GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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International Dairy Arrangement

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INTERNATIONAL DAIRY PRODUCTS COUNCIL

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

FINLAND

Supplement

A. Production

Two-price system in milk production

The Finnish Parliament has adopted a two-price system in milk production from the beginning of 1985. The act is provisionally valid only for one year. However, it is very likely that the quota system will be continued also in the next few years.

The production quota for each farm is determined according to the higher annual production level in the base period, either in 1 September 1981 - 31 October 1982 or 1 September 1982 - 31 October 1983. All dairy farms may, however, freely produce at least 30,000 litres annually. Thus, the whole producer price will be paid for the quota and the world market price, approximately, for the excess production on each farm. In 1985 the price for the excess production is FIM 1.60/l lower than the whole producer price.

The act for the two-price system includes some exceptions concerning quota levels, too. For example, if a producer has invested for dairy production after 1 January 1979, he may apply for a bigger production quota. The producers have had possibility to make agreements with the Government for reducing dairy production since 1980. After these agreements have expired, the production may be restored to its former (higher) level.

However, it is not expected that the quota system would lower dairy production during the first year. It may only restrict its expansion.