

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## Group on Dairy Products

### NORWAY

The following information has been submitted by the delegation of Norway in accordance with the programme of work laid down in document TN.64/DP/5.

#### I. Existing dairy policies

- (i) (a) The levels and methods of maintaining the guaranteed or supported prices including direct price support

#### Place of milk production in the agricultural economy

Norway's milk production in 1965 was 1.6 million metric tons. As the commercial home market only absorbs about 80 per cent of this production, Norway exported in 1965 4,000 tons of butter and 9,500 tons of cheese. In fact, the dairy sector has always taken first place in Norway's agricultural economy. It accounts for about 40 per cent of total agricultural receipts. Together with sales of dairy cattle and animals for slaughter, the production of which is closely linked with milk production, this branch provides two thirds of total receipts of Norwegian agriculture.

All regions of the country and practically all farms are devoted to milk production which, in large areas of the country along the coast and in the northern districts, is the main if not the only source of income from agriculture, while additional receipts may be found outside agriculture.

#### Production policy

Within the framework of its overall production programme, the Government aims at:

- (i) providing the requirements of the domestic market for milk, butter and cheese;
- (ii) maintaining a level of milk production, which covers also in the low production season, the demand of the population for liquid milk;
- (iii) adjusting production, as much as possible, to demand and avoiding, in so doing, the creation of too burdensome export surpluses.

Price and income policy

The agricultural price and income policy of the Government is based on the long-term objective of assuring the farming population a standard of living comparable with that of other sections of the population. At the same time, the Government aims at a greater equality of incomes within the agricultural sector, and at improving, in particular, the income of small holdings.

Since the milk price is one of the basic factors determining the level of farm income, the Government aims at assuring an adequate milk price to producers within the framework of periodical price agreements between the Government and the two professional agricultural organizations. On the other hand, the Government wishes to keep the consumer price of milk as a basic food as low as possible and to maintain or even increase the present high level of consumption of liquid milk for reasons of improving public health. In assuring a relatively low level of retail prices for milk, the Government aims also at keeping under control the cost of living index, the level of which is decisive for the wage level and the economic development of the country.

In pursuing the objects set out in the preceding paragraph, the Government intervenes in the following ways:

- (i) in fixing maximum retail prices and margins for milk and dairy products, in order to keep consumer prices under control;
  - (ii) in subsidizing milk prices, in order to raise producer prices and to keep consumer prices at an adequate level;
  - (iii) in using import restrictions, in order to protect the home market;
  - (iv) in imposing a levy on concentrated feed;
  - (v) in subsidizing production means, in particular fertilizers, mainly in order to support small and other less-favoured farms;
  - (vi) in promoting efficient milk production, handling and processing.
- (i) (b) The average calculated returns to cow and goat milk producers (US cents per litre)

Table 1

| 1961  | 1962  | 1963  | 1964  |
|-------|-------|-------|-------|
| 10.98 | 11.28 | 11.39 | 11.87 |

- (i) (c) The system of arriving at returns to milk producers including pooling total receipts from all milk products, pooling of domestic and export returns from butter, etc.

#### Government aid to milk producers

The Government fixes in agreement with the two professional organizations, maximum retail prices for liquid milk, cream, butter and cheese, taking into account the objectives and considerations mentioned above under "Production Policy". The retail margin is fixed as well.

The producer prices, resulting from the fixed consumer prices for milk and dairy products, would be much lower than those necessary to achieve the income objective of the agricultural policy. The Government, therefore, supports the whole dairy market by a system of subsidies. This scheme pursues the double aim of assuring to producers an adequate price level for a commodity that accounts for about 40 per cent of total agricultural receipts, without however allowing the consumer prices to reflect fully that price level.

Besides these two main objectives, the subsidy scheme is intended to contribute also to the desired greater equality of income amongst producers in the different regions of the country and size-groups of holdings. It comprises:

- (1) a basic subsidy for milk delivered to dairies or an equivalent subsidy for direct deliveries to consumers;
- (2) special subsidies for certain regions;
- (3) subsidies on transport costs.

#### Pooling of returns of all milk sales

The Milk Producers' National Association is responsible for the calculation of the national settlement price, that is the pooling of the returns from all sales of milk and dairy products by the Milk Pools and the allocation of the State subsidies.

According to rules which are fixed by the Ministry of Agriculture, the individual Milk Pools calculate their basic prices every month under the control of the Milk Producers' Association. These basic prices vary to some extent between the Pools depending on variations in their running expenses and the accumulation of reserve funds. During the year, the basic price varies in such a way that the highest basic prices are credited in the low production season and the lowest prices in the months with the highest production. This fluctuation of producer prices can be achieved by allocating varying proportions of the annual subsidies for the individual months.

In calculating the monthly price adjustment, the Pools start from the fixed retail prices of milk and dairy products. The returns for the output of 100 kgs. milk or the dairy products obtained from them are reduced by the 12.5 per cent general purchase tax, the retail margin and the processing and wholesale margin. The result is the net return price for 100 kgs. milk sold for liquid consumption, or as cream, butter or cheese.

It is of particular interest to note that the handling and processing costs are based on "normal" output and "normal" costs obtained from special investigations of the Institute for Dairy Economics at the Agricultural College of Norway. This procedure is followed in order to give dairies a special incentive for increasing technical efficiency and good management.

The net return plus the State subsidies make up the Pools' monthly gross receipts. From this amount the Pool deducts expenses for administration, sales tax for the Marketing Board and the contribution to the National Milk Producers' Association. The Pools' calculated net receipts divided by the quantity of milk which producers delivered in a given month, make the basic price credited by the Pool to all dairies. It is based on a fat content of the liquid milk 3.7 per cent. (From 1/1-1966: 3.6 per cent.) Higher fat content is compensated. If the basic price is higher than the pooled price for a certain dairy, the Pool has to pay the difference to the dairy; in the opposite case the dairy has to forward the difference to the Pool.

(i) (d) The level of producer subsidies

There is no objective line to be drawn between State aid classified as "producer" or "consumer" subsidies. One method is to use the motivation of the aid as a criterion, and to separate the aid which has been voted in order to curb retail prices and aid which is intended to raise farm gate price of milk. (See answer to I.(i)(a)).

Table 2

State Subsidies to Cow and at Milk  
(US cents per litre)

|   | 1961  | 1962  | 1963  | 1964  |
|---|-------|-------|-------|-------|
| Total farmers' price (Table 1)                | 10.98 | 11.28 | 11.39 | 11.87 |
| Net price to farmer                           | 6.23  | 6.59  | 5.81  | 6.84  |
| Total State aid                               | 4.75  | 4.69  | 5.58  | 5.03  |
| "Producer" subsidies                          | 3.15  | 3.15  | 3.26  | 3.53  |
| "Consumer" subsidies                          | 1.60  | 1.54  | 2.32  | 1.70  |
| State aid in per cent of total farmers' price | 43    | 42    | 49    | 42    |

(i) (e) Other forms of aid

State aid is given for reduction of the price of fertilizers and freight costs of fertilizers, lime and acid for silos. In addition an extra price-reducing aid is given for fertilizers to small farmers.

Some production means, as fertilizers, pesticides, weed killers, seeds etc. are exempt from the general 12.5 per cent purchase tax, and in addition tractor fuel is exempted from this tax as well as road tax.

(ii) Statement on actual levels of butter-fat content of butter and milk sold for liquid consumption, any regulation governing or influencing these levels and any significant changes in the past five years

Butter; imposed minimum fat content 80 per cent.

Liquid milk, no standardization. Actually 4.1 per cent fat.

(iii)(a) Retail and wholesale prices of milk sold for liquid consumption, butter, cheese, and other milk products, including major seasonal variations

The maximum retail prices for dairy products, fixed by the Government in agreement with the two professional organizations, follow only partly the variations of producers' milk prices, as the Government uses consumer subsidies as a means of stabilizing retail prices and minimizing the pressure on the cost of living index.

The retail margin is also fixed and thereby links the wholesale price to the fixed retail price.

Table 3

Changes in Fixed Retail Prices  
(US cents per unit)

| Changes as from                       | 1 July 1962 | 9 May 1963 | 1 July 1963 | 12 Aug. 1963 | 28 Dec. 1963 | 2 Jan. 1964 | 28 Feb. 1964 | 1 Aug. 1964 | 1 Dec. 1964 | 1 Dec. 1965 |
|---------------------------------------|-------------|------------|-------------|--------------|--------------|-------------|--------------|-------------|-------------|-------------|
| Milk bottled litre                    | 11.20       | 9.80       | 10.08       | 8.96         |              | 11.48       | 11.76        | 13.86       | 12.88       | 12.74       |
| Cream 35 pct. bottled litre           | 115.78      |            | 116.06      |              |              | 117.60      |              | 122.36      | 125.30      |             |
| Butter Clover Brand kg.               | 145.60      |            |             |              |              |             |              | 154.70      | 141.40      |             |
| Cheese 45 per cent Norwegian Gouda kg | 131.60      | 109.20     |             |              | 131.60       |             |              |             | 107.80      |             |

(iii)(b) Retail and wholesale prices of margarine

Table 4

Margarine Prices  
(US cents per kg.)

| Change as from | 1<br>Jan.<br>1962 | 9<br>July<br>1962 | 8<br>May<br>1963 | 30<br>Sept.<br>1963 | 21<br>Oct.<br>1963 | 11<br>Nov.<br>1963 | 3<br>Feb.<br>1964 | 3<br>Nov.<br>1964 | 21<br>Dec.<br>1964 | 22<br>Mar.<br>1965 | 13<br>Sept.<br>1965 |
|----------------|-------------------|-------------------|------------------|---------------------|--------------------|--------------------|-------------------|-------------------|--------------------|--------------------|---------------------|
| Wholesale      | 27.72             | 27.02             | 21.98            | 23.38               | 23.94              | 35.56              | 36.68             | 28.28             | 30.66              | 31.36              | 30.66               |
| Retail         | 36.40             | 37.10             | 31.50            | 32.90               | 33.60              | 46.20              | 47.60             | 39.20             | 42.00              | 42.70              | 42.00               |

(iv) Consumer subsidies

As mentioned under (i)(d) above, the distinction between producer and consumer subsidies must be arbitrary. If, however, the motivation for keeping the cost of living index down is used as a criterion for consumer subsidies, the following amount shows the evolution of consumer subsidies in the last five years.

Table 5

Consumer Subsidies on Some Dairy Products  
(US cents per unit)

| Changes as from |       | 1<br>Dec.<br>1960 | 9<br>May<br>1963 | 12<br>Aug.<br>1963 | 2<br>Jan.<br>1964 | 1<br>Dec.<br>1964 | 22<br>Feb.<br>1965 |
|-----------------|-------|-------------------|------------------|--------------------|-------------------|-------------------|--------------------|
| Liquid milk     | Litre | 2.90              | 4.16             | 5.17               | 2.90              | 4.02              | 4.73               |
| Cheese          | kg.   | 13.86             |                  |                    |                   | 32.20             |                    |
| Butter          | kg.   | 0                 |                  |                    |                   | 15.40             |                    |

(v) Use of dairy products in domestic and foreign welfare schemes

Milk, bought by municipalities for school breakfasts, is offered at reduced prices. In 1964 2.7 million litres of milk were sold with 20 per cent reduction of the price, the municipalities paying the rest.

Butter, at a reduced price, is offered to social institutions. In 1963 and 1964 about 445 tons were sold with about 15 per cent price reduction.

To Skopje, Yugoslavia, was delivered under the Food and Agriculture Organization World Food Program in 1944, 245 tons of butter at an f.o.b. value of US\$100,000.

To Cuba was delivered in 1963, also under World Food Program 270 tons of milk powder at an f.o.b. value of US\$95,000.

(vi) Other measures to stimulate domestic consumption

The Federation of Agricultural Co-operatives' Publicity Department launches advertising campaigns for increased consumption of liquid milk, butter and cheese. All modern advertising media and methods are used, and the results are very encouraging.

(vii) Measures of protection at the frontier

Tariffs and quantitative regulations.

|       |  |          |         |
|-------|--|----------|---------|
| 04.01 | Milk and cream, fresh not condensed or sweetened     |          |         |
|       | A. sterilized  | Kr. 0.48 | per kg. |
|       | B. other   |          | free    |
| 04.02 | Milk and cream, conserved, concentrated or sweetened |          |         |
|       | A. Dried milk  | Kr. 1.20 | per kg. |
|       | B. Other   |          |         |
|       | 1. Unsweetened                                       | " 0.48   |         |
|       | 2. Other   | " 0.80   |         |
| 04.03 | Butter   | " 2.80   |         |
| 04.04 | Cheese or curd                                       | " 1.20   |         |

Global licence for cheese, 230 tons per year (1965/66)

II. Information on production, consumption, imports, exports, end-season stocks of dairy products, cow numbers and yield per cow. Information on national production, consumption and trade trends over the next five years assuming the continuation of existing national policies

Table 7  
Account and Forecast of Cow and Goat Milk Production  
Calculated as Liquid Milk

(Million litres)

|   | 1960  | 1963  | 1964  | 1970             | 1975             |
|---|-------|-------|-------|------------------|------------------|
| Total cows milk production                          | 1,566 | 1,621 | 1,630 | 1,589            | 1,563            |
| Feed  | 78    | 74    | 72    | 66               | 60               |
| Farm consumption                                    | 152   | 139   | 135   | -                | -                |
| Off-farm sales, milk                                | 21    | 14    | 12    | -                | -                |
| Off-farm sales, butter                              | 47    | 44    | 40    | -                | -                |
| Dairy deliveries                                    | 1,268 | 1,350 | 1,359 | -                | -                |
| Sale liquid milk and cream                          | 690   | 693   | 711   | 878 <sup>1</sup> | 896 <sup>1</sup> |
| For processing, cows milk                           | 578   | 657   | 645   | 645 <sup>2</sup> | 607 <sup>2</sup> |
| "          "      goats milk                        | 21    | 21    | 22    | 20               | 20               |
| Total milk for processing                           | 599   | 678   | 667   | 665              | 627              |
| Processed milk products, commercial domestic sales  | 297   | 353   | 376   | 463              | 490              |
| Processed milk products, surplus sales <sup>3</sup> | 302   | 325   | 291   | 202              | 137              |
| Same in percentage of total production              | 19    | 20    | 18    | 13               | 9                |

<sup>1</sup>Including farm consumption and off-farm sales of milk.

<sup>2</sup>Including off-farm sales of butter.

<sup>3</sup>Exports and non-commercial sales on home market. See Table 8.

Table 8  
Disposal of Butter and Cheese (Metric tons)

|                                 | 1961   | 1962    | 1963    | 1964   |
|---------------------------------|--------|---------|---------|--------|
| <u>Butter:</u>                  |        |         |         |        |
| Total production                | 18,815 | 19,513  | 20,034  | 20,061 |
| Commercial sales on home market | 10,181 | 9,386   | 9,499   | 10,586 |
| Compulsory returns to farmers   | 2,596  | 4,042   | 5,466   | 1,961  |
| Sales to margarine factories    | 136    | 105     | 678     | 435    |
| Sales to social institutions    | 427    | 420     | 446     | 444    |
| Exports                         | 5,593  | 5,398   | 3,936   | 6,625  |
| Stock changes                   | ÷ 118  | + 162   | + 9     | + 10   |
| <u>Cheese:</u>                  |        |         |         |        |
| Total production                | 39,975 | 42,673  | 42,711  | 42,143 |
| Commercial sales on home market | 26,430 | 26,409  | 26,444  | 26,156 |
| Price-reduced sales to farmers  | 4,733  | 4,665   | 5,222   | 4,884  |
| Exports                         | 9,746  | 9,458   | 14,032  | 12,292 |
| Imports                         | 238    | 237     | 185     | 230    |
| Stock changes and losses        | ÷ 696  | + 2,378 | ÷ 2,799 | ÷ 959  |

Table 9  
Cow Number and Yield per Cow

|                   | 1955  | 1960  | 1964  | 1970  | 1975  |
|-------------------|-------|-------|-------|-------|-------|
| Cow number ('000) | 658   | 603   | 552   | 493   | 443   |
| Yield per cow (l) | 2,293 | 2,674 | 3,058 | 3,344 | 3,663 |

- III. (i) No comments.
- (ii) No comments.
- (iii) Concrete data on export subsidies and export aids; global values, and value per unit

No contributions are granted from the Treasury for the disposal of surplus milk production. From the farmers' marketing fund, the Feed Fund, which is financed by levies on feeding stuffs, are covered:

For the export of butter and cheese, the difference between an f.o.b. basic export price and the obtained f.o.b. price is covered by the fund. The f.o.b. basic export price is for butter kr.7.50 per kg. (\$1,050 per ton) and for cheese kr.4.50 per kg. (\$630 per ton) with Norwegian Gouda 45 per cent as a basis.

For the exports of powdered and condensed milk, the difference between the domestic unit value of the milk used for processing and the obtained value on the same volume.

Table 10

Export Losses on Dairy Products in 1964

|                                      |                         |
|--------------------------------------|-------------------------|
| Butter: Exports:                     | 6,425 M.T; \$6,744,000  |
| Unit rate of export loss:            | \$98 per M.T.           |
| Cheese: Exports:                     | 10,156 M.T; \$6,752,000 |
| Unit rate of export loss:            | \$108,000               |
| Skim and whole milk powder: Exports: | 14 M.T; \$5,700         |
| Unit rate of export loss:*           |                         |
| Concentrated milk: Exports:          | 1,538 M.T; \$289,800    |
| Unit rate of export loss:*           |                         |

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\*First half of 1964 = concentrated and powder milk 434 M.T. at unit rate of loss \$39 per M.T.

(iv) Stock Management policies in relation to export practices

As seen in Table 8, only about half of the butter which has not found outlets on the commercial domestic market, is exported. The rest has been disposed of at reduced prices in the country, of which the largest part is the butter compulsory returned to milk producers. This avoids the need for stocking butter longer than for levelling out the seasonal variations of butter production.

The surplus in summer season of skim milk is for a large part turned into milk powder, which over the year is returned to farmers for animal feed.

IV. No comments.