

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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International Dairy Arrangement

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INTERNATIONAL DAIRY PRODUCTS COUNCIL

Reply to Questionnaire 5 Regarding Information on
Domestic Policies and Trade Measures

NORWAY

Supplement

General information

Norway is Europe's northernmost country, with more than a quarter of its total area above the Arctic Circle. In the major agricultural regions, the summer (temperature above 10 degrees celsius) lasts no longer than 90 to 120 days.

Because of the country's rugged topography, farm land is widely scattered and the agricultural sector is characterized by small farms. Relatively large and continuous stretches of farm land are to be found in only a few areas. Arable land covers only about 3 per cent of Norway's surface.

Due to the cool northern climate, grass is Norway's most important crop, fully two thirds of total farm land is used to grow grass. The remaining farm land is used to produce grain, for the most part feed grain, fruit and vegetables.

The degree of food self-sufficiency, calculated in terms of energy, is about 55 per cent. Fish and fish products represent about 5 per cent of this total. This self-sufficiency rate reflects the fact that Norway produces only limited quantities of food grains and oilseeds, and does not produce some commodities at all, such as tropical products and sugar.

In many regions of Norway, agriculture, along with forestry and fishing activities, are major sources of employment. In these regions, government policy seeks to stimulate economic development through the expansion of existing industries and the creation of new jobs. Agricultural policy plays an important role in this respect. In order to avoid a population shift away from these regions, policies to maintain a higher agricultural employment than would otherwise have been the case must be carried out.

There is an objective in the agricultural policy, to give the agricultural producers opportunities to achieve income and standard of living on a level with the rest of the population.

Thus, in assessing agricultural production in Norway, two factors should be taken into account; firstly, the relatively low level of food self-sufficiency, and secondly, the contribution agriculture makes in preventing population shifts away from rural areas.

The Norwegian agricultural sector mainly produces livestock products. The policy objective for these products is to meet domestic demand, primarily through the use of domestic grown fodder.

Production of livestock products is therefore closely adjusted to the actual domestic consumption. Surpluses that occasionally arise are generally disposed of on the domestic market. Cheese is the only agricultural product exported on a more permanent basis.

Guaranteed prices exist only for grain limited to the national consumption of food and feed grain, otherwise the prices determined in the Agricultural Agreement are target prices. The farmers' cooperatives, consisting of one national association for each product group, have the responsibility of maintaining a balanced market and consequently for securing these target prices. The funds necessary for such market intervention are allocated in accordance with the Agreement over the State budget and from a producer financed levy.

In addition to target prices, there are a number of programmes and other policy measures which have been established in the agricultural sector. Some of these are comprehensive programmes designed to benefit the agricultural sector in general, while other programmes have a narrower focus, such as seeking to promote agriculture in remote areas and on small farms.

The relationships between various product prices are of central importance to Norwegian agricultural policy. This is particularly the case for grain and milk. In the 1960s and 70s, grain prices were fixed at relatively high levels in order to stimulate grain production in central areas. This made it possible to increase the more labour-intensive milk production in remote areas.

In order to regulate livestock production in line with demand, as well as stimulate domestic fodder production, prices of feed grain and feed concentrates are regulated.

In order to maintain agricultural incomes at a desirable level, other mechanisms aside from price mechanisms must be relied upon. Therefore, a substantial part of agricultural income is secured by way of other measures. These measures are for the most part differentiated according to the size of the production and local conditions.

A. Production

All dairies in Norway are producer cooperatives and collectively form the National Association of Norwegian Milk Producers and the Norwegian Dairies Association.

Receipts from the sales of dairy products, as well as funds received from the Government under various programmes, are paid to the Norwegian Dairies Associations, and are distributed through these Associations and the local dairy cooperative to the dairy farmers based upon the amount of milk delivered to the dairy. The National Association of Norwegian Milk Producers is responsible for the equalization of milk producer prices. The Federation is also responsible for the sale and distribution of dairy products and allocates quotas to individual dairies for the production of cheese, milk powder and the allied products for which it guarantees outlets.

Furthermore, the Federation is responsible for stabilizing the market through storage, by compulsory returns to producers at reduced prices, sales promotion or by export.

The prices for milk and dairy products determined under the Agricultural Agreement are maximum wholesale prices for skim, low fat and whole milk and average wholesale prices for other dairy products.

The target price for milk producers in the Agricultural Agreement is calculated on the basis of a fixed total milk production and ultimate utilization of the milk. If, for example, the ultimate utilization of the milk is different from the calculation, because of increased production, the real milk

price to the producers will be less than the calculated target price. A better adjustment of the production will therefore give higher producer price.

Support programmes

Regional supports

The dairy farmers are paid a subsidy for each litre of milk delivered to the dairy depending upon the area in which the farmers are located. According to the Agreement 1993-94 the regional support ranges from NKr 0.11-1.60 per litre.

Man-year support

Dairy farmers receive man-year support which is given to all livestock farmers according to the labour use in livestock production. The support is limited to two man-years per holding.

Basic support

A basic support amount is paid for each litre of milk delivered to the dairy, regardless of the ultimate utilization of the milk. For 1993-94 the basic subsidy was fixed at NKr 0.283 per litre.

Low income subsidy

A general low income subsidy is given to each dairy holding.

Average price to producer

The average price obtained by the producer (at farmgate) in 1993 was NKr 3.43 per litre. This price includes the basic support but is exclusive to the regional subsidy.

Individual production quotas

Increased support led to a marked increase in production during the period prior to 1983. Since then production has fluctuated between 1,900 and 1,950 thousand tons but dropped to 1,871 thousand tons in 1988.

The milk production in Norway is likely to be reduced. In 1993, the production objective was 1,806 million tons of milk. It is reduced to 1,796 million tons in 1994. In 1993 total deliveries ended at 1,837 million tons. A system for buying back quotas and a general reduction of the quotas are measures used to reduce the production. The system for buying back quotas ended in 1993 because it had not achieved the expected response.

B. Internal prices and consumption

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

Compensation for value-added tax on milk and milk products was introduced on 1 July 1993. This measure shall reduce the value-added tax on these products from 22 per cent (the general level) to 15 per cent. Compensation for value-added tax on liquid milk is NKr 0.43 per litre and for dairy cheese NKr 3.52 per kg. This measure is a factor in the general economic policy and in influencing

food consumption in the desired nutritional direction. An important objective is to apply the compensation in such a way that it especially gives benefits to families with children and to families with low income.

The maximum wholesale prices, average wholesale prices were as follows as of 1 July 1993:

Product	Wholesale price
Whole milk NKr per litre	maximum 6.52
Low-fat milk NKr per litre	maximum 6.21
Skimmed milk NKr per litre	maximum 5.78
Butter NKr per kg.	average 23.54
Norvegia (full-fat cheese) NKr per kg.	average 43.97
Yoghurt NKr per litre	average 14.26

The compensation per capita in 1993 of whole milk was 49 kg., low-fat milk 84 kg., skimmed milk 29 kg., cream and sour cream 6.5 kg., butter 2.8 kg. and cheese 13.3 kg.

The consumption of whole milk has decreased steadily since 1980. The 1989 the consumption of whole milk was 50 per cent compared with 1985. The consumption of low-fat milk has strongly increased since the product was introduced in 1984. During the last few years, the consumption of cheese has been stable, while the consumption of butter has decreased steadily.

In order to regulate the market for liquid and powdered skimmed milk, compulsory return deliveries to the milk producers are used. Major export of skimmed milk powder will therefore not take place.

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

C. Measures at the frontier

1. The customs tariffs are as follows:

<u>Product</u>	<u>Tariff</u>
04.01 Fresh milk	NKr 0.24/kg.
04.02 Preserved milk	NKr 1.20/kg.
04.03 Sour cream, curdled milk, yoghurt, etc.	NKr 0.50/kg. ¹
04.04 Whey	NKr 0.24/kg.
04.05 Butter	NKr 2.80/kg. ²
04.06 Cheese	NKr 1.20/kg.
35.01.1000 Casein	NKr 1.50/kg. ³

¹Tariff rate for products within HS 04.03.1091, .1099, .9001 originating in EU and EFTA: Free.
²Tariff rate for products within HS 04.03.9002 originating in EFTA: Free.

²Tariff rate for products originating in EFTA: Free.

³Tariff rate for products originating in the EU and EFTA: Free.

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

- (a) milk and cream (fresh, preserved or sweetened);
- (b) butter;
- (c) cheese.

Special varieties of cheese may be imported under a liberal licensing system, up to a given quota. In 1992 the total import of cheese was 2,429 tons.

As a result of the Agreement on Agriculture completed in the Uruguay Round, Norway has to replace the non-tariff import restrictions by tariffs. The new maximum tariffs (base rate of duty) for milk and milk products falling within tariff lines 04.01 to 04.06 varies within the interval of 262 per cent and 533 per cent (ad valorem). The specific rate varies within the interval of NKr 4.90 kg. and NKr 33.23 per kg. The new maximum tariffs (base rate of duty) for milk products falling within tariff line 35.01.1000 is 741 per cent (ad valorem) and NKr 82.23 per kg. (specific rate).

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

Export aid for butter and cheese, equal to the difference between a minimum export f.o.b. price and the actual f.o.b. export price, can be given. The minimum price for cheese is NKr 4.50 per kg. and for butter NKr 7.50 per kg. Export aid for milk-powder and concentrated milk is calculated on the basis of the above-mentioned minimum prices. The minimum prices have not been changed since 1958. Due to higher world market prices than the minimum prices, export aids have not been given in recent years.

D. Bilateral, plurilateral and multilateral agreements

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

The EU has granted Norway a quota of 2,200 metric tons of Jarlsberg cheese and Norway has granted the EU a quota of 2,360 metric tons of all sorts of cheese originating in the EU.