

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

Notifications of Contracting Parties

Addendum

FINLAND

Notification of 20 December 1960

By letter of 20 December 1960 the Government of Finland has transmitted to the secretariat a notification of subsidies in Finland in 1959.

In the Finnish Budget for the year 1959 the following subsidies were included:

	<u>millions of Fmk</u>
I. Equalization of agricultural production costs and rationalization	1,600
II. Regional support for dairy production	
1. Direct subsidies	2,064
2. Subsidies for the transportation of milk	991
III. Direct price supports for domestic production	7,371
IV. Deficiency payments to wool producers	115
V. Regional supports for barley and seed production	240
VI. Consumer subsidies for butter	19,100
Total	<u>31,481</u>

I. EQUALIZATION OF AGRICULTURAL PRODUCTION COSTS AND RATIONALIZATION

(a) Cabinet decision (163/59)

(b) Farmers are given special vouchers for the purchase of fertilizers and lime for agricultural purposes; while these were formerly gratis, they are now available at a reduced price. The conditions for obtaining this subsidy are that the arable land of the farm under cultivation is at least 0.5 hectare, and that the taxable farm revenue as well as the personal income of the farmer do not exceed a certain amount determined separately each year. Payments are based upon the area under cultivation. The maximum amounts paid in 1959 were as follows:

<u>Area under cultivation</u>	<u>Southern Finland</u>	<u>Northern Finland</u>
I. 0.5 - 1 hectare	2,000	2,500
II. 1 - 2 "	2,700	3,300
III. 2 - 3 "	3,400	4,200
IV. 3 - 5 "	4,200	5,200
V. 5 - 7 "	4,900	6,100
VI. 7 - 10 "	5,600	7,000
VII. over 10 "	6,300	7,800

Farms with a cultivated area of more than 10 hectares generally do not receive this subsidy.

Payments thus made amounted to about Fmk.1,268 million in 1959.

In addition, tax reimbursements for the price of tractor petrol are paid under this title to the farmers. The total amount paid in 1959 was Fmk.76 million. Furthermore, a subsidy is paid to reduce the rail freight costs of lime for agricultural purposes. In 1959 the total amount of this subsidy was Fmk.155 million.

(c) The total amount of funds granted for these purposes was Fmk.1,600 million.

II. REGIONAL SUPPORTS FOR DAIRY PRODUCTION

1. Direct subsidies

(a) Cabinet decision (119/59)

(b) A production subsidy is paid through dairies purchasing milk in Northern Finland, in the Eastern frontier districts and in the outer archipelago. The subsidy varies according to the district from Fmk.5.97 per kg. milk in Lapland to Fmk.1.49 in Middle-Eastern Finland.

The amount of milk delivered in these regions to the dairies is about 400 million kgs. which represents 20 per cent of the country's total milk production. In 1959 the subsidies totalled Fmk.1,156 million.

A subsidy is also paid direct to dairy farmers, based on a certain amount for each cow, in the form of special vouchers, which entitle the recipient to purchase fertilizers, lime for agricultural purposes, grain and special fodders. The same regional division as above is applied, and the subsidy per cow varies from Fmk.4,600 to Fmk.1,300.

Members of Dairy Control Associations are paid subsidies which are about 15 per cent higher.

(c) The total amount of this subsidy was Fmk.2,064 million.

2. Subsidies for the transportation of milk

(a) Cabinet decision (131/59 and 119/59)

(b) The subsidy for the transportation of milk is paid to the dairies in Northern Finland, in the Eastern frontier districts and in the outer archipelago. The maximum amount of this subsidy is 80 per cent of the amount by which the average costs of transport exceed the cost of Fmk.0.2 per kg. of milk.

In addition, the subsidy is paid in the districts of Middle and Eastern Finland, where the transportation cost of milk would otherwise be exceptionally high. The maximum amount paid is 60 per cent of the amount by which the average cost of transport exceeds Fmk.0.3 per kg. of milk.

(c) The amount of funds in the budget for 1959 was Fmk.991 million.

III. DIRECT PRICE SUPPORTS FOR DOMESTIC PRODUCTION

(a) Cabinet decision

(b) Export dairies receive a payment which enables them to pay farmers a price nearly corresponding to the target price of milk determined annually by the Government.

A similar system was introduced for eggs and pork. The payment prevents the annual average farm price from dropping below the floor price level, i.e. the target price minus 5 per cent.

(c) The amount of funds used for this purpose in the year 1959 was Fmk.7,371 million.

IV. DEFICIENCY PAYMENTS TO WOOL PRODUCERS

- (a) Law No. 169/58
- (b) A deficiency payment system is applicable to wool. The difference between the fixed producer price for domestic wool and the free-market price is paid through the Purchasing Organization of Wool Factories.
- (c) The amount of funds in the budget for 1959 was Fmk.115 million.

V. REGIONAL SUPPORTS FOR BARLEY AND SEED PRODUCTION

- (a) Cabinet decision
Law No. 308/59
- (b) The State Granary makes contracts with farmers in Northern Finland for the cultivation of barley. The price paid for barley delivered under these contracts and conforming to certain quality standards is fixed at Fmk.5 less than the current price of rye. The quantity of barley covered by these contracts is very small and the subsidy is only of local significance.

To foster the production of meadow and roof crop seeds, the State Granary concludes annual contracts with farmers for the cultivation and delivery at prices above the current price level. The losses resulting from these transactions are paid out of these funds. The State Granary also makes purchases to support the cultivation of timothy seed in Northern Finland. To secure the supply of seeds for early grain varieties, the State Granary makes contracts for the cultivation and delivery of these seeds, and pays a cultivation subsidy for the seed delivered in accordance with the contracts.

- (c) The amount of the funds in the budget for 1959 was Fmk.240 million.

VI. CONSUMER SUBSIDIES FOR BUTTER

- (a) Cabinet decision
- (b) In order to increase domestic consumption, the consumer price of butter has been reduced by Fmk.209 per kg.
- (c) The amount of the funds in the budget for 1959 was Fmk.19,100 million.

THE EFFECT OF A SUBSIDY

It is considered impossible to estimate the quantitative trade effects of a particular subsidy because of the joint character and multiplicity of the causation involved in any such attempt. However, it is important to point out in this context that the major part of Government expenditure in Finland is caused by the radical reduction in the consumer price of butter

which has made it possible to reach a very high level of consumption (about 16 kgs. per capita per year). Without this subsidy butter exports would be at least twice as high as at the present time. On the other hand, it is evident that under existing conditions in Finland the response by producers to relevant changes in producer price levels is very low. It may be possible to effect certain changes in the diversification of production by moving subsidies from one product to another, but it is not possible to reduce substantially total agricultural production.

STATISTICS ON PRODUCTION, CONSUMPTION, IMPORTS AND EXPORTS

		<u>Production</u>	<u>Consumption</u>	<u>Exports</u>	<u>Imports</u>
		<u>(thousand tons)</u>			
Milk	1957	3,153		-	
	1958	3,162		-	
	1959	3,322		-	
Butter ¹	1957	72.0	55.0	25.2	
	1958	74.5	59.5	20.2	
	1959	82.2	65.1	21.2	
Cheese	1957	23.5	10.2	13.4	
	1958	22.6	10.0	14.7	
	1959	27.6	10.8	18.1	
Eggs	1957	36.6	31.9	4.5	
	1958	41.1	33.2	6.7	
	1959	39.0	30.9	7.5	
Pork	1957	63.6		0.8	
	1958	67.2		1.6	
	1959	61.1		1.2	
Meat	1957	68.7		-	
	1958	63.8		-	
	1959	68.1		-	
Wheat	1957	176.7		-	282.6
	1958	215.2		-	323.1
	1959	242.6		-	300.6
Rye	1957	115.2		-	124.9
	1958	110.9		-	61.1
	1959	162.0		-	105.4
Barley	1957	347.9		-	7.2
	1958	406.4		-	1.3
	1959	331.7		-	0.3

¹Dairy butter

