

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

DPC/INV/3/Add.10
14 August 1986

International Dairy Arrangement

Original: English

INTERNATIONAL DAIRY PRODUCTS COUNCIL

Reply to Questionnaire 5 Regarding Information on Domestic Policies and Trade Measures

SWEDEN

I. Introduction - general policy framework

1. Guidelines for the agricultural policy

Guidelines for an integrated agricultural and food policy replacing the 1977 guidelines were laid down by two Parliamentary Decisions in 1984 and 1985. The new guidelines are based on a proposal submitted by the 1983 Parliamentary Commission on Agricultural and Food Policy.

According to the guidelines the main objective of the Swedish food and agricultural policy is to secure food supplies under normal as well as emergency conditions. Under the main objective there are two general objectives of equal importance. The consumer's objective implies that consumers should have access to foodstuffs of good quality at reasonable prices. The income objective means that the farmers should be assured a standard of living equal to that of comparable groups. In addition the agriculture and the food industry must pay regard to the need for good environment and for economizing the use of natural resources.

Agricultural resources should broadly correspond to what is needed to secure domestic food requirements under normal as well as emergency conditions and to meet commitments made by Sweden in relation to international co-operation against world famine. It should primarily be the concern of the agricultural sector itself to adjust the present surplus production to domestic requirements. Costs due to surpluses have to be borne by the producers themselves.

2. Principles of the price regulation system

A parliamentary decision regarding the principles of the price regulation system normally covers a period of more than one year. The first price regulation period based on present guidelines has been fixed for one year from 1 July 1985 to 30 June 1986. A parliamentary decision of this kind is preceded by negotiations between two delegations representing farmers and consumers respectively under the chairmanship of the National Agricultural Market Board. When the negotiations have been completed the Board submits a proposal to the Government, which presents a bill to Parliament.

During a price regulation period half-yearly adjustments are made of producer prices and import levies on the basis of changed production costs. Such adjustments are also preceded by negotiations in the same way as proposals concerning the price regulation system. Further adjustments are made once a year (1 July) in order to accommodate farmers' earnings to the income development of comparable occupational groups. The Government finally determines these half yearly and yearly adjustments.

3. The 1985/86 price regulation period

During the present price regulation period as during the 1982-84 period special attention is given to measures to avoid surpluses in the field of animal products. This means that measures aiming at reducing production and promoting consumption introduced during the previous period are to be continued. The measures which bear upon both dairy production and beef production include, inter alia, non-payment of delivery supplements for dairy farmers sixty-five years and more of age, non-production grants to dairy farmers sixty to sixty-five years of age and ban on new investments in animal production. In order to reduce milk production a voluntary two-price system was introduced in 1985 and in order to reduce beef production more direct premiums are being granted for slaughter of female calves and heifers.

In order to stimulate consumption of beef, price campaigns, which have become customary in recent years, will be held also in 1985/86. In addition price rebates have been and will be given for beef and pigmeat for consumption in schools. To promote consumption of dairy products certain public institutions are granted discount on cheese and butter and dairies are granted extra payments for additional sales of certain milk products.

Consumer subsidies are applied for liquid milk in order to keep consumer prices down.

II. Dairy products

A. Production

1. Support and/or stabilization measures

(a) Instruments of support and/or stabilization

The general price support programme includes import levies, allowing domestic prices to be kept above the world market price level. Import levies stay fixed as long as domestic wholesale prices remain between certain price limits. The middle price is a theoretical price between the price limits, which can be said to represent a "target price" according to the agricultural policy objectives. Middle prices, price limits and import levies are regularly adjusted twice a year.

Additional market regulatory measures are applied, mainly as regards storage and export. The practical implementation of the market regulation

is carried out by the Market Regulation Association for Dairy Products (FFM), a semi-governmental body operating under the directives of the National Agricultural Market Board.

Apart from the general price support programme special support is granted to small farmers and to farmers in Northern Sweden.

The Swedish Government adopted in 1985 a voluntary two-price system in milk production. The two-price system, which came into force on 1 July 1985, will be tested during a three-year period.

Farmers who take part in the system are granted a full home market price for quota equal to 92 per cent of the largest annual delivery from the farm in the base period 1981-1983. For deliveries in excess of the quota the price paid is related to the export prices obtained for dairy products.

Dairy farmers who decide not to take part in the system receive the home market price reduced by an export financing fee. The export financing fee, which is levied on their total deliveries, is based on the difference between the prices on the home market and the export market and the total amount of milk delivered by producers who do not participate in the two-price system.

(b) Levels of guaranteed prices or support prices

Middle prices and price limits as from January 1985 are as follows (SEK/kg.)¹:

	<u>Lower price limit</u>	<u>Middle price</u>	<u>Upper price limit</u>
Butter	18.11	19.27	20.43
Cheese	23.93	25.46	26.99
Skimmed milk powder	13.24	14.09	14.94

(c) Amount of producer subsidies

Low-income farmers and farmers in Northern Sweden receive special support:

Delivery additions for certain dairy farmers constitute part of the low-income support. Additions are at their maximum for producers delivering between 1,000 and 7,000 kg. milk per month and amount in that range to 8 öre/kg. They are successively reduced up to a level of 16,000 kg. per month, above which no addition is granted. No additions are granted to dairy farmers above sixty-five years of age.

¹US\$1 = SEK 7.62 (January 1986)

Dairy farmers in Northern Sweden are granted special price additions, as a maximum 70.2 öre/kg. milk (4.1 per cent fat content). Dairies in Northern Sweden also receive a special regional support presently amounting to a maximum of 9 öre/kg.

(d) Average returns to producers

Prices for milk delivered to dairies are affected, apart from the support measures described above, mainly by effectiveness and cost development in the dairy industry (most dairies are producer co-operatives). In order to stimulate milk production during the off-peak season August-February, a higher price prevails during these months. Average prices to producers for the fourth quarter 1985, regional support included, amounted to SEK 2.84/kg. for all the country.

2. Policies and measures of governments or other bodies likely to influence production, other than those listed under 1.

An essential part of the price regulation system for (milk and) dairy products is the equalization system. Equalization fees are levied on the dairies' sales of fresh milk, cream and cheese. Means deriving from these fees are used to compensate for the differences in profitability between dairy products, inter alia, for the granting of price additions to butter production. Thereby all dairies achieve about the same level of profitability regardless of their specialization.

B. Internal prices and consumption

1. Representative retail and wholesale prices on major domestic markets

(a) Average wholesale prices January 1986

Milk: SEK 3.10/litre (upper price limit for 3 per cent milk for liquid consumption in one-litre packages)

Butter: SEK 18.89/kg. (national quotation for Swedish Rune Brand)

Cheese: SEK 25.88/kg. (Herrgård, whole-fat)

Skimmed
milk

powder: SEK 13.35/kg. (sales from factories to wholesalers, quantities of 2,500 kg. or more)

(b) Average retail prices November 1985

Milk: SEK 4.27/litre (3 per cent milk for liquid consumption)

Butter: SEK 31.76/kg. (Swedish Rune Brand)

Cheese: SEK 47.84/kg. (Herrgård, whole-fat)

Statistical number Heading number	Code number	Description of goods	Import levy, SEK/100 kg.(max) 15 Jan.-30 Jun. 1986
		Other, in other forms:	
	701	- concentrated milk	255
	709	- other:	
		Weight of fat:	
		- less than 1% 100 l	255
		- 1% but less than 6%	255
		- 6% " " " 20%	860
		- 20% " " " 30%	960
		- 30% " " " 45%	1,360
		- 45% -	1,460
04.03	000	Butter	995
04.04		Cheese and curd:	
	150	Fresh cheese and curd:	
		- fresh cheese and curd	905
		- pure curd with no flavouring	990
	200	Processed cheese	905
	300	Cheese made from milk	60
	400	Mould cheese	1,005
	900	Other:	
		- cheese fondue	695
		- vegetable fat cheese	1,390
		- other	1,390

Statistical number Heading number	Code number	Description of goods	Import levy, SEK/100 kg. (max) 15 Jan.-30 Jun. 1986
ex 35.01	100	Casein, caseinates and other casein derivatives; casein glues: Casein	Free

- Remarks
1. The expression "milk" means full cream or skimmed milk, buttermilk, whey curdled milk, kephir, yoghurt and other fermented or acidified milk.
 2. Milk and cream put up in hermetically sealed cans are regarded as preserved within the meaning of heading No. 04.02. However, milk and cream are not regarded as so preserved merely by reason of being pasteurized, sterilized or peptonized, if they are not put up in hermetically sealed cans.

3. Export measures (see also A.1(a))

Export and other market regulatory measures applied are necessary for the attainment of the domestic price levels aimed at. The Market Regulation Association for Dairy Products may grant export refunds. Costs of export refunds including restitutions of internal fees are tabled below.

1984/85

	<u>SEK million</u>	<u>SEK/kg.</u>
Butter	107.0	8.04
Cheese	29.0	8.40

The price and market regulation, including export regulation, for milk powder is handled by Scandmilk AB, an organization independent of the regulation association. Internal production fees are levied and the proceeds herefrom are used, inter alia, to cover export costs.

D. Text or description of bilateral, plurilateral and multilateral agreements

Within the framework of GATT, Sweden has concluded a bilateral cheese arrangement with the United States. Sweden has been granted an annual GATT-bound cheese quota of 1,350 metric tons.