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Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

Support and Intervention Mechanisms in Countries Members of the Arrangement Regarding Bovine Meat

This paper has been compiled by the secretariat at the request of the International Meat Council at its meeting in June 1986. It comprises information supplied by participants in accordance with paragraph 3 of Article III of the Arrangement.

Introduction

1. In order to comply with the request of the IMC, the secretariat has tried, in this paper, to compile information regarding domestic price support and intervention mechanisms exclusively. It excludes, as far as possible and unless they specifically integrate these mechanisms, information on facilities used in most countries to boost livestock production, such as programmes to subsidize inputs (feeds, fertilizers, etc.), credit and tax facilities for breeding purposes or the purchase of stock-farming equipment, transportation subsidies, etc. Measures to support consumption have also been excluded.

2. Price support and intervention mechanisms most often take the form of price stabilization schemes, complemented by governmental intervention both at the domestic supply level and at the trade level. In a number of countries these measures are complementary, although they may exist in isolation, and a majority of those countries participating in the Arrangement Regarding Bovine Meat operate some sort of price support and/or intervention mechanisms.

3. Broadly, the price stabilization schemes involve the operation of one or another (or all) of the following elements: an average market price (or target price); a maximum market price (or ceiling price); a minimum market price (or floor price); intervention stocks; and import and/or export controls.

4. The target price may be considered to be an average price fixed at a level close to which market prices should evolve, and which should, at a minimum, cover production costs. It can be the only element of the stabilization scheme and in this case, when the market price falls below that level, the government will pay the difference to the producers (deficiency payments). It can operate along with ceiling and floor prices which in most cases are fixed at levels a certain percentage above and below it, thus creating a price band. When the market prices approach or exceed the ceiling price, measures are taken through the operation of intervention stocks (the meat is released onto the market) or through the importation of meat (which may be quota-regulated or not), in order to bring them back within the price band. If the market prices fall below the floor price, the meat is bought-in by the authorities and placed in intervention stocks. In some countries, and generally as a complement, the market balance can be restored through exports. In this case export restitutions may be implemented.

5. There are different modalities of this type of price support and/or intervention mechanism. In some countries there is no target price, only a ceiling price or a floor price, or both prices. Nevertheless, and whatever the system, its functioning does not fundamentally differ from the above. The different support price levels may be set after negotiations between the authorities and the producers, or simply fixed by the authorities taking into account the market price situation and outlook within a certain period of time.

6. In a number of countries, these schemes are complemented by other support measures which range from the control of production growth (i.e., by limiting the number of animals per farm); production premiums; financial aid to private storage; financial support to cattle breeding in less-favoured regions; acreage compensation; producers' financed stabilization funds, and so on.

BRAZIL

12. From 1974 to 1981, Brazil used a system of regular stockpiling of frozen meat (the "buffer stock") aimed at ensuring price stability for both producers and consumers and at securing the internal market supply. Stocks were held by the Government during the slaughtering season and sold between seasons. Since 1982, the responsibility of building stocks has been left to the producers, refrigerated warehouses and meat-processing industries. However, the Brazilian authorities grant them credits for the financing of storage operations. Moreover, the producers receive a credit for finishing and fattening cattle through isolation treatment and feed supplements for slaughtering during the period between slaughtering seasons, with the aim of stabilizing supply through the year.

13. (Beef cattle are mainly raised on the range and are dependent on biological and weather conditions; consequently, there are wide fluctuations in the supply of animals for slaughter. Under the national price policy, costs are the responsibility of the Federal Government. In 1986, in the context of the new economic stability programme, prices of bovine meat were fixed at the retail level and were frozen at the wholesale and producer levels, on the basis of the various sectors of the market. Following a rise in consumption, imports by private undertakings were liberalized and were exempted from import charges and prior deposit. In addition, INTERBRAS (PETROBRAS COMERCIO E INDUSTRIA INTERNACIONAL S.A.) was empowered to purchase on the international market up to 250,000 tons of bovine meat for consumption.)

BULGARIA

14. The long-term policy of the Bulgarian authorities as concerns livestock and meat is increased meat production. This goal is reached by ensuring stable prices for meat producers and by importing feed in order to make up for domestic shortages.

CANADA

15. Government support to the cattle industry consists of two stabilization programmes. There is one programme for each of the two major sectors: (a) fed cattle/feedlot sector and (b) feeder calf/cow-calf sector. The programmes have been effective since 1 January 1986 replacing all previous support mechanisms. The Canadian Government, provincial governments and producers are financing programmes equally. Programme participation is voluntary for provincial governments and producers. Only producers in participating provinces can enrol in the programme. To date only three provinces (Alberta, Ontario and Prince Edward Island) have agreed to participate in the plan.

16. Programmes offer support prices for fed cattle (cattle obtaining carcass grades of A, B or C under Canada's grading system) and for feeder calves. If the calculated national average market prices for fed cattle or feeder calves fall below their respective support prices, the differences are paid to the producers. The support period for fed cattle is quarterly and producers may receive payment on up to 2,000 head per quarter. Producers' contributions to the fed cattle

programme are paid on a monthly basis. For cow-calf producers, prices are supported on an annual basis with payouts being limited to a maximum of 600 head per year. Producer contributions for the cow-calf programme are payable on an annual basis by 1 April.

17. The quarterly support price for fed cattle is equal to (a) 50 per cent of the difference between (the average market price) and (the average variable cost of production) for the corresponding quarter during the previous five years plus (b) the current quarter's variable cost of production. The annual support price for feeder calves is equal to 85 per cent of the previous ten years' average feeder calf prices adjusted for inflation using CPI.

COLOMBIA

18. Cattle and meat prices are generally not controlled unless there are severe cases of speculation. However, for fiscal purposes, cattle prices in Colombia are fixed annually by the Ministry of Agriculture in accordance with the regional commercial price on 31 December of the fiscal year concerned (Law No. 20 of 1979). There is also a slaughter tax which is based on Law No. 56 of 1918 (Article 9), which leaves it to the Departments' Assemblies to fix and regulate slaughter taxes and to determine the use to be made of the income collected. With a view to increasing production, the breeding of cattle has benefited especially by the channelling of credit for the purchase of stock, improvement of pastureland and infrastructure, through the Agricultural Finance Fund, the Cattle Funds and the Agrarian Bank.

EGYPT

19. Egyptian farmers are, to a large extent, organized into co-operatives, to which they are required to deliver certain amounts of their production at prices fixed by the Government. Prices are based mainly on production costs. Production of meat is subsidized through, inter alia, subsidized feed, much of which is imported, and through tax exemptions. The origins of the subsidy system can be found in the rationing system introduced in 1941 and restructured in 1965. Retail prices for frozen meat are subsidized and distributed mainly through co-operatives and Government-owned shops where prices are a third of free market prices. Mark-ups are regulated. Since March 1986, private traders have been allowed to import and sell basic foods, including meat, to more affluent Egyptians prepared to pay more for better quality goods. These foods do not benefit from consumption subsidies.

EUROPEAN COMMUNITY

20. The market and price policy in the Community is carried out within the framework of the common organization of agricultural markets. The support mechanisms differ.

21. Some of the principal measures applicable for the support and stabilization of the market in beef and veal, are provided for in Council Regulation (EEC) No. 805/68 of 27 June 1968, on the common

organization of the market in beef and veal, two of which are of special interest in the context of this paper (measures that are complemented by a system regulating trade between the European Community and third countries), namely:

- a guide price system (for adult bovine animals only, since 1 April 1977);

- a system of price support within the Community by public intervention measures and private storage aid, in order to prevent or mitigate a substantial fall in prices;

22. Each year the Council fixes a guide price for all categories of adult bovine animals (animals having a live weight of over 300 kg.) marketed on representative markets of the Community, which is aimed at in a normal marketing year under the Community regulations. This guide price is valid for the marketing year beginning, unless otherwise provided, on the first Monday in April, and ending on the previous day of the following year. The guide price is fixed with particular reference to foreseeable trends in beef and veal production and consumption and the situation on the market for milk and milk products.

23. In principle, intervention measures can be taken in the bovine meat sector:

- when the Community market price for adult bovine animals[1] is lower than 98 per cent of the guide price and, at the same time, the price recorded in a member State for a defined quality is lower than its maximum buying-in price, the intervention applying only to the quality for which the condition laid down above is fulfilled;

- when the Community market price for adult bovine animals is lower than 90 per cent of the guide price; in this case, intervention measures are taken for the whole of the Community.

24. In practice, however, and since the 1978/79 marketing year, in the event of a rise in prices the possibility exists of suspending, for a member State or region of a member State, intervention purchases of a particular quality when the market price of that quality, in the member State or region of the member State concerned, exceeds its maximum buying-in price for a certain period.

25. In the contrary case of a decline in prices, the Commission decides to re-establish buying-in when the market price of that quality or qualities is equal to or lower than the maximum buying-in price for two consecutive weeks. The maximum buying-in price is calculated for each of the defined qualities by applying to an amount equal to 90 per cent of the guide price a coefficient expressing the normal ratio between the price of the quality in question and the price of adult bovine animals, recorded in accordance with Article 12:6 of Regulation (EEC) No. 805/68 on the representative markets of the Community, this ratio being adjusted to the production characteristics of each member State.

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[1] Calculated from the average of prices recorded on the representative markets of the Community (Article 12, paragraph 6 of Regulation (EEC) No. 805/68).

26. The intervention agencies designated by the member States buy in fresh or chilled meat of adult bovine animals originating in the Community, presented in the form of carcasses, half-carcasses, compensated quarters, fore-quarters or hind-quarters. Accordingly, the intervention system for bovine meat has been adapted to seasonal variations in market prices by limiting buying-in by the public intervention agencies to fore-quarters during the summer period and hind-quarters during the winter period, buying-in of carcasses or compensated quarters being the rule during the autumn period when cattle are brought in from pasture.

27. For the 1986/87 marketing year: (a) by waiver of the basic regulations, purchases by intervention agencies are made when the average Community market price of a quality eligible for intervention has, for a period of two consecutive weeks, been equal to or lower than the intervention buying-in price applicable to that quality; (b) the Commission decides on the suspension of purchases when the average market price has, for a period of three consecutive weeks, been higher than the intervention buying-in price.

28. Besides public intervention measures, aid for private storage may be granted under certain conditions. The general rules for granting such aid are laid down in Council Regulation (EEC) No. 989/68 of 15 July 1968. The amount of aid is either determined by an adjudication procedure, or fixed in advance. As in the case of public intervention measures, this aid can be granted in respect of carcasses, half-carcasses, compensated quarters, fore- or hind-quarters.

FINLAND

29. Decisions concerning the prices of agricultural products in Finland 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 now extended by two years. The Act provides a framework for price negotiations between the state and the farmers' organizations.

30. Price setting is a two-phase process. The rise in production costs, 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. The target prices are reviewed twice a year, usually on 1 March and 1 September. In the autumn, farmers are compensated only for rises in production costs. 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 granted to importers when the domestic producer prices rise by 5 per cent above the target price level, but the short-term market outlook is also taken into consideration. A variable import levy is charged, based on the difference between the world market and the domestic target prices. When the domestic producer price declines below the target price level, the Government grants export licences to the traders.

31. Besides the target prices, the Farm Income Act provides for part of the farm income to be in the form of a regional premium, an acreage compensation and other non-regionally allocated price policy supports. The regional premium is paid stepwise so that it is highest in the northern parts of the country. Beef, pork and lamb are entitled to support. Acreage compensation is also paid according to the cultivated area, the number of animals and the region. It reaches a maximum for 7 production units (1 production unit representing for instance 1 hectare of cultivated land, 1 dairy cow, 1 bull, 2 young beef cows and 5 pigs). If the cultivated area of the farm exceeds 18 hectares, the number of production units assigned to it begins to decrease. The value of the production units is graded regionally, being lowest in southern Finland. The acreage compensation is tax free, but it is paid regressively to a farmer whose taxable income exceeds the maximum limits determined by the Government. More than half of the amount of the acreage compensation is estimated to benefit the dairy farming and some 35 per cent to benefit meat, mainly bovine meat production.

32. Other price support has the form of a 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. A supplementary production premium is paid for bulls and heifers and also for sheep according to their carcass weight. An additional premium is available to the farmers who agree to keep at least two cows for beef breeding and calf-feeding purposes. According to the Farm Income Act the farmers are responsible for exporting the quantities generated over the production ceilings which the Act defines for milk, pork, eggs and now also for beef.

HUNGARY

33. Cattle producers in Hungary benefit from investment, production, price and other support measures. These measures are implemented by regulations which are reviewed from time to time. The regulations presently in force have been published in the Official Journal of the Ministry of Agriculture and Food. According to these regulations, large-scale farms may get financial support or price facilities when they modernize their cattle husbandry, purchase certain agricultural machinery, or are located in regions where cropland is of very low productivity. Moreover, they get a special payment for each liveborn calf issued from a beef cow (presently of 5,000 forints); a price supplement (7 forints per kg.) per sale of any cattle bred on the farm and a further payment (20,000 forints) per head of beef cow added to the herd, in case of net increase. Small-scale producers also receive some support in the form of a cash payment (1,000-2,500 forints) for the first cow and for each of the following cows (6,000 forints) added to their herd.

34. Beef cattle producers in Hungary receive a guaranteed price, fixed and published in advance, when marketing their cattle. The prices vary according to category and grading. In addition, the marketing of calves for breeding purposes between 70 and 200 kg., and beef calves between 70 and 200 kg., benefit from special support prices. The objectives of the agricultural price policies are to ensure that these prices cover the production costs, taking into account the distorted character of the world market prices and an equitable income for the producers.

JAPAN

35. In Japan, bovine meat has been subject to the "Livestock Products Price Stabilization Law" (Law No. 183, 1961) since May 1975. This law is aimed at keeping the wholesale price of domestic beef within a stabilization price range through market interventions by a semi-governmental corporation, the LIPC (Livestock Industry Promotion Corporation). After consultation with the LIPC, the Minister of Agriculture, Forestry and Fisheries establishes, at the start of each fiscal year, the Stabilization Prices for the year (the Lower Stabilization Price and the Upper Stabilization Price), taking into consideration the conditions for the production of beef and its supply-demand situation, and also with a view to securing the breeding requirements. The upper price is established in order to prevent excessive increases in prices to consumers, the lower to avert excessive price declines to producers. To maintain the wholesale prices of domestic beef within the price band, the LIPC adjusts the amount of imported beef released to the market. When prices tend to rise due to shortages of beef on the market, the LIPC increases the amount of beef by selling beef in stock (most of which is imported beef). When prices fall, the LIPC reduces the amount of beef which it offers for sale and when prices decline below the lower price, it will buy beef at that lower price.

NEW ZEALAND

36. The only price support mechanism operating in New Zealand for bovine meat is the Minimum Prices Scheme operated by the New Zealand Meat Producers Board. There are no other Board or Government intervention mechanisms in New Zealand for bovine meat. The Minimum Prices Scheme is self-funding and involves no financial contribution from the Government. Should the account operated by the New Zealand Meat Producers Board run at a deficit, borrowing is done at commercial rates of interest. It should be noted that the Meat Income Stabilisation Arrangements outlined below are currently under review. The Meat Export Prices Committee, the New Zealand Meat Producers Board and Federated Farmers of New Zealand (Inc) have recommended the repeal of the Meat Export Prices Act and hence the abolition of the Meat Stabilisation Arrangements. This is currently the subject of discussions between the New Zealand Government and the New Zealand meat and farming industry.

37. The following is both a description of how the Board's minimum prices scheme operates and an outline of the main features of these Meat Income Stabilisation Arrangements as provided for in the Meat Export Prices Act 1976:

38. Prior to the commencement of each meat selling season (1 October) the Meat Export Prices Committee, after consultation with the Minister of Agriculture, sets an average minimum price (floor price) and a trigger price (ceiling price) for selected representative or benchmark grades of export meat in each of the five main categories of meat (i.e., lamb, mutton, prime beef and manufacturing beef and bull beef).

39. Other than in exceptional circumstances, the Committee must set the minimum price for each benchmark within ten per cent of the corresponding average of:

(i) the estimated average market prices received in the two seasons immediately preceding the one for which the minimum price is to be set; and,

(ii) the average market prices forecast for the season in question.

These minimum and trigger prices normally apply for an entire season, although the Committee does have the power to change them during the course of a season if this is thought necessary.

The factors to be considered by the Committee in setting minimum and trigger prices include:

(i) the ruling price levels of, and market prospects for, various types of meat;

(ii) the ruling price levels of, and market prospects for, other farm products, especially those associated with the meat industry;

(iii) the state of funds in the meat income stabilization account;

(iv) the desirability of maintaining a margin above the minimum price sufficient to allow for normal marketing; and

(v) such other matters as the Committee may consider relevant.

40. If for any week the weighted average price paid to farmers for a benchmark grade of meat falls below the average minimum price for that grade, separate minimum prices for all grades are set by the Meat Board. Different minimum prices may be set for the same grade of meat to apply in different parts of the country. In determining the minimum prices the Board has regard to the minimum prices set by the Committee, the ruling prices and price differentials between the various grades of meat, the market prospects for various grades of meat, differences between the killing and processing charges applying in different export processing plants, and such other matters as the Board may consider relevant.

41. Separate trigger prices are not set for non-benchmark grades.

42. A meat income stabilization account is maintained at the Reserve Bank, with overdraft accommodation available to it at market rates of interest.

43. Within the meat income stabilization account two sub-accounts are distinguished by the New Zealand Meat Producers Board:

(i) a sheepmeat income stabilization account; and

(ii) a beef income stabilization account.

44. Supplementary payments (or levies collected) in respect of sheepmeat and beef are charged against (or credited to) the appropriate sub-account. But overdraft accommodation is only provided by the Reserve Bank if there is a net deficit in the meat income stabilization account as a whole.

45. If the weighted average price ("meat exporters' schedule price") for any benchmark grade of meat intented for export is below that benchmark grade's average minimum price, the Board must, for all grades represented by that benchmark, either:

(i) supplement from the meat income stabilization account the schedule price received by the farmer to the extent necessary to increase it to the appropriate minimum price; or

(ii) intervene at the minimum price and purchase the meat; or

(iii) intervene below the minimum price by purchasing the meat and supplement as required to raise the return to farmers to the minimum price.

46. When supplements are payable on any one grade of meat, the same rate of payment on that meat category shall apply uniformly throughout New Zealand at any one time.

47. If the weighted average schedule price paid to farmers for a particular benchmark grade exceeds the trigger price (ceiling price) for that grade, then a meat income stabilization levy is payable to the credit of the meat income stabilization account in respect of all grades of meat represented by that benchmark. The levy is equivalent to 50 per cent of the amount by which the average schedule price for that benchmark grade exceeds its trigger price and is expressed as a percentage of this average schedule price. This same percentage levy rate applies to all grades in the category of meat concerned.

NORWAY

48. The level of farm product prices, the support to be accorded to agriculture and the actual regulations affecting the marketing of farm products are determined in negotiations between the Government and the farmers' organizations (The Agricultural Agreement). The responsibility for implementing market regulations as concerns meat lies with the Norwegian Farmers' Meat Marketing Organization, an organization owned by the producers and accounting for approximately 75 per cent of the domestic production of cattle slaughtering.

49. Market arrangements for meat in Norway are established on the basis of negotiated fixed average target prices and price ceilings (upper price limit fixed 10 per cent above the average target price). They are based on controlled seasonal price variations, subsidies for storage measures, the recovery of losses through exportation as well as through exceptional sales measures on the domestic market. The arrangements further include quota-regulated import, which is usually practised when the market price is moving towards the price ceiling.

50. If the domestic price exceeds the upper price limit for two consecutive weeks, import restrictions are suspended to allow free import. The import restrictions are re-introduced when the weekly quotation reaches, or falls below, the upper price limit. The market arrangement measures aim at maintaining the actual market prices close to the agreed average price. The cost of market regulation schemes are covered partly by marketing fees and partly by levies on concentrated feedstuffs.

51. The 1984-86 Agriculture Agreement provides for a general price support on carcasses fixed at NOK 2.80 per kg., and a regional support on carcasses to be given in some districts varying from NOK 1.5 to NOK 6.10 per kg.

52. A system of direct income support to low income farmers was introduced by the 1964 Agricultural Agreement, according to which the low income farmer receives income support on the basis of a graduation system (taking into account location, farm size, etc).

POLAND

53. Purchase prices, contract purchases, credit policy and subsidization of certain production inputs are the major support mecanisms in force in Poland. The level and structure of beef production is steered by purchase prices, the major one of which is that of animals, centrally fixed by the Government. The level of prices ensures constant profitability of production and, depending on the fluctuations of production costs. it is corrected every year, well ahead of time to affect future production. The structure of purchase prices of slaughter cattle gives preference to young cattle of full-meat type, with good musculature, of special quality, graded into classes "A", "Extra" and "1". Such cattle is the subject of purchase contracts between stock-farmers and purchasing centres. The prices of animals in contract purchases depend, among others, on the time of supply of cattle, so the following two kinds of prices are prevailing:

- preferential prices applicable to animals supplied within the "stated time",
- basic prices applicable to animals supplied within the validity of a purchase contract.

54. Three-level seasonal prices are fixed for young slaughter cattle grade 1 in the purchase contracts, namely: higher prices, average prices and lower prices - applied alternatively depending on the voivodship. This factor helps distribute more evenly deliveries of slaughter cattle to purchasing centres within the country.

55. Subsidies to cattle breeding aim at the maintenance of breeds of meat-dairy type. For young slaughter cattle and slaughter calves of cross-breeds with cattle of Simental, Charolaise and other meat-type breeds, farmers receive prices which are 7-9 per cent higher than the price for pure home breeds.

56. To make contract purchases more attractive for the farmers, the suppliers of slaughter cattle and milk are granted preferences in the purchase of protein fodder and coal in quantities determined by the regulations issued by the Minister of Home Trade and Services and by the minister of Agriculture. Protein fodder and coal are subsidized from the state budget.

57. Subsidizing of cattle breeding from the state budget in Poland is also carried out within the subsidy fund set up by the decision of the Council of Ministers of 12 December 1983. This fund was meant to help encourage the biological progress in agriculture and, among others, in cattle breeding. It operates through grants offered to farmers in order to increase their interest in raising the highest grades of cattle and to make cattle breeding progress widespread within the country.

58. The credit policy conducted by the state also gives preferences to stock-farmers for breeding special brands of cattle, mainly of the meat-dairy type. The purchasers of special brands of cattle for breeding from Animal Trade and Breeding Enterprises are entitled to credits granted on preferential terms by co-operative banks, bearing interest at 2 per cent per annum as compared to the standard interest rate of 9 per cent.

ROMANIA

59. To attain the objectives established for meat production and consumption, the agricultural production co-operatives and private producers in Romania are supported by the State, in virtue of a law relating to stock-farming and the improvement of breeds. For that purpose, and apart from the usual facilities to boost livestock production (loans at special conditions, special breeding units, premiums, etc.) the Romanian authorities operate a system of purchase prices and contractual prices. This system of fixed prices for cattle to be delivered to the State has been in operation since 1 January 1982 and is meant to provide a strong incentive to all categories of stock-farmers. The purchase prices, as well as the contractual prices are published in the Official Gazette of the Socialist Republic of Romania, and vary depending on weight and quality, increasing along with them.

60. In March 1983, the system of premiums and incentives to stock-farming in State agricultural units and co-operatives, and by individual farmers was improved. Thus, apart from production, contract and purchase prices, producers enjoy various price supplements and premiums. For animals of more than 400 kg. live weight delivered during the period 1 December to 30 April, the producers receive a special premium. For each calf produced on their farms and reared for at least six months (whether for breeding or for traction), private producer as well as cooperatives, under contract with the State, receive a premium (400 lei). State farms and co-operatives fulfilling 85 per cent of the breeding indices get a premium (400 lei) for each calf born and reared for at least six months and where this percentage is exceeded, a further supplement is paid. And in addition, private producers, State farms and co-operatives receive a premium for each healthy calf produced from their heifers, provided it is reared for at least six months.

SOUTH AFRICA

61. The South African Meat Board, which is a Governmental agency established in terms of the Marketing Act, operates a marketing scheme in the nine main urban centres, the so-called controlled areas. Guaranteed minimum producer prices which are fixed annually by the Board, with the approval of the Minister, apply in these areas and carcasses not realizing the minimum price levels are purchased by the Board. These carcasses are stored, for resale when market conditions improve, or are exported. In determining floor prices the Board takes into account production costs, current market prices, buying power of consumers, and trends in the demand and supply of meat.

62. In July 1984 the Minister of Agriculture approved a tramline system for guaranteed minimum prices mainly to afford the Meat Board flexibility for short-term adjustments in prices. The tramline system consists of lower and upper limits between which minimum prices may be adjusted. The limits are adjusted annually with the approval of the Minister of Agricultural Economics and of Water Affairs.

63. The Meat Board operates, within the meat marketing scheme, a stabilization fund which is financed from special levies paid by producers, i.e. distinguished from ordinary levies imposed to cover administration costs. A special levy is imposed on all cattle slaughtered and marketed in the controlled and uncontrolled areas. The levies are deposited in a special levy fund, from which stabilization, product promotion, consumer development and advertising are financed as well as losses, if any, on exports of chilled or frozen beef.

SWEDEN

64. In Sweden, support mechanisms take the form of a price regulation system. A parlimentary resolution concerning the principles of this system normally covers a period of more than one year. The first price regulation period based on the present guidelines was fixed for one year from 1 July 1985 to 30 June 1986. The resolution is preceded by negotiations between two delegations representing farmers and consumers, respectively, under the chairmanship of the National Agricultural Market Board. When the negotiations come to an end, the Board submits a proposal to the Government, which presents a Bill to Parliament.

65. During a price regulation period half-yearly adjustments of producer prices and import levies take place on the basis of changed production costs. Such adjustments are also preceded by negotiations of the same kind as those concerning the price regulation system. Further adjustments are made once a year (1 July) in order to adapt farmers' earnings to the income development of comparable occupational groups (income objective). When adjustments of import levies are made, significant changes in the development of world market prices are taken into account. The Government finally determines these half-yearly and yearly adjustments.

66. The domestic price level is supported by variable import levies which stay fixed as long as domestic prices remain between certain price limits. The middle price between these price limits can be said to represent the price level aimed at, according to the agricultural policy

objectives. Middle prices, price limits and import levies are regularly adjusted. Import levies are supplemented by market regulation measures mainly concerning storing and exports. The practical implementation of these measures lies with the Market Regulation Association for Meat, a semi-governmental body working under the directives of the National Agricultural Market Board. When domestic supply is inadequate, temporary reductions of import levies are made in order to stimulate imports.

67. Apart from the general price support system there are no direct subsidies for beef and veal production except for a special price addition for beef and veal produced in Northern Sweden. The amount depends on geographical location.

SWITZERLAND

68. Switzerland operates a system of average target prices which, under the Order on slaughter animals of 17 February 1982 (OBB), the Federal Council fixes for all sorts, categories and commercial classes of slaughter animals (adult beef cattle, calves, pigs, sheep, goats and horses). These target prices are determined in accordance with the principles of the Law on Agriculture of 3 October 1951. Under this Law, subject to the adjustment of production to market conditions and having regard to the interests of other branches of the economy and of consumers, the average costs of production (calculated over a period of several years) of farms which are rationally operated or were taken over under normal conditions, must be covered. In order to meet seasonal variations in supply, margins below and above the average target price are fixed. The measures prescribed in the OBB must be applied in such a way that market prices vary between the lower and upper limits of the average target price and approach that price over the long term. In times of threatening surpluses the authorities can temporarily stop supporting the price.

69. One of the first objectives of the OBB is to adapt domestic production of slaughter animals and meat to the market demand and absorption capacity, so that it will not exceed, on average over several years, 85-90 per cent of the country's needs for adult beef cattle and 95 per cent of its needs for calves and pigs. The joint organization of the economic groups (breeders, traders, users) which participate in the market for slaughter animals and meat, namely the "Swiss Co-operative for the Supply of Slaughter Animals and Meat" (CBV), regulates and facilitates the clearance of the market and the disposal of surpluses. In order to prevent market prices from falling below the lower limit of the target price, measures are laid down for the utilization of surpluses, either on a compulsory or on a voluntary basis. They include the compulsory utilization of surpluses by commercial undertakings and butchers permitted to import, in a tolerable proportion in relation to imports, and the voluntary utilization of surpluses with payment of compensation for storage. When the target prices for adult beef cattle and calves are fixed, provision is made for margins above and below the target, corresponding to the price fluctuations which occur over several years when production is being adapted to market outlets. In order to help maintain prices within margins Switzerland operates a system of import quotas. In principle imports are allowed when prices on the domestic market reach the upper margin of the domestic target price.

TUNISIA

70. In order to comply with the considerable domestic demand for bovine meat and milk, the Tunisian Seventh Plan (1987-1991) provides for a substantial expansion of cattle farming aiming at the country's self-sufficiency in meat (from 1989) and to an appreciable reduction of its milk imports. The measures envisaged are of three kinds: technical, economic and legislative, and fiscal.

71. For the purpose of this paper, the most relevant ones are the economic measures. They include, inter alia, a periodic updating of producer prices for milk and meat whenever there is an increase in one of the production-factor components. Sources of financing include the granting of credit to stock-farmers and susbtantial subsidies for the acquisition of livestock, construction of stock-farm buildings, purchase of relevant equipment and introduction of fodder crops.

72. Tunisia operates a system of adjustment of producer prices, and a system of stabilization of consumer prices. The first system is aimed at making producer prices remunerative for stock-farmers. The stabilization system of consumer prices is implemented by the General Compensation Fund which, in the bovine meat sector, fixes the consumer price levels and the level of imports necessary to restrain price rises. Since 1 January 1985, there has been no intervention by the General Compensation Fund. Other support measures include the exemption from customs duties and reduction of the production tax for imports of meat and dairy products; the granting of subsidies at various levels of production; for breeding animals, equipment, inputs and construction and the periodic updating of the criteria and rates for credit and subsidies to the sector.

UNITED STATES

73. There are no programmes for the direct support of beef production in the United States. There are no guaranteed prices, nor producer subsidies. However, in order to avoid the adverse effect of the Milk Production Termination Programme implemented in April 1986, on beef, pork and lamb producers, the United States Government introduced the legislation according to which, "during the 18-month period for which such programme is in effect,

> (1) the Secretary of Agriculture shall use funds available for the purposes of clause (2) of section 32 of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes" (7 U.S.C. 612c) approved 14 August 1935, including the contingency funds appropriated under such section 32, and other funds available to the Secretary under the commodity distribution and other nutrition programmes of the Department of Agriculture, and including funds available through the Commodity Credit Corporation, to purchase and distribute 200,000,000 pounds of red meat in addition to those quantities normally purchased and distributed by the Secretary. Such purchases by the Secretary shall not reduce purchases of any other agricultural commodities under section 32;" furthermore,

(2) "the Secretary of Agriculture shall use funds available through the Commodity Credit Corporation to purchase 200,000,000 pounds of red meat, in addition to those quantities normally purchased and distributed by the Secretary, and to make such meat available:

(a) to the Secretary of Defense, on a non-reimbursable basis, for use in commissaries on military installations located outside the United States; or

(b) for export under the authority of any land in effect on or after the date of the enactment of this Act;

(3) the Secretary of Defense and other Federal agencies, to the maximum extent practicable, shall use increased quantities of red meat to meet the food needs of the programmes that they administer, and State agencies are encouraged to co-operate in such effort; and

(4) the Secretary of Agriculture shall encourage the consumption of red meat by the public."

URUGUAY

74. There are presently no support or intervention mechanisms in Uruguay. However until August 1978, the whole livestock sector was, at all levels, under some degree of Governmental control. In August 1978, a number of measures were introduced which had the effect of freeing the domestic market of most restrictions. The previously existing control over price determination and slaughter and beef production controls was abolished (except in the duty-free departments). The slaughtering and meat processing plants became free to locate wherever they wished, although they had to continue to comply with sanitary regulations, and finally, all plants in a position to meet the technical requirements were allowed to engage in the exporting of meat.

75. Additionally a number of measures were taken in 1978 to reduce the cost of farm inputs. These included: the exemption from payment of prior import deposits, of port and consular fees, and of import duty, certain major input items (including fertilizers and raw materials for making them, veterinary products and raw materials for making them, material for making wine, etc.); the fixing of a uniform surcharge of 10 per cent on agricultural machinery, and the exemption from duties, charges and consular fees for farm machinery; and the exemption from value-added tax on goods to be used in farm production and raw materials for making them.

YUGOSLAVIA

76. Support and stabilization measures in Yugoslavia may be taken at three different levels, i.e. at the level of the republics (six), regions, and municipalities. The most frequent measure used to assist farmers is the possibility of exempting them from taxes and contributions. Direct compensation may also be introduced in special cases (alpine cattle breeding). In order to promote production and give some measure of stability to the livestock farmer a system of guaranteed prices, still largely in force today, was introduced in 1965. The

guaranteed price works as a floor price, i.e. as long as the market price for live cattle is above the guaranteed (also called protective) price, the Federal Food Reserve Board undertakes to buy at the guaranteed price all quantities offered. Guaranteed prices are set by the Federal Executive Committee, taking into account inter alia production costs. Moreover, a production and sales prices for live cattle is set each year. This price is somewhat higher than the guaranteed price. It would appear that the production and sales price corresponds to the average price received by producers. Prices of cattle are quoted at the Federal level in Yugoslavia. However, wholesale and retail meat prices differ between localities according to the amount of compensation given.