

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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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

#### NORWAY

##### General information

Norway is Europe's northmost country with more than a quarter of her total area north of the Arctic Circle. In the major agricultural areas the length of the summer (temperature above 10 C) is no more than 90-120 days.

For topographical reasons farmland is scattered and split up in relatively small plots. Relatively large and continuous areas of farmland are found only in some few areas. Norway's total agriculture is characterized by relatively small farms.

Because of climatic conditions grass is the most important crop. Two thirds of the total area of farmland are used for grass, and one third for grain, mainly feed grain.

The degree of self-sufficiency in foods, calculated in terms of energy, is about 53 per cent. Of this fish represents about 8 per cent. When this figure is corrected for the import of feed concentrate and such, the degree of self-sufficiency is 42 per cent.

In many areas, agriculture together with forestry and fishing are major sources of employment for the local population. In such areas, the main objective of national policies is to stimulate economic development through expansion of existing industries and creation of new jobs. Agricultural policy plays an important rôle in this respect. If such areas shall not become too sparsely populated, measures must be taken to maintain a higher number of people in agriculture than would have otherwise been the case.

The income objective in agriculture is that the income per man-years on a rationally operated holding shall be at a level corresponding to the average income per man-year in industry. Efficiency norms have been laid down to calculate the income per man-year in agriculture. This norm is differentiated according to regional criteria and size of the farms.

In assessing the size of agricultural production in Norway two main factors are of importance, first the degree of self-sufficiency and secondly the agricultural contribution to the stabilization of settlement in remote areas.

Norwegian agriculture is primarily a producer of livestock products. For such products the aim is to meet domestic requirements, mainly through production based on home-grown fodder.

Production shall be adjusted closely to the actual demand, so that the surplus production is reduced to a minimum. To a great extent the surplus production is disposed of on the home market. Cheese is the only agricultural product exported on a more permanent basis. A large part of this export is related to the seasonal fluctuation in milk production, which necessitates a somewhat larger total milk production - to meet the requirements for liquid milk - than would be the case if production had been constant throughout the year.

The level of farm product prices, the support to be accorded to agriculture and the actual regulations affecting the marketing of farms products are determined in negotiation between the Government and the farmers' organizations (the agricultural Agreement).

There are only guaranteed prices for grain and wool, for other products the price established in the Agreement are target prices. The farmers' co-operatives - which have national associations for the different branches - are responsible for regulating the markets and consequently for securing the target prices for the products. The necessary funds for these market regulations are provided in accordance with the Agreement.

Beside the prices there are a great number of programmes and measures in the agricultural policy. Part of these are comprehensive

programmes but there are also special programmes for the promotion of agriculture in remote areas and on small farms.

As the disposal of surpluses normally is a costly undertaking in agriculture, a condition set for reaching the income objective is that the production is adapted to the market. In the policy to adapt the production, a wide range of measures are used.

The price relations between the various products are of great importance in our policy. Most important is the relation between prices for grain and milk. Grain prices have been fixed at a relatively high level in order to stimulate specialization in grain production in areas where extensive grain production is possible. This policy has made it possible to increase the more labour-intensive milk production in remote areas.

With the aim to stimulate domestic fodder production and to adjust as far as possible the output of livestock products to demand, prices of concentrates are regulated by a levy system.

If the income in agriculture had been obtained through prices only, the adaptation of the production to the market would have been difficult. A rather substantial part of the income in agriculture in Norway is, however, secured through other measures. Most of such measures are differentiated according to the size of the production on the farm or to natural conditions.

#### A. Production

Collection, processing and distribution of milk and dairy products are entirely dealt with by dairy co-operatives. All the dairy co-operatives are organized in the Federation of Norwegian Dairies.

Receipts from the sales of dairy products, as well as funds received from the Government under various programmes are paid to the Federation of Norwegian Dairies, and are distributed through this Federation and the local dairy co-operative to the dairy farmers based upon the amount of milk delivered to the dairy. The Federation of Norwegian Dairies is the organization through which the policy of the Marketing Act of 1930, designed to produce equalization of producer

prices irrespective of the end-use of the product, is implemented. The Federation is also responsible for the sale and distribution of dairy products and allocates quotas to individual dairies for the production of cheese, milk powder and the allied products for which it guarantees outlets. Furthermore, the Federation is responsible for stabilizing the market through storage, by compulsory returns to producers at reduced prices, sales on the internal market at reduced prices, sales promotion or by export.

In the Agricultural Agreement the maximum wholesale prices are fixed for wholemilk, low fat milk and skimmed milk for human consumption. The prices of other dairy products are determined in accordance with these prices.

The target price for milk to producers in the Agricultural Agreement is calculated on the basis of a fixed total milk production and ultimate utilization of the milk. If, for example the ultimate utilization of the milk is different from the calculation, because of increased production, the real milk price to the producers will be less than the calculated target price. A better adjustment of the production will therefore give a higher producer price.

#### Support programmes

Regional supports. The dairy farmers are paid a subsidy for each litre of milk delivered to the dairy depending upon the area in which the farmer is located. According to the Agreement 1986-87 the regional support is ranging from 14 øre to 70 øre per litre.

In addition to this farmers is paid support pr. animal in this case milk cows and beifers. This support is differentiated both regionally and by farm size. This support is destined to both milkproduction and to meatproduction. Due to that fact it is almost imposible to make a sound assesment of how much of this support that is destined to the milk production and to the meatproduction.

Basic support. A basic support is paid for each litre of milk delivered to the dairy regardless of the ultimate utilization of the milk. For 1986-87 the basic subsidy was fixed at 3,8 øre per litre.

Quantitatively limited price support. A quantitatively limited price support on milk delivered to dairy is given per holding. In 1986-87 the amount is 214 øre per litre for quantities up to 20,000 litres annually, and 97 øre per litre for deliveries beyond 20,000 litres and up to 30,000 litres.

Freight support. A freight subsidy is given to transportation of milk from the farm to the dairy. The purpose of this freight subsidy is to reduce the difference in farm gate prices between farms with long and short distance to the dairy.

Average price to producer. The average price obtained by the producer (at farm gate) in 1985 was 262 øre per litre. This price is exclusive of the regional subsidy and the quantitatively limited price support.

Individual production quotas. After negotiation between the farmers' organizations and the Government a two-price system on milk, the "bonus system", was implemented from 1977.

The two-price arrangement implied that producers who in 1977 reduced the milk deliveries to the dairy, got a higher price than producers who increased the deliveries. After negotiation between the farmers organizations and the government the previous two-price system on milk was replaced by a new two-price system on milk based on a quota allocation in 1983.

The objective of the two-price arrangement for milk is to adapt milk production in accordance with the guidelines that have been drawn for agricultural policy.

These Regulations apply for all producers who deliver cow's and/or goat's milk and/or milk products to approved receivers. Each farm is allocated a quota.

The size of the quota of milk that is paid full price will be fixed on the basis of the producer's average delivery during the three previous years.

Some categories of farms/producers will have their quotas fixed by special regulations. This applies under the following conditions:

- farm development
- change of ownership/starting operation
- reclamation and cultivation of newly cleared land and longterm leasehold
- breaks in operation

Everyone who comes under these special regulations may demand that the general basis should be used if this gives a higher quota than what would result from allocating the quatae by the special regulations.

The final quota will be fixed by means of a ratio expressed as a percentage of the basic quota. One ratio will be fixed for cow's milk and one for goat's milk.

In addition to this the ratio is also differentiated according to wich region of the country the milkproducer is situated in and according to wich category of farm he is running.

The ratio is set higher for farms situated in the northern parts of Norway, for farms wich have been developed recently and for small farms than for other farms.

The quataes are not transferable and they are linked to the farm not to the farmer. The quote remains with the farm for a period of three years after milkproduction has ceased. Production beyond the quota recieves a lower price than the milk produced within the quota, at present 60 øre/L.

#### B. Internal price and consumption

Prices of certain dairy products are under a system of price control. The wholesale prices fixed in the Agricultural Agreement are maximum price.

Consumer subsidies are a factor in the general economic policy and in influencing food consumption in the desired nutritional direction. In the economic policy context the aim of the consumer subsidies is to reduce the rise in prices. An important objective is to apply subsidies in such a way that they especially benefit families with

children and families with low incomes.

The production of milk plays an important rôle in our food production. Milk production provides nutritionally rich and valuable food products, of which a relatively high consumption should be maintained according to the Norwegian nutrition and food policy. The consumption of skimmed milk should be considerably increased as compared with whole milk and the consumption of cream should be reduced. Because the total consumption of milk fat can not be reduced, the consumption of butter has to be increased at the expense of the consumption of margarine.

The maximum wholesale prices 1) and the consumer subsidies were as follows on July 1986:

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Product	Wholesale price (max)	Consumer subsidies
Whole milk kr per litre	3,93	1,74
Lowfat milk kr. per litre	3,82	1,74
Skimmed milk kr. per litre	3,32	1,85
Cream (35 per cent fat) kr. per litre	22,17	
Butter (1/2 kg package) kr. per kg.	18,16	-
Norvegia (Cheese and Gouda type) kr. per kg.	29,54	6,35
Yoghurt 1/2 l package) kr. per litre	10,85	-

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1)

Maximum wholesale prices does only apply to liquid milk, the other prices are average prices.

The consumption per capita in 1985 of whole milk was 137 litres, lowfat milk 85 litres, skimmed milk 29 liters, cream 64 litres counted as whole milk, butter 4,6 kgs. and cheese 12,3 kgs.

In the Norwegian nutrition and food policy it is estimated that there will be a slight increase in the total consumption of milk products from 1974 to 1990. The development in the total consumption since 1974 has been very much in accordance with the estimates. Between the different milk products the development has, however, been somewhat

different from the expectations. The increase in the consumption of cheese has been considerable, as the consumption of liquid milk products has decreased somewhat.

To regulate the market for liquid skimmed milk and powder, compulsory return deliveries to the milk producers are used. Export of skimmed milk powder will therefore not take place.

For butter, the market is to a great extent regulated by the internal prices, compulsory return to producers at reduced prices and by temporary sales.

C. Measures at the frontier

1. The customs tariffs are as follows:

<u>Product</u>	<u>Tariff</u>
Fresh milk (04.01)	0-0.48 Kr/kg.
Preserved milk (04.02)	0.48-1.20 Kr/kg.
Butter (04.03)	2.80 Kr/kg. (EFTA:0)
Cheese (04.04)	1.20 Kr/kg. (bound in GATT)
Casein (35.01.100)	1.50 Kr/kg. (EFTA and EEC:0 and Spain 0,54 Kr/kg.)

2.

Pursuant to the Act of 22 June 1934 concerning ban on imports, a Royal Decree of 2 June 1960 lays down provisions regarding import bans on, among others:

- (a) Milk and cream (fresh, preserved or sweetened)
- (b) Butter
- (c) Cheese

As a principal rule it is presupposed that demand for the product concerned shall be fully covered at all times. As a result of insufficient supply of the product concerned from Norwegian sources, quantity restricted supplementary imports in fixed periods take place of the following products:

- (a) Milk and cream (fresh, preserved or sweetened)

(b) Butter

At such import a compensatory amount at the frontier may be levied to equalize the price between the imported product and corresponding price on the same product of internal origin.

Special varieties of cheese may be imported under a liberal licensing system, up to a given quota. In 1985 the total import of cheese was 1,981 tons.

3.

By the price pooling system the Federation of Dairies has the possibility to export dairy products at a lower price than the one which can be obtained in the home market.

Export aid for butter and cheese equal to the difference between a minimum export f.o.b. price and the actual f.o.b. export price can be given. The minimum price for cheese is Kr. 4.50 per kg and for butter Kr. 7.50 per kg. Export aid for milk powder and concentrated milk is calculated on the basis of the above-mentioned minimum prices. The minimum prices have not been changed since 1958.

E. Bilateral, plurilateral and multilateral agreements

Within the framework of GATT/MTN, the United States has granted Norway a cheese quota of 7,200 metric tons, 6,883 tons of which is Jarlsberg cheese.