Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

Inventory of Domestic Policies and Trade Measures
and Information on Bilateral, Plurilateral
or Multilateral Commitments

Reply to Parts G and H of the Questionnaire

SWEDEN

Revision

The participants have agreed to provide information concerning their domestic policies and trade measures including bilateral and plurilateral commitments on the basis of Parts G and H of the Questionnaire (Rule 16 of the Rules of Procedure). The documents containing replies to these parts of the Questionnaire are circulated under the symbol IMC/INV; they will be revised as and when changes are notified.

This set of documents constitutes the inventory of all measures affecting trade in bovine meat, including commitments resulting from bilateral, plurilateral and multilateral negotiations, which the Council has instructed the secretariat to draw up and keep up to date, under the provisions of Article III of the Arrangement (Note to Article III of the Arrangement and Rule 18 of the Rules of Procedure).

Note: This document has been revised in accordance with the three-year rule contained in Rule 18 of the Rules of Procedure, and replaces all previous IMC/INV/6... documents.
PART G

Part G.1. Information on domestic policies and trade measures

Introduction

During the past two decades important structural changes have taken place within Swedish agriculture. The number of farms has greatly decreased, as industrialization has rapidly increased. Today those engaged in agriculture represent less than 5 per cent of the total active population. Nearly 80 per cent of total agricultural income is derived from animal products, chiefly milk, beef and pigmeat. About one sixth comes from beef and veal production.

General policy framework

I. Guidelines for the agricultural policy

The present guidelines for Sweden's agricultural policy were decided by Parliament in 1977. The primary goals are to secure a satisfactory supply of food in case of emergency (the production objective), to assure people engaged in agriculture in all parts of the country an economic and social standard equivalent to that of comparable groups (the income objective) and to promote efficient farming so that food can be produced at reasonable costs (the efficiency objective).

Under the guidelines the existing resources of arable land are to be utilized for agricultural production. The agricultural area will be kept at about its current level, implying a surplus production of grain at normal harvests. For animal products balance between domestic production and consumption is aimed at.

In order to attain the income objective measures especially directed at low-income groups will be continued. Special support is accorded to agriculture in Northern Sweden. Swedish producer price levels are protected by import levies. For a number of basic foodstuffs, though, Sweden applies since 1973 a mixed producer/consumer price line ("middle price line"). This means that government subsidies are paid in order to keep consumer food prices down.
In order to cut public spending the Government decided in 1980 to reduce the food subsidies. The food subsidies were reduced in three steps on 1 January 1981, 1 October 1981 and 1 January 1982 totalling 1,050 million SEK which corresponds to about one third of total food subsidies spent. The price freeze was abandoned in November 1980.

The main goal for the agricultural rationalization policy is to build up and preserve efficient family farms, i.a. by means of a support programme which mainly consists of credit grants. Increased attention is given to the question of the effects that modern technology may have on public health and environment.

II. Agricultural price regulation

Principles of the price regulation system

A parliamentary resolution concerning the principles of the price regulation system normally covers a period of more than one year. The first price regulation period based on the 1977 policy guidelines was fixed for the three-year period 1 July 1978 to 30 June 1981. A resolution of this kind is preceded by negotiations between two delegations representing farmers and consumers respectively under the chairmanship of the National Agricultural Market Board. These negotiations generally end in agreement. When the negotiations have been completed the Board submits a proposal to the Government, which presents a Bill to Parliament.

In the negotiations between farmers and consumers concerning the agricultural price regulation system as from 1 July 1981, however, no agreement was reached. The National Agricultural Market Board presented a proposal of its own covering a one-year period. The Riksdag decided in accordance with the Board's proposal. In May 1982 the negotiations were successfully concluded and agreement was reached concerning the price regulation to be applied during the two-year period extending from
1 July 1982 to 30 June 1984. During the negotiations special attention was given to measures to avoid surpluses in the field of animal products. A package of measures aiming at reducing production and promoting consumption was outlined.

The measures outlined which bear upon both dairy production and beef production include i.a. the abandonment of delivery supplements for dairy farmers, 65 years and more of age, grants to dairy farmers, 60-65 years of age, who quit production, the possible introduction of a two-price system for milk and limited state credits for investments in the dairy sector. In order to reduce beef production more directly it has also been proposed to grant premiums for slaughter of female calves and heifers if deemed necessary by the National Agricultural Market Board.

In order to promote meat consumption it has been proposed to give price rebates for beef and pigmeat for consumption in schools. Also other ways to promote consumption are being studied.

**Adjustments during the price regulation period**

During a price regulation period half-yearly adjustments are made of producer prices and import levies on the basis of changed production costs. Such adjustments are also preceded by negotiations in the same way as proposals concerning the price regulation system. Further adjustments are made once a year (1 July) in order to accommodate farmers' earnings to the income development of comparable occupational groups. When adjustments are made of import levies, significant changes in the general development of world market prices can also be taken into account. The Government finally determines these half-yearly and yearly adjustments.
Information on domestic policies and trade measures concerning beef and veal

I. Production

(a) The Swedish beef industry and economic factors governing its evolution

The majority of Swedish beef producers are dairy farmers for which milk is the important product and beef a by-product. In 1980 the total number of bovine animals was 1,935,000 and the number of holdings with bovine animals around 71,000. Of these 44,000 held dairy cows. The distribution on different sizes of holdings and numbers of bovine animals in each size group is shown below.

<table>
<thead>
<tr>
<th>Number of dairy cows</th>
<th>0</th>
<th>1-9</th>
<th>10-24</th>
<th>25-49</th>
<th>50-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of holdings (000)</td>
<td>26</td>
<td>15</td>
<td>20</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Number of bovine animals (000)</td>
<td>476</td>
<td>203</td>
<td>685</td>
<td>416</td>
<td>155</td>
</tr>
</tbody>
</table>

The fattening of calves of dairy stock for slaughter therefore is an important part of Swedish beef production. This is to a large extent done by the dairy farmers themselves. Male and female calves of dairy stock are also fattened for slaughter or bred for recruitment by producers with no dairy production. This kind of production has increased in recent years along with the overall development within agricultural production towards specialization. Only about one tenth of the Swedish cow herd consists of beef cows, mostly held by non-dairy farmers.

Production of beef as well as other animal products is domestically orientated due to the agricultural policy aiming at balance between domestic production and consumption of animal products. Costs connected with surplus production have to be borne by the producers.

Beef production accounts for about one sixth (16%) of the total value of farm output as compared with the value of milk and pigmeat production accounting for 38% and 16% respectively.
The overall economic situation in Sweden with high interest rates and costs and decreasing disposable incomes affects the evolution of the Swedish beef industry in a general way. Domestic demand is decreasing, production costs rise and investments decrease due to reduced profitability and high investment costs. Nevertheless, with rising unemployment in sectors outside agriculture most dairy farmers/beef producers have no alternative and continue production in spite of decreasing profitability. Among the economic factors more specifically governing the evolution of the Swedish beef industry are producer returns and costs for dairy products, beef and competing meats. The profitability in dairy production is considerably higher than in mere beef production. An expansion of beef production from non-dairy stock is therefore unrealistic.

(b) Policies and measures of governments or other bodies likely to influence production either directly or indirectly, other than support or stabilization measures

Rationalization of farms and farm structures is one of the means for achieving the primary goals of the Swedish agricultural policy. The support in this field consists mainly of credit grants which aims at building up and preserving efficient family farms.

In order to limit increases in consumer prices i.a. for beef and veal, parts of the agreed prices to producers are financed by budgetary means (see II.(c)). Due to these food subsidies the domestic consumption of beef and veal and pigmeat has become higher than would otherwise have been the case. Domestic meat production has adapted its level to the increased consumption level. On 1 January 1981 the consumer subsidies for beef and veal were reduced by 6% (0.3 SEK/kg) 1981, on 1 October 1981 by 4% (0.2 SEK/kg) and on 1 January 1982 by 20% (0.9 SEK/kg). Along with decreasing disposable incomes and food price increases in general the reductions of the consumer subsidies for beef and other meats have affected negatively the consumption of meat, especially the consumption of beef. In the short run this has contributed to production surpluses. The costs connected with surplus production, have to be borne by the producers. In the long run this will incite producers to reduce production until balance with domestic consumption is reached.
In order to decrease animal production the price level of imported protein feeds has been raised twice in 1982, apart from changes due to changed world market prices.

Delivery supplements for milk from dairy farmers aged more than 65 years were abandoned in June 1982. Mainly intended to reduce dairy production this measure will also have a reducing effect on beef production.

(c) **Support or stabilization measures**

(i) **Instruments of support or stabilization**

The domestic price level is supported by import levies which stay fixed as long as domestic prices remain between certain price limits. The middle price between the price limits can be said to represent the price level aimed at according to the agricultural policy objectives. Middle prices, price limits and import levies are regularly adjusted. Import levies are supplemented by market regulation measures mainly concerning storing and exports. The practical implementation of these measures lies with the Market Regulation Association for Meat, a semi-governmental body working under the directives of the National Agricultural Market Board. When domestic supply is inadequate temporary reductions of import levies are made in order to stimulate imports.

(ii) **Levels of guaranteed prices, support or stabilization prices**

Middle prices and price limits as from 1 July 1982

<table>
<thead>
<tr>
<th></th>
<th>Lower price limit</th>
<th>Lower buffer price zone</th>
<th>Middle buffer price zone</th>
<th>Upper buffer price zone</th>
<th>Upper price limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Veal, whole carcases</td>
<td>1,889</td>
<td>2,010</td>
<td>2,131</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beef, whole carcases</td>
<td>1,821</td>
<td>1,860</td>
<td>1,937</td>
<td>2,014</td>
<td>2,053</td>
</tr>
</tbody>
</table>

(S. öre/kg) 1 US $ = SEK 6.10 (610 öre) in July 1982.
As from 1 July 1981, the system with price limits and middle prices applied for a number of primary agricultural products was largely revised. As for beef and pork the range between the upper and lower price limits was reduced considerably. In addition buffer zones, earlier applied on a trial basis, were included in the system on a permanent basis. These revisions will help achieve a greater price stability on the market and a closer relation between domestic prices and world market prices. When domestic prices exceed the upper buffer zone limit import levies are lowered in order to alleviate imports and when prices enter the lower buffer zone import levies are increased rendering imports more difficult. Increased or decreased price competition from imports will bring prices back to the price range around the middle price.

(iii) Amount of producer subsidies

Apart from the general price support system there are no direct subsidies for beef and veal production except for a special price addition for beef and veal produced in Northern Sweden. The amount depends on geographical location. The maximum amount is 279 öre/kg since 1 July 1982.

(iv) Average returns to producers

The returns to producers include price additions financed by budgetary means. The average returns to producers for cattle, slaughtered weight, is shown in table D.1 in the statistical part of the questionnaire (Beef Price: average price received by producers). In March 1982 these returns averaged 1883 öre/kg exceeding the agreed wholesale price for the same month by 46 öre/kg. The difference between the two amounts is due to the aforementioned consumer price subsidies; the price additions in this context are included in the price to producers. The increased exports in 1982 have led to decreased price supplements and thus decreased net returns for beef producers, thus putting a pressure on production towards balance.
II. Internal prices and consumption

(a) Wholesale and retail prices on major domestic markets

There is only one meat market in Sweden. The minor price variations that occur in different regions depend on differences in transport costs and in costs of living in general.

(b) Factors which condition the evolution of internal consumption

Pigmeat is the major competing meat to beef. Domestic prices and supply of pigmeat have an influence on beef and veal consumption. Per capita consumption of pigmeat was 33.3 kg in 1981 (34.7 in 1980) as compared with per capita consumption of beef and veal which was 17.3 kg in 1981 (18.2 in 1980).

(c) Policies and measures affecting consumption

From 1973 onwards consumer prices for a number of basic foodstuffs including beef and veal have been subsidized from budgetary means. As a result of rapid general price increases in 1972 a price freeze for certain basic foodstuffs was introduced as from 1 January 1973 and consumer subsidies applied especially with the intention to benefit families with children and low-income earners. These subsidies in combination with the price freeze have had a clearly positive effect on the level of beef and veal consumption, apart from the intended price reducing effect. The increased consumption of beef and veal due to the food subsidies has taken place partly at the expense of foodstuffs which are not being subsidized, i.a. poultry and fish. As mentioned in B.I(b), the food subsidies for a number of products were reduced on 1 January 1981, on 1 October 1981 and on 1 January 1982 resulting in higher consumer prices. These reductions have affected consumption negatively.
Market regulation measures are used to create and maintain a supply on the market that is adapted to demand. Such measures also contribute to a better price stability and a more even supply on the market, thus affecting consumption. These measures mostly concern trade and storing. An alternative to exports or storing is to reduce consumer price temporarily in order to increase domestic demand. This was tried in November 1978. Such campaigns for beef also took place in September 1981, in March 1982 and in the autumn months of 1982. In the September 1981 campaign 2,900 tons of beef (product weight) were sold at retail prices reduced by 25-30%. In the March 1982 campaign 2,000 tons were sold at prices about 40% below the ordinary retail price level. It has been estimated (with great uncertainty) that these two last campaigns resulted in a net increase of beef consumption by 2,000-4,000 tons (carcass weight).

In the autumn of 1982 campaign it was left to the market (retailers) to decide sizes and distribution of price rebates to consumers among the whole variety of retailed beef, given a flat-rate reduction of the wholesale price for beef. The quantities for each retailer were related to historical beef sales. The campaign has been relatively successful among both consumers and retailers. Due to the campaign beef consumption will rise by an estimated 3,000 tons. In this context it should be mentioned that a similar activity to promote the consumption of pigmeat is planned to take place at the beginning of 1983.

Since August 1982, the price rebates for beef in school lunches have been granted. This will be continued till the summer 1983.
III. Measures at the frontier

(a) Customs duties - None

(b) Import levies

Import levies have been revised as from 1 January 1983 and will again be modified as from 1 July 1983. New import levies will soon be published.

(c) Export measures

Sweden's exports of beef and veal have been increasing in the latest years due to various factors, as has been shown in our notifications to the IMC. However, Sweden's agricultural policy aims at balance between production and consumption of animal products. In order to restore such a balance measures have been taken and further measures are being considered to stimulate consumption and to reduce production (see I(b) and (c) and II(c)).

The Market Regulation Association for Meat grants export refunds. Costs of the export refunds are tabled below.

<table>
<thead>
<tr>
<th></th>
<th>1979/80</th>
<th>1980/81</th>
<th>1981/82</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SEK mill</td>
<td>SEK/kg.</td>
<td>SEK mill</td>
</tr>
<tr>
<td>Beef, whole</td>
<td>62.0</td>
<td>5.05</td>
<td>82.6</td>
</tr>
<tr>
<td>carcasses,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>halve,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>quarters</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beef cuts</td>
<td>0.9</td>
<td>7.01</td>
<td>3.0</td>
</tr>
</tbody>
</table>

The levy is fixed by the National Agricultural Market Board.
(d) Animal health and meat hygiene regulations

To protect animal and public health imports of livestock and meat have to comply with strict veterinary and sanitary regulations.

Regulations and provisions in this area are issued and administered by two different governmental authorities. The National Board of Agriculture (Lantbruksstyrelsen) is in charge of provisions regarding animal health, while regulations and provisions regarding meat hygiene are dealt with by the Swedish National Food Administration (Livsmedelsverket).

The Board of Agriculture monitors the situation in other countries as concerns the existence of contagious bovine animal diseases, e.g. foot-and-mouth. If vaccinations take place no approvals for imports are made. As concerns live animals approvals are made only for imports of bovine animals for breeding due to the disease risks involved. Import permits are issued by the National Food Administration on the approval of the Board of Agriculture and on condition that all requirements regarding meat hygiene are met (as to abattoirs and slaughtering methods, contents of certain substances deemed harmful, handling, packaging, storing, transports). There are also provisions concerning feeding, e.g. prohibiting the use of hormones and restricting the use of antibiotics.

(e) No quantitative import or export restrictions are applied in the beef and veal sector.
Part H. Information on bilateral or plurilateral agreements in the field of bovine animals, meat and offals

A special import price for imports of bovine meat into the European Community from i.a. Sweden is applied. (EEC regulations Nos. 805/68, 425/77 and 925/77).