TRADE IN AGRICULTURAL PRODUCTS

SWEDEN

Synopsis of Non-Tariff Measures for the Protection of Agriculture or in support of Incomes of Agricultural Producers furnished by the Government of Sweden

I.

NATIONAL AGRICULTURAL POLICIES

A. General Objectives

Under the long-term agricultural programme adopted by the Riksdag in 1947 the essential objective of Swedish agricultural policy is to assure the agricultural sector the same opportunities as other groups of the population for attaining a reasonable level of income and to participate in any future rise of general prosperity.

An adequate income however, cannot be guaranteed to any farm, irrespective of its location, size or efficiency. As a matter of fact, the income objective is determined with reference to so-called "basic" farms, i.e. well-located farms comprising 10-20 hectares of arable land in a good state of cultivation. On the other side comparison is made with the earnings of industrial workers in the two lowest cost-of-living sectors comprising about 70 per cent of all industrial workers.

The agricultural policy in Sweden aims at decreasing the production in the long run; in the 1947 programme 90 per cent of domestic requirement was indicated as a feasible long-term target for the production. The agricultural output is, however, still well ahead of this target.

The methods for implementing the 1947 programme follow two main lines, namely methods to promote rationalisation and thereby increase the net output per man and decrease the unit costs of production and methods to protect the Swedish market.
against heavy price pressure from abroad that could jeopardize the income objectives. The rationalization measures have by their nature mainly long-term effects, especially where structural changes are involved. In the short run they must be supplemented by a price support scheme. As will be further developed (under I B) this price support in Sweden is provided by a protection at the frontier that in principle is based on tariff measures.

B. Special Measures

Protection to agriculture was previously effected by different measures for different products, such as monopoly trading, variable import levies, customs duties, and quantitative restrictions. Since 1 September 1956 the import system has been substantially liberalized; the previous monopolies and the use of quantitative restrictions have in principle been suspended. Further, fixed import levies have been introduced in lieu of ordinary customs duties or variable levies (except for certain feedingstuffs for which the import levies are still variable). The rates of the import levies are unchanged as long as domestic prices remain within certain predetermined price limits (an "upper" and a "lower" limit). For the more important products these limits are fixed by reference to a "middle price". As a general rule the difference between each limit and the "middle price" has been determined at between 10 and 15 per cent. The "middle prices" if actually realized for all products concerned correspond to a price level that in 1956 was estimated to enable the farmers to obtain the income parity aimed at.

The rate of the import levy itself was initially fixed so as to make up the difference between the "middle price" and the world market price during 1955-56; the average rate was about 25 per cent of the import price.

The intention has also been to make domestic prices more flexible and influenced by the price movements abroad: the domestic prices shall follow the trends on the international market but at a higher level, due to the fixed import levy imposed.

Should, however, domestic prices fall below the "lower" limit, the Government may - in the interest of the producers - raise the import levy or introduce quantitative restrictions in order to support the domestic price. In some cases (as for bread grains, meat and eggs) a reintroduction of the previous import monopolies may also be contemplated. If on the other hand the "upper" limit is exceeded the import levy will - in the interest of the consumers - be reduced or removed or quantitative control of exports introduced.

The "middle prices" have served only as a guide in determining the price limits and the import levies and they constitute in no way a guaranteed price.

When the general index of consumer prices varies by 5 per cent or more the the lower and upper limits and the rate of the import levy are adjusted proportionately. On the other hand, when the index of "real prices" paid
to producers shows variations of 6 per cent or more over a given period the
Government enters into negotiations with farmers which may result in a
modification of the import levies. Thus the Government has given a dual
index guarantee, both against large fluctuations in the value of money and
against exceptional fluctuations in agricultural prices on the world market.
This guarantee may, depending on the direction of the price trends, work to
the benefit of the consumers as well as the producers. Both the 5 per cent
and the 6 per cent rules have had to be brought into operation since the new
system started.

As mentioned above the previous trade monopolies have been suspended
but the relevant Marketing Associations have been maintained for the purpose
of price stabilization on the domestic market. These Associations are
independent private bodies - general directives for their functioning are
issued by the Government - and in close co-operation with the Public
Authorities, they play a decisive part in regulating the market for the main
products. For this purpose they have at their disposal "Compensation
Funds" financed from the proceeds of the import levies mentioned above and a
variety of marketing and processing fees - such as milling fees on wheat and
rye, manufacturing fees on cheese, marketing fees on milk and slaughter fees
on meat. Imports of commodities which if produced or manufactured in Sweden
are charged with such fees are subject to an additional compensatory levy
equal to the internal fee. This revenue is also paid into the relevant
Compensation Fund. Each Association administers its own Fund. No support
is given from the Budget. From these Funds a certain stabilization of
prices can be ensured, stockpiling and marketing schemes operated and losses
on exports, if any, covered.

For some important crops, namely wheat, rye, oil-seeds and industrial
potatoes the Marketing Associations have taken special steps to organize
further the market and to supplement the system of protection through import
levies. For industrial potatoes guaranteed prices are fixed in the form of
a contract between producers and the competent association. For oil-seeds
there is a guaranteed redemption price from the beginning of the season.
The Grain Trade Association fixes, each year, before the harvest, redemption
prices at which it undertakes to buy all wheat and rye unsold by 1 April in
the following year.

The import system described above is now running for an initial period
of three years that expires on 31 August 1959. The question of a pro-
longation of the system beyond that date is for the time being subject to
negotiations.

The prices of certain kinds of fish are controlled. The regulation
means that fishermen receive a bonus for fish that cannot be sold at certain
fixed minimum prices (surplus fish). The bonus is paid from funds establi-
shed by a special fee which is made either at the first-hand sale and at,
at least, the minimum price for Swedish fish or importation of fish. For exports the bonus is only paid on small herring (from the Baltic Sea) and, in certain cases, for salted herring.

II.

SUBSIDIES

(Including all forms of Incomes and Price Support)

Although the income and price support to agriculture as described in Section I A and B by its general design is given only as a protection at the frontier, direct income support through the State budget is granted in some cases. Only in the dairy sector the support given in this way has any significance.

This subsidy in the dairy sector that is of old standing has been maintained also under the new system. The reason for this is that a throughout application of the general principle of protection at the frontier would have resulted in very high domestic prices for dairy products, should the income parity have been safeguarded.

The subsidies - including cash payments to owners of small farms - amount to about kr. 217 million a year. The cash payments (kr. 42 million) are entirely of a social character since they are not made on the basis of real milk deliveries. Of the other subsidies, about half has to be regarded as social aids.

To complete, some special measures of temporary character in the dairy field may be mentioned. Because of the marketing difficulties for butter the Government has for 1958/59 granted subsidies (about kr. 50 million) in order to increase the domestic consumption and to reduce hereby export surpluses.

Apart from the dairy sector income support granted by the Government (as for flax, hemp and wool) is negligible and totals only about Kr. 3.2 million per year.

In addition to these direct income supports through the State Budget, it has been agreed between the Government and the farmers' organizations that means derived from import levies should be transferred to the Funds of the special Marketing Associations. This arrangement that is to be regarded as a general subsidy has been deemed necessary to secure parity of income for farmers, which as mentioned above, is the aim of the agricultural policy. The amount that accrues to Agriculture in this way amounts to roughly 70 million kronor in a normal year. Part of the means transferred in this way, e.g., import levies for feedingstuffs, does not have the character of a subsidy but is to be regarded as a restitution of special costs connected with production.
An inherent feature of a system based on protection given at the frontier, is that if products covered by the system are exported in a market situation when the domestic prices are higher than the prices on the external market the difference must be levelled out.

In Sweden where such export losses are equalized exclusively by the relevant Marketing Associations - and not by the Budget - the means required are derived from the manufacturing and marketing fees (compare Section IB) transferred to the Compensation Funds.

III.
MIXING REGULATIONS

For many years there have been legal provisions in Sweden for mixing regulations regarding bread grains (wheat and rye and flour of same) margarine as well as certain like fats and certain oilcake mixtures. For the time being mixing regulations are in force only for wheat and oilcake mixtures.

IV.
STATE-TRADING OPERATIONS

(including private enterprises enjoying special privileges)

Import of tobacco and alcoholic beverages (brandy, wine, and strong beer) are administered by monopolies. These monopolies are of social and fiscal nature and there does not appear to be any substantial protective element in their operation. (See Document L/784/Add.1/Corr.1). Concerning the possibility of a reintroduction of monopoly trading in the agricultural sector in emergency cases see under IB.

V.
IMPORT RESTRICTIONS

In principle, there are no restrictions on imports of agricultural commodities from OEEC countries, the sterling area, Finland, Indonesia and Yugoslavia as long as the domestic price remains between certain fixed price limits. The same rules apply also to imports of most products from the dollar area. For items where imports from this area have not been freed - mainly animal products - licences are required; they are issued on an ad hoc basis or in accordance with directives drawn up in the light of import needs and the balance-of-payments situation. Imports from other sources are formally restricted, but licences are mostly granted freely. Only to a small extent the import is regulated by bilateral trade agreements.
As regards commodities not covered by the agricultural scheme such as fruit and vegetables, import is in principle unrestricted. For apples and pears, however, a system of seasonal restrictions on imports is applied.

As regards fish most items are free-listed when imported from OEEC countries and the dollar area or admitted without any restrictions in practice. For some products (as fresh herring, fresh cod-fish) imports take place under bilateral quotas or on an ad hoc basis.

Restrictions Applied to Products for which Support Measures are in force

1. Products liberalized from the OEEC countries, the sterling area, Finland, Yugoslavia and the dollar area

   Cereals and flour
   Horses, bovine cattle and sheep
   Meat, other than: pig-meat, fresh, chilled, frozen or canned meat of horses and bovine cattle, meat of poultry
   Sugar
   Oil seeds, fats and oils, margarine

2. Products liberalized from the OEEC countries, the sterling area, Finland and Yugoslavia only

   Milk and dairy products
   Pigs
   Pig meat, fresh, chilled, frozen or canned meat of horses and bovine cattle, meat of poultry
   Eggs of poultry
   Raw potatoes and potato starch

VI.

MEASURES WHICH TEND TO REDUCE OR REMOVE THE NEED FOR NON-TARIFF MEASURES OF PROTECTION OR SUPPORT

As has been stressed under Section IA, one of the main features of the 1947 programme is the rationalization scheme, aiming at increased productivity and reduced production costs in order to make Swedish agriculture more competitive. The structural rationalizations has lead to a continuous

1 concerning the possibility of re-introducing import restrictions when the domestic price of products covered by the support scheme falls below the lower price limit, see under Section IB, page 3.
decrease in the number of small farms. In the demographic field there has been a considerable outflow of labour from farming to urban occupations during the last decades. These and other factors together are thought to result in a decrease in the total agricultural production in the long run.

As already mentioned the protection to Swedish agriculture is mainly given by means of tariff measures (import levies) and quantitative restrictions are only used in emergency cases. To the extent that the future price trends on the world market do not threaten the objectives of the Swedish agricultural policy such measures as quantitative restrictions will no longer be needed nor will it be necessary to maintain the tariff protection at its present level. The outcome of the continuing rationalization will, of course, also play an important role in this context.