

GENERAL AGREEMENT ON

RESTRICTED

IMC/INV/6/Rev.6

30 April 1987

TARIFFS AND TRADE

Arrangement Regarding Bovine Meat

Original: English

INTERNATIONAL MEAT COUNCIL

Inventory of Domestic Policies and Trade Measures and Information on Bilateral, Plurilateral or Multilateral Commitments

Reply to Parts G and H of the Questionnaire

SWEDEN

Revision

The participants have agreed to provide information concerning their domestic policies and trade measures, including bilateral and plurilateral commitments, on the basis of Parts G and H of the Questionnaire (Rule 16 of the Rules of Procedure). The documents containing replies to these parts of the Questionnaire are circulated under the symbol IMC/INV; they are revised as and when changes are notified.

This set of documents constitutes the inventory of all measures affecting trade in bovine meat, including commitments resulting from bilateral, plurilateral and multilateral negotiations, which the Council has instructed the secretariat to draw up and keep up to date, under the provisions of Article III of the Agreement (Note to Article III of the Arrangement and Rule 18 of the Rules of Procedure).

Note: This document has been revised in accordance with the three-year rule contained in Rule 18 of the Rules of Procedure, and replaces all previous IMC/INV/6/... documents.

SWEDENA. General policy framework

The present guidelines for Sweden's agricultural and food policy were laid down by two Parliamentary Decisions taken in 1984 and 1985. A full description of the guidelines have been given in the 1986 notification DPC/INV/3/Add.10. During the 1986/87 Price Regulation Period, continued attention will be given to measures aiming at adjusting production to domestic requirements.

B. Information on domestic policies and trade measures concerning beef and vealI. Production(a) The Swedish beef industry and economic factors governing its development

The majority of Swedish beef producers are dairy farmers for which milk is the important product and beef a by-product. In 1985, the total number of bovine animals was 1,837,000 and the number of holdings with bovine animals around 59,000; of these, 35,000 held dairy cows. The distribution on different sizes of holdings and numbers of bovine animals in each size group for 1985 is shown below.

| | <u>Number of dairy cows</u> | | | | |
|---------------------------------|-----------------------------|-----|-------|-------|------|
| | 0 | 1-9 | 10-24 | 25-49 | 50 - |
| Number of holdings ('000) | 24 | 10 | 17 | 7 | 1 |
| Number of bovine animals ('000) | 431 | 118 | 571 | 515 | 203 |

The fattening of calves of dairy stock for slaughter has become an important part of Swedish beef production. This is to a large extent done by the dairy farmers themselves. Male and female calves of dairy stock are also fattened for slaughter or bred for recruitment by specialized producers. This kind of production was increasing until 1980 (476,000), but has since then been decreasing. As to dairy farmers the number of small holders (less than 25 cows) has been decreasing steadily for the past decade while the number of large holders (25 cows and more) is increasing. Only about one tenth of the Swedish cow herd consists of beef cows, mostly held by non-dairy farmers.

Production of beef as well as other animal products is domestically orientated due to the agricultural policy aiming at a balance between

domestic production and consumption of animal products. Costs connected with surplus production have to be borne by the producers.

Beef production accounts for about one eighth (13 per cent) of the total value of farm output as compared to the value of milk and pigmeat production accounting for 40 per cent and 16 per cent respectively.

The overall economic situation has perhaps greater impact on the beef sector than on other sectors. The recent economic recession led to high interest rates and costs and decreased disposable incomes. This situation was not favourable for the beef sector.

Domestic demand decreased resulting in surpluses since production levels remained more or less the same. Due to rising unemployment in sectors outside agriculture, most dairy farmers/beef producers had difficulties in finding alternatives to continued production in spite of unfavourable conditions (rising production costs, reduced profitability and incomes and high investment costs). Since 1984 the overall economic situation has been improving.

Among the economic factors more specifically governing the development of the Swedish beef industry are producer returns and costs for dairy products, beef and competing meats. The profitability of dairy and beef production from dairy stock is higher than in beef production from non-dairy stock. An expansion of such beef production is unrealistic.

The positive effects of the economic recovery in the beef sector were to a large part offset by unfavourable international market conditions and subsequent high costs for beef surpluses that had developed in the foregoing years.

The ongoing decline in surpluses resulting from various measures aimed at restoring balance between supply and demand has recently brought about improved economic conditions in the beef sector. For this year and the next years further improvements can be expected in line with the return to balance.

(b) Policies and measures influencing production, other than support or stabilization measures

Rationalization of farms and farm structures is one of the means for achieving the primary goals of the Swedish agricultural policy. The support in this field consists mainly of credit grants aimed at building up and preserving efficient family farms.

On 21 April 1983 a temporary law came into force, prohibiting with few exceptions, all investments in animal production (including beef). This investment ban, intended originally to be applied during one year, has been prolonged until 30 June 1987.

The consumer subsidies for beef and veal applied in the years 1974-1983 resulted in higher domestic consumption of beef and veal and pigmeat than would otherwise have been the case. Domestic meat production adapted its level to the increased consumption level. Due to budgetary restraints the consumer subsidies for beef and veal were finally abandoned completely on 1 December 1983. The abandoning of the consumer subsidies along with decreasing disposable incomes and food price increases in general affected negatively the consumption of beef and contributed to production surpluses.

In order to decrease animal production the price level of protein feeds was raised twice in 1982, apart from changes due to changed world market prices. (About 80 per cent of Sweden's protein feeds are imported and roughly half of all protein feeds are fed to bovine animals.)

Delivery supplements for milk from dairy farmers aged more than sixty-five years were abandoned in June 1982. Mainly intended to reduce dairy production this measure also has a reducing effect on beef production. Slaughter fees were introduced for cows in 1982 and have since then been extended to all kinds of bovine meat.

Non-production grants to dairy farmers, sixty to sixty-five years, as well as grants for slaughter of female calves and heifers are measures which also have a downward influence on beef production.

The quota scheme for milk, which was adopted on 1 July 1985, has after a temporary production increase, due to increased slaughterings of cows and heifers, resulted in decreased beef production.

In 1986 grants to quit production were also introduced for specialized beef producers breeding calves bought externally. The yearly grants based on past deliveries are SEK 370 for every calf and SEK 650 for every young bovine animal delivered for slaughter. The requirements for receiving such grants include that producers stay out of production for at least four years.

(c) Support and stabilization measures

(i) Instruments of support or stabilization

The domestic price level is supported by import levies which stay fixed as long as domestic prices remain between certain price limits. The middle price between the price limits can be said to represent the price level aimed at according to the agricultural policy objectives. Middle prices, price limits and import levies are regularly adjusted. Import levies are supplemented by market regulation measures mainly concerning storing and exports. The practical implementation of these measures lies with the market Regulation Association for Meat, a semi-governmental body working under the directives of the National Agricultural Market Board. When domestic supply is inadequate temporary reduction of import levies are made in order to stimulate imports.

(ii) Levels of middle prices and price limits

Middle prices and price limits as from 1 January 1987¹), SEK/100 kg.

| | <u>Lower price limit</u> | <u>Middle Price</u> | <u>Upper price limit</u> |
|-----------------------|----------------------------------|-------------------------|----------------------------------|
| Veal, whole carcasses | 2,525 | 2,686 | 2,847 |
| Beef, whole carcasses | 2,468 | 2,598 | 2,728 |

¹US\$1 = SEK 6.73 in January 1987

The present middle prices have applied since 1 January 1985. The range between the upper and lower price limits for beef was narrowed by SEK 52 on 1 July 1985 and has applied since then.

(iii) Amount of producer subsidies

Apart from the general price support system there are no direct subsidies for beef and veal production except for a special price support for beef and veal produced in northern Sweden. The amount depends on geographical location. The current maximum amount is ore/kg. 810 as from 15 July 1986.

(iv) Average returns to producers

The average returns to producers for cattle, slaughtered weight, as shown in table D.1 in the statistical part of the questionnaire, were SEK/kg. 20.27 in 1984, 18.85 in 1985 and 20.51 in 1986.

II. Internal prices and consumptionPolicies and measures affecting consumption

In the years 1974-1983 consumer prices for beef and veal were subsidized from budgetary means. The subsidies in combination with a price freeze had a clearly positive effect on the level of beef and veal consumption. The consumer subsidies for beef were finally abandoned on 1 December 1983. This led to increased consumer prices and consumption losses.

Market regulation measures can, apart from measures concerning trade and storing, also include i.a. temporary reductions of consumer prices in order to increase domestic demand. From 1981 onwards campaigns for beef at reduced consumer prices have taken place regularly (for pigmeat from 1983 onwards). The quantities and conditions involved have varied between these campaigns.

The centrally organized campaigns in the beginning of this period were less successful than expected. Therefore, since the autumn 1982 campaign it has been left to the market (retailers) to decide sizes and distribution of price rebates to consumers among the various retailed beef products, given a flat-rate reduction of the wholesale price for beef. The quantities for each retailer have been related to historical beef sales. These campaigns have been relatively successful among both consumers and retailers. Beef consumption has risen considerably although it has been difficult to make any exact assessments of the effects of these campaigns.

In spring 1985 a campaign was carried through involving 2,000 tons of beef cuts (mainly minced beef but also i.a. roast beef and insides). The price campaign activities for the year 1985/86 were more comprehensive than in any previous year. SEK 200 million were set aside for the programme. The programme involved the retail trade as well as parts of the catering sector. As in the spring campaign, minced beef and beef cuts were campaigned. In addition meat preparations with a high beef content were included. In order to achieve good results cooperation and co-ordination of campaign activities between the Meat Regulation Association and the retail trade has been necessary. Another essential element has been information. Brochures with rebate coupons were distributed to all households.

In view of the improved market situation for beef campaign activities for meats during 1986/87 have mostly been concentrated to pigmeat. Increased disposable household incomes will limit the negative effects for beef consumption. However, a minor consumption shift from beef towards pigmeat due to the pigmeat campaigns can not be excluded this year.

Since August 1982 and onwards, price rebates for beef in school lunches have also been granted.

III. Measures at the Frontier

(a) Customs duties - None

(b) Import levies

| Statistical number | | | |
|-----------------------|----------------|--|--|
| Heading number | Code number | Description of goods | Import levy as from 1.1.1987 (SEK/100 kg.) |
| 01.02 | | Live animals of the bovine species: | |
| | | Animals of the bovine species: | |
| | ex 100 | Pure-bred breeding animals, calves | 570 |
| | ex 100 | Pure-bred breeding animals, other | 650 |
| | | Other: | |
| | 901 | Calves | 570 |
| | 902 | Steers, yearling bulls and heifers | 650 |
| | 903 | Cows | 650 |
| | 904 | Oxen and bulls | 650 |
| ex 02.01 | | Meat and bovine animals, unboned (bone-in): | |
| | | Fresh or chilled: | |
| | | Veal: | |
| | 222 | Carcasses or half-carcasses | 1,150 |
| | 223 | Other | 2,850 |
| | | Meat of other bovine animals: | |
| | 226 | Carcasses, half-carcasses and quarters | 1,800 ¹ |
| | 227 | Other | 2,850 ² |
| | | - Frozen: | |
| | | - Veal: | |
| | 242 | Carcasses or half-carcasses | 1,150 |
| | 243 | Other | 2,850 |
| | | Meat of other bovine animals: | |
| | 246 | Carcasses, half-carcasses and quarters | 1,800 ¹ |
| | 247 | Other | 2,850 ² |
| | | Meat of bovine animals, boned: | |
| | | Fresh or chilled: | |
| | 321 | Veal | 2,850 ² |
| | 325 | Meat of other bovine animals | 2,850 ² |
| | | Frozen: | |
| | 341 | Veal | 2,850 ² |
| | 345 | Meat of other bovine animals | 2,850 ² |

¹Not taking into account repayments of import levies (upon application to the Swedish Agricultural Market Board) which were the following as per 1 January 1987 (SEK/100 kg.): cows and older bulls: wholes and halves 50, forequarters 10, young bovine animals: wholes and halves 290, hindquarters 240, forequarters 340.

²For a number of beef cuts part of the import levy is normally repaid (upon application to the Swedish Agricultural Market Board). The amounts repaid were the following as per 1 January 1987 (SEK/100 kg.): thick flanks, outsides, chucks and blades 710, manufacturing beef 1,260, "pistols" from hindquarters 1,110.

Statistical
number

| Heading number | Code number | Description of goods | Import levy as from 1.1.1987 (SEK/100 kg.) |
|-------------------|----------------|---|--|
| ex 02.06 | | Meat and edible meat offals (except poultry liver), salted, in brine, dried or smoked: | |
| | 802 | Meat of bovine animals | 2,850 ¹ |
| | | Edible meat offals: | |
| | | Of horses, bovines, domestice swine and sheep: | |
| | 901 | Hearts and lungs | 50 |
| | 902 | Heads | 545 |
| | 904 | Other | 700 |
| ex 16.02 | | Other prepared or preserved meat or meat offal: | |
| | | Other: | |
| | | In airtight containers: | |
| | 100 | Meat of bovine animals | 1,900 |
| | | Meat offal and preparations consisting of meat and meat offals mainly from bovine animals, and products based thereon with a meat product content of: | |
| | ex 503 | 80% or more | 1,900 |
| | ex 504 | 60% or more but less than 80% | 1,520 |
| | ex 505 | 40% "- 60% | 1,140 |
| | ex 507 | less than 40% ² | |
| | | Frozen, other than in airtight containers: | |
| | ex 705 | Meat of bovine animals | 1,900 |
| | | Other meat and meat offal mainly from bovine animals, and products based thereon with a meat product content of: | |
| | ex 701 | 80% or more | 1,900 |
| | ex 702 | 60% or more but less than 80% | 1,520 |
| | ex 703 | 40% "- 60% | 1,140 |
| | ex 706 | less than 40% ² | |
| | | Other: | |
| | ex 805 | Meat of bovine animals | 1,900 |
| | | Other meat and meat offal mainly from bovine animals, and products based thereon with a meat product content of: | |

¹ See note page 7.

² Subject to agricultural price compensation; levy determined by Swedish Agricultural Market Board.

| Statistical number | Heading number | Code number | Description of goods | Import levy as from 1987-01-01 (SEK/100 kg.) |
|--------------------|----------------|-------------|--|--|
| | | ex 801 | 80% or more | 1,900 |
| | | ex 802 | 60% or more but less than 80% | 1,520 |
| | | ex 803 | 40% "- 60% | 1,140 |
| | | ex 806 | less than 40% ¹ | |
| ex 41.01 | | | Raw hides and skins (fresh, salted, dried, pickled or limed), whether or not split | |
| | | 200 | Of calves | No levy |
| | | | Of bovines (including buffalo), or other than of calves: | |
| | | 310 | - Wet-salted | No levy |
| | | 390 | - Other | No levy |

¹ Subject to agricultural price compensation; levy determined by Swedish Agricultural Market Board.

(c) Export Measures

Sweden's exports of beef and veal increased in the first years of the 1980s due to various factors, as stated in our notifications to the IMC. One recent factor temporarily contributing to the surplus of beef is the two-price system for milk introduced in July 1985 which has led to increased slaughterings of cows and heifers. However, Sweden's agricultural policy does not support surplus production of animal products. The price support only applies to the domestic market. The surplus costs have to be borne by the producers. In order to restore a better balance between production and consumption various measures are being taken to reduce production and to stimulate consumption (See I(b) and (c) and II).

The Market Regulation Association for Meat grants export refunds. Costs of the export refunds are tabled below.

| | 1983/84 | | 1984/85 | | 1985/86 | |
|---|-------------|---------|-------------|---------|-------------|---------|
| | SEK million | SEK/Kg. | SEK million | SEK/Kg. | SEK million | SEK/Kg. |
| Beef, whole carcasses, halves, quarters | 92.1 | 9.56 | 83.9 | 9.82 | 176.2 | 15.49 |
| Beef cuts | 168.7 | 20.64 | 224.6 | 25.00 | 342.2 | 24.89 |

The export costs are mainly financed by means derived from slaughter fees which are imposed at the slaughter level on all kinds of bovine meat and pigmeat. The slaughter fees as from 23 February 1987 amount to the following, SEK/100 kg.:

| | |
|--------------------------------|-----|
| Young bovine animals and bulls | 315 |
| Calves | 320 |
| Cows | 380 |
| Pigs | 350 |

In 1985/86 slaughter fees totalling SEK 1,809 million paid by the producers were put to the disposal of the Meat Regulation Association. Other financial sources amounted to SEK 178 million. The most important of these other sources were means from import levies. The main use of these means was to finance export costs for beef and pigmeat (SEK 1,533 million). Of the remainder SEK 170 million was spent on storing and SEK 162 million on price campaigns.

(d) The Board of Agriculture monitors the situation in other countries as concerns the existence of contagious bovine animal diseases, e.g. foot-and-mouth. If vaccinations take place no approvals for imports are made. As concerns live animals, approvals are made only for imports of bovine animals for breeding due to the disease risks involved. Import permits are issued by the National Food Administration on the approval of the Board of Agriculture and on condition that all requirements regarding meat hygiene are met (as to abattoirs and slaughtering methods, contents of certain substances deemed harmful, handling, packaging, storing, transports). There are also provisions concerning feeding, e.g. prohibiting the use of hormones and restricting the use of antibiotics.

(e) No quantitative import or export restrictions are applied in the beef and veal sector.

PART H

C. Notification on bilateral agreements in the field of bovine meat

A special import price for imports of bovine meat into the European Community from i.a. Sweden is applied. (EEC Regulations Nos. 805/68, 425/77 and 925/77).

In 1985 Sweden and the Soviet Union concluded a five-year agreement concerning i.a. Swedish beef exports to the Soviet Union. The quantity mentioned in the agreement is 5,000 tons per year to be delivered in the years 1986-1990.