

**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. GENERAL POLICY FRAMEWORK

The present guidelines for the Swedish food policy were laid down by a parliamentary decision in 1990. The decision resulted in a radical shift in the policy. Up to that decision the Swedish agricultural regulating system was characterized by administered internal prices supported by a system of border protection and export subsidies.

The new food policy is based on the principle that agriculture should be subject to the same conditions as other sectors of the economy. The farmers should only be paid for goods and services for which there is a demand. This implies a dismantling of internal market regulations, including export subsidies and storage support. Border protection would be reduced in response to the possible outcome of the ongoing GATT negotiations (the Uruguay Round).

The reform of the agricultural policy started on 1 July 1991 and is scheduled to be completed after a five-year period of adjustment of production and transition to the conditions of a deregulated market.

During the five-year transitional period farmers are stimulated by direct payments to plant alternative crops, energy crops and forest. Substantial investments are also made in educational and advisory schemes. The reform necessitates considerable adjustments, not only as regards production, but also in the farmers' entrepreneurial rôle.

The importance of agriculture in the north of Sweden, in terms of the Swedish regional and security policy, justifies additional support to this part of the country. Support will continue to be given to the north of Sweden.

The environmental goals of the food policy include preservation and development of a flourishing and varied rural landscape and the reduction of the adverse environmental effects caused by the leakage of plant nutrients and the use of chemicals. The use of chemicals in agriculture is to be reduced by 50 per cent by the mid-1990s.

Food security in times of war and crises is to be based on peacetime resources in the food production sector and the potential for adjustment. Since agriculture today relies to a great extent on imports of such inputs as artificial fertilizers, plant protectants and protein feeds, these products must be stockpiled in greater quantities to meet food security requirements. Stockpiles of food supplies must also be increased.

During 1992 a committee is undertaking a review of the 1990 Food Policy Decision in the context of Sweden's application for membership in the European Community.

II. DAIRY PRODUCTS

A. Production

1. Support and/or stabilization measures

(a) Instruments of support and/or stabilization

The food policy reform means that the internal market regulations, including export subsidies and storage support, are abolished during the transition period. Continued border protection, in the form of import levies, ensures that a price support is maintained for the production for which there is a demand on the internal market. Market prices are no longer maintained by means of internal regulation measures if surpluses occur. This implies that prices will decrease if production exceeds the level for which there is a demand at prevailing prices. As a result production will be adjusted to the quantities which can be disposed of on the internal market or exported without subsidies. Under the transitional period (1991/92-1993/94) however, limited sums are granted to finance exports of bovine meat and pigmeat but not any milk products.

In order to improve import possibilities, temporary reductions of import levies can be made for some types of cheeses, (see C.2). The Swedish Board of Agriculture is responsible for the temporary reductions of levies.

In accordance with the objectives of Swedish regional policy, milk production in the north of Sweden receives regional support payments.

(b) Reference prices

On 1 July 1991 a border protection system based on internal reference prices was introduced. The reference prices are laid down by the Government. Import levies are calculated in relation to these reference prices.

When the reference prices were introduced in 1991, they were set on average about 5 per cent lower than previous so-called middle prices.

(c) Amount of producer subsidies

Due to the GATT/UR Mid-Term Agreement it was decided in 1989 not to increase the price support, but to introduce temporary direct payments to farmers. This support has been paid in fiscal years 1989/90-1991/92. For fiscal year 1992/93 the Government has proposed that the temporary direct payments to agriculture as a total will amount to SEK 1,600 million.

Apart from the general price support there is a special price addition for milk produced in the northern parts of Sweden. This special price addition varies according to geographic location and is presently amounting to a maximum of SEK 1.10/kg. milk. Dairy farmers in the northern parts of Sweden also receive a support for each dairy cow. The maximum level of this support is at present SEK 3,610/milk cow. Dairies in northern Sweden receive a special regional price support presently amounting to a maximum of SEK 0.11/kg. This support is based on actual transport costs.

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

In order to adjust milk production to domestic requirements non-production grants are paid to old dairy farmers who cease milk production. This early retirement scheme has been in force since 1 January 1983 and is directed towards farmers sixty to sixty-five years of age. It has been continuously prolonged and will be in force until the end of 1996. Farmers within the scheme are, with a few exceptions, not permitted to increase other animal production than bovine meat production.

Support is also paid to farmers, sixty years and younger, who cease to produce milk during the period September 1990 to May 1993. Support is paid in form of a once-for-all amount when production has ceased.

B. Internal prices and consumption

1. Representative retail and wholesale prices on major domestic markets

(a) Average wholesale prices: July 1992

| | |
|-----------------------------|--|
| <u>Milk:</u> | SEK 4.56/l (liquid milk for consumption 3 per cent fat in one-litre packages) |
| <u>Butter:</u> | SEK 21.46/kg. (500 g. packages) |
| <u>Cheese:</u> | SEK 32.56/kg. (Herrgård, whole fat) |
| <u>Skimmed milk powder:</u> | SEK 19.60/kg. |

(b) Average retail prices: July 1992

Milk: SEK 6.09/kg. (Liquid milk for consumption 3 per cent fat in one-litre packages)

Butter: SEK 38.44/kg. (500 kg. packages)

Cheese: SEK 57.04/kg. (Herrgård, whole fat)

(c) Reference prices

The reference prices are as follows:

Butter: 2,078 (SEK/100 kg.)

Cheese: 3,096 (SEK/100 kg.)

Skimmed milk powder 1,887 (SEK/100 kg.)

C. Measures at the frontier

1. Customs duties - none

2. Import levies as at 1 July 1992 are as follows:

Harmonized System

Statistical number

| Heading No. | Code No. | Description of goods | Import levy SEK/100 kg. (max) as from 1 July 1992 |
|-------------|----------|---|---|
| 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% 200 - Of a fat content, by weight, exceeding 1% but not exceeding 6% 300 - Of a fat content, by weight: -- exceeding 6% but less than 30% -- 30% and more | 300 300 1,060 1,725 |
| 04.02 | | Milk and cream, concentrated or containing added sugar or other sweetening matter: | |

Harmonized System

Statistical number

| Heading No. | Code No. | Description of goods | Import levy SEK/100 kg. (max) as from 1 July 1992 |
|-------------|----------|--|---|
| | 100 | <ul style="list-style-type: none"> - In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5% - In powder, granules or other solid forms, of a fat content, by weight, exceeding 1.5%: | 1,280 |
| | 210 | <ul style="list-style-type: none"> -- Not containing added sugar or other sweetening matter | 1,445 |
| | 290 | <ul style="list-style-type: none"> -- Other - Other: | 1,445 |
| | 910 | <ul style="list-style-type: none"> -- Not containing added sugar or other sweetening matter: <ul style="list-style-type: none"> --- Concentrated (condensed) milk --- Other: <ul style="list-style-type: none"> Of a fat content by weight: <ul style="list-style-type: none"> ---- less than 6% ---- 6% but less than 30% ---- 30% and more | 300 |
| | 990 | <ul style="list-style-type: none"> -- Other: <ul style="list-style-type: none"> --- Concentrated (condensed) milk --- Other: <ul style="list-style-type: none"> Of a fat content by weight: <ul style="list-style-type: none"> ---- less than 6% ---- 6% but less than 30% ---- 30% and more | 300 |
| 04.03 | | Buttermilk, curdled milk and cream, yoghurt, kefir 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: | 300 1,060 1,725 |

Harmonized System

Statistical number

| Heading No. | Code No. | Description of goods | Import levy SEK/100 kg. (max) as from 1 July 1992 |
|-------------|----------|---|---|
| | 100 | <ul style="list-style-type: none"> - Yoghurt: <ul style="list-style-type: none"> -- Flavoured (not only sweetened) or containing added fruit, berries or cocoa -- Other: <ul style="list-style-type: none"> Of a fat content by weight: <ul style="list-style-type: none"> --- less than 6% 300 --- 6% but less than 30% 1,060 --- 30% and more 1,725 | <p>depending on exact product description</p> |
| | 900 | <ul style="list-style-type: none"> - Other: <ul style="list-style-type: none"> -- Flavoured (not only sweetened) or containing added fruit, berries or cocoa -- Other: <ul style="list-style-type: none"> Of a fat content by weight: <ul style="list-style-type: none"> --- less than 6% 300 --- 6% but less than 30% 1,060 --- 30% and more 1,725 | <p>depending on exact product description</p> |
| 04.04 | | <p>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:</p> | |
| | 100 | <ul style="list-style-type: none"> - Whey: <ul style="list-style-type: none"> -- In form of powder, granule or other concentrated form 760 -- Other 300 | |

Harmonized System

Statistical number

| Heading No. | Code No. | Description of goods | Import levy SEK/100 kg. (max) as from 1 July 1992 |
|-------------|----------|--|---|
| | 900 | - Other: -- In form of powder, granule or other concentrated form | 1,280 |
| | | -- Other | 300 |
| 04.05 | 000 | Butter and other fats and oils derived from milk | 1,185 |
| 04.06 | | Cheese and curd: - Fresh cheese (including cheese made from whey or buttermilk) and curd: -- Whey cheese | 60 |
| | 101 | -- Other | 885 |
| | 200 | - Grated or powdered cheese of all kinds | 1,340 |
| | 300 | - Processed cheese, not grated or powdered | 865 |
| | 400 | - Blue-veined cheese | 1,475 |
| | | - Other cheese: -- Other mould cheese than blue-veined cheese | 1,475 |
| | 901 | -- Other: | |
| | 909 | --- Cheese fondue | 670 |
| | | --- Margarine type of cheese | 1,440 |
| | | --- Other | 1,440 ¹ |
| 35.01 | 100 | Casein | Free |

¹Upon application to the Swedish Board of Agriculture part of the levy can be repaid for some types of cheeses. Currently the repayment amounts to SEK 100/100 kg.

3. Export measures

As a result of the Swedish food policy reform export refunds no longer are granted to milk products.

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 tonnes.