

CONFIDENTIAL

GENERAL AGREEMENT ON TARIFFS AND TRADE

TN.64/DP/W/14

14 March 1966

Special Distribution

Group on Dairy Products

Original: English

SWEDEN

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

I. Existing dairy policies

(i)

The Swedish price support system for agricultural products now in force provides for the free fluctuation of domestic prices in accordance with the market situation but within predetermined limits. If domestic prices go below the lower limits, countermeasures found appropriate are taken in order to seek to bring the domestic prices within the limits determined. In such cases, import levies usually are increased at first hand but quantitative import restrictions may also be introduced.

The lower price limits can be regarded as the nearest equivalent to "guaranteed" prices, in view of the fact that certain countermeasures as just mentioned are to be taken when the internal price falls below the level represented by the lower limit. On the other hand, there is no guarantee that producers' return always is kept at a certain minimum level. The lower price limits for the principal dairy products were as per 1 January 1966 as follows:

Lower Price Limits (January 1966) (US\$ per metric ton)

<u>Butter</u> with a fat content of 82 per cent	October-April	1,203
	May-September	1,093
<u>Cheese</u> with a fat content of 45 per cent (Svecia and Herrgard)		1,029
<u>Whole milk powder</u>		838
<u>Skimmed milk powder</u>		580

For liquid milk, however, no lower price limit is being fixed, as in practice there are no imports today of liquid milk. The weighted average price to producer for milk containing 3.5 per cent fat, free dairy at a skimmed milk value of US\$9 per metric ton was in September 1965 (latest available figure) US\$105, assistance and subsidies included.

The import levies are in principle kept unchanged as long as the domestic prices remain within the predetermined price limits. They may, however, be modified subject to a special safeguard rule. Thus, the import levies shall be adjusted if the difference between the world market price index and the agricultural production cost index equals or exceeds three points for three months in succession. A rise in the world market price index means that the import levies can be reduced, while a fall in the world price index means that higher levies are necessary to prevent a fall in the internal price level. A rise in the production cost index indicates that the internal price level needs to be raised by means of higher import levies if producers are to be compensated. On the other hand, a fall in the production cost index can work to the benefit of the consumers through a lowering of the import levies.

According to the provisions of the present system, a minor increase will take place as regards the import levies and the price limits on 1 March 1966 in order to make possible a certain increase in the farmers' income.

The marketing of milk and dairy products is organized by the Swedish Dairy Association. By means of an equalization fund, milk producers receive the same price for their milk deliveries regardless of utilization. In addition, the returns to producers are raised by special contributions from the State budget, allowing for: (i) a general supplement for all milk delivered to dairies; (ii) a delivery supplement to all producers for quantities up to 23,750 kgs. delivered per farm per year; (iii) an extra price supplement for milk delivered in the northern part of the country.

The general price supplement corresponds to a subsidy of 74.4 öre (\$0.144) per kilogramme of butter-fat and is paid on all deliveries of milk to dairies.

The amount of the general supplement was in 1965 US\$18.8 million. The two other kinds of supplement are regarded as social support to small farmers, as complementary to the general price support system applied in the agricultural policy.

The delivery supplement for milk is heavily concentrated on small milk deliveries. According to the prevailing scale, the support is Kr.0.05 per kg. for deliveries between 1,000 and 9,000 kgs. per farm per year. For deliveries between 9,000 and 12,000 kgs. the support is Kr.400 per year and it is decreased by Kr.0.04 for each kilogramme of milk delivered in excess of 12,000 kgs. per farm. The total cost amounts to about US\$6.5 million per year.

The extra price supplemented for milk delivered in the northern part of the country varies from region to region between Kr.0.35 and 2.60 per kilogramme of butter-fat.

(ii)

According to the Swedish Food Regulation, butter intended for sale shall contain at least 82 grammes of milk fat per 100 grammes. From the point of view of fat content the following types of milk sold for liquid consumption may be distinguished:

Milk with a 3 per cent fat content packed for retail sale or bulk.

Milk with a 3.5 per cent fat content packed only for retail sale, homogenized and vitaminized.

The sale of milk with a fat content of 3.5 per cent is very limited (only 2 per cent of the consumption of liquid milk in the whole country).

(iii)

(a) and (b)

Retail and wholesale prices of the principal dairy products and margarine were 1965 as follows (yearly average for the whole country US\$ per metric ton):

	Wholesale price	Retail price ¹
<u>Milk</u> with a fat content of 3 per cent sold for liquid consumption, in glass bottles	147	190
<u>Butter</u> with a fat content of 82 per cent	1,290	1,580
<u>Cheese</u> with a fat content of 45 per cent	1,135	1,863
<u>Margarine</u> for direct consumption	621	718

(iv)

There are no consumer subsidies over the State budget for consumption of dairy products.

¹ Turnover tax of 10 per cent included in retail prices but not in wholesale prices.

(v)

A decision has been taken to deliver milk powder for foreign welfare purposes.

(vi)

There are no direct and regulate measures to stimulate domestic consumption of dairy products.

(vii)

The import levies and compensatory fees applied for the principal dairy products are as follows (January 1966):

	Import levy	Compensatory fee
<u>Milk and cream, fresh, not concentrated or sweetened (US\$ per 1,000 litres)</u>		
with a fat content of less than 9 per cent	45	24
9-12 per cent	110	33
12-25 per cent	193	128
25-35 per cent	317	139
35-45 per cent	429	224
45-55 per cent	547	236
55-65 per cent	667	246
65 per cent and more	752	250
<u>Milk powder (US\$ per metric ton)</u>		
with a fat content of less than 35 per cent	393	-
35-45 per cent	642	-
45-55 per cent	803	-
55-65 per cent	961	-
65 per cent and more	1,124	-
<u>Butter (US\$ per metric ton)</u>	261	46

	Import levy	Compensatory fee
<u>Cheese</u> (US\$ per metric ton) ¹		
hard and medium hard	259	215
processed	-	215
soft and blue-veined	259	215

II. Members of the Group will submit information on national production, consumption and trade trends over the next five years assuming the continuation of existing national policies

Development of milk production, cow numbers and yield per cow:

	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66
Milk production ('000 metric tons)	3,810	3,972	3,798	3,665	3,611	3,607
Number of milk cows ('000 head)	1,223	1,212	1,154	1,072	1,016	980
Milk yield per cow (kg.)	3,115	3,277	3,291	3,419	3,554	3,681

Production, imports and exports of the principal dairy products and production trends over the next five years assuming the continuation of existing national policies are given in the following tables:

Milk
('000 metric tons)

Production		Liquid consumption		Imports	Exports
		milk and cream in terms of milk equivalent (all milk)	there of milk		
1960/61	3,810	1,436	1,069	-	-
1961/62	3,972	1,403	1,028	-	-
1962/63	798	1,380	1,002	-	-
1963/64	3,665	1,371	983	-	-
1964/65	3,611	1,381	981	-	-
1970	3,300	1,400	1,000	-	-

¹ Levied on the weight including packages in which the cheese is sold by retail.

Milk Powder
('000 metric tons)

	Production	Consumption	Imports	Exports
1960/61	26.9	..	0.1	2.0
1961/62	35.1	..	0.2	1.5
1962/63	34.9	..	0.1	8.0
1963/64	32.6	..	0.1	5.7
1964/65	40.8	..	0.1	0.2
1970	38

Butter
('000 metric tons)

	Production	Consumption	Imports	Exports
1960/61	81.0	71.1	0.8	8.5
1961/62	91.9	72.6	0.2	17.1
1962/63	87.1	76.7	0.3	11.7
1963/64	81.7	73.9	0.1	10.8
1964/65	79.7	68.1	0.7	5.7
1970	53

Cheese
('000 metric tons)

	Production	Consumption	Imports	Exports
1960/61	55.4	58.1	7.8	3.2
1961/62	55.7	58.4	8.4	5.0
1962/63	54.9	59.6	8.1	5.7
1963/64	56.8	60.9	8.6	6.9
1964/65	57.4	61.0	8.6	3.8
1970	60	70

III. International prices and price stabilization in international markets

(i) (ii)

The world market price index, which forms an important part of the Swedish agricultural price support system includes the main Swedish agricultural products which normally enter international trade and is based on leading foreign quotations. As regards butter and cheese, the following foreign price quotations have been included in the world market price index (average prices in December 1965, US\$ per metric ton):

Butter

The lowest price of (i) the Danish export price to the United Kingdom quoted f.o.b. Danish harbour, and	
(ii) the Danish producer price excluding subsidies, linked to the export price previously applied (generally the Danish export price has been the lowest)	US\$942

Cheese

Dutch Edamer, 40 per cent leeuwarden quotation	US\$692
Danish Samsø, 45 per cent, the Danish Export Board's quotation free dairy	US\$574

(ii)

It seems to be a general view that the arrangements which emerge from the work of the Group should be designed to stabilize the levels of prices. From the Swedish side the desirability of maintaining stability of international price levels for agricultural products has been emphasized on several occasions, as in the Swedish offers within the agricultural field on 16 September 1965. As regards the possibility of maintaining such prices, there are of course some difficulties in view of the wide disparities in patterns of production, consumption and different price levels in different countries. From the work of the Group it will, however, appear whether an arrangement aiming at ensuring more or less stable price levels for some dairy products is practicable and negotiable.

(iii)

An inherent feature of the agricultural price support system now in force is that when products covered by the system are exported, the difference between the higher domestic price and the price on the external market is to be levelled out.

For dairy products, as for other products covered by the system, aid to exports is organized by means of a special equalization or compensation fund. The fund is administered by the relevant marketing association in question ("Svenska Mejeriernas Riksförening"). The fund is financed as far as export aid is concerned by the proceeds by levies on production of liquid milk, cream and cheese on the home market and by levies on imports of feeding stuffs. For butter the fund covers the difference between the price on the home market and the export price. For other dairy products the difference is calculated according to the content of butter-fat. No export subsidies are granted over the State budget. For butter and cheese the following subsidies have been granted in 1964.

Product	Total quantity exported and subject to export aid (in metric tons)	Total value of this export (in '000 US\$)	Average rate of export aid for the year (in US\$ per metric ton)
Butter	8,532	8,738	250
Cheese	5,384	2,865	148

As regards milk and milk powder the exported quantities were insignificant.

(iv)

No special stock management policies in relation to export practices are pursued in Sweden.

IV. Exchange of technical information on the various possibilities for using dairy surpluses as international food aid, and particularly ways of disposing of products which include the fat content of milk

There is no information available.