

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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SUBSIDIES

Notifications by contracting parties

Addendum

SWEDEN

The following notification has been received from the Government of Sweden.

Notification of 1 April 1959

(The present notification replaces earlier notifications reproduced in the following documents: GATT/CP/114, L/91/Add.1, L/223, L/351/Add.1, L/480/Add.4 and L/880.)

AGRICULTURAL PRODUCE

NATURE AND EXTENT OF SUBSIDY

The reason
for the
subsidy

1. Background and authority. Since 1947, the primary aim of Swedish agricultural policy, as approved by the Riksdag, has been to guarantee the agricultural population as a whole the same standard of living as that enjoyed by other comparable social groups. Success is assumed to have been achieved, when, in a normal year, the average agricultural income of farmers with efficiently managed farms of between 10 and 20 hectares of arable land is equal to that of industrial workers in the rural or semiurban areas. The basic principle of the policy is still unchanged but important reforms resulting in a more liberal import regime were made in 1956.

The system that then came into force may be described as a three year contract negotiated between the Government and the farmers associations. As the contract expires on 1 September this year the question of a possible prolongation will now be negotiated in the light of the experience gained so far.

One of the fundamental principles of the system now applied is that agricultural price support shall, as a rule not be provided by means of quantitative restrictions on imports but by special import levies (customs duties have at the same time been abolished). As regards the main product these import levies are fixed for the entire contract period and remain unchanged as long as the domestic prices lie between certain predetermined limits. However, for some products, as feedingstuffs, the import levies are instead variable.

For some further details concerning the functioning of the system may be referred to document L/880. A more comprehensive description of the Swedish agricultural scheme is to be found in the OEEC publication "Agricultural Policies in Europe and North America" (Page 255-276). In addition reference may also be made to the OEEC document CSA WPL/58/1/12.

Production
subsidies
and reasons
for same

2. Incidence, amount of subsidy. Although the income and price support to agriculture in Sweden by its general design is given only as a protection at the frontier, there are a few exceptions to this rule. Direct income support through the State budget is granted in some cases, but only in the dairy sector the support given in this way can be considered to be of any significance.

The subsidy in the dairy field is of old standing and the reason for it is substantially of a social character. An overall application of the general principle - protection at the frontier - would imply a discontinuance of these subsidies. Such a course would however have resulted in higher domestic prices and higher import levies. As a consequence domestic consumption would probably have shown a downward tendency which would have brought about higher quantities of surplus for export and higher export losses.

In the OEEC publication just referred to, "Agricultural Policies in Europe and North America" an account is given of the direct milk subsidies and cash payments applied. As an up-to-date completion of table 3 (p. 267), the following figures may be given for the budget-years 1956-57 and 1957-58 (in million kronor).

	<u>1956-57</u>	<u>1957-58</u>
General price supplement	100	96
Extra price supplement (Northern regions)	30	30
Delivery supplement (regressive scale up to a quantity of 30.000 kg)	50	49
Cash payment (to owners of small farms)	45	42
	<hr/> 225	<hr/> 217

The cash payments are entirely of a social character since they are not made on the basis of actual milk deliveries. Of the other subsidies, about one half has to be regarded as social aids. The delivery supplement is intended as an aid first and foremost to small farmers whose activities are concentrated primarily to the production of milk and the extra price supplement is intended as an aid for producers in those parts of the country where the climatic conditions are specially unfavourable.

Further, owing to the serious lack of balance between supply and demand for butter on the international market during 1957-1958, certain measures were taken in Sweden in order to increase domestic demand for butter and thus cut down export surpluses. These measures included a temporary State subsidy reducing the domestic price for butter by 0:50 kronor per kilogram. In addition the Treasury made funds available to subsidize butter sales to certain institutions by 1 krona per kilogram. (These Government contributions were subject to the condition that the farmers themselves should at the same time bear certain part of the price reduction for butter. This reduction amounted up to 1 December to 2:00 kronor per kilogram, of which consequently 1:50 kronor had to be covered by the farmers.) So far decision has been taken to grant these subsidies up to August 1959. The total cost for the Treasury from the introduction of the subsidies in May 1958 up to August 1959 has been estimated to about 48 million kronor.

Apart from the dairy sector income support granted by the Government is negligible and totals only about 3,2 million kronor per year. (Two million kronor to support cultivation of flax and hemp, 1 million to support transport of feedingstuffs to northern Sweden, and 0,25 million to support producers of wool.)



General
subsidy

As an integral part of the pending three years contract between the Government and the farmers associations it has been settled that means derived from import levies should be transferred to the funds of the special marketing organizations. This arrangement is to be regarded as a general subsidy and was deemed necessary to secure parity of income for farmers, which as mentioned above, is the aim of agricultural policy. The amount that accrues to agriculture in this way amounts to roughly 70 million kronor in a normal year. In general import levies will be used mainly for price measures of different kinds, e.g. to cover costs for storage and marketing. Part of the means transferred in this way, e.g. import levies for feeding-stuffs, does not have the character of a subsidy but is to be regarded as a restitution of special costs connected with production.

As described in document L/880 an inherent feature of the Swedish system characterized by protection given at the frontier, is that when Swedish products covered by the system are exported the difference between the higher domestic price and the price on the external market must be levelled out. The provisions and general principles for meeting export losses remain unchanged. However, within the framework of the system applied, the actual amount of export aid granted may vary as well totally as per unit. In order to bring the notification up to date the following figures for the fiscal years 1956-57 and 1957-58 are submitted.

Export
subsidies

Bread grains. The total amount of export aid granted for wheat and rye during 1956/57 and 1957/58 averaged 29,8 million kronor per year, of which the overwhelming part referred to wheat. The subsidy amounted to 12:80 kronor per 100 kilograms exported wheat as an average for the two year period.

In the case of meat and pig meat the export aid amounted to 38,6 million kronor as an average per year. The subsidy averaged 1:70 kronor per kilogram exported during the period.

As regards butter - the main export product in the dairy field - the amount of export aid granted during the two years 1956/57 and 1957/58 averaged 62 million kronor per year. The amount of export aid per kilogram butter was 2:29 kronor as an average for the period. A relatively higher export subsidy was granted in certain periods during 1957/58 when the world market price for butter was exceptionally low. Due to the measures taken by the Swedish Government and to which have been referred above, domestic consumption rose considerably during spring and summer 1958 and as a consequence the export surplus disappeared. In the second half of 1958 no export of butter has taken place.

Export aid for eggs during the two years under study averaged 6,1 million kronor per year. The average grant per kilogram eggs amounted to 0:78 kronor as an average for the period.

