

**GENERAL AGREEMENT ON  
TARIFFS AND TRADE**

RESTRICTED

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Arrangement Regarding Bovine Meat

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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

Revisor

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 will be partly 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

### 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 39 per cent of the gross return in agriculture in 1985; bovine meat and pork accounted for approximately 16.5 per cent and 13.3 per cent respectively. This implies that field crop production is dominated by fodder production; grass for hay and silage, barley and oats for concentrated feeds. In 1982 about 21.5 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 an areal bias in the structure of meat production. Beef and veal production which is more dependent on coarse feed is mainly located in central and northern Finland. Pig and poultry production in turn is more concentrated in southern Finland.

#### 1. Production

##### 1.1 Factors affecting meat production

Bovine meat is mainly a by-product of dairy farming. In December 1985 there were 111,000 bulls and 36,000 heifers to be slaughtered but as few as 8,900 beef cows. Many of the bulls and heifers are, however, cross breeds of dairy breeds and some beef breed (mainly Hereford and Charolais) and production is practised in specialized farms in increasing number.

During the last few years Finland has had a temporary oversupply of bovine meat. Part of this has been caused by the measures to curb dairy production (e.g. the dual price system applied since January 1985). Dairy cow slaughterings were especially heavy in the latter half of 1984 and the first half of 1985. The number of dairy cows is expected to fall from 613,800 (December 1985) to 545,000 cows by the end of the decade.

The growth of the beef production is also controlled. It is not allowed to establish a production unit of over 30 beef animals and under no circumstances can one get a licence for a unit of more than 120 beef animals. Furthermore, it has been possible to get a compensation for relinquishing animal production altogether. The same kind of measures are applied for most other products.

##### 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 with slight modifications to the

previous one was passed in 1982 and is effective for pricing years 1983/84-1987/88. It is to be extended by two years. 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 prices for input factors, which is calculated by total accounts of returns and costs, is fully compensated twice a year. The increase in farm income is negotiated. Usually the development in farm income, corresponds 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. These are rye, wheat, feed barley, feed oats, milk, bovine meat, pork, mutton and eggs.

The target prices are reviewed twice a year, usually on 1 March and 1 September. In the autumn, the farmers are compensated only for rises in production costs.

The present target price for beef is FIM 24.97/kg. The target price is stabilized by means of foreign trade. This is discussed further in Chapter 3.

#### 1.2.2 Support measures

Besides target prices the Farm Income Act gives part of the farm income in the form of price policy support which is paid as a regional price policy support, acreage compensation and other non-regionally-allocated price policy support.

Regional price policy support is paid stepwise so that it is highest in the northern parts of the country. Beef, pork and lamb are entitled to support. In 1985 regional price policy support given to meat totalled FIM 157.3 mill. of which bovine meat received FIM 147.7 mill.

Acreage compensation is also paid stepwise according to the cultivated area, number of animals and region. It 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 as an example). As 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 compensation is tax-free but it is not paid to a farmer whose taxable income exceeds the maximum limit determined by the government.

It is naturally difficult to allocate the amount of acreage compensation to different production forms. However, more than half of the amount can be counted to benefit dairy farming and some 35 per cent is directed to meat, mainly to bovine meat production. Acreage compensation amounted to about FIM 590.4 mill. in 1985 and is estimated to be FIM 620.1 mill. in 1986.

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 the production capacity of beef, an attempt has been made to raise the average carcass weight of animals. The supplementary production premium is paid for bulls and heifers and also for sheep according to their carcass weight. It totalled FIM 208.7 mill. in 1985.

Table 1

Supplementary production prices of bovine meat

	<u>FIM/kg.</u>
Bull over 210 kg.	2.90
Bull 160-209 kg.	1.90
Heifer over 160 kg.	2.90
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 mill. (FIM 850/cow) in 1985.

The only subsidized input is purchased feed. Compensation is paid as a per cent share of the previous year's feed bill. It is again granted stepwise so that the per cent share and the maximum compensation per farm grows northwards and it is not paid in southern Finland except in the butter archipelago. Total amount of compensation has been FIM 55.0 mill. in 1985. Its division by different products is again difficult to make.

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>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Beef exported, mill. kg.	12	12	10	9

If these export quantities are exceeded, agriculture is itself responsible for the cost of exporting the excess. Part of this responsibility is realized by levying a marketing fee (or co-responsibility levy) on milk, pork and eggs. 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 product 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 the 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 43.62/kg. in 1985.

## 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 103.5 (21.0 kg./capita) in 1985. 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 283.90 mill. kg. (57.7 kg./capita) in 1985.

In the future bovine meat consumption is expected to be quite stable, whereas pork consumption is assumed to rise modestly.

## 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.

A variable import levy is charged in accordance with the difference between the world market and the target prices.

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 for 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, certain requirements are made of the stock levels. Bovine meat inventories should be at least 5,000 metric tons all the year. All stocks are private.

### 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".