

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Group on Dairy Products

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FINLAND

The following information has been submitted by the delegation of Finland in accordance with the programme laid down in document TN.64/DP/5.

I. Existing dairy policies

- (i) (a) The levels and methods of maintaining the guaranteed or supported prices including direct price supports

In Finland the target price of milk has been determined during the last nine years according to the provisions of various agricultural price laws which have been in force since the crop year 1956/57. All of these agricultural price systems have had the same basic principle according to which the average price level of the most important agricultural products including direct State subsidies must change in the same proportion as the average price level of agricultural cost items as e.g. fertilizers, concentrates and machinery costs. Also the farmer's and his family's agricultural work has been included in the costs and its value has been changed according to either the wages of farm-workers or the general level of all wages. In the calculations agriculture has been treated as one enterprise.

The latest Agricultural Price Law came into force in 1962 and expired at the end of August 1965. On the basis of the law the target prices were determined for milk, wheat, rye, beef, pork and eggs. According to the law any increase in the production of these products above a specified level reduced the average target prices. If for example the milk production exceeded the production level of the crop year 1962/63 agriculture as a whole received only a world market price for the excess amount. These provisions did not apply to farmers individually but to agriculture as a whole in the form of a reduced target price level. Although the attempts to extend the period of validity of the Price Law failed the Government fixed provisionally the target prices in August 1965 according to the provisions of the expired law.

(b) The average level of returns to milk producers

The average producer prices of milk (fat content of 3.7 per cent) in years 1960/61-1964/65 are shown in Table 1.

TABLE 1

Average Producer Prices of Milk (Fat Content
of 3.7 per cent) in 1960/61-1964/65
US\$ per 100 kgs.

<u>Year</u>	<u>Producer Price</u>
1960/61	8.89
1961/62	8.91
1962/63	9.15
1963/64	9.93
1964/65	11.56

(c) The system of arriving at returns to milk producers

The target price of milk is realized by the Government through retail price regulation which applies to liquid milk, butter and the most important varieties of cheese. Any change in the target price of milk is followed by a corresponding change in the retail prices of milk products. Although the average producer price on the whole country is not allowed to vary more than 1 per cent of the target price, the price received by farmers varies according to the quality of milk, the season and the efficiency of the dairy where the milk is delivered.

(d-e) The level of producer subsidies. Other forms of aid

The Government has also paid production and transportation subsidies to dairies in northern and eastern parts of the country and in the archipelago. These subsidies are included in the producer prices which are shown in Table 1. The Government has also paid direct subsidies to dairy farmers in northern and eastern Finland and in the archipelago on the basis of the number of dairy cows. The annual subsidy has varied from FMk.55 to FMk.13 per cow. The amount of this subsidy was for example, in 1963 about 10,000 million.

(ii) Statement on actual levels of butter-fat content of butter and milk sold for liquid consumption, any regulations governing or influencing these levels, and any significant changes in the past five years

The minimum fat content of butter and milk sold for liquid consumption are decreed by the law. The minimum fat content of liquid milk which was 3.8 per cent in 1961, was raised to 3.9 per cent from the beginning of the year 1962 in order to increase domestic milk fat consumption. The average fat content of butter has been 81 per cent (minimum fat content is fixed by the law at 80 per cent).

(iii) (a) Retail and wholesale prices of milk sold for liquid consumption, butter, cheese, and other milk products; including major seasonal variations

Retail and wholesale prices of liquid milk, butter and cheese are shown in Table 2. Because the retail prices of the most important dairy products are subject to price regulation no seasonal variations occur.

TABLE 2

Retail and Wholesale Prices of Liquid Milk,
Butter, Cheese and Margarine in 1961-65,
US\$ per 100 lbs.

Year	Liquid Milk		Butter		Emmenthal Cheese		Margarine	
	Wholesale Price ¹	Retail Price	Wholesale Price	Retail Price	Wholesale Price	Retail Price	Wholesale Price	Retail Price
1961		12.46	133.48	144.00	121.02	137.37	84.42	98.43
1962		13.10	133.48	144.00	121.58	137.99	84.42	98.43
1963		14.18	140.33	152.00	131.27	149.05	84.42	98.43
1964		16.27	158.02	174.00	150.08	171.73	90.02	109.03
1965			171.73	189.00	159.30	182.63	98.43	114.63

¹There is no wholesale market for liquid milk.

(b) Retail and wholesale prices of margarine

Retail and wholesale prices of margarine are shown in Table 2.

(iv) Consumer subsidies

Butter is the only dairy product for which consumer subsidies are paid. The purpose of butter subsidy is to lower the consumer price and increase domestic consumption.

The amount of consumer subsidies of butter in years 1960-65 are shown in Table 3.

TABLE 3

Consumer Subsidies for Butter in 1960-65

<u>Year</u>	<u>Total</u> <u>million US\$</u>	<u>US\$</u> <u>per 100 kgs.</u>
1960	45.17	65.10
1961	51.65	65.10
1962	53.95	67.28
1963	62.89	75.38
1964	67.47	85.97
1965	71.83*	90.34*

* Provisional

(v) Use of dairy products in domestic and foreign welfare schemes

Dairy products are not used in domestic welfare schemes. However, Finland has given milk powder to developing countries within the framework of the Food and Agriculture Organization/United Nations World Food Program.

(vi) Other measures to stimulate domestic consumption

Except the consumer subsidy for butter no other measures are taken by the Government to stimulate domestic consumption of dairy products.

(vii) Measures of protection at the frontier

Measures of protection of dairy products at the frontier consist of import levies and quantitative restrictions, all dairy products being subject to individual licensing.

II. Information on production, consumption, imports, exports, end-season stocks of dairy products, cow numbers and yield per cow

The production, consumption, foreign trade and end-season stocks of milk and the most important dairy products, and the cow numbers and yield per cow in the years 1961-65 are shown in Tables 4-7.

TABLE 4Amount of Milk Delivered to Dairies, Butter and Cheese Production in 1961-65

Year	Amount of milk delivered to dairies million litres	Butter production 1,000 kgs.	Cheese production 1,000 kgs.
1961	2,615.5	92,171	32,594
1962	2,661.4	93,150	31,523
1963	2,797.1	99,664	34,021
1964	2,885.8	102,266	35,180
1965	2,901.9*	99,447*	37,356*

* Provisional

TABLE 5Consumption of Liquid Milk, Butter and Cheese in 1961-65

Year	Liquid milk million kgs.	Butter million kgs.	Cheese million kgs.
1961	1,321	74.8	13.6
1962	1,365	82.0	13.8
1963	1,364	82.7	14.5
1964	1,357	79.2	14.1
1965		79.6*	

* Provisional

TABLE 6Export of Butter, Cheese and Milk Powder and End-Year Stocks of Butter in 1961-65

Year	Export			End-year stocks of butter 1,000 kgs.
	Butter 1,000 kgs.	Cheese 1,000 kgs.	Milk Powder 1,000 kgs.	
1961	17,562	17,548	4,147	521
1962	10,149	16,972	4,214	1,574
1963	16,250	17,223	5,082	2,184
1964	24,125	21,363	17,308	1,117
1965	19,700	19,500*	21,500*	

* Provisional

TABLE 7

Cow Numbers and Milk Yield Per Cow in 1961-65

Year	Number of dairy cows 1,000 (15.6.)	Yield per cow Litre
1961	1,153.0	3,051
1962	1,182.5	2,997
1963	1,195.6	3,074
1964	1,185.1	3,184
1965	1,137.5	

Although the future development of milk production is subject to many uncertain factors one might predict, assuming the continuation of existing national policies that milk production in the next five years will increase almost at the same rate as during the last years. Domestic consumption of milk and milk products will probably increase only by 0.5 per cent annually. The present level of consumption of dairy products is very high in Finland, any substantial increase in per capita consumption seems therefore unlikely.

III. International prices and price stabilization in international markets

(i) Information on the levels of international prices prevailing in the various markets for the different dairy products

The main export market for butter has been the United Kingdom and for cheese, which is mainly Emmenthal cheese, the member countries of the European Economic Community. Prices received by Finnish exporters have followed the daily quotations on these markets. The price of Finnish butter in the United Kingdom has usually been at a somewhat lower level than that of Danish butter, but normally higher than that of New Zealand and Australian butter.

(ii) Exchange of data on the conditions of price formation in international markets; price relationships between the various dairy products; comments on the feasibility of establishing prices for these products figuring in international trade and the legal possibilities of maintaining such prices

Finland is ready to consider proposals for making international commodity agreements in the field of dairy products within the framework of which possible international reference prices would be established.

(iii) Concrete data on export subsidies and export aids; global values and quantities, and value per unit

For dairy products a system of export restitution is in operation. In 1963-64 the system included the operation of a Marketing Fund which received its funds from the import levies of imported feeding stuffs and of other agricultural products and from the State budget. The Fund is, however, no longer in operation and the necessary funds for financing the target price system are now being supplied directly from the State budget.

As was mentioned any increase of milk production above the 1962/63 level has a reducing influence on the average level of target prices.

(iv) Stock management policies in relation to export practices

The Central Organization of the co-operative dairies holds storages of dairy products in order to remove the detrimental effects of seasonal variations of supply on the export of dairy products.

IV. Exchange of technical information on the various possibilities for using dairy surpluses as international food aid, and particularly ways of disposing of products which include the fat content of milk

Finland is in principle in favour of using dairy surpluses as international food aid.