

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

SWEDEN

I. Introduction - general policy framework

1. Guidelines for the agricultural policy

The present guidelines for an integrated agricultural and food policy (replacing the 1977 guidelines) were laid down by two Parliamentary Decisions taken in 1984 and 1985. These guidelines are based on a proposal submitted by the 1983 Parliamentary Commission on Agricultural and Food Policy.

According to the guidelines the main objective of the Swedish food and agricultural policy is to secure food supplies under normal as well as emergency conditions. Under the main objective, there are two general objectives of equal importance. The consumer's objective implies that consumers should have access to foodstuffs of good quality at reasonable prices. The income objective means that the farmers should be assured a standard of living equal to that of comparable groups. In addition, the agriculture and the food industry must pay regard to the need for good environment and for economizing the use of natural resources.

Agricultural resources should broadly correspond to what is needed to secure domestic food requirements under normal as well as emergency conditions and to meet commitments made by Sweden in relation to international co-operation against world famine. It should primarily be the concern of the agricultural sector itself to adjust the present surplus production to domestic requirements. Export refunds may be applied in surplus situations when world market prices are below domestic prices. These refunds are financed mainly by means deriving from internal production fees but also to some extent from import levies.

In 1988 the Swedish Government initiated a review of the agricultural and food policy decided upon by Parliament in 1985. A parliamentary working group has been set up for this purpose. A policy reform has been considered desirable for a number of reasons, *inter alia*, recent investigations have indicated that food security might be achieved with a smaller agricultural area than has been so far considered necessary; the relatively high rates of increases in food prices in Sweden; the fact that a policy based on general price support is not a very effective means to

achieve regional policy objectives (nor income objectives); the fact that general price support provides an incentive to increase intensity in agricultural production thereby counteracting efforts for environmental reasons to decrease the use of fertilizers and chemicals; the negative effects of the present agricultural support system on resource allocation and growth in the general economy; the international market situation characterized by agricultural surpluses and negative effects on agriculture in developing countries; and efforts within, for instance, the GATT and OECD to reform support policies.

Taking these factors into consideration it is the task of the working group to analyse and evaluate the present agricultural and food policy and the extent to which its various objectives have been fulfilled. The findings will form the basis for possible new guidelines to be introduced in 1990.

2. Principles of the price regulation system

A parliamentary decision regarding the principles of the price regulation system normally covers a period of more than one year. The present price regulation period, however, has been fixed for one year from 1 July 1988 to 30 June 1989. A parliamentary decision of this kind is preceded by negotiations between two delegations representing farmers and consumers respectively under the chairmanship of the National Agricultural Market Board. When the negotiations have been completed the Board submits a proposal to the Government, which presents a bill to Parliament.

During a price regulation period half-yearly adjustments are made of producer prices and import levies (for animal products adjustments of import levies have taken place quarterly). The Government formally determines these adjustments.

3. The 1988/89 price regulation period

During the present price regulation period continued attention is given to measures aiming at adjusting production to domestic requirements. Measures concerning both dairy production and beef production include, inter alia, a ban of new investments in animal production (which, however, will be abolished on 30 June 1989), non-payment of delivery supplements for elderly dairy farmers and moreover non-production grants are paid to dairy farmers who by the time of introduction of the grants in 1986 were sixty to sixty-five years of age. In 1986 a bonus was granted to producers of, inter alia, young heifers and sucking pigs when ceasing production for a certain number of years. These grants were still applied in 1988.

In order to reduce milk production a voluntary two-price system was introduced in 1985. The two-price system will no longer be in force after 1 July 1989.

Like before, certain measures are taken in order to stimulate consumption in schools of beef and pigmeat. To promote consumption of dairy products certain public institutions are granted a discount on cheese and butter and dairies are granted extra payments for additional sales of certain milk products.

Consumer subsidies are applied for liquid milk in order to keep consumer prices down.

II. Dairy products

A. Production

1. Support and/or stabilization measures

(a) Instruments of support and/or stabilization

The general price support programme includes import levies, allowing domestic prices to be kept above the world market price level. Import levies stay fixed as long as domestic wholesale prices remain between certain price limits. The middle price is a theoretical price between the price limits, which can be said to represent a "target price" according to the agricultural policy objectives. Middle prices, price limits and import levies are regularly adjusted.

Additional market regulatory measures are applied, mainly as regards storage and export. The practical implementation of the market regulation is carried out by the Market Regulation Association for Dairy Products (PFM), a semi-governmental body operating under the directives of the National Agricultural Market Board.

Apart from the general price support programme special support is granted to small farmers and to farmers in northern Sweden.

(b) Levels of guaranteed prices or support prices

Middle prices and price limits as from January 1989 are as follows (SEK/kg.)¹:

	<u>Lower price limit</u>	<u>Middle price</u>	<u>Upper price limit</u>
Butter	20.56	21.87	23.18
Cheese	28.29	30.10	31.91
Skimmed milk powder	18.67	19.86	21.05

(c) Amount of producer subsidies

Low-income farmers and farmers in northern Sweden receive special support:

Delivery additions for certain dairy farmers constitute part of the low-income support. Additions are at their maximum for producers delivering between 1,000 and 7,000 kg. milk per month and amount in that range to 8 Öre/kg. They are successively reduced up to a level of 16,000 kg. per month, above which no addition is granted. No additions are granted to dairy farmers above sixty-five years of age.

¹US\$1 = SEK 6.33 (January 1989)

Dairy farmers in northern Sweden are, as before, granted special price additions, but since 1 July 1988 with a new maximum of 96 öre/kg. milk (4.1 per cent fat content). Dairies in northern Sweden also receive a special regional support presently amounting to a maximum of 9.3 öre/kg.

(d) Average returns to producers

Prices for milk delivered to dairies are affected, apart from the support measures described above, mainly by effectiveness and cost development in the dairy industry (most dairies are producer co-operatives). In order to stimulate milk production during the off-peak season August-February, a higher price prevails during these months. Average prices to producers for the fourth quarter 1989, regional support included, amounted to SEK 3.26/kg. on total country basis.

2. Policies and measures of governments or other bodies likely to influence production, other than those listed under 1.

An essential part of the price regulation system for (milk and) dairy products is the equalization system. Equalization fees are levied on the dairies' sales of fresh milk, cream and cheese. Means deriving from these fees are used to compensate for the differences in profitability between dairy products, inter alia, for the granting of price additions to butter production. Thereby all dairies achieve about the same level of profitability regardless of their specialization.

B. Internal prices and consumption

1. Representative retail and wholesale prices on major domestic markets

(a) Average wholesale prices January 1989

Milk: SEK 3.60/litre (upper price limit for 3 per cent milk for liquid consumption in one-litre packages)

Butter: SEK 21.90/kg. (national quotation for Swedish Rune brand)

Cheese: SEK 31.86/kg. (Herrgård, whole-fat)

Skimmed milk powder: SEK 20.01/kg. (sales from factories to wholesalers, quantities of 2,500 kg. or more)

(b) Average retail prices January 1989

Milk: SEK 5.20/litre (3 per cent milk for liquid consumption)

Butter: SEK 40.30/kg. (Swedish Rune brand)

Cheese: SEK 62.86/kg. (Herrgård, whole-fat)

C. Measures at the frontier

1. Customs duties - none
2. Import levies - (see enclosure)
3. Export measures - (see also A.I.(a))

Export and other market regulatory measures applied are necessary for the attainment of the domestic price levels aimed at. The Market Regulation Association for Dairy Products may grant export refunds. Costs of export refunds, including restitutions of internal fees, are tabled below.

1987/88

	<u>SEK million</u>	<u>SEK/kg.</u>
Butter	110.1	15.43
Cheese	21.8	8.57

The price and market regulation for milk powder is handled by Scandmilk AB. Internal production fees are levied and the proceeds herefrom are used, inter alia, to cover export costs.

D. Text or description of bilateral, plurilateral and multilateral agreements

Within the framework of GATT Sweden has concluded a bilateral cheese arrangement with the United States. Sweden has been granted an annual GATT-bound cheese quota of 1,350 metric tons.

ENCLOSURE

Harmonized System

Statistical number

Heading number	Code number	Description of goods	Import levy, SEK/100 kg. (max) as from 1 January 1989
04.01		Milk and cream, not concentrated nor containing added sugar or other sweetening matter:	
	100	- Of a fat content, by weight not exceeding 1%	305
	200	- Of a fat content, by weight exceeding 1% but not exceeding 6%	305
	300	- Of a fat content, by weight:	
		-- exceeding 6% but less than 20%	1,095
		-- 20% but less than 30%	1,195
		-- 30% but less than 45%	1,760
		-- 45% and more	1,860
04.02		Milk and cream, concentrated or containing added sugar or other sweetening matter:	
	100	- In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5%	1,130
		- In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5%:	
	210	-- Not containing added sugar or other sweetening matter:	
		Weight of fat:	
		--- more than 1.5% but less than 35%	1,180
		--- 35% but less than 55%	1,280
		--- 55% and more	1,430

Heading number	Code number	Description of goods	Import levy, SEK/100 kg. (max) as from 1 January 1989
290	--	Other:	
		Weight of fat:	
	---	more than 1.5% but less than 35%	1,180
	---	35% but less than 55%	1,280
	---	55% and more	1,430
	-	Other:	
910	--	Not containing added sugar or other sweetening matter:	
		Weight of fat:	
	---	less than 1% ... 100 1	305
	---	1% but less than 6%	305
	---	6% but less than 20%	1,095
	---	20% but less than 30%	1,195
	---	30% but less than 45%	1,760
	---	45% and more	1,860
990	--	Other:	
ex 990	---	Concentrated (condensed) milk	305
ex 990	---	Other:	
		Weight of fat:	
	----	less than 1% ... 100 1	305
	----	1% but less than 6%	305
	----	6% but less than 20%	1,095
	----	20% but less than 30%	1,195
	----	30% but less than 45%	1,760
	----	45% and more	1,860
04.03		Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit or COCOA:	
100	-	Yoghurt:	

Heading number	Code number	Description of goods	Import levy, SEK/100 kg. (max) as from 1 January 1989
	ex 100	-- flavoured (not only sweetened) or containing added fruit or cocoa	according to levy information
	ex 100	-- Other:	
		Weight of fat:	
		--- less than 1% ... 100 1	305
		--- 1% but less than 6%	305
		--- 6% but less than 20%	1,095
		--- 20% but less than 30%	1,195
		--- 30% but less than 45%	1,760
		--- 45% and more	1,860
	900	-- Other:	
	ex 900	-- flavoured (not only sweetened) or containing added fruit or cocoa	according to levy information
	ex 900	-- Other:	
		Weight of fat:	
		--- less than 1%... 100 1	305
		--- 1% but less than 6%	305
		--- 6% but less than 20%	1,095
		--- 20% but less than 30%	1,195
		--- 30% but less than 45%	1,760
		--- 45% and more	1,860
04.04		Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included:	
	100	- Whey, whether or not concentrated or containing added sugar or other sweetening matter	860
	900	-- Other	860
04.05	000	Butter and other fats and oils derived from milk	1,345

Heading number	Code number	Description of goods	Import levy, SEK/100 kg. (max) as from 1 January 1989
04.06		Cheese and curd:	
		- Fresh cheese (including whey cheese), not fermented, and curd:	
	101	-- Whey cheese	60
	109	-- Other	1,070
	200	- Grated or powdered cheese, of all kinds	1,385
	300	- Processed cheese, not grated or powdered	900
	400	- Blue-veined cheese	1,335
		- Other cheese:	
	901	-- Other mould cheese than blue-veined cheese	1,335
	909	-- Other:	
	ex 909	--- Cheese fondue	695
	ex 909	--- Fresh fermented cheese	1,070
	ex 909	--- Other	1,485
35.01	100	Casein	free