

GENERAL AGREEMENT ON

RESTRICTED

IMC/INV/9/Rev.3

6 May 1988

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 Part G of the Questionnaire

FINLAND

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 Arrangement (Note to Article III of the Arrangement and Rule 18 of the Rules of Procedure).

PART G

Part G1: Information on Domestic Policies and Trade Measures

Introduction

Agricultural production in Finland is largely based on animal husbandry. Milk production accounted for about 38 per cent of the gross return in agriculture in 1987, bovine meat and pork accounted for about 17 per cent per and 14 per cent respectively. This implies that field crop production is dominated by fodder production; grass for hay and silage and barley and oats for feed concentrates. In 1987 about 20 per cent of the gross return was derived from cereals, potatoes, sugar beet and other crops.

The structure of agricultural production is a consequence of Finland's natural conditions. Most of the crops grown in the country have also their northern limits of cultivation here. This has also caused a regional bias in the structure of meat production. Beef and veal production, which is more dependent of forages, is mainly located in central and northern Finland. Pigmeat and poultry, in turn, is mainly produced in southern Finland.

1. Production

1.1. Factors affecting meat production

Bovine meat is mainly a by-product of dairy farming. About 30 per cent of beef production comes from slaughterings of dairy cows. In addition, in December 1987, there were 107,000 bulls and 27,000 heifers to be slaughtered but as few as 8,900 beef cows. Many of the bulls and heifers are, however, cross-breeds of dairy cows and some beef breeds (mainly Hereford and Charolais) and production is practised in an increasing number of specialized farms.

During the last few years Finland has had a temporary over-supply of bovine meat. This is to some extent a consequence of dairy cessation programmes. In 1987, partly due to a crop failure, the number of dairy cows decreased drastically by 27,000 to 572,000 (December 1987). Furthermore, the dairy termination programme to be applied in 1988 will eliminate some 20,000 cows.

Beef production, as well as other animal production, is controlled by the regulation of the establishment of new production units. A permit is required for the establishment or expansion of a production unit of more than 30 beef animals, and no permits can be issued for production units of more than 120 beef animals.

1.2. Support and stabilization measures

1.2.1. Farm Income Act

Decisions concerning the prices of agricultural products are based on the Farm Income Act. The present Act was passed in 1982 and after a slight revision it will be effective until the pricing year 1989/90. The Act provides a framework for price negotiations between the State and the farmers' organizations.

Price setting is a two-phase process. The rise in costs, which is calculated by total accounts of returns and costs, is fully compensated twice a year. The increase in farm income is also negotiated. Usually the development in farm income has corresponded to the development of wages and salaries in other sectors of the economy.

The Farm Income Act defines "target price products", for which producer prices are set. They are rye, wheat, feed barley, feed oats, milk, bovine meat, pork, mutton and eggs.

The target prices are reviewed twice a year, usually in March and September. In autumn, the farmers are compensated only for rises in production costs.

The present target price for beef, valid since 1 April 1988, is FIM 26.10/kg. The producer price, including all subsidies (see below) and export fees subtracted, was on average FIM 28.78/kg. in 1987. The target price is stabilized by means of foreign trade. This is discussed further in Chapter 3.

1.2.2. Support measures

Besides the target prices, the Farm Income Act also defines price policy support, which is paid to farmers as regional subsidy, acreage subsidy and other non-regionally allocated price policy support.

Regional subsidies are paid stepwise so that they are highest in the northern parts of the country. Beef, pork and lamb are entitled to this support. In 1987 regional subsidies given to meat totalled FIM 164.7 million, of which bovine meat received FIM 155.5 million.

Acreage subsidies are also paid stepwise according to the cultivated area, number of animals and region. This support is highest for seven production units (one production unit equals 1 hectare of cultivated land, one dairy cow, one bull, two young beef cows and five pigs for example). When the field area of the farm exceeds 9 hectares its number of production units start to decrease. The value of production units is graded regionally, being lowest in southern Finland. The acreage subsidy is tax-free but it is not paid to a farmer whose taxable income exceeds the maximum limit determined by the government.

It is difficult to allocate the amount of acreage subsidies to different production lines. However, approximately more than half of the amount goes to dairy farming and some 35 per cent is directed to meat, mainly to bovine meat production. Acreage subsidies amounted to FIM 584 million in 1987.

Other price policy support is paid in form of supplementary production premium. Since the number of dairy cows is continuously decreasing and thus reducing production capacity of beef, an attempt has been made to raise the average carcass weight of animals. The supplementary production premium is paid for beef and heifers and also for sheep according to their carcass weight. It totalled FIM 216.9 million for beef and FIM 7.1 million for mutton in 1987.

Table 1. Supplementary production premiums for bovine meat

	<u>FIM/kg.</u>
Bull over 260 kg.	4.00
Bull 210-259 kg.	3.10
Bull 180-209 kg.	2.00
Heifer over 160 kg.	3.10
Heifer 130-159 kg.	1.00

An additional premium is available to a farmer who agrees to keep at least two cows for beef breeding and feeding purposes. The premium amounted to about FIM 5 million (900 mk/cow) in 1987. On the other hand, according to the Farm Income Act the producers are responsible for exporting the quantities produced over the production ceilings which the act defines for milk, pork, eggs and now also for beef. The production ceilings for beef are as follows:

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Beef exported, million kg.	12	10	9

If these export quantities are exceeded, agriculture itself is responsible for the costs of exporting the excess. A part of this responsibility is covered by charging export fees from milk, pork and egg producers. However, because a major part of export costs are collected as taxes on feed concentrates and fertilizers, also the beef producers have to share the burden of agricultural surplus.

2. Internal prices and consumption

2.1. Retail prices and margins

In Finland the retail price of the most important foodstuffs is controlled by stipulating a maximum retail price. In the case of meat this has not, however, been considered necessary, because price control is

difficult to enforce and because it is assumed that competition at slaughterhouse and retail levels will keep the margin between producer and retail prices reasonable. Furthermore, the margin is affected by the fact that about 80 per cent of all meat purchases are made by the co-operative slaughterhouse organization owned by farmers, whose aim is to keep the margin as small as possible and thus promote the domestic demand for meat. The retail prices and margins are, however, regularly observed. The average retail price for beef was about FIM 47.50/kg. in 1987.

2.2. Consumption

Since 1979, which was a record year of beef consumption, total domestic consumption has gradually decreased. It was 111.2 mill. kg. (23.4 kg./capita) in 1979 and 102.8 mill. kg. (21.1 kg./capita) in 1987. The main reason for this development has been the unfavourable price relationship with pork, which again is caused by a substantial over-production of pork. Total meat consumption has risen from 265.6 mill. kg. (55.8 kg./capita) in 1979 to 289.90 mill. kg. (58.8 kg./capita) in 1987. In the future bovine meat consumption is expected to be quite stable, whereas pork and especially poultry consumption is assumed to increase.

3. Measures at the frontier

3.1. The foreign trade system

Target prices for meat are maintained at a fixed level through trade and other regulations. There are quantitative restrictions on meat imports. Licences are generally given to importers when the domestic producer prices rise by 5 per cent above the target price level. The short-term market outlook is also taken into consideration before licences are granted. Meat is imported by co-operative and other private meat companies according to agreed quotas. If the import price is lower than the domestic producer price, a variable import levy is charged in accordance with the difference between world market and target the prices. There are no fixed tariffs for meat or meat products in Finland.

Exports have normally been resorted to when the domestic producer price has fallen below the target price level. Other factors affecting the situation are also carefully studied before exports are permitted. Export companies make their own export contracts, but the transaction must be accepted by the Ministry of Trade and Industry. If the export price is below the domestic producer price level the difference can be refunded to the exporting companies.

Before exports and imports are permitted, the stock levels have to meet certain conditions. Bovine meat inventories should be at least 5,000 metric tons throughout the year. All stocks are private.

In the beginning of 1988 the producer prices of bovine meat have exceeded the target price level more than 5 per cent and inventories have been markedly below 5,000 metric tons, and consequently, imports of bovine meat have been started. This shortage of beef supply is mainly a result of lagged slaughterings of cattle on dairy farms, because farmers are waiting for the compensations from the dairy termination programme starting in March 1988.

3.2. Hygiene and veterinary regulations

To comply with hygiene and veterinary regulations, a permit from the veterinary authorities of the Ministry of Agriculture and Forestry is needed before beef or any other meat product can be imported or exported. Every consignment is treated 'in casu'.

4. Other meat

In order to give a more accurate description of the Finnish meat market, a short outlook of other meat sectors is also provided.

4.1 Pigmeat

Should there be any flexibility in production control at the moment in Finland, it is mainly realized in pigmeat production. In 1987 permits to increase pigmeat production were granted for 30,000 pig places, and for 3,000 pig places in 1988.

However, this situation is only a result of various restriction measures applied earlier, especially in 1984, which contributed to a better market balance. The pig sector has been well under control, and the production ceiling has been exceeded very slightly, if at all, since 1984. However, the situation got worse in 1987, as production increased as planned but consumption stagnated.

The target price for pigmeat is FIM 17.00/kg., valid since March 1987. The producer price, according to preliminary estimates, remained in 1987 at the same level as in 1986 being FIM 16.49/kg. Hence, the difference between the target price and the supported producer price is markedly narrower in pigmeat production than in beef production (see Chapter 1.2.1).

4.2. Poultry

Poultry production and consumption are continuously increasing, but internationally they are still small in Finland. Poultry is produced on a contract basis through which it can be controlled following the development of consumption. Poultry is not included in the target price products.

Summary table of meat markets in Finland in 1987

	<u>Beef</u>	<u>Pork</u>	<u>Poultry</u>
Production, million kg.	124	175	27
Consumption, kg./capita	21.1	32.9	5.4
Exports, million kg.	18.6	17.8	-
Target price, FIM/kg.	25.10	16.30	-
Producer price, FIM/kg.	28.78	16.49	n.a.