

**GENERAL AGREEMENT  
ON TARIFFS AND TRADE**

**RESTRICTED**  
**DPC/INV/5/Add.7/Suppl.1**  
19 October 1993  
Special Distribution

---

**International Dairy Arrangement**

Original: English

**INTERNATIONAL DAIRY PRODUCTS COUNCIL**

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

**FINLAND**

**Supplement**

**I. GENERAL POLICY FRAMEWORK**

In the present economic situation, the most important factor in the Finnish agricultural policy has been the need to curb the budget deficit. The most important in this sector has been the decrease in export costs of agricultural products. Financing of farm investments has also decreased substantially.

As one indication of new agricultural policy, Finland has abolished the licensing system for dairy products (excluding cheese) in the beginning of the year and renewed that for meat in June 1993.

The Farm Income Act is subject to review. Its aim is to decrease exports costs with the effect of accelerated decrease of production level and increase the farmers' share of such costs. It is also aimed to increase the adaptability and competitiveness of Finnish agriculture and harmonize the mechanisms of agricultural policy to that of the European Community.

**II. DAIRY PRODUCTS**

**A. Production**

**1. Support and/or stabilization measures**

**(a) Domestic prices**

Administered prices (target prices) for crops were lowered in 1993, but those for animal products were kept unchanged. The price decrease for cereals was approximately 2 per cent and took place on 1 July 1993 (see Table 1).

Table 1

Administered Prices (Target Prices) of Agricultural Products in 1993

(FIM/kg.)

Date of setting:	1.7.1992	1.3.1993	1.7.1993
Product	Target price (FIM/kg.)		
Milk	2.82	2.82	2.82
Beef	27.92	27.92	27.92
Pork	18.06	18.06	18.06
Mutton	27.88	27.88	27.88
Eggs	9.20	9.20	9.20
Wheat	2.31	2.31	2.26
Rye	2.90	2.90	2.85
Fodder barley	1.82	1.82	1.77
Fodder oats	1.72	1.72	1.67

The prices actually received by the producers were, however, clearly lower than the administered prices. The price of beef, especially, was lower than the target price (see Table 2):

Table 2

Producer Prices (Received Prices) of Agricultural Products in 1993

Date:	1.7.1992	1.3.1993	1.7.1993
Product	Received price (FIM/kg.) (excluding production subsidies)		
Milk	2.46	2.72	2.48
Beef	24.97	23.37	23.40
Pork	16.18	15.89	16.73
Mutton	25.37	22.27	22.91
Eggs	8.87	8.76	8.70
Wheat	1.97	2.41	
Rye	2.45	2.96	
Fodder barley	1.62	1.79	
Fodder oats	1.55	1.71	

Part of the information of July 1993 concerning producer prices was not available in September 1993 (cereals).

(b) Amount of production subsidies

The regionally differentiated production subsidy for milk was slightly decreased in 1993. The country is divided into ten regions, and the support is highest in northern Lapland and decreases with minor exceptions towards southwest Finland. If the supplier delivers less than 50,000 litres yearly (1 September-31 August), the support is 0.28 FIM/litre in southern areas and 0.97 in northernmost Lapland. If the production is 50,001-150,000 litres, the support is 0.15 FIM/litre lower in all these ten areas and if the production is over 150,000 litres the support is 0.30 FIM/litre lower than the basic support in each respective area (so it is 0 FIM/litre in south and 0.67 FIM/litre in northern Lapland).

Another regionally differentiated form of support is a support based on the number of livestock per farm. This ranges from FIM 130 to FIM 1,275 per cow annually. The subsidy was lowered by 0.75 FIM/livestock unit depending on the area. The two or three times higher subsidy is paid for the first fifteen cows (twelve in 1992).

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

The quota fees were unchanged, but the quotation time was changed from calendar year to cover the time 1 September-31 August. The reason for this was the aim to cease the fluctuations in production. For the transitional period of 1 January 1992 to 31 July 1993 the applied quota was the yearly quota multiplied by 1.7. It was also made possible to unite the quotas of two farms by buying or renting the holding.

The marketing fee for milk, 0.008 FIM/litre for each decimal which fat content exceeds 3.7 per cent, was lowered to 0.004 FIM/litre.

Production ceilings for milk were changed on 1 January 1993 by lowering them by about 100 million litres (Table 3):

Table 3

Production Ceiling (Milk Delivered to Dairies, Million Litres)

Year	1990	1991	1992	1993	1994
Government's responsibility of export costs, per cent (X)	The amount, up to which the Government pays X per cent of export costs				
100	2,300	2,280	2,150	2,150	2,220
90	2,400	2,375			
50	2,550	2,525	2,300	2,300	2,450

If these quantities are exceeded, agriculture is responsible for the cost of exporting the excess production. In 1992, the amount of milk delivered to dairies was 2,274 million litres. The share of agriculture in marketing the excess is collected in the form of marketing fees and taxes on oilseed concentrates and fertilizers.

B. Internal prices and consumption1. Representative retail prices on major domestic markets

The retail prices in a three-year period 1990-1993 were as follows:

Table 4

Retail Prices of Milk Products

Product	April 1991	April 1992 Retail price	April 1993 (FIM/kg.)
Consumer milk FIM/litre <sup>1</sup>	4.07	4.05	3.91
Butter FIM/kg. <sup>2</sup>	33.24	32.78	32.32
Emmental cheese FIM/kg. <sup>3</sup>	49.55	50.32	50.07

<sup>1</sup>In 1 litre "Pure-Pak" or "Tetra-Pak"

<sup>2</sup>In 0.5 kg. package

<sup>3</sup>1st class

In 1993, the price of food in Finland has had a general downward trend. In the milk sector, liquid milk price has decreased clearly (3.5 per cent), the butter price decreased by 1.4 per cent and the price of emmental cheese by 0.5 per cent.

2. Consumption

The consumption of dairy milk has decreased slightly in 1993. The decrease in butter consumption has, however, stopped. For the first time in history, cheese consumption has decreased (by 1-2 per cent). There are no significant changes in milk powder consumption.

Table 5

Consumption of Milk Products in Finland in 1991-1993 (f), kg./cap/year

	1991	1992	1993(f)
Liquid milk	215.7	215.2	213.0
Butter	6.04	5.61	5.46
Butter-margarine (mixtures)	1.66	2.05	2.24
Cheese	13.74	14.29	14.15
SMP	0.18	0.15	0.15
WMP	3.27	3.77	3.50

There exist some marketing programmes partly financed by the Government to increase the demand of domestic animal products, but at the moment, none for milk products.

C. Measures at the frontier

In view of a GATT agreement on agriculture and in order to prepare the EC membership, Finland has changed the import access régime of agricultural products. Also the agreements in the agricultural trade sector with the EC, Sweden and some other countries would need to be changed.

1. Import licensing

In April 1993, Finland abolished import licensing for dairy products (excluding cheese and milk powder), for cereals (excluding barley) and for sugar. In the meat sector, import licensing is still applied to all products except offal.

There was a change in organizing the licensing: the Licensing Bureau no longer exists and licensing is taken care of by the Ministry of Trade and Industry.

2. Import levies

Minimum import price (sluicgate price) is set for the major products. If the import price is lower than this minimum price, an additional levy is charged. In case of market disturbance, the minimum price can flexibly be changed.

3. Export measures

The amount of export refunds has been decreased because of the floating of the Finnish Markka. The level of the refund is checked by the Council of Marketing of Agricultural Products every three months.

D. Bilateral, Plurilateral and Multilateral Agreements

Finland and Sweden have made an agreement on agricultural trade, which entered into force on 1 July 1993. The agreement includes import quotas for cheese with reduced import charges. Finland can export 1,400 tonnes of cheese to Sweden with no import charge and Sweden can export 1,000 tonnes of cheese to Finland with 1/6 of the normal import charge.

Finland, the Czech Republic and the Slovak Republic have made an agreement, according to which Finland can yearly export a small amount of butter to these republics with the reduction of import duty by 50 per cent (50 t.).