

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

IMC/INV/9

4 May 1980

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## Arrangement Regarding Bovine Meat

### INTERNATIONAL MEAT COUNCIL

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

#### Reply to Part G of the Questionnaire<sup>1/</sup>

#### FINLAND<sup>2/</sup>

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 partly revised as and when changes are notified.

This set of documents will constitute 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 Agreement (Note to Article III of the Arrangement and Rule 18 of the Rules of Procedure).

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<sup>1/</sup> Bilateral, plurilateral or multilateral commitments (Part H) do not presently exist in Finland.

<sup>2/</sup> For replies to the statistical parts, see IMC/STAT/9.

PART G<sup>1</sup>Information on Domestic Policies and Trade Measures1. Production1.1 General background

In view of Finland's northerly location, animal husbandry, i.e. milk and beef production, plays a central rôle in Finnish agriculture. In recent years milk and beef have together accounted for about 60 per cent of the total return of agriculture, and beef for just under 20 per cent.

In 1960 Finland produced about 70 million kgs. of beef. By 1979 production had risen to about 110 million kgs. The rise in production was rapid in the 1960s but virtually came to a half in the 1970s.

Between 1960 and 1979 the structure of production underwent a major change. In the early 1960s about one third of production was veal. Nowadays about one third of the meat produced comes from cows and the remaining two thirds from bulls, heifers and young bulls raised specifically for meat production. The proportion accounted for by veal has dropped to a few per cent. It may even be claimed that beef used to be a by-product of milk production. Nowadays beef production in Finland is becoming increasingly specialized, even though a large proportion of the beef is still produced jointly with milk. About 20 per cent of the beef at present produced is estimated to come from farms specializing in beef production.

Very few cattle are bred specifically for beef in Finland: last year there were an estimated 2,500. In addition to these beef breeds, there are also some crossbreeds of these and dairy breeds, the most important being Charolais and Hereford. In combined milk and beef production efforts are made to have dairy cows served almost without exception by some dual-purpose breed, most often Frisians. The Frisians crossbreeds are in fact among the most important from the point of view of beef production.

1.2 Support and stabilization measures

At the moment, beef holds a special position in Finland's agricultural policy in the sense that it is not subject to any measures restricting production. The present Farm Income Act lays down individual targets for milk, pork, eggs, cereals and fodder grain over the period 1979-81. Farmers themselves have to finance the marketing of any surplus above the production limit. Beef, however, is subject to no limit, the reason being that the

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<sup>1</sup> Done in 10 April 1980.

production and consumption of beef have been well balanced over the past few years. In practice, the fact that there is no production limit means that the Government is favourably disposed to increasing beef production.

Decisions concerning farmers' incomes are based on the Farm Income Act. Target prices are determined annually through negotiations between the Government and the agricultural producers. The Act provides automatic compensation for increases in production costs. The possible increase in farm income (the return on farmer's labour and capital) is a subject of negotiations between the Government and the farmers' organizations. When fixing the target price for beef, the trends in beef production costs and the present and future market outlook are also taken into account. The present target price for beef is Fmk 16.40/kg. as of 1 April 1980.

The target price for beef is stabilized by means of foreign trade. This is discussed in detail in Chapter 3.

Since the number of cows in Finland is continuously declining and thus reducing production capacity, an attempt has been made to raise the average carcass weight. A supplementary price of Fmk 1.30/kg. is paid when the slaughter weight is above 160 kgs. and of Fmk 2.20/kg. when the slaughter weight exceeds 210 kgs.

The natural conditions for agriculture are poorer in the northern parts of Finland. Regional premiums are paid on beef on the basis of seven different regions. The premium increases from south to north, and amounts to Fmk 4.00/kg. in the northernmost region, where, however the production of beef is very small.

### 1.3 Average returns to producers

The average beef price received by producers was US\$368 per 100 kgs. d.c.w. in 1979.

In 1975-77 the net return on very small beef farms was Fmk 14,000-20,000 per farm. This is of the same magnitude as the net return on milk farms of less than 10 hectares over the same period. Comparing small beef and milk farms of the same size, the net return is clearly higher on the milk farms. The same applies to slightly larger, i.e. medium-sized farms. In these farms the net return on beef production was Fmk 33,000-46,000 per farm. Almost without exception the net return on larger farms was Fmk 40,000-65,000 per farm.

## 2. Internal prices and consumption

### 2.1 Retail prices

The average retail price for beef was US\$535 per 100 kgs. in 1978.

In Finland the retail price of the most important foodstuffs is controlled by stipulating a maximum retail price. In the case of meat this has not, however, been considered necessary, because price control is difficult to enforce and because it is assumed that competition at slaughterhouse and retail levels will keep the margin between producer and retail prices reasonable. Furthermore, the margin is affected by the fact that more than half of all meat purchases are made by the co-operative slaughterhouse organization owned by farmers, whose aim is to keep the margin as small as possible and thus promote the domestic demand for meat.

The producer price for beef has been about two thirds of the retail price since the early 1960s. During this time it has been possible to cut costs by rationalizing slaughterhouse operations. About one half of the meat output is used for various processed meat products, such as sausage. The farmer's share of the price of highly-processed meat products is naturally far smaller than that of meat.

### 2.2 Consumption

In Finland consumption of beef developed favourably during the 1960s and up to the mid-1970s. After 1975 beef consumption decreased and then levelled off at 23 kgs./capita/year.

Pork consumption has exceeded that of beef, amounting to 29 kgs./capita/year in 1979. The increase in the consumption of pork is partly explained by the trend in the retail prices of pork and beef. The retail price of beef has risen more rapidly than that of pork, chiefly as a result of trends in producer prices. Other reasons why the consumption of pork has risen, apart from its lower price, are the improvement in the quality of pork and the fact that certain cooking methods, such as grilling in the open air, are more suitable for pork than beef.

The consumption of beef is determined by market forces: income and price trends. Forecasts based on these factors indicate that the consumption of beef will rise only marginally by 1990, to 24.5 kgs./capita/year. In comparison, a substantial increase is envisaged for pork. In 1990 the consumption is expected to be 37.5 kgs./capita/year.

### 3. Measures at the frontier

#### 3.1 The foreign trade system

Target prices for meat are maintained at a fixed level through trade and other regulations. There are quantitative restrictions on meat imports. Licences are generally given to importers when the domestic producer prices rise by 5 per cent above the target price level. The short-term market outlook is also taken into consideration before licences are granted. Meat is imported by co-operative and other private meat companies according to agreed quotas. If the import price is lower than the domestic producer price, a variable import levy is charged in accordance with the difference between world market and the target prices. On 28 March 1980 an import levy of Fmk 11.24/kg. was set for beef and a levy of Fmk 14.61 for boneless beef. There are no fixed tariffs for meat or meat products in Finland.

Exports have normally been resorted to when the domestic producer price has fallen below the target price level. Other factors affecting the situation are also carefully studied before exports are permitted. Export companies make their own export contracts, but the transaction must be accepted by the Ministry for Trade and Industry. If the export price is below the domestic producer price level the difference can be refunded to the exporting companies.

Before exports and imports are permitted certain requirements are made of the stock levels. All stocks are private.

In the past, foreign trade in beef has been extremely small. Beef has been exported or imported only occasionally.

#### 3.2 Hygiene and veterinary regulations for beef

To comply with hygiene and veterinary regulations, a permit from the Ministry for Agriculture and Forestry is needed before beef can be imported or exported. In recent years, Finland has imported meat from the following countries: Ireland, Iceland, Great Britain, Norway, Poland, Sweden and Denmark. Outside Europe meat imports from Australia, Canada, New Zealand and the United States have also been authorized. No permission has been given for beef imports from any areas where foot and mouth disease prevails. Some other animal diseases may similarly prevent meat imports.

The financial losses in the case of an epidemic of foot and mouth disease could be extremely high, especially if cattle have to be vaccinated yearly, as in many countries. The prohibition of exports to the other Nordic countries would undoubtedly follow immediately, covering livestock, meat and other animal products. A certificate testifying that Finland is free from infectious animal diseases is also required for agricultural exports to the Soviet Union. It should also be noted that the United States in 1975 declared Finland free from foot and mouth disease. The last time this serious disease appeared in Finland was in 1959.