

# GENERAL AGREEMENT ON

RESTRICTED

IMC/INV/6/Rev.7

14 June 1989

## TARIFFS AND TRADE

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Arrangement Regarding Bovine Meat

Original: English

### INTERNATIONAL MEAT COUNCIL

#### Inventory of Domestic Policies and Trade Measures and Information on Bilateral, Plurilateral or Multilateral Commitments

#### Reply to Parts G and H of the Questionnaire

#### SWEDEN

#### Revision

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 are 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 Agreement (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/6/... documents.

PART G

A. General policy framework

The present guidelines for Sweden's agricultural and food policy were laid down by two parliamentary decisions taken in 1984 and 1985.

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, i.a.: recent research has 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.

No agreement between producers and consumers could be reached in the 1989 negotiations concerning compensation to agriculture. In this deadlock situation the Agricultural Market Board in the end of March proposed a compensation amount between the respective negotiating positions. The amount proposed by the Board - totally SEK 1,170 million - was accepted by the Government. Normally the compensation to producers is given in the form of increased support prices. This year, however, the GATT mid-term agreement in early April on freezing and reducing the support to agriculture has excluded price increases as a way of giving the agreed compensation to agriculture. The compensation amount for 1989/90 will instead - according to a Government proposal - be given in the form of direct payments to producers in relation to 1988 numbers of animals held or number of hectares. Apart from minor price increases earlier decided upon by Parliament for 1989/90, agricultural prices will be frozen at the level prevailing at the time of the GATT agreement. The actual compensation to the beef and veal sector for 1989/90 amounts to SEK 134 million.

B. Information on domestic policies and trade measures concerning beef and veal

I. Production

(a) The Swedish beef industry and economic factors governing its development

The majority of Swedish beef producers are dairy farmers for which milk is the important product and beef a by-product. In 1985 the total number of bovine animals was 1,837,000 and the number of holdings with bovine animals around 59,000. Of these 35,000 held dairy cows. The bovine herd as well as the number of holdings with bovine animals has decreased rapidly in the latest years. In 1988 the bovine herd amounted to 1,662,000, the total number of holdings to 50,000. The number of dairy farmers in 1988 had gone down to 29,000. The distribution on different sizes of holdings and numbers of bovine animals in each size group for 1988 is shown below.

	<u>Number of dairy cows</u>				
	0	1-9	10-24	25-49	50-
Number of holdings ('000)	21	7	15	6	1
Number of bovine animals ('000)	376	90	527	481	188

The fattening of calves of dairy stock for slaughter has become an important part of Swedish beef production. This is to a large extent done by the dairy farmers themselves or by specialized producers. This kind of

production was increasing until 1990 (476,000) but has since then been decreasing. As to dairy farmers the number of small holders (less than twenty-five cows) has been decreasing steadily for the past decade while the number of large holders (twenty-five cows and more) has been increasing. In the latest years the number of large holders has also started to decrease. Only about one tenth of the Swedish cow herd consists of beef cows, mostly held by non-dairy farmers.

Production of beef as well as other animal products is domestically orientated due to the agricultural policy aiming at balance between domestic production and consumption of animal products. Costs connected with surplus production have to be borne by the producers.

In 1987/88 beef production accounted for about one eighth (13 per cent) of the total value of farm output. Milk and pigmeat accounted for 40 per cent and 17 per cent respectively.

The overall economic situation has perhaps greater impact on the beef sector than other sectors since beef is an expensive commodity with high price elasticity. The economic recession in the first years of the 80s led to high interest rates, increased producer costs and decreased disposable incomes. This situation was very unfavourable for the beef sector in view of its cost structure and a weak demand for beef. Domestic demand decreased resulting in surpluses. Production levels remained more or less the same. Due to rising unemployment in sectors outside agriculture most dairy farmers/beef producers had difficulties in finding alternatives to continued production in spite of unfavourable conditions (rising production costs).

Among the economic factors more specifically governing the development of the Swedish beef industry are producer returns and costs for dairy products, beef and competing meats. The profitability in dairy production and beef production from dairy stock is higher than in beef production from non-dairy stock. The level of such beef production is therefore low.

The positive effects for the beef sector of the economic recovery in the latest years were in the years 1985 and 1986 to a large part offset by unfavourable international market conditions and subsequent high costs for beef surpluses that had developed in the foregoing years.

Apart from various measures directly aimed at restoring balance between supply and demand the improving economic situation has helped in overcoming the previous surplus situation and in Sweden becoming a net importer of beef in 1987.

(b) Policies and measures influencing production, other than support or stabilization measures

Rationalization of farms and farm structures is one of the means for achieving the primary goals of the Swedish agricultural policy. The

support in this field consists mainly of credit grants aiming at building up and preserving efficient family farms.

The consumer subsidies for beef and veal applied in the years 1974-1983 resulted in higher domestic consumption of beef and veal and pigmeat than would otherwise have been the case. Domestic meat production adapted its level to the increased consumption level. Due to budgetary restraints the consumer subsidies for beef and veal were finally abandoned completely on 1 December 1983. The abandoning of the consumer subsidies along with decreasing disposable incomes and food price increases in general negatively affected the consumption of beef and contributed to production surpluses.

The surpluses during the first half of the 80s were tackled i.e. by various forms of adjustment measures aimed at reducing production. The adjustment measures applied in the beef sector have been the following:

An investment ban concerning new constructions, reconstructions and annexes of stables has been in force since 1983. This ban will be abandoned for bovine animals on 1 July 1989.

Slaughter fees were introduced for cows in 1982 and were later extended to all kinds of slaughtered bovine animals. In the present situation with no beef surpluses no slaughter fees are charged.

In 1986 grants to quit production were introduced for specialized beef producers. The yearly grants based on past deliveries have been SEK 370 for each calf and SEK 650 for each young bovine animal delivered for slaughter. The requirements for receiving such grants included that producers stay out of production for at least four years.

Delivery supplements for milk from dairy farmers aged more than sixty-five years were abandoned in June 1982. This measure also had a reducing effect on beef production. Non-production grants to dairy farmers, sixty to sixty-five years, as well as grants for slaughter of female calves and heifers were measures which also had a downward influence on beef production.

The quota scheme for milk, which was adopted on 1 July 1985 and which was intended to reduce dairy production also led to decreased beef production. The quota scheme will be abandoned 1 July 1989.

(c) Support and stabilization measures

(i) Instruments of support or stabilization

The domestic price level is supported by import levies which stay fixed as long as domestic prices remain between certain price limits. The middle price between the 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 adjusted upon agreed changes of producer prices.

In order to alleviate imports temporary reductions of import levies can be made, see III c. The National Agricultural Market Board is responsible for the practical implementation of import levies and reductions of levies.

Import levies are supplemented by market regulation measures mainly concerning storing and exports of seasonal or structural surpluses. The practical implementation of these market regulation measures lies with the Market Regulation Association for Meat, a semi-governmental body working under the directives of the National Agricultural Market Board.

(ii) Levels of middle prices and price limits

Middle prices and price limits as from 1 January 1989\*, SEK/100 kg.

	Lower price limit	Middle price	Upper price limit
Veal, whole carcasses	3,048	3,243	3,438
Beef, whole carcasses	2,793	2,940	3,087

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\* 1 US\$ = 6.14 SEK in January 1989

(iii) Amount of producer subsidies

Apart from the general price support system there are no direct subsidies for beef and veal production except for a special price support for beef and veal produced in Northern Sweden. The amount depends on geographical location. The current maximum amount is 835 öre/kg. as from 1 July 1988.

(iv) Average returns to producers

The average returns to producers for cattle, slaughter weight, as shown in table D.1 in the statistical part of the questionnaire were SEK 20.54/kg. in 1986 and 23.56 in 1987. The estimate for 1988 is SEK 27.40/kg.

## II. Internal prices and consumption

### Policies and measures affecting consumption

In the years 1974-1983 consumer prices for beef and veal were subsidized from budgetary means. These subsidies, in combination with a price freeze, had a clearly positive effect on the level of beef and veal consumption. The consumer subsidies for beef were finally abandoned on 1 December 1983. This led to increased consumer prices and consumption losses.

Market regulation measures can, apart from measures concerning trade and storing, also include i.a. temporary reductions of consumer prices in order to increase domestic demand. From 1981 and onwards campaigns for beef at reduced consumer prices have taken place regularly (for pigmeat from 1983 and onwards). The quantities and conditions involved have varied between these campaigns. The campaigns have been relatively successful among both consumers and retailers. It has been difficult though to make exact assessments of the effects of these campaigns.

In order to achieve good results, co-operation and co-ordination of campaign activities between the Meat Regulation Association and the retail trade has been necessary. Another essential element is information.

Along with decreasing surpluses and increasing imports of beef, campaign activities for meats in recent years have been concentrated to pigmeat.

Since August 1982 and onwards price rebates for beef in school lunches have been granted.

III. Measures at the frontier(a) Customs duties

None

(b) Import leviesStatistical number  
in H.S.

Heading number	Code number	Commodity description	Import levy as from 1989-01-01 (SEK/100 kg.)
01.02		Live animals of the bovine species:	
	ex 100	- Pure-bred breeding animals, calves	1,120
	ex 100	- Pure-bred breeding animals, other	1,025
		Other bovine animals	
	901	Calves	1,120
	902	Steers, yearling bulls and heifers	1,025
	903	Cows, oxen and bulls	1,025
02.01		Meat of bovine animals, fresh or chilled	
	100	Carcasses and half-carcasses	
	ex 100 <sup>1</sup>	Veal	1,720
	ex 100 <sup>1</sup>	Beef	2,055
	ex 201 <sup>1</sup>	Veal cuts, bone-in	3,250
	202 <sup>1</sup>	Beef quarters	2,055
	ex 209 <sup>1</sup>	Other cuts, bone-in	3,250
	ex 301 <sup>1</sup>	Veal, boneless	3,250
	ex 309 <sup>1</sup>	Beef, boneless	3,250
02.02		Meat of bovine animals, frozen	
	100	Carcasses and half-carcasses	
	ex 100 <sup>1</sup>	Veal	1,720
	ex 100 <sup>1</sup>	Beef	2,055
	ex 201 <sup>1</sup>	Veal cuts, bone-in	3,250
	202 <sup>1</sup>	Beef quarters	2,055
	209 <sup>1</sup>	Other cuts, bone-in	3,250
	ex 301 <sup>1</sup>	Veal, boneless	3,250
	ex 309 <sup>1</sup>	Beef, boneless	3,250

<sup>1</sup>Upon application to the Swedish Agricultural Market Board, a part of the levy can be repaid. The amounts currently repaid (as from 2 May 1989) are shown on the next page.

Statistical number  
in H.S.

Heading number	Code number	Commodity description	Import levy as from 1989-01-01 (SEK/100 kg.)
02.06		Edible offals of bovine animals	
	ex 100	Hearts and lungs, fresh or chilled	50
	ex 100	Heads, fresh or chilled	545
	ex 100	Other, fresh or chilled	925
	ex 210	Tongues, frozen	925
	ex 220	Livers, frozen	925
	ex 290	Hearts and lungs, frozen	50
	ex 290	Heads, frozen	545
	ex 290	Other, frozen	925
02.10		Meat of bovine animals: salted, in brine, dried or smoked	
	ex 200 <sup>1</sup>	Meat	3,250
	ex 909	Hearts and lungs	50
	ex 909	Heads	545
	ex 909	Other edible offals	925
	ex 909	Edible meal of meat or edible offals	925
16.02		Other prepared or preserved meat, meat offal or blood	
	ex 100	Homogenized preparations	2,125
	ex 209	Pâtés and meat pastes of liver	1,575 <sup>2</sup>
	ex 209	Other: meat product content <40%	
	ex 209 <sup>3</sup>	Other: meat product content >40%	925
	ex 500 <sup>3</sup>	Of bovine animals: meat product content >80%	2,125
	ex 500 <sup>3</sup>	Of bovine animals: meat product content >60%, <80%	1,700
	ex 500 <sup>3</sup>	Of bovine animals: meat product content >40%, <60%	1,275
	ex 500 <sup>3</sup>	Of bovine animals: meat product content <40%	2
	900 <sup>3</sup>	Other, including preparations of blood	
	ex 900 <sup>3</sup>	Meat product content >80%	1,740
	ex 900 <sup>3</sup>	Meat product content >60%, <80%	1,390
	ex 900 <sup>3</sup>	Meat product content >40%, <60%	1,045 <sup>2</sup>
	ex 900 <sup>3</sup>	Meat product content <40%	

<sup>1</sup>Upon application to the Swedish Agricultural Market Board, a part of the levy can be repaid. The amounts currently repaid (as from 2 May 1989) are shown on the next page.

<sup>2</sup>Subject to the price compensation scheme for agricultural raw materials, levy determined by the Swedish Agricultural Market Board.

<sup>3</sup>For pâtés and meat pastes of beef and veal the same levy is applied as for pâtés and meat pastes of liver.

Repayment of import levies

In order to alleviate meat imports part of the import levy for a number of meat products is repaid (upon application to the Swedish Agricultural Market Board). As from 2 May 1989 the repayment for various beef cuts amounted to the following, SEK/100 kg.

Cows, and older bulls fresh, chilled or frozen:

- Carcasses and half-carcasses ex 02.01.100, ex 02.02.100	50
- Forequarters ex 02.01.202, ex 02.02.202	100

Young bulls, steers, heifers and young cows:

- Carcasses and half-carcasses ex 02.01.100, ex 02.02.100	290
- Hindquarters ex 02.01.202, ex 02.02.202	240
- Forequarters ex 02.01.202, ex 02.02.202	340

Beef and veal cuts:

- Thick flanks, out-sides, rolls, chucks and blades ex 02.01.209, ex 02.01.309, ex 02.02.209, ex 02.02.309	680
- Hindquarters of veal ex 02.01.201, ex 02.02.201	680
- Manufacturing veal ex 02.01.301, ex 02.02.301	1,360
- Manufacturing beef ex 02.01.309, ex 02.02.309	705
- "Pistols" from hindquarters ex 02.01.209, ex 02.02.209	960

(c) Export measures

Sweden's exports of beef and veal increased in the first years of the 1980s due to various factors, i.a. the economic recession and the abandoning of the consumer subsidies for beef. One recent factor temporarily contributing to the surplus of beef has been the two-price system for milk introduced in July 1985 which led to increased slaughterings of cows and heifers. In order to restore a better balance between production and consumption various measures have been taken to reduce production and to stimulate consumption (see I (b) and (c) and II). Partly as a result of these, the beef surpluses and thus costs for exports have decreased sharply and Sweden again became a net importer of beef in 1987.

The Market Regulation Association for Meat grants export refunds. Costs of the export refunds are tabled below.

	1985/86		1986/87		1987/88	
	SEK mill.	SEK/kg.	SEK mill.	SEK/kg.	SEK mill.	SEK/kg.
Beef, whole carcasses, halves, quarters	176.2	15.49	-	-	-	-
Beef cuts	342.2	24.89	193.0	23.95	59.1	23.51

The export costs are mainly financed by means derived from slaughter fees which can be imposed at the slaughter level on all kinds of bovine meat and pigmeat. Reflecting decreasing beef surpluses the slaughter fees for beef have been gradually reduced. At present no slaughter fees for beef are applied. The development of the slaughter fees since 23 February 1987 is shown below, SEK/100 kg.

	Feb.23 1987	Oct.12 1987	Nov.2 1987	Dec.21 1987	Feb.29 1988	May 9 1988	Feb.27 1989
Young bovine animals and bulls	315	250	175	125	75	0	0
Calves	320	250	175	125	75	0	0
Cows	380	250	175	125	75	0	0
Pigs	350	230	230	265	265	265	290

In 1987/88 slaughter fees totalling SEK 769 million paid by the producers were put at the disposal of the Meat Regulation Association. Other financial sources amounted to SEK 189 million, i.e. means from import levies. The main use of these means was to finance export costs for beef, pigmeat and meat products (647 million). Of the remainder, 88 million was spent on storing and 118 million on price campaigns.

(d) Health regulations

The Board of Agriculture monitors the situation in other countries as concerns the existence of contagious bovine animal diseases, e.g. foot-and-mouth. If vaccinations take place no approvals for imports are made. As concerns live animals, approvals are made only for imports of bovine animals for breeding due to the disease risks involved. Import permits are issued by the National Food Administration on the approval of

the Board of Agriculture and on condition that all requirements regarding meat hygiene are met (as to abattoirs and slaughtering methods, content of certain substances deemed harmful, handling, packaging, storing, transports). There are also provisions concerning feeding, e.g. prohibiting the use in Sweden of hormones and restricting the use of antibiotics.

A law concerning animal protection of i.a. bovine animals will come into force in 1993. The law contains detailed provisions concerning animal care and animal environment. The law i.a. provides that cows shall be loose indoors and let outdoors to graze in the summertime.

(e) Quantitative restrictions on imports or exports

No quantitative import or export restrictions are applied in the beef and veal sector.

PART H

Information on bilateral or plurilateral agreements in the field of bovine animals, meat and offals

A special import price for imports of bovine meat into the European Community from i.a. Sweden is applied. (EEC Regulations Nos. 805/68, 425/77 and 925/77).

In 1985 Sweden and the Soviet Union concluded a five-year agreement concerning i.a. Swedish beef exports to the Soviet Union. The quantity mentioned in the agreement is 5,000 tons per year to be delivered in the years 1986-1990.