During last year's consultations the Committee was informed that a new act relating to agriculture had been passed by the Parliament. This act, having the title "Act on the Marketing Fund for Agricultural Products", entered into force on 1 October 1962.

The act implies to some extent a continuation of established practices but also inaugurates a new phase in Finnish agricultural policies. I will revert to this aspect later on. Now I would like to comment with a few words the general background which led to this legislation.

The development as regards the marketing problems of agricultural products has in Finland been similar to that in many other countries. It has been necessary ever since the middle of the 1950's to use fairly large budget appropriations to ensure the demand for dairy produce, eggs and at times pork. Continuous or occasional importation of certain other products, such as cereals and meat, has been necessary in times of insufficient domestic production or when prices have tended to rise too high.

The import protection of agriculture has in Finland been based first and foremost on fixed tariffs. The system applied in Finland has been too rigid especially after the abandonment of the old tariff system which included the so-called "asterisk duties". The system applied did not allow room for sufficiently flexible adaptation to changing market conditions and price fluctuations. It has been found difficult to keep the market stable under the old system.

The general requirement to be expected of a marketing system for agricultural products is that it provides the necessary elasticity in the marketing of agricultural products, thus permitting the maintenance of sufficiently stable domestic prices at target levels.

*English only/anglais seulement.
It is against this background the decision to introduce a new system for the imports of agricultural produce must be seen. The system is based on import levies with the funds accruing from them transferred to an extra-budgetary fund. The task of the fund is to maintain and promote the domestic demand for agricultural products, and to finance exports of these products when necessary.

It is important that the system be applied on a sufficiently large scale. This is essential because there is a close interdependence between the various agricultural products. Therefore the system must in principle apply to all agricultural products of the tariff.

The import levies can be divided into two groups according to whether the import levies are fixed or variable. This division is based foremost on the conception that the system must be carried out with sufficient caution. Therefore the variable levies are imposed only on certain agricultural products which are included in the annual price review.

In the group of fixed levies are included also products bound in GATT. It should be stressed that the levies will be collected in place of duties. The level of the import levies does naturally not exceed the level of the bound rates. It should be noted that these import levies can be changed in tariff negotiations.

The general base for the fixing of the variable import levy is the difference between the world market price of the product and the corresponding domestic price. Import levies can be changed by Government decision as much as is necessary to counteract the effect of changes in world market prices.

The change can be effected if the world market price has for a period of two calendar weeks been an average of at least 5 per cent higher than the average world market price of May 1962. The change will be made so that the combined total of the world market price and the import levy is returned to the level of May 1962.

Simultaneously with the law concerning the Marketing Fund a new law on agricultural price levels was enacted. In order to restrict over-production the increased production will lead to lowering of average target price. This means that the producers will not get for their marginal production more than the world market price. Thus for increased exports there would be no subsidy. Applied to butter exports this would mean that the subsidy on these exports would effectively be reduced if total milk production would exceed a set ceiling. This ceiling is related to production in the year 1 September 1962 to 31 August 1963.
It has not been deemed possible to try to restrict agricultural production at the farms.

The means of the Fund can be allocated for the following purposes:

(a) to lower the customer prices and to promote demand

(b) to lower the prices of concentrated fodders and to compensate the costs incurred in their storing

(c) to compensate the costs incurred in storing agricultural products and

(d) to carry out agricultural exports that are deemed to be necessary.

If import levies have amounted more than estimated to be needed the Government may decree that a part of the money be transferred to the budgetary funds.

The law was enacted only for a period of one year, (for budgetary reasons it was prolonged until the end of this year) and its prolongation will depend on experience gained during its application.