

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

MTN/3E/DOC/2/Add.4
28 June 1974

Special Distribution

Multilateral Trade Negotiations

Original: English

GROUP 3(c) - BASIC DOCUMENTATION

Agricultural Policies

Addendum

FINLAND

Statement on the Present Finnish Agricultural Policy

The main objective of the agricultural production policy is an attainment of a better balance between agricultural production and domestic consumption. During last years especially the production of dairy products, eggs, pork and wheat has exceeded domestic consumption. Therefore, the Finnish Government has taken several strict measures in order to curb farm production. The most important of these measures are as follows:

Farm Retirement Scheme. Since 1969 the Government pays a compensation to a farmer if he takes his farmland out of agricultural production. At present about 230,000 hectares of arable land or almost 10 per cent of the total arable land area is taken out of production. Due to the recent changes in the world market of farm products new farms will be taken into the Scheme only in exceptional cases in 1974.

The Government has paid subsidies to farmers who are willing to afforest arable land.

A special slaughtering premium system of dairy cows was applied in 1970 in order to decrease milk production. About 50,000 dairy cows were slaughtered within the framework of the system.

Finland has practiced very restrictive import policy concerning feeding-stuffs in order to curb animal production.

Special marketing levy systems have been applied to milk, pork, eggs and wheat in order to decrease the production of these "surplus products".

The Government has also paid general consumer subsidies for butter in order to increase its domestic consumption. The reduction of the butter price is even larger with regard to butter which is sold to food industry. There is no doubt that the measures taken to curb agricultural production have been successful, e.g. total milk production has decreased continuously since 1969.

The main objective of agricultural income policy is to narrow the existing gap between the standard of living of agricultural population and that of other population groups. The means employed to attain this goal are the improvement of agricultural structure (structural rationalization) especially the enlargement of farms, price policy and social policy. The most important measures are as follows:

The Government grants credit at a low rate of interest for the enlargement of farms and for other purposes to improve productivity in agriculture. Two important laws came into force in 1974 the goals of which are to improve farm structure and also to take farm land out of production. These laws are the Law on Discontinuation Pension and the Law on Discontinuation Compensation. According to these laws the Government pays a special pension or compensation to farmers who are willing to sell the arable land of their farms to the State or to other farmers to be used for the enlargement of existing farms or for reforestation. The Finnish Parliament passed in 1974 also a Law on Special Pension to farmers which makes it possible for an older farmer to retire early and transfer his farm to his heir. This kind of special pension accelerates the change of generations in farming and lowers the average age of active farmers. It may also have a beneficial effect on the structural development of agriculture.

A Law on the General Pension Scheme for the Farmers came into force in 1970 and a Law on Farmers Vacations in 1974. The Government pays a part of the costs of vacations. The Law is applied only to farmers who have dairy cattle or other animal production.

The target prices of the most important farm products (milk, beef and veal, pork, eggs, mutton, wheat, rye, feed oats and feed barley) are determined annually on the basis of the Agricultural Price Law. The development of the prices of agricultural inputs (fertilizers, machinery etc.), the development of agricultural productivity and the development of the incomes of other population groups are taken into account when the target prices of farm products are being determined.