Poland G/AG/N/POL/60 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<p>Australia – Noted that in 2000 and 2001, Poland had provided market price support for butter. Confirmation sought whether such support had been discontinued in 2002.</p>	<p>In the year 2002, the only form of support for butter was support for private storage which amounted to 130,000 PLN and was duly notified in document G/AG/N/POL/60.</p>

Romania G/AG/N/ROM/20 and Corr.1 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<b>Green Box</b>	
<p>Australia – <u>Infrastructural services – Structural and infrastructural services: Expenditures for land reclamation; maintenance of irrigation and drainage system; expenditures to provide electric power</u></p> <p>Confirmation sought regarding compliance with Annex 2, para. 2(g) criteria, i.e. whether expenditure for infrastructure services is directed to the provision of publicly accessible public works only, and that payments do not constitute the subsidized provision of on-farm facilities.</p>	<p>Romania confirms that the expenditure for infrastructure services does not constitute subsidized provision of on-farm facilities. These payments were provided mainly for the re-establishment of the national irrigation system.</p>
<p>Canada – <u>Budgetary allocations in order to stimulate the increasing of livestock</u></p> <p>Noted that the title of this programme appeared to contradict the fundamental requirement of Annex 2 to have "no, or at most minimal, trade-distorting effects or effects on production". Information sought as to which paragraph of Annex 2 was applicable. Explanation sought as to how the measure meets each and every criterion of that paragraph.</p> <p><i>Follow-up question by Canada</i> – In light of the reference to paragraphs 5 and 6, inquired about how the measure confirmed to the criteria within the paragraphs, e.g. what is the base period, whether no livestock production is required to obtain support, whether support is independent of any production or prices in any year since the base period.</p>	<p>The "Budgetary allocations in order to stimulate the increasing of livestock" as a "Direct payment to producers" represent Green Box measures according to Part IV of the Romanian Schedule.</p> <p>These measures are part of the national programmes for maintaining and improving the biological material of animal and vegetal origin, which is in full conformity with paragraphs 1, 5 and 6 of Annex 2.</p> <p>Deferred reply: The explanations required have been addressed bilaterally.</p>
<b>Amber Box</b>	
<p>Australia – <u>Calculation of the Current Total AMS</u></p> <p>Requested data concerning the total value of agricultural production and the value of production for individual products listed within the AMS so as to demonstrate whether product-specific and non-product-specific support meet the <i>de minimis</i> criteria.</p>	<p>All data requested can be found in the Supporting Table DS:4 in Romania's corrigendum (G/AG/N/ROM/20/Corr.1). For the year 2000, the value of production for each product-specific support is provided in column 5 and the total value of agricultural production is specified in the same column for the non-product-specific support.</p> <p>For the year 2000, the Current Total AMS as a percentage of the total value of production is 3.3%, which is much under the <i>de minimis</i> level. Similarly, the figures for 2001 and 2002 are 2.3% and 0.7%, respectively.</p>
<p>New Zealand – <u>AMS calculation</u></p> <p>Requested supporting calculations for the AMS such as the applied administered prices, external reference prices and eligible production.</p>	<p>As regards the request to provide the applied administered prices, external reference prices and eligible production, all these elements were unavailable for Romania during the Uruguay Round, therefore Romania does not have commitments to reduce AMS but is committed to the <i>de minimis</i> rule.</p>

Slovak Republic G/AG/N/SVK/42 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<b>Green Box</b>	
Australia/Canada - Several programmes previously notified as AMS support are now claimed as Green Box measures. Requested a Table DS:2 notification for programmes not previously claimed as a Green Box measure.	<p>Concerning the reclassification of several support measures, it should be noted that the Slovak Republic did not reach the total amount of the AMS commitment level in 2002. The total package of domestic support payments was reduced in 2002 as compared to 2001 by US\$40 million.</p> <p>The payments for the measures in question represent small amounts. They are intended to preserve the environmental character of the sector and agricultural production in less favoured areas as well as to contribute to the overall reform process in the sector.</p> <p>A Table DS:2 notification has been submitted (see G/AG/N/SVK/43 dated 27 May 2004).</p>
<p>Australia – <u>Structural adjustment assistance provided through resource retirement – Permanent grassing</u></p> <p>Explanation sought as to how this programme meets the specific criteria of para. 10 of Annex 2. Requested a Table DS:2 notification.</p>	Deferred reply: The programme complies with para.10 of Annex 2 in terms of the abandonment of crop production and subsequent establishing of grassed areas.
<p>Australia/Canada – <u>Structural adjustment assistance provided through investment aids – Reconstruction and modernization</u></p> <p>Explanation sought as to how this programme meets the specific criteria of para. 11 of Annex 2. Requested a Table DS:2 notification.</p>	Financial support for this measure is granted to a farming entity in order to revive, for example, orchards, greenhouses and unused buildings for mushroom growing.
<p>Australia – <u>Environmental programmes – Bee breeding</u></p> <p>Explanation sought as to how this programme meets Annex 2, para. 12 criteria, including clearly defined government environmental or conservation programme objectives. Requested a Table DS:2 notification.</p>	This measure has an environmental character as it is not oriented toward production purposes but toward preservation of bee colonies for pollination. In light of this, the measure was reclassified from the category "Other" to "Environmental programmes".
<p>Canada – <u>Environmental programmes – Conservation of genetic resources</u></p> <p>Explanation sought as to how this programme meets all of the criteria of para. 12 of Annex 2.</p>	The main aim of the programme is to maintain basic and new genetic varieties in both plant and animal production to preserve the country's eco-system. Paragraph 12 of Annex 2 encompasses in its wording a conservation programme. Based on this, the Slovak Republic classified the programme as an environmental programme.
<p>Australia/Canada – <u>Regional assistance programmes – Worse natural conditions</u></p> <p>Explanation sought as to how this programme meets the specific criteria of para. 13 of Annex 2. Requested a Table DS:2 notification.</p>	Support is granted for farming especially in mountainous areas and other less favoured areas. Support is granted under regional assistance programme regardless of the type of production or prices. The usual type of production is breeding of cows, sheep and goats.

Slovak Republic G/AG/N/SVK/42 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<b>Blue Box</b>	
<p>Australia/Canada – <u>Countervailing payments in crops production</u></p> <p>Explanation sought as to how this programme meets the criteria of Article 6.5. As it appears to be an input subsidy (i.e. payments are related to input costs such as seedlings, seeds, etc), it should be notified as part of the Total AMS.</p>	<p>Deferred reply: Ten specific crops (mentioned earlier) are grown on limited areas of fields or plantations. The total amount of US\$14 million divided among the ten crops represents only a small amount for each commodity.</p>
<p>Australia/Canada – <u>Cows without market milk production</u></p> <p>Explanation sought as to how this programme meets the criteria of Article 6.5 which requires payments to be under production-limiting programmes. According to Table DS:2 notification G/AG/N/SVK/31, support is provided to ensure that production does not decline compared with the previous year hence it should be notified as part of the Total AMS.</p>	<p>This programme concerns a limited number of herds kept in mountainous regions. The payment is a compensation to maintain production in remote areas.</p>
<p>Australia – <u>Set aside programme</u></p> <p>Confirmation sought whether the previously notified Blue Box programme entitled "Set aside program" had been terminated or modified as another programme.</p>	<p>Deferred reply: Previously notified permanent grassing programme as set aside was reclassified as Green Box support.</p>
<b>Amber Box</b>	
<p>Australia – <u>Supporting Table DS:4: De minimis claim</u></p> <p>Data requested concerning the total value of agricultural production and value of production for individual products listed within the AMS, including for potatoes and sugar beets, so as to demonstrate whether product-specific and non-product-specific support meet the <i>de minimis</i> criteria.</p>	<p>The total value of agricultural production amounts to US\$1.9 billion. Specific data are not available for all agricultural products. As regards potatoes and sugar beets, the value of production amounts to US\$100 million and US\$40 million, respectively.</p>

United States G/AG/N/USA/51 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<p>Japan – Japan stated that the current AMS had remained high at US\$14.4 billion for the marketing year 2001. Japan considered that as the AMS had increased when prices had fallen, allowing the United States to maintain export competitiveness, a system similar to export subsidies had been an integral part of the US domestic support system. Japan also noted that there was not enough time to examine the notification as it was circulated only recently, and flagged its intentions to revert to it, if necessary, in future meetings.</p>	<p>The United States urged Japan to take more time to study the notification because Japan would then see that the document correctly identifies the subsidies as domestic support.</p>

**Table DS:2 Notifications**

<b>Australia G/AG/N/AUS/53 New or Modified Domestic Support (Table DS:2)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>EC – <u>Reduction in Australian Quarantine Inspection Service (AQIS) fees and charges</u></p> <p>Noted that for a limited time charges for inspection services under this programme are fully recovered. Details sought as to why the title mentions "reduction" whereas the charges are fully recovered, and the beneficiaries of this recovery. Whether the full amount of \$A 50 million has been used since Table DS:1 notification G/AG/N/AUS/52 indicates \$A 20.4 million for the year 2002/2003.</p>	<p>There was a typographical error in the notification and Australia will submit a corrigendum to reflect the fact that not all the costs are fully recovered.</p> <p>The Government formerly recovered 100% of the fees and charges for inspection and has now agreed, for a limited period of time, to recover 60% of charges. The beneficiaries of this scheme are agricultural producers including meat, grain, dairy, live animals, fish, horticulture and organic foods. The cost of the measure has been notified in Table DS:2 notification as up to \$A 109.3 million over 4 years, of which \$A 20.4 million was expended in 2002/03.</p>
<p>Japan – <u>National Food Industry Strategy</u></p> <p>Inquired whether the funding includes direct payments to processors of food. Noted that according to the website of the Australian Department of Agriculture, Fisheries and Forestry funding is targeted at initiatives concerning "export" along with "innovation" and "business environment". In Japan's view the programme has an export-enhancing element and it is inappropriate to classify it as a Green Box measure.</p>	<p>Grants under the National Food Industry Strategy (NFIS) are targeted to the activity, are needs based, generally one-off and unrelated to production levels or prices and therefore meet the Green Box fundamental criteria of being non- or minimally production and trade-distorting. The measure meets the conditions of General services, including elements of training – para. 2(c), research – para. 2(a), marketing and promotion – para. 2(f). However, payments have been aggregated into a single notified amount within Annex 2, para. 2(c). This is considered to be the best-fit for the programme which has an overarching goal of changing the mind-set of the industry to better identify and meet emerging customer demands.</p> <p>For example, the Halal Food online directory demonstration project in Victoria was developed in partnership with the Islamic Coordinating Council, the Australian Federation of Islamic Councils and the Halal Certification Authority of Australia. The online site is a "one stop shop" through which Australian and overseas food buyers can contact the growing number of Australian companies producing Halal certified food.</p> <p>A major goal of the NFIS program is to build food industry skills, capability and knowledge in a range of food related areas. Importantly, initiatives under the NFIS program are not linked to export performance or to sales. Therefore, it is appropriate to notify this programme in the Green Box under paragraph 2 – General services.</p>

Australia G/AG/N/AUS/53 New or Modified Domestic Support (Table DS:2)	
Points raised by other Members	Response by Notifying Member
<p>Japan/Korea – <u>Farm Business Support Grant – 2002/03 drought and South Australian Government Drought Assistance Program</u></p> <p>Explanation sought as to how these programmes meet the Annex 2, para. 8 criteria, and especially the requirements stipulated under 8(b), (c) and (e).</p>	<p>Details concerning the Farm Business Support Grant – 2002/03 drought programme were provided earlier (see page 19 above). The South Australian Government Drought Assistance Program is another example of a state government support provided in response to the 2002/03 drought.</p> <p>Both programmes are short-term drought assistance programmes. To receive support, applicants were required to meet strict eligibility criteria and must have been located in a Government drought declared areas.</p> <p>Details of the scale of the drought in terms of the criteria relating to natural disasters were provided earlier (see page 19 above).</p>
<p>Korea – <u>Post bushfire assistance</u></p> <p>Explanation sought as to how this programme meets the Annex 2, para. 8 criteria.</p>	<p>The Australian Capital Territory (ACT) post bushfire assistance package was a one-off grant programme in direct response to the emergency situation declared by the ACT Government following the 2003 bushfires. Funds were provided for the purpose of clearing away or repairing fire damaged structures and for short-term assistance for transport of fodder to animals in fire-afflicted areas.</p>

<b>Czech Republic G/AG/N/CZE/53 New or Modified Domestic Support (Table DS:2)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>Canada/Korea – <u>Aid to alleviate damage caused in agriculture by the floods</u></p> <p>Explanation sought as to how this programme complies with the criteria in para. 8 of Annex 2, especially the eligibility requirement in para. 8(a) relating to a 30% production loss.</p> <p><i>Follow-up comment by Canada – Complimented the Czech Republic for the detailed response which could serve as an example of a detailed explanation of how programmes meet the criteria of Annex 2.</i></p>	<p>This programme is fully consistent with para. 8 of Annex 2 of the Agreement on Agriculture.</p> <p>The purpose of this programme was to provide financing and partly compensate the losses caused to farmers by floods in August 2002. The Government of the Czech Republic, in its Decree No. 1018 of 14 October 2002, recognized the occurrence of a national disaster. In order to determine the eligibility for the payments, three-year average production was established based on the preceding five-year period, excluding the highest and the lowest entry. The payments made were granted only to agricultural producers whose production loss exceeded 30% of the average of production in the above-mentioned period. Payments were applied only in respect of losses of income and only partly compensated losses from the floods. In addition, the payments were differentiated according to the rate of loss. The payments did not require or specify the type or quantity of future production and the producers did not receive any payment under Annex 2, para. 7 in the same year.</p>

## **ANNEX – PART II**

### **Deferred replies to questions raised under the Review Process at previous meetings**

#### **Reply provided by India under Article 18.6 of the Agreement concerning the matter of Canada – India: Tariff quota for refined colza oil (see G/AG/R/37, paragraphs 19-20)**

At the November 2003 meeting of the Committee on Agriculture, Canada stated that, in accordance with India's modifications to its Schedule XII effective 3 February 2003 (WT/Let/440), India had established a tariff quota of 150,000 tonnes of refined colza oil (HS 1514.90). Canada requested that India provide information as to how it had administered the tariff quota in 2003 (including information concerning the government agency or body that granted licences or access to the tariff quota, eligibility of applicants, how licences or access were allocated, whether there were any limitations on the period of validity or use of the licences granted, whether the tariff quota was applied on a calendar or marketing year). Canada also sought clarification as to when India intended to submit a Table MA:1 notification relevant to this tariff quota.

At the March 2004 meeting, India responded that for the allocation of the tariff rate quota for refined rape, colza or mustard oil, other (1514.19 or 1514.99), the eligible entities are:

- (1) National Dairy Development Board (NDDB)
- (2) State Trading Corporation (STC)
- (3) National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED)
- (4) Spices Trading Corporation Limited (STCL)
- (5) Central Warehousing Corporation (CWC)
- (6) State Cooperative Marketing Federations / Civil Supplies Corporations
- (7) Project and Equipment Corporation of India Ltd. (PEC)

The eligible entities desiring to avail themselves of the quota were allowed to make an application by 29 August 2003 to the Exim Facilitation Committee (EFC) in the office of Directorate General of Foreign Trade (DGFT), New Delhi. Imports have to be completed before 31 March 2004. The allocation of quota among the applicants is made by the Exim Facilitation Committee headed by the Director General of Foreign Trade. Other members of the Committee are representatives from the Department of Revenue, Department of Animal Husbandry and Dairying and Edible Oil Commissioner.

India also indicated that it would be seeking advice from the Secretariat as to whether India is required to make Table MA:1 notification, given the "not applicable" status reflected against India's one-off Table MA:1 notification obligation in the Secretariat's room document entitled "Compliance with Notification Obligations" dated 24 March 2004.

**Attachment**

**Information provided by Switzerland under Article 18.6 of the Agreement concerning the matter of Argentina: Switzerland – Export subsidies**

<b>Raw material</b>	<b>Compensation amounts</b> <sup>1)</sup>	<b>Expenditures in 2000</b>
	CHF/100 kg	Mio. CHF
Milk, fresh (3,8 %)	28.70	78 Dairy
Skimmed milk, fresh	15.60	
Cream, fresh (35 %)	252.10	
Whole milk powder (26 %)	347.50	
Skimmed milk powder	275.10	
Cream powder (53 %)	590.20	
Milk concentrated (9 %)	120.30	
Butter (82 %)	21.00 2)	
Butter (100 %)	25.61 2)	
Flour of wheat, rye, spelt, meslin	111.70	31 Cereal
Eggs yolks, dried	215.15 2)	3 Other
Eggs dried	156.73 2)	
Egg yolks, otherwise preserved	82.95 2)	
Eggs, otherwise preserved	43.23 2)	
Sugar and molasses	from 10.50 2)	
	to 53.55 2)	<b>Total 112</b>

<sup>1)</sup> Valid from Oct – Dec 2000

<sup>2)</sup> Inward-processing, restitution of import duties