

GENERAL AGREEMENT ON

RESTRICTED

IMC/INV/9/Rev.4

21 April 1989

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

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).

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/9/... documents.

PART G.1

Information on Domestic Policies and Trade Measures

1. Production

1.1 Factors affecting bovine meat production

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 1988, bovine meat and pigmeat accounted for about 17 per cent 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 1988 about 21 per cent of the gross return was derived from cereals, potatoes, sugar beet and other crops.

However, animal production, including bovine meat, has been in a downward trend, and another drastic decrease was realized in 1988. There are several reasons for this development: the crop failures in 1987 and in 1988 have reduced production, and the measures to restrict production have been made more effective. It is also possible that economic growth has contributed to giving up agriculture. As a result of all these factors, the decrease in animal production has been quicker than expected.

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 on forages, is mainly located in Central and Northern Finland. Pig meat and poultry meat are, in turn, produced in Southern Finland.

Bovine meat is mainly a by-product of dairy farming. Thus, bovine meat production is tied to the number of dairy cows and calves. In 1988, the number of dairy cows decreased drastically by 9.3 per cent to 518,600. The drop, as in the previous years, was to some extent a consequence of dairy cessation programmes. The dairy termination programme of 1988 eliminated some 20,000 cows.

About 30 per cent of beef production comes from slaughterings of dairy cows. In December 1988, there were as few as 9,100 beef cows. However, many of the steers and heifers are cross-breeds of dairy cows and some beef breeding and production is practised in an (slowly) increasing number of specialized farms.

In Finland, production of bovine meat is directed to satisfy steadily domestic consumption. Temporary over-supplies, partly resulting from the wide-scale dairy cessation schemes, have been exported, but there is no export orientation in the bovine meat sector. At the moment, the bovine meat market is well balanced. As the decrease in production can be expected to continue, an increase in the import of beef in the future is very likely.

Should there be any flexibility in the strict production control at the moment in Finland, it can mainly be realized in bovine meat production. However, as well as other animal production, it is controlled by the regulation of the establishment of new production units. A permit is required to establish or expand a production unit of more than thirty beef animals, and a production unit to accommodate more than 120 beef animals cannot be established at all. Furthermore, a self-sufficiency in feed is required to be at least two thirds on red meat farms.

1.2 Stabilization measures

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 March 1989, is FIM 27.80/kg. In 1988, the target price was FIM 26.10/kg. Instead, the producer price, including all subsidies and export fees subtracted, was on average FIM 30.54/kg. in 1988. The target price is stabilized by means of foreign trade. This is discussed further in Chapter 3.

According to the Farm Income Act, the producers are responsible for exporting the quantities produced over the production (or export) ceilings which the Act defines for milk, eggs and beef. The export ceilings for beef are as follows:

	<u>1986</u>	<u>1987</u> (million kg.)	<u>1988</u>	<u>1989e</u>
Export ceiling	12	12	10	9
Beef exported	22	22	10	0

If these export quantities are exceeded, as in 1986 and 1987, 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, the beef producers also have to share the burden of agricultural surplus.

1.3 Support policy

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. Regional subsidies for meat have been:

	<u>1986</u>	<u>1987</u>	<u>1988</u>
	(FIM million)		
Total meat	164.4	164.6	144.9
- bovine meat	155.3	155.5	136.7

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 one 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 nine 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 not paid to a farmer whose taxable income exceeds the maximum limit determined by the Government. Until 1989, the acreage subsidy was tax-free.

Acreage subsidies can be related to direct income support. It is neutral with regard to production. It might even reduce production due to the limit for maximum income. On many farms there has been no incentive to increase production if the advantageous tax-free acreage subsidy had been lost as a result.

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 583.2, FIM 553.4 and FIM 644.6 million in 1986, 1987 and 1988, respectively.

Other price policy support is paid in the 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 211.1, FIM 216.9 and FIM 200.4 million for beef in 1986, 1987 and 1988, respectively.

Supplementary production premiums for bovine meat according to a weight category, valid since March 1989, in FIM/kg.

Bull over 270 kg.	5.00	Heifer over 260 kg.	5.00
Bull 220-269 kg.	3.50	Heifer 170-259 kg.	3.50
Bull 190-219 kg.	2.00	Heifer 140-169 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 beef cow premium amounted to about FIM 6 million in 1988. The premium was FIM 900 per beef cow in 1988, but it was raised to FIM 1,500 in 1989. In 1989, new three-year premium contracts can be made.

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 70 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 FIM 49.32/kg. in 1988.

2.2 Consumption

In the last few years, the real income of consumers has risen considerably in Finland. However, the income elasticity of the demand of agricultural products is small, which means that economic factors do not cause any great changes in consumption. Other factors, especially the discussion on the effects of food on the health, may have a greater influence than income or prices. This concerns mainly the use of milk, but to some extent also the use of meat and eggs.

Measured as energy, consumption cannot grow any more; rather, it is on the decrease. In 1987, we consumed 2,800 kcal./day/capita, whereas in 1970 this figure was 3,000 kcal. In the course of time, consumption has shifted from grain products to animal products, especially meat. However, today consumer guidance favours an increase in the consumption of plant products, and the consumption of fruits and vegetables has recently been on the increase. Some increase is expected to occur in meat consumption, too.

Since 1979, which was a record year for beef consumption, total domestic consumption has gradually decreased. It was 111.2 million kg. (23.4 kg. per capita) in 1979 and 103.8 million kg. (21 kg. per capita) in 1988. The main reason for this development has been the unfavourable price relationship with pig and poultry meat. However, total meat consumption has risen from 265.6 million kg. (55.8 kg. per capita) in 1979 to 294.4 million kg. (59.5 kg. per capita) in 1988. In the future bovine meat consumption is expected to be quite stable, whereas pig and poultry meat 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 the target 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. Until 1989, bovine meat inventories should have been at least 5,000 metric tons throughout the year. At the moment, if inventories are lower than 3,200 tons, imports can be started, and if inventories are at least 4,000 tons, exports can be started. All stocks are private.

In 1988, the producer prices of bovine meat continuously exceeded the target price level by more than 5 per cent and inventories were markedly below 5,000 metric tons and, consequently, bovine meat was imported (2.5 million kg.).

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".

PART G.2

Notification of Policy Changes Affecting Trade in Bovine Meat

No changes.

PART H

Information on Bilateral or Plurilateral Agreements
in the Field of Bovine Animals, Meat and Offals

No agreements.