



FINNISH AGRICULTURE IN 1985

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Preface

This publication is a brief review of agricultural development in Finland in 1985. Some of the statistical data are still very preliminary. This is particularly true of farm incomes for 1985. Despite the uncertainty, the statistical data give the trends in the most important factors in agriculture and should thus be useful to the reader.

Part III of the publication contains a short review of agricultural policy. It does not cover the whole sector but concentrates on areas which the author considers most interesting in the past year. Earlier annual reports which have appeared in the series of research reports of

the institute may be used to make the review more comprehensive.

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This review has also been published in Finnish in publication 50 of the Institute.

Helsinki, January 17, 1986

Lauri Kettunen

Contents

I	Finnish agriculture in general	3
	1. The role of agriculture in the whole economy	3
	1.1. Gross domestic product and labour input	3
	1.2. The Finnish farm	4
II	Production, prices and farm income	7
	2. Plant production	7
	2.1. Weather conditions	7
	2.2. Areas and yields	7
	3. Animal production	10
	4. Consumption	11
	5. Foreign trade	12
	6. Agricultural incomes settlement	14
	6.1. Spring price settlement	14
	6.2. Autumn price settlement	17
	6.3. Producer prices	17
	7. Income trends in agriculture	18
	7.1. Income disparities	18
	7.2. Income in 1985	18
III	Agricultural policy	21
	8. General	21
	9. Regulation of supply	22
	9.1. Restrictions on production	23
	9.2. Dual price system for milk	25
	9.3. Egg production quotas	25
	9.4. Export fees	26
	9.5. Production support	26
	10. Agricultural support	26
	10.1. The size of the support	26
	10.2. Price policy support	28
	10.3. The plan to reform the price policy subsidy	29
	11. Investment support	29
	12. Social policy	29
IV	Summary and conclusions	31

Appendices

I FINNISH AGRICULTURE IN GENERAL

1. The role of agriculture in the whole economy

1.1. Gross domestic product and labour input

The contribution of agriculture to the whole economy is small in all industrialized countries. There is a natural explanation for this: the activities carried out in agriculture have shifted to other sectors of the economy. Agriculture used to be more or less self-sufficient, but nowadays it uses an abundance of purchased inputs such as fertilizers, machinery, fuel and services. Agriculture also accounts for a smaller proportion of total production, since it has not grown as much as production in other sectors.

This is because growth in consumption of agricultural products has been slow and the expansion of exports of agricultural products has not been profitable.

Agriculture in Finland accounts for about 4.5% of the gross domestic product but for about 10% of the labour force (Table 10). The latter figure is thus twice as high as that for GDP. Although this reflects partly the low income level in agriculture, it should be remembered that only about 50% of farmers' incomes come from agriculture; the majority of them work outside agriculture.

Agricultural investments (FIM 4476 mill.) accounted for about 6.6% of all investments in 1983. This proportion has also fallen as has the proportion of GDP. In 1960, agricultural investments were about 8.5 % of all investments.

Table 1. Gross domestic product (at factor prices) and the labour force in the whole economy and agriculture.

Year	Gross domestic product		%	Labour force		%
	total FIM bill.	agriculture FIM bill.		total 1000	agriculture 1000	
1960	14.08	1.51	10.7	2 097	618	29.5
1965	23.15	2.04	8.8	2 171	539	24.8
1970	38.91	2.70	6.9	2 126	404	19.0
1975	92.95	5.06	5.4	2 221	277	12.5
1980	172.51	7.78	4.5	2 328	251	10.8
1981	195.29	7.65	3.9	2 353	250	10.6
1982	218.82	9.39	4.3	2 377	255	10.7
1983	245.53	11.12	4.5	2 390	246	10.3
1984	273.61	12.08	4.4	2 413	242	10.0

Source: Statistical Yearbook of Finland 1984.

The GDP was FIM 273.6 billion (about 10 000 dollars per capita) in 1984. It increased in real terms by about 3% in 1985. Economic growth has been rather steady in the last four years (see Figure 1). There have been hardly any business fluctuations, and growth has remained at 3-4% every year.

Inflation has been slightly more rapid in Finland than in the OECD countries, on average, but it has slowed down steadily, and by the end of 1985 was practically nonexistent. Foreign trade has been in balance, and so there has been scope for economic policy. In previous years the deficit in foreign trade used to dominate economic policy.

Unemployment, at an annual rate slightly above 6% in 1985, was the most difficult economic problem, even though the rate was not very high by world standards. The number of working places is increasing continuously but so is the labour force.

The economic situation in general has been good. Some alarming signs which appeared in the autumn of 1985, however, may anticipate a slow down in economic growth. The worst difficulties were experienced by saw mills, many of which had to cease production towards the end of the year. The forest industry, in general, has been in trouble, but prospects for the metal industry are still satisfactory.

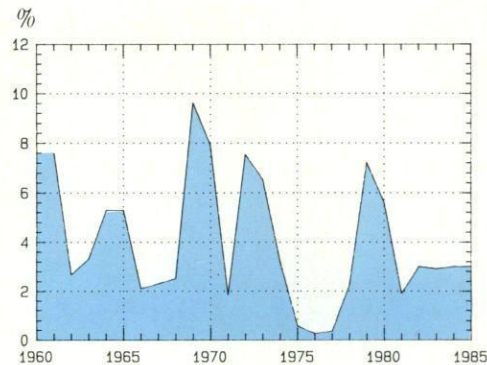


Figure 1. Growth in the volume of the gross domestic product in 1960-85.

Agriculture does not usually suffer from business fluctuations, since price settlements are made quite independently of general economic factors. On the other hand, changes in agricultural production depend primarily on climatic factors. It can, however, be assumed that difficulties in the state economy caused by business fluctuations are reflected in agriculture to some extent. For instance, export or other subsidies received by agriculture may fall during a recession. This has, however, not happened in recent years evidently because of the rather favourable economic situation.

Forestry gives extra earnings to farmers, and in 1982 about 13% of all their income was from forestry (Anon. 1985). Forestry is also sensitive to business changes or may even trigger them off. Opportunities for working in forests or fluctuations in stumpage prices may affect farmers' incomes and the trend in agriculture, particularly investments. In recent years the trend in forestry has been steady and the effect on agriculture neutral or possibly activating.

1.2. The Finnish farm

Finnish agriculture is based on family farms. The average size of farms is still relatively small (about 12 ha), though it has grown somewhat in recent years (Table 2). As small farms stop producing, the average size of farms is raised. Nevertheless, the number of larger farms has not increased very much and present agricultural policy does not even support expansion of farms. In 1985, 245,000 ha of arable land was rented. Because the price of land is high and farms are not likely to be sold, renting land seems to be the only way to enlarge farms in the future.

Forest land is an integral part of the Finnish farm, the average farm comprising 12 ha arable land and 35 ha forest land. The regional distribution, however, varies. In general, there is more arable

Table 2. The size and distribution of farms (over 1 ha).

	1959		1969		1977		1983	
	1000	%	1000	%	1000	%	1000	%
1-4.9	147.6	44.6	108.8	36.6	75.7	31.8	61.8	29.7
5-9.9	101.8	30.7	98.0	33.0	76.2	32.1	60.7	29.2
10-19.9	62.2	18.8	68.0	22.9	58.7	24.7	54.4	26.1
20-49.9	18.0	5.4	20.6	6.9	24.4	10.3	28.1	13.5
50-	1.6	0.5	1.9	0.6	2.7	1.1	3.2	1.5
Total	331.2		297.3		237.7		208.2	
Arable land								
1000 ha	2614.4		2669.1		2477.9		2432.6	
Average size ha	7.89		8.98		10.43		11.6	

Source: Official statistics and farm registers.

land in the south than in the north but correspondingly more forest land in the north (Table 3).

About 99% of farms are privately owned, but a large number of them belong to pensioners or heirs. Thus, only about the half of the farms are owned by active farmers, and this group includes many farmers who are in fact part-time farmers who have other occupations. According to TOLVANEN (Anon 1985) in 1982 about 75,000 farms obtained more than 75% of their income from agriculture and forestry. There are about 200,000 farms in Finland, but only half of them are real producing farms.

Finnish agricultural production is very intensively based on livestock. Only 15% of the arable land is used for plant pro-

Table 3. The regional distribution of forest land in 1982.

	Arable land and gardens	Forest land
Uusimaa	18.9	27.9
Häme	14.7	30.6
Vaasa	11.8	25.3
Kuopio	9.9	36.9
Oulu	9.5	46.0
Lapland	6.3	79.6
Whole country	11.4	35.4

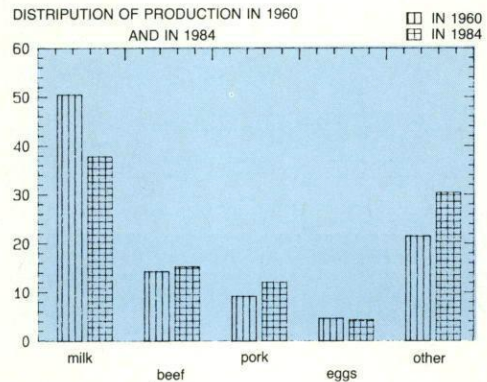


Figure 2. The distribution of the gross return in 1960 and 1984.

duction for human consumption. Milk accounts for 38% of the total value of production (calculated from appendix 5), and cattle for 53%, when beef production is taken into account. Hay, silage and pasture constitute about one third of the total arable land. About one third of feed grain is fed to cattle. The structure of production has changed over the years, the contribution of milk having decreased but that of meat increased (Figure 2).

The specialization of farming accelerated in the 1960's and 1970's. Milk used to be produced on almost all farms, but nowadays only on every three. About one half of the farms had no animals in 1982.

II PRODUCTION, PRICES AND FARM INCOME

2. Plant production

2.1. Weather conditions

The winter was extremely cold and the spring was late in 1985. The temperature was below normal throughout May. Spring sowing started about two weeks late. The late spring delayed sowing in northern Finland in particular.

The effective temperature sum of the summer in southern and central Finland was 1100-1200 degrees, rising above 1300 degrees only in Turku. It was thus below normal. In 1984 it was generally above 1300 degrees in southern Finland. Temperature alone does not, however, determine the yield; the distribution of temperature and precipitation in different months is, probably more important.

The rate of precipitation was normal. It rained steadily nearly all summer in southern Finland, whereas in northern Finland and on the west coast there was a long dry period at the end of June and the beginning of July. By and large, however, the summer was normal for agriculture.

Regional differences are naturally considerable because Finland is a large country, and weather conditions differ markedly from north to south.

Harvesting started later than usual, but without great problems, even though rainfall was abundant in some places. The high moisture content of the grain raised drying costs substantially.

2.2. Areas and yields

The area under **rye** cultivation last year was 31,000 hectares, although the target area for providing self-sufficiency is 60,000 hectares. The area sown with rye has almost always been too small. There are various reasons for this, the main one being high precipitation in the autumn preventing sowing altogether. Others are connected with the economy and cultivation methods. Although the yield per hectare is quite normal, about 30-40 mill.kg of rye, i.e. one third of the consumption, will have to be imported in 1985/86

The area under **winter wheat** has remained small for the same reasons as rye. With **spring wheat**, the self-sufficiency target could be reached, but it has not been since the mid-1970s, when cultivation of wheat fell drastically. The yield of wheat per hectare corresponded to the long term trend, but the total yield is insufficient for domestic consumption, and imports will be necessary in 1985/86. The quality of the yield was good.

The area under **barley** and **oats** was about half of the total arable area. The yield of barley and oats, therefore, has a pronounced effect on the total yield of crops and, through animal production, on all agricultural production. The yield of barley was 2870 kg/ha and the yield of oats 2970 kg/ha. The yield of barley was somewhat below the long-term trend, but the yield of oats was normal. The quality of both was good. There are small annual

Table 4. Yields of main crops in 1984 and 1985.

	1984			1985		
	Area 1000 ha	Yield		Area 1000 ha	Yield	
		100 kg/ha	total mill.kg		100 kg/ha	total mill.kg
Winter wheat	19.7	25.6	50.4	15.6	31.2	48.6
Spring wheat	134.4	31.9	427.9	141.4	30.0	423.5
Rye	44.1	20.9	92.3	30.9	23.7	71.8
Barley	562.3	30.5	1715.3	645.7	28.7	1853.8
Oats	418.6	31.6	1320.9	411.3	29.6	1217.8
Potatoes	41.3	180.4	745.1	39.4	179.6	707.8
Sugar beet	31.4	262.2	823.4	31.2	237.0	739.4
Hay	434.8	39.8	1732.2	397.7	41.6	1654.1
Silage	219.0	208.5	4576.3	222.9	204.2	4552.5
Oil seeds	62.0	13.8	85.7	57.7	15.5	89.3
Other crops	50.6			43.1		
Total	2018.1	2647¹	5366.9²	2036.9	2649¹	5323²
Unharvested	41.2					
Pasture	170.6			169.8		
Fallow	62.9			69.7		
Soil bank	40.1			26.4		
Other land	106.0			107.6		
Total hectarage	2438.8			2410.4		

¹ f.u./ha without straw, ² mill. f.u. without straw

variations in the sowing areas of these plants, depending on sowing and other conditions. Because spring came late last year, more barley was sown than planned because the ripening of barley is surer than that of oats. The total grain yield was 3616 mill.kg. The yield of feed grain was 3072 mill.kg, which exceeds domestic consumption by approximately 550 mill.kg. As stocks are full, the excess animal feed must be exported.

The areas under **hay** and **silage** were smaller than in the previous year, but this is a natural development as the number of cows and the volume of milk production decreases. The increase in the tax on feed is forcing farmers to use as

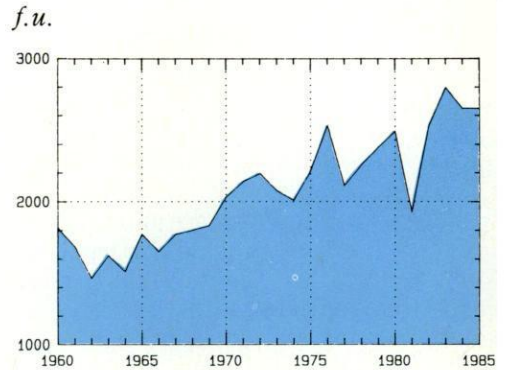


Figure 3. The total yield, without straw, in feed units per hectare in 1960-85.

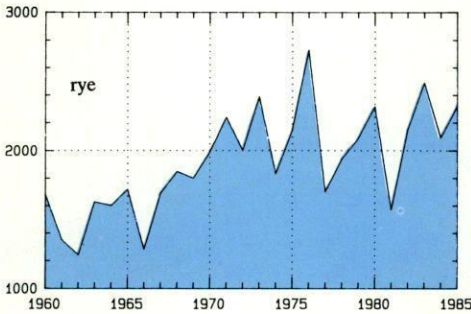
much feed produced on the farm as possible in livestock breeding. This enhances the importance of silage as a source of protein.

The yield of hay per hectare was normal, although lower in quantity lower than in the previous year. Rainfall during harvesting also reduced the quality. The yield of silage was normal. The quantity of roughage is sufficient as the number of cows has decreased.

The total yield of **potatoes** was 708 mill.kg, which is sufficient for domestic production. The quality was good. The area of potato cultivation has settled at 40,000 hectares, which is sufficient. The average yield per hectare is low, although the yield on farms producing potatoes for market is clearly above average, i.e. about 25 t/ha.

The yield of **oil plants** of 1550 kg/ha was slightly above the long term trend.

kg/ha



kg/ha

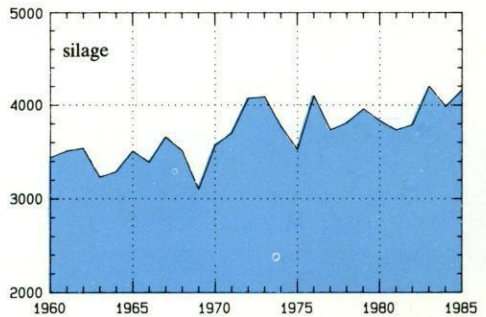
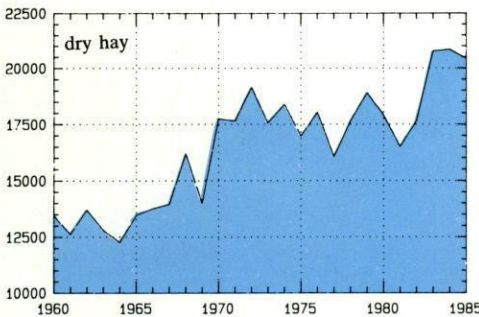
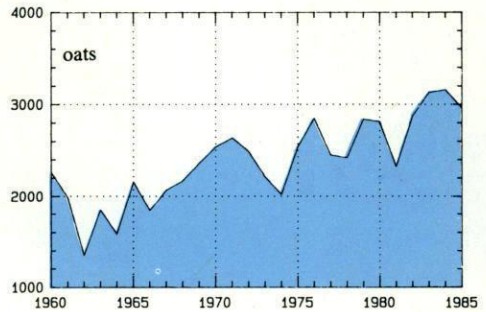
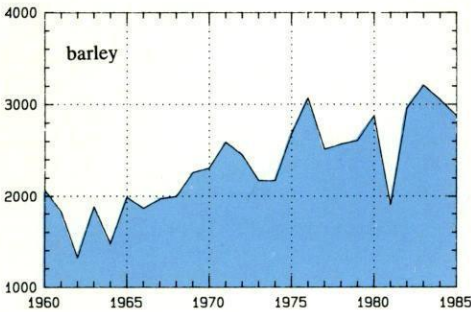
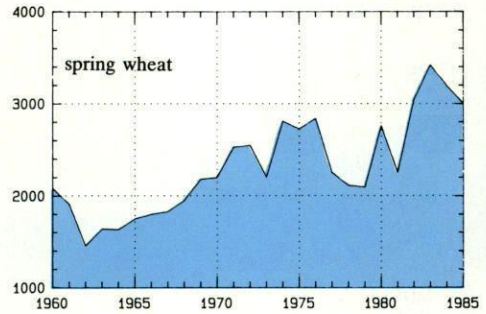


Figure 4. Yields of main crops in 1960-85.

There has not been any considerable increase in yields per hectare in recent years. More oil plants could be cultivated for protein feeds, but Finland is self-sufficient in vegetable oil and it may therefore be difficult to increase production. The export of vegetable oils requires export subsidies, so the government has put an end to the increase in oil seed production.

3. Animal production

Milk production fell by about 4% in 1985. The milk quotas that came into force for each farm at the beginning of the year probably had some effect on the decline in production, but the main reason was the contracts for decreasing milk production (milk bonus) made in 1984. The number of dairy cows was 628,000 in June, i.e. 5% less than in the previous June. Consequently the **milk yield per cow** has further increased, and is by now an average of 4820 litres (see Appendix 3).

Milk production did not, however, decline enough, and the volume of milk delivered to dairies (2805 mill. litres) still clearly exceeded the production ceiling (2730 mill. litres). Despite efforts to curb production, ceilings are still being exceeded; this is disadvantageous for farmers.

mill. litres

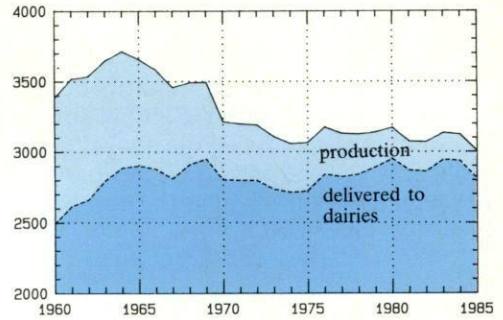


Figure 5. Milk production and the quantity of milk delivered to dairies in 1970-85.

The production ceiling is, however, much higher than domestic consumption, which was 2250 mill. litres in 1985 estimated on the basis of fat content. — Production is predicted to decrease by about 100-150 mill. litres in 1986.

Beef production rose slightly on the previous year, i.e. to about 126 mill. kg. The increasing number of dairy cows slaughtered sustained the high output level. Carcass weights continue to rise, albeit more slowly. The number of slaughter animals is decreasing alongsi-

Table 5. Animal husbandry in 1978-85.

		1978	1979	1980	1981	1982	1983	1984	1985 ^e
Milk,	mill.l	3125	3141	3174	3073	3068	3136	3124	2990
Dairy milk	"	2841	2891	2949	2868	2858	2943	2935	2805
Beef,	mill.kg	106	110	114	122	117	118	124	126
Pork		154	164	169	180	181	177	171	173
Eggs		76	76	79	80	82	83	88	87
Poultry		12	14	15	17	17	18	20	21
Other meat		2	2	2	2	2	2	2	2

de the number of dairy cows; production is, therefore expected to fall in the future. This will put an end to beef export. — In 1986, production will still be about 120-122 mill. kg.

Pork production rose by about 1% in 1985. Restrictions on pork production have had an effect since 1982, when the previously consistent growth ceased and began to decline. Pork production and consumption as such were in equilibrium, because exports accounted for 16 mill. kg, and the export ceiling was 14 mill. kg. It has been estimated that production will increase by about 3-4 mill. kg in 1986, but as consumption also will rise, the increase will not hamper the market.

Egg production declined in 1985 by about 1%, i.e. to about 87 mill. kg. Self-sufficiency was 160%, although according to the export ceiling (13 mill. kg), the target was only 125%. All attempts to reduce production failed. No new measures were introduced last year, and the effects of old measures are weakening as time passes. A new quota system was introduced at the beginning of 1986 (see Chapter 9.3). — Production is expected to decline by about 2-4% in 1986.

Poultry production increased by about 1 mill. kg in 1985. The growth in production has been quite steady (see Table 3), but the volume of production is still quite small compared with that of pork and beef. Of the other meat, reindeer and mutton contributed little to the meat supply. Attempts have been made to stimulate sheep farming, but with poor results. The production price (about 20 mk/kg) has remained well below the target price (26 mk/kg), which may partly explain the poor results.

4. Consumption

The energy content of foods consumed has long remained unchanged or declined slowly in Finland. All that is possible, therefore is a shift from one product to another. A shift from grain products to animal products could raise the degree of processing considerably, and thus also the volume of agricultural production. But this kind of shift is no longer occurring in Finland. Despite some changes in

mill.kg

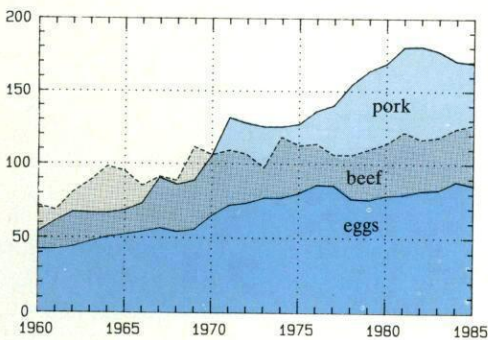


Figure 6. Production of beef, pork and eggs in 1970-85.

Table 6. Milk consumption per capita in 1975-85.

	Liquid milk litres	Butter kg	Cheese kg
1975	291.8	12.9	6.2
1976	287.5	12.6	6.2
1977	282.3	12.0	6.2
1978	279.1	11.7	6.5
1979	276.0	12.5	6.8
1980	272.6	11.8	7.2
1981	264.0	12.0	7.7
1982	262.1	12.1	8.0
1983	252.1	11.9	8.3
1984	245.7	11.6	8.7
1985 ^e	237	11.3	9.3

the diet, total consumption is stable. As the standard of living rises, more expensive foods are consumed, although prices still play a great role in the choices made by consumers.

Some features in the trend in the consumption of agricultural products have remained unchanged for several years. The consumption of grain products is stable. The consumption of **liquid milk products** and butter is decreasing, whereas cheese consumption is increasing. Pork consumption is also rising, whereas beef consumption is stable.

According to preliminary estimates, consumption of milk (low-fat milk and whole milk) was 190 litres per capita last year. The total consumption of liquid milk products, i.e. sour milk, yoghurts, other liquid milk products and whole milk, totalled to 237 litres per capita. The decline was 3.5% compared with the previous year. **Butter** consumption also declined slightly, by about 2.5%; this figure includes the butter fat of mixed butter. The consumption of **margarine** also declined slightly, and thus the use of margarine did not gain on that of butter.

Cheese is one of the few agricultural products whose consumption is expected to increase in future. Our consumption level (9.3 kg/cap) is still quit low compared with the international level. Consumer habits and diets, of course, regulate cheese consumption.

Meat consumption remained at approximately the earlier level, because although **pork** consumption continued to increase, **beef** consumption fell. In this respect the change in consumption followed the earlier trend. Meat consumption is expected to increase further, but because of price relations, demand will shift from beef to pork and poultry. The price of beef has risen so high that it hinders increasing consumption. Poultry consumption has increased slowly but steadily, a trend that can be assumed to continue.

Egg consumption increased by about 4% last year. In previous years consumption seemed to be declining, but advertis-

Table 7. Consumption of meat and eggs in 1975-85, kg/capita.

	Beef	Pork	Poultry	Eggs
1975	24.2	26.7	2.4	10.9
1976	23.6	25.9	2.4	10.6
1977	22.7	27.2	2.7	10.7
1978	22.1	27.8	2.8	11.3
1979	23.4	28.9	2.9	11.3
1980	23.3	29.6	3.0	10.9
1981	22.3	29.5	3.5	10.7
1982	21.9	30.3	3.5	10.6
1983	21.2	30.8	3.6	10.6
1984	22.2	31.1	4.0	10.7
1985 ^e	21	31.8	4	11.1

ing campaigns seem to have yielded results. However, egg consumption is not expected to rise above the present 11 kg/capita in the future.

5. Foreign trade

In money terms more agricultural products are imported than exported (Table 6). However, a large part of the imports consists of coffee, fruit, tobacco etc., which are not produced in Finland. On the other hand, the prices of export products are very low compared with domestic prices, and the value of exports in finnish marks is, therefore, much higher than the customs statistics show. What is more, the prices of imports are not wholly correct because of export subsidies. Therefore, the trade statistics may be misleading when the balance of agricultural trade is examined.

The volume of agricultural products exported decreased in volume last year owing to the fall in grain exports. Exports of animal products, on the other hand, were almost unchanged. Because of the reduction in milk production, exports of

butter and cheese decreased slightly, although export of milk powder increased. The export of pork fell considerably but the export of beef rose somewhat. There was also a pronounced reduction in exports of eggs.

Table 8. Exports and imports of agricultural products in 1975-85, FIM mill.

	Exports		Imports		
	Total	Total	Coffee and tee	Fruit	Beverages and tobacco
1975	719.8	2472.3	368.5	341.4	184.9
1976	921.4	2332.4	692.3	366.0	155.7
1977	1303.3	2899.9	1012.9	404.1	166.0
1978	1127.3	3107.2	904.4	447.1	226.9
1979	1284.2	3679.9	932.7	533.9	226.7
1980	1669.9	4598.1	1097.1	638.0	255.6
1981	2639.4	4462.2	825.4	688.9	335.1
1982	2151.9	5308.9	990.5	710.6	286.0
1983	2673.4	4888.2	1065.7	752.2	332.7
1984	2994.1	5226.5	1360.5	775.1	342.3
1984 ^b	2525.6	4153.6	1052.9	575.6	293.6
1985 ^b	2429.7	4560.9	1028.0	657.1	301.0

b) January-October

Table 9. Exports of some agricultural products in 1975-85, mill. kg.

	Butter	Cheese	Milk-powder	Pork	Beef	Eggs	Grain
1975	11.9	19.9	20.1	2.1	1.6	28.1	
1976	21.2	28.6	22.0	12.1	2.4	34.4	367.5
1977	15.6	32.8	29.1	11.1	0.5	33.8	693.1
1978	14.9	36.1	27.4	22.2	0.8	22.2	148.4
1979	17.4	40.3	28.1	27.2	0.3	21.0	39.8
1980	9.8	40.3	30.1	25.9	0.9	25.8	
1981	14.7	36.8	28.0	40.6	16.0	27.5	
1982	8.8	33.3	22.6	34.4	8.5	30.1	
1983	26.6	32.3	39.1	26.6	16.7	32.2	20.0
1984	20.0	37.0	41.6	20.8	19.2	35.4	755.3
1985 ^e	19	37	41	16	21	33	570

6. Agricultural incomes settlement

Agricultural producer prices are set twice a year in connection with farm, incomes negotiations. These negotiations are based on the Farm Incomes Act, which defines the general rules for the setting of price. According to the law, the negotiations are held between the State and the producers' organizations.

There are two phases in the negotiations. **In the first phase** farmers are compensated for the increases in costs caused by higher input prices. In order to determine the size of this compensation, the agricultural price council prepares a total calculation of the returns and expenditure in agriculture based on the average quantities of the last three calendar years. The prices used are those of the last settlement and those current at the moment of price setting.

The law states that farmers shall be fully compensated for this increase by a rise in the target prices, thus ensuring that their additional returns correspond exactly to the increase in costs.

The quantities used in the cost calculation are the averages of the quantities of the preceding three calendar years, and the prices those of January and July (with some exceptions). Thus, although the calculation made by the price council does not represent any year in particular, it is suitable for following the average trend in farm incomes, as annual fluctuations are smoothed out.

Target prices are settled for milk, pork, beef, mutton, eggs, rye, wheat, feed barley and feed oats. Producer prices for other products may fluctuate freely, but changes in the prices are taken into account in the total calculation. Target prices should be fully realized. In connection with the spring settlement a calculation is made showing deviations in producer prices from the target prices; shortfalls are credited or excesses subtracted. The

following year this correction is returned (in reverse of course) to the prices. The procedure means that, in the long run, farmers receive exactly the prices settled. Retroactive accounts at the end of the year are also included in the price settlement. Thus, neither is it possible for farmers to receive additional income in that way.

In the **second phase** of the negotiations the farm income is raised. The farm income is the compensation a farmer gets for his own work and capital (interest on debts is included in the cost calculation). In earlier legislation the increase in farm income was linked to trends in general earnings or in the income of rural employees. The farm income is no longer linked to any particular indicator, but negotiators can freely decide upon a suitable increase. In practice, the general labour market settlements are still followed in such a way that agriculture is considered a kind of low wage sector, and the increase in income has been determined in the same way as in other sectors of the economy. The decision is usually based on a calculated hourly wage. The overall increase in farm income is then determined for all branches of agriculture by taking into account the total labour input into the sector. Since the settlement is always an outcome of negotiations it cannot be described later by particular formula.

6.1. Spring price settlement

The spring price settlement was greatly facilitated by the fact that in 1984 a general income agreement was reached, which included an agreement on an increase in farm income for 1985, whereby farm income had to be raised by FIM 345 mill. in spring 1985. The negotiations were thus reduced to calculating the cost compensation and the division of the price settlement among different products.

Table 10. Income and cost calculation for the spring decision 1985.

	Price level in autumn 1984 FIM mill.	Price level in spring 1984 FIM mill.	Change %
Gross return			
Target price products	15 870.3	15 870.3	0
Other products	1 786.6	1 873.7	4.9
Rent incomes	536.4	593.1	10.6
Retroactive payments	574.7	574.7	0
Price support	2 005.6	1 980.6	-1.2
Total	20.773.6	20.892.4	0.6
Costs			
Fertilizers	1 674.4	1 674.4	0
Purchased feed	3 777.8	3 761.6	-0.4
Wages	417.2	446.2	7.0
Machinery and implements	3 241.1	3 380.6	4.3
Buildings	1 268.5	1 314.7	3.6
Interest payments	996.7	1 014.2	1.8
General	987.8	1 026.3	3.9
Rent	451.0	477.4	5.9
Miscellaneous	2 182.7	2 303.2	5.5
Total	14 997.2	15 398.6	2.7
Farm income	5 776.4	5 493.8	
Change in farm income		282.6	

The calculation made by the price council showed that costs had risen by FIM 401.4 mill. The gross return for products other than target price ones had risen by FIM 118.8 mill. When this sum and the excess of the target prices (FIM 15.9 mill.) were subtracted, the compensation for costs came to FIM 266.7 mill. When the increase in farm income (FIM 345 mill.) was added, the target prices and the price policy support had to be increased by FIM 611.7 mill., or approximately 3% of the total gross return (Table 11). Agriculture thus stayed well within the targets set for keeping inflation in check.

Table 11. Income increase in the spring decision

	FIM mill.
Increase in costs	401.4
Increase in gross return in other products	-118.8
Deviation from target prices in 1982	-15.9
Cost calculation	266.7
Increase in farm income	345.0
Total increase in prices	611.7

The price settlement was realized in the following way:

	FIM Mill.
target prices	551.0
regional payments	19.0
hectarage payment	19.7
vacation and substitute system	11.1
total	611.7

In addition to this, it was agreed that FIM 49.8 mill. of the autumn price settlement would be used to raise the prices of grain. The target prices for grains come into force at the beginning of August, but it would be wise to decide about them in connection with the spring decision. Farmers make their plans for sowing in the spring and thus should have information about producer prices then. Thus, FIM 661.5 mill. were available for the increase in target prices.

The last task in the price settlement is to divide the total sum agreed upon between different target price products and the price support. The Farm Incomes Act includes specific provisions on price policy payments. Earlier, it had to be raised proportionally as much as target prices, sometimes one and a half times more than the increase in target prices. Accord-

p/l, p/kg

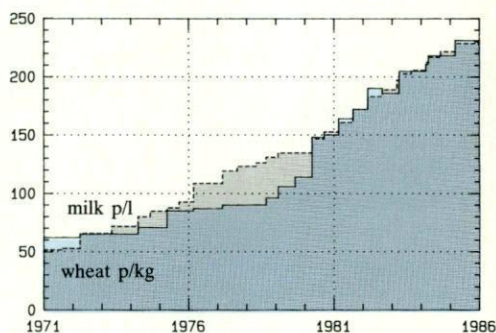


Figure 7. Target prices of milk and wheat in 1970-85.

ing to the present legislation, however, the price support has to be raised proportionally as much as target prices. As a result of this it was raised FIM 38.7 mill. in the last decision.

Regarding the increase in various target prices, the law stipulates that they must be raised "taking into account the market situation and the changes in the production costs for different products". For this purpose the Agricultural Economics Research Institute enquired into the trend in different production costs. The disparities in cost trends between different products have been small, especially during the period of low inflation,

Table 12. Target prices in 1984-85¹.

		1.3.84	1.4.84	1.9.84	1.3.85	Change %
Rye	mk/kg	2.31	2.45	2.45	2.64	7.8
Wheat	"	2.11	2.18	2.18	2.31	6.0
Feed barley	"	1.56	1.61	1.61	1.70	5.6
Feed oats	"	1.46	1.50	1.50	1.58	5.3
Milk	p/l	2.127	2.167	2.216	2.286 ²	3.2
Beef	mk/kg	23.01	23.31	23.91	24.67	3.2
Pork	"	14.68	14.98	15.38	16.05	4.6
Eggs	"	9.90	10.05	10.20	10.50	2.9
Mutton	"	25.30	25.60	26.15	26.15	0.0

¹ See also appendix 7.

but they do exist and must therefore be taken into account when prices are accurately set; after all, they have an effect on income trends between different lines of production. But, according to the Farm Incomes Act prices can also be set taking overproduction into consideration. In other words, the price settlement can also serve supply management. There are, of course, disagreements about this principle even within agriculture, as various producer groups have different interests, and even the public authorities and the producers' organizations have pursued different policies in the matter. The main producer organization has publicly complained that the price settlement is used for supply management purposes.

Target prices were raised by an average of 3.5%. The biggest increase was for grain (rye 7.8%). The target price of eggs was raised by about 3% but the target price for mutton was not raised at all (see Table 12).

6.2. Autumn price settlement

Target prices were not raised at all in the autumn, because the need to raise them was less than 1%, which is the limit set in the Agricultural Incomes Act. Inflation had slowed down. It was calculated that

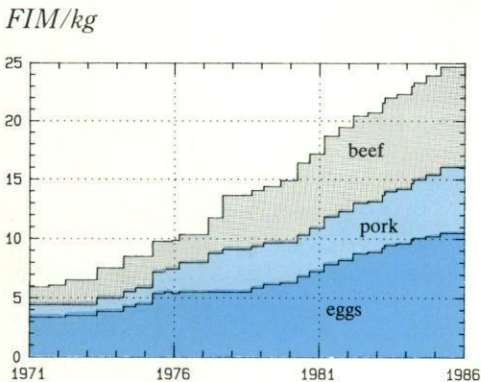


Figure 8. Target prices of beef, pork and eggs in 1970-85

the prices of the input into agriculture had increased by 1.2% in the six months from January to July. When some reducing factors, such as the increase in retroactive accounts, were included it was calculated that the target prices should be raised by FIM 155.0 mill. which was 0.9% of the gross returns target price products. Thus, prices did not have to be raised. The cost increase in question will, however, be taken into account in the spring decision of 1986.

6.3. Producer prices

The target prices (see Appendix 2) do not give a fully accurate picture of the amount farmers receive for their products, with all price subsidies included. The average production subsidy on milk in 1984, for instance, was 20 p/litre and other price policy support 8 p/l. The amount paid for milk was, therefore, 2.60 mk/l.

The producer prices, including all subsidies, of the main products in 1975-85 are presented in Table 13. Export fees have been subtracted from them. Exact figures for 1985 are not yet available.

Table 13. The producer prices paid for the most important agricultural products, including all subsidies, in 1975-1985.

Year	Milk p/l	Beef mk/kg	Pork mk/kg	Eggs mk/kg
1975	115.0	11.15	7.60	5.25
1976	137.1	11.50	7.90	5.53
1977	144.8	14.27	8.75	5.40
1978	155.3	14.66	9.07	5.78
1979	167.8	15.54	9.42	6.42
1980	184.5	17.69	10.13	7.34
1981	202.4	19.59	11.42	8.48
1982	228.5	22.22	12.68	9.33
1983	247.0	24.01	13.68	9.99
1984	259.8	25.84	14.98	10.30
1985 ^e	274.5	27.50	16.12	10.94

7. Income trends in agriculture

7.1. Income disparities

The incomes of farmers can be followed using two different statistical sources: the national incomes account and tax statistics. The former describes income trends in the whole agricultural sector, and if it is divided by the total labour input, the wage per hour can be calculated, albeit with many reservations.

Tax statistics include more detailed information on incomes in various types of farms, from which either the yearly earnings or hourly wage can then be calculated. The statistics on labour input are, however, insufficient for a detailed analysis of this case. Nevertheless, despite the difficulties, some estimates have been made of the incomes in various lines of production.

Table 14. Distribution of income of farming families according to the source of income in 1982.

	Income mk/farm	%
Agriculture	32 404	56.3
Forestry	7 550	13.1
Wages	14 422	25.0
Other	3 233	5.6
Total	57 609	100.0

Source: Anon 1985.

Last year a thorough study, based upon tax statistics, was made of income levels in agriculture (Anon 1985). Farm families received 56% of their income from agriculture in 1982 (Table 14), 25% as wages and 13% from forestry. This calculation included 145,000 farms.

In the study an attempt was made to establish the income level of those farmers whose main occupation is agriculture, that is, those whose labour input into agriculture is at least one man year (1860 hours). In the size group 5-100 hectares, the labour input was 1.8 man years in 1982. The number of farms fitting into this category in 1982 was 75,000. On these farms the income from agriculture was FIM 19,900 per person. In the same year, the annual income of industrial workers was FIM 49,800.

In the other classification, a farmer was considered a proper farmer, if his income from agriculture and forestry was at least 75% of all income. About 67,000 farms belonged to this group in 1982. The farm income was FIM 26,100 on those farms in 1982.

The income level of farmers, in whatever way it was examined, was lower than that of industrial workers in almost every class in 1982. Only on the bigger farms (over 50 ha) the same level was reached as in industry. Since 1982 agricultural incomes have grown rapidly and the disparities are evidently now smaller than they were in 1982.

7.2. Income in 1985

It is still difficult to make any reliable statistical estimates about the income trends of farmers in 1985. All the information on quantities and prices needed for this purpose is still preliminary. If this information is used to calculate incomes and costs, an error may accumulate in the part referring to farm income. Since the farm income is the difference between gross returns and costs, a calculational error in this is relatively greater than in either component separately. Nevertheless, in the following a preliminary rough estimate of trends in farm income according to the overall calculation of the institute is given.

According to the preliminary estimate,

farm incomes rose by 5% in 1985. The favourable trend in incomes thus continued, albeit at a slower rate than in the preceding year. The increase in gross returns was about 5%. The sales of grains fell last year and thus, there was no increase in the value of crop production.

Instead, the value of animal production rose by about FIM 800 million.

The increase in costs was also about 5%. It is interesting to notice that feed costs fell by about 1% last year, whereas fertilizer costs increased by 11% due to the excise tax.

Table 15. Trends in farm incomes in 1975-85, FIM mill. and index.

	Gross return	Total costs	Farm income	Index
1975	8 099.4	4 978.0	3 121.4	100.0
1976	9 727.1	5 763.8	3 508.3	112.4
1977	9 977.2	6 234.7	3 742.5	119.9
1978	10 246.2	7 199.0	3 047.2	97.6
1979	11 147.4	8 166.6	2 980.8	95.5
1980	13 176.1	9 736.5	3 439.6	110.2
1981	14 760.4	11 271.8	3 488.6	111.8
1982	17 594.1	13 141.7	4 452.4	142.6
1983	19 911.5	13 801.6	6 109.9	195.7
1984	21 022.3	14 258.5	6 763.9	216.7
1985 ^e	22 086	14 995	7 091	227

III

AGRICULTURAL POLICY

8. General

Last year agricultural policy did not arouse political debate as heated as it sometimes has. A "low profile" or spirit of consensus dominates agricultural policy as it does the whole of society. There was some discussion on agriculture but it did not lead to any special political debate. One reason for this was probably that the agricultural income settlement did not give any cause for conflict, and no other important issues (such as legislation) had to be decided upon last year.

Exports of agricultural products have continued to grow. Traditionally, animal products have constituted Finland's main export items but now grain exports seem to be creating a new problem. After all some grain has always been imported, but harvests have been very good in the last few years and feed grain has thus been available over and above the country's own needs. Overproduction could, of course, be processed into animal products but from the viewpoint of the state budget and also of the national economy it is more profitable to export the overproduction as grains than as animal products (PTT 1985).

Exports of agricultural products required more subsidies in 1985 than in the preceding year, because domestic prices rose and export prices fell. Exports subsidies are thus still a big problem. But there are also other problems in foreign trade. Experts in agricultural policy (public servants, farmers' representatives,

etc.) are worried about the increase in external pressures. Support for agricultural production, and particularly for export, has become increasingly the focus of interest in international organizations. The major export countries and developing countries are calling for freer trade in agricultural products. Agriculture in Finland, as well as in many other countries with high production costs, is thus in danger of being trampled on by countries able to produce more effectively.

Although no decisions on the liberalization of trade have yet been made, the impression is that some liberalization is likely to materialize; this will hardly be to the advantage of Finnish agricultural producers. Agriculture in Finland is still practised on a very small scale and is thus in no way prepared to meet the new challenges by rationalizing production and reducing costs.

The core of both Finnish and EEC agricultural policy is to raise the income level of farmers through price policy and simultaneously to try to restrict production by different means. A new method is farm quotas, which are applied to milk production. In Finland they were introduced at the beginning of 1985 and they have thus featured prominently in the news during the year. A quota system is also to be applied to egg production at the beginning of 1986.

Agricultural policy has been blamed for lacking definite aims and for indecision. In other words, measures have not been consistent or they have been altered

so soon that farmers have not been able to adapt to them. Investment in agriculture cannot generally be used for other purposes and so they have to be amortized by means of agricultural production. The need for a long term programme for agriculture has been discussed for a long time, and finally a committee, "Agriculture 2000", has been set up to formulate a long-term agricultural policy. It must finish its work by the end of 1986.

The following is a general review of the most important agricultural policy measures in 1985. It does not attempt to give a comprehensive list of all measures. The scope of this report is too limited for that, but it seeks to be continuous with earlier annual reviews by examining certain items from year to year.

9. Regulation of supply

The most difficult task in agricultural policy is to regulate supply. Overproduction has not decreased despite many measures taken to curtail it. Exports had to be subsidized more than ever last year, because world market prices fell and domestic prices rose. What is more, farmers have to finance the part of exports which exceeds the production ceilings, and the cost of this has grown continuously. Thus the focus of agricultural policy has been on reducing production, whereas

other agricultural policy measures and programmes tend to be pushed into the background or are impossible to implement because they easily conflict with the curtailing measures.

Table 16 presents the production ceilings in agriculture. Strictly speaking, they constitute the production ceilings for dairy milk and the export ceilings for meat, eggs and grain. For milk one can thus speak about production ceilings, whereas for the other products domestic consumption and the export ceiling together constitute the production ceiling up to which point the farmers receive the full producer price. The interests of agriculture would best be served if the prices of grain, meat and eggs were set so that consumption is as high as possible. The case is different for milk, because the State could benefit from an increase in consumption. In fact, the setting of a production ceiling for milk is profitable for agriculture, as the total consumption of milk tend to decrease all the time. Thus the proportion of the costs of milk exports for which the State authorities are responsible may rise whereas the State's responsibility for other products is determined completely by export ceilings.

Table 16 shows that production ceilings have been exceeded for milk and eggs in particular. A total of 550 mill. kg of grain had to be exported last year but as the export ceiling did not come into effect before the beginning of 1986, agri-

Table 16. Production ceilings for dairy milk (mill. litres) and export ceilings for other products (mill. kg) in 1979-87.

	1979	1980	1981	1982	1983	1984	1985	1986	1987
Dairy milk	2710	2675	2675	2675	2790	2760	2730	2710	2695
Pork	14	13	13	13	18	16	14	14	13
Beef					14	12	12	12	12
Eggs	15	12	12	12	17	15	13	12	11
Bread grain	105	100	100	100					
Feed grain	210	200	200	200				480	480

culture was not obliged to pay any export costs for grain. The State has been forced to subsidize grain exports much more than previously. This is due mainly to the good harvests in the last few years.

As Table 17 shows, the proportion of exports costs for which agriculture is responsible was FIM 452 mill. in 1984 and FIM 455 mill. in 1985. These amounts do not completely correspond to the export cost charges collected (formerly known as marketing fees) because they have to be settled at the beginning of each year, or even earlier, according to production forecasts. Thus the exact amount of the charges cannot be known in advance but will have to be corrected during the year and might still be too high or too low. Either the excess or shortfall in collected charges will be taken into account the following year.

In order to curtail production legislation was passed in 1984 (The Act on the regulation and balancing of agricultural production) which gives the government a basis on which to make its annual decisions upon measures to restrict production. The measures implemented have been formulated over a period of years. On the basis of the law, the following **contracts to reduce production** were made in 1984:

- contracts to reduce agricultural production
- —" — animal production
- —" — milk production
- —" — egg production
- following contracts.

No new contracts were made in 1985 for lack of funds; only the contracts for beef production made in 1983 were renewed.

In addition to this, the **Act on the soil bank system** and the **Act on regulation of the establishment of large production units** were still in force. The **export cost charges** and the **tax on fertilizers and feed mixers** which are collected in connection with the excess of production ceilings should also have a diminishing effect on production in terms of the whole of agriculture. These measures are briefly reviewed below.

9.1. Restrictions on production

Special **contracts to reduce agricultural production** were made with older farmers in 1984 whereby farmer had to stop agricultural production for five

Table 17. Excess surpluses over export ceilings and the proportion of export costs borne by agriculture in 1979-85.

		1979	1980	1981	1982	1983	1984	1985 ^e
Milk,	mill.l.	181	274	193	183	153	175	80
Pork,	milj.kg	13.3	12.5	26.7	23.1	8.6	4.8	2
Beef,	"	—	—	—	—	2.7	7.2	9.5
Eggs,	"	6	13.8	15.5	18.1	15.5	21.5	19
Bread grain,	"	—	—	—	—	—	—	—
Feed grain,	"	—	—	—	—	—	—	—
Export cost, mill. FIM		153	329	229	206	380	452	455

years and receive compensation amounting to about 20-35% of his earlier income. These contracts have had little effect. Lapland has partly been outside the system owing to regional policy considerations.

Contracts to decrease animal production were made in 1984. A farmer committed himself to stopping all animal production for five years. The compensation is in relation to earlier income (about 20-35 %).

The **milk bonus system** is one of the most important measures for restricting production. These contracts were made in 1983 and 1984. A condition for the agreement was a 15 per cent decrease in production (or 5,000 litres per year). The agreement was made for three years, and the farmers are paid 75-90 pennies per litre in compensation. These agreements covered about 33,600 dairy cows and 160 mill. litres of milk at the end of 1985.

Egg production has been curtailed by special contracts made in 1984. The farmer committed himself to stop production for four years and received a total compensation of 50 marks per slaughtered hen. The gross effect of these contracts is estimated to be about 6 mill.kg at an annual level.

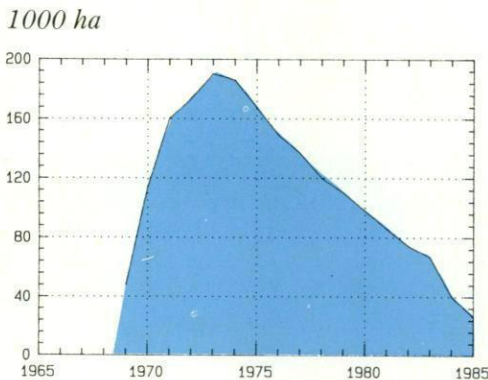


Figure 9. Field area in the soil bank in 1969-85.

Egg production is further reduced by **restricting hatchings**. General instructions for the number of hatching chickens has been given for this purpose. This year the number of hatchings was permitted to stay at the same level as last year. The expansion of hatcheries as well as the setting up of new ones has been prohibited in recent years. Despite all these measures egg production is still rather high, which shows the weakness of the systems.

Fallowing contracts were again possible in 1984. The area had to be at least 25% of the total arable area of the farm and the contract was made for three years. The compensation was FIM 1000-1200 per ha. These contracts were made for about 25,000 ha in 1985. The total area in fallow was 69,700 ha in summer 1985.

The **soil bank system** was launched in 1969. At the peak in 1973, 205,000 ha were taken out of production. Last June the amount was only 26,100 ha. Compensation was a maximum of 380 marks per ha. The remaining area presumably does not have potential use for production. In recent years uncultivated areas have expanded considerably; these probably come from annulled contracts in the soil bank system. The system will finally end in 1989.

Regulation of the establishment of large production units was continued in 1985. If it is strictly applied in practice it might become the most important means of curtailing production. Permission from the Board of Agriculture is required if a production unit is to accommodate over 200 pigs, 1000 hens, 30,000 chickens or 60 beef animals. In addition, a permit from the local authorities is required for the establishment of a production unit for more than 25 pigs or 100 hens. Moreover, larger new farms must have $\frac{3}{4}$ self-sufficiency in feed and smaller farms a $\frac{2}{3}$ self sufficiency. The establishment of new dairy cow farms is regulated by the quota system.

Very few permissions were granted in 1985. Pig and egg production units could

be established only in exceptional cases and cattle units only in the northern and eastern parts of the country. A condition for establishment was that the holding be transferred from one generation to another; even then the farm could not be expanded.

9.2. Dual price system for milk

The dual price system for milk came into effect from the beginning of 1985. A quota was levied on each farm for milk production according to the level of production in either 1981/82 or 1982/83 (whichever was the higher). Each farm which produced milk in 1984 can, however, produce up to 30,000 litres without a permit. The farmers could lodge an appeal against their quota if, for some reason production was low during the base year. Local authorities solved most of the cases but the National Board of Agriculture still has unsolved applications to deal with.

At the end of the year it was estimated that about 1000 farms were exceeding their quotas, for which only the world market price was paid. In practice this was realized by collecting a marketing fee of 1.60 litre/mk from the farmer. In 1986 the marketing fee will be 2.00 mk/litre.

For the time being, no final judgements can be made as to the degree to which the quotas have helped to curtail of milk production. Of course, they have prevented production increases on some farms, and since some other holdings have evidently had to cut production the final result is a reduction overall. However, the milk bonus system has also reduced milk production, and there is no clear picture showing which effects are due to which system. Evaluation of the quota system is hampered by the fact that the total volume of quotas at present is around 3300 mill. litre. Some of these quotas will evidently be left unused.

9.3. Egg production quotas

At the beginning of 1986, an allocation of egg production quotas, which includes a kind of double price system came into effect. Last year a quota was levied on every farm producing eggs. The quota was determined according to the quantity sold in either 1982, 1983 or 1984. For special reasons, the quota could be altered.

The most important point of the system is the additional price, which is paid as follows:

Production quantity	Oulu and Lap-land mk/kg	The rest of the country mk/kg
0 — 10 000 kg for all producers	2,20	1,95
The part exceeding 10 000 kg	1,50	1,50

If the quota is over 10,000 kg the additional price is paid for only 90% of the part exceeding 10,000 kg, after which only a reduced target price is paid.

To prevent the additional price from causing a rise in the production price the target price was reduced by mk 1.50/kg at the beginning of 1986. If the quota is below 10,000 kg, the producer receives the additional price in full for the whole quota. If, on the other hand, the quota is over 10,000 kg the additional price is paid for only 90% of the part exceeding 10,000 kg, after which only the target price is paid.

The reduction in price is so great that it is not considered profitable for farmers to exceed their production quotas. It is estimated that production will fall by about 2-4% in 1986.

9.4. Export fees

Agriculture was estimated to account for FIM 455 million of the export costs of surpluses last year. Since 84.5 million were carried over from the previous year, a total of FIM 539.5 million had to be collected from farmers. It is estimated that FIM 560 million were collected in 1985, and they will be approximately FIM 670 million in 1986.

The marketing charges for milk were 5.5 p/l from January to July in 1985, 2.5 p/l from August to October and 5.5 p/l thereafter and also in 1986. The marketing fee for pork has been 5 p/kg since the beginning of 1985. The excise tax on fertilizers was 12 p/kg from January to June, 20 p/kg from June to August and 23 p/kg thereafter. The excise tax on purchased feed was rather high in 1985, being 26 p/kg on hens' feed and 16 on other feed from January to August. The taxes were increased by 3 p/kg at the beginning of September.

A new tax of mk 1.50/kg on all raw protein feed except on protein of grains became effective at the beginning of January 1986. The final tax on each feed mix now depends on the protein content of the mix. This tax was introduced because the price of protein was low compared with that of other components of the feed mix and probably led to excess use of protein in feed mixes.

9.5. Production support

Finnish production policy is characterized by supply control measures. Production is, however, supported to some extent. The most important support is that for beef production, the aim being to raise carcass weights. This was considered necessary a few years ago, when self-sufficiency in beef was sought. Since the number of slaughter animals decreases as milk production falls, beef production is also expected to fall. Production can

only be increased by raising carcass weights. Production support is probably too high at the moment, because overproduction has become a permanent problem. A temporary reduction in the support could be justified. The fact is that it is not very economical to raise slaughter weights.

A special production **premium system** has been devised for beef production, whereby a premium is paid for beef if the slaughter weight is above 160 kg and for heifer above 130 kg (see Appendix 7). Production support is also paid for mutton. These supports are all implemented as an internal income transfer in agriculture, i.e. they are included in the agricultural incomes settlement.

Beef production is also supported by a special beef programme. The premium was FIM 850 per cow in 1985 and the scheme comprised about 8,000 cows. New contracts were not made in 1984 and 1985.

Bread grain production was supported in 1982 and 1983 but suspended in 1984. Only a special regional subsidy of FIM 170 per hectare was paid for feed grain and rye production in northern Finland.

10. Agricultural support

10.1. The size of the support

Agricultural support became a subject of discussion in 1985. This was due partly to publication of the study made by the Ministry of Finance on the amount and incidence of the support. As a result, many different figures have been quoted. In some cases the amount of support has been FIM 9 billion. According to calculations made by the Ministry of Finance this support was FIM 6.4 billion in 1984. As the agricultural income is FIM 6-7 billion, someone without knowledge of the subject or even someone who consi-

ders himself an expert can get confused trying to work out the amount of support. What is it all about?

It should first be noted that the farm income in Appendix 6 includes almost all the incomes farmers receive. The calculation in 1984 was briefly as follows:

Gross return total	FIM mill 21,022.3
of which price support	2,264.3
Costs total	14,299.6
Farm income	6,722.7

The above support includes the price policy support, i.e. hectarage subsidy and regional subsidies, the additional price of milk and other support.

The hectarage subsidy, regional subsidy and additional price of milk come under the price decision and are always changed in connection with it. They are used as a way of equalizing internal income differences in agriculture. Some of the price increases introduced by income settlements are transferred to price policy support which is paid from the State budget. The producer prices would be higher without this support, but the total income and also the farm income would be the same for farmers. Consequently, the price policy support is actually a consumer subvention. The additional price of milk is in fact a form of consumer subvention according to the original incomes settlement. It was introduced during the period of high inflation in the 1970s to retard the rise in consumer prices.

There does not seem to be any agricultural support. Where does this FIM 6.4 billion come from? The above mentioned FIM 2.26 billion forms a part of it. The greatest factor, however, is the export

subsidy, which totalled FIM 3.65 billion in 1984. The export subsidy is not an income bonus for farmers. They receive the full price for all products. If they were to receive only the world market price for exports, their income would fall by the amount of the export subsidy. This would be a catastrophe for agriculture as incomes would fall by more than 50%.

The value of agricultural overproduction was approximately 21% of that of total production, i.e. FIM 4.4 billion, and export subsidy was FIM 3.65 billion in 1984. The export subsidy is the most problematic and it should be stopped. There is no reason to continue production which does not get compensation from other countries. Note that it is not only agriculture that receives export subsidies; it also goes to the input industry and the processing sector. Overproduction only gives farmers about FIM 1.35 billion as farm income. The rest of the export subsidy goes elsewhere. Nevertheless, farmers bear all the responsibility for the part exceeding the export ceilings, others receive the full compensation and agriculture carries the losses.

Transfers to the Agricultural Development Fund are also included in the agricultural support. Neither is this support indisputable. Farmers do not receive this money for nothing but as a low-interest loan, which later will have to be paid back. During the period of high inflation these loans were almost free of cost, but that is hardly the case anymore because inflation has decelerated.

The food industry received subsidies totalling FIM 715.3 mill. in 1984. Some of this amount was directed to lower prices and some to support sugar beet and oil seed production. Since these subsidies are included in the prices in the price settlement, this subsidy is no extra benefit to farmers. The food industry for its part pays different taxes totalling FIM 476.1 mill. This industry operates using world market prices and, therefore, the government must level out the cost difference caused by the different prices of domestic and foreign raw materials.

Agricultural support is a very complex matter and can be explained in different ways; this tends to be misleading. The most important agricultural support is protection against foreign competition. It is difficult to estimate the size of this support, but it is substantial. If agricultural trade were free, the prices of agricultural products would drop and Finnish agriculture would crash as a result of unprofitability. We should then lose our self-sufficiency which is considered the principal factor in our agricultural policy.

10.2. Price policy support

The price policy support is composed of regional and hectare subsidies and the additional price of milk. A total of FIM 2032 mill. was allocated to these in the last agricultural incomes settlement of which FIM 572 mill. was for regional subsidy, FIM 572 mill. for hectare subsidies and FIM 831 mill. for the additional price of milk and other minor support.

Hectare subsidies are paid to farmers whose incomes are below minimum. This subsidy is tied to the farm hectare and the number of domestic animals, i.e. to production units (one hectare equals one production unit, one cow equals one production unit, one pig equals half a unit, etc.). Farms of 7-8 hectares receive the biggest subsidies. The hectare subsidy was FIM 588 per unit in 1985. In northern Finland the subsidy is 50% higher.

The regional subsidy is paid to milk and meat producers as production subsidy per unit of production. The country is divided into eight regions with separately defined milk and meat production subsidies. The regional subsidy is of great importance to farmers in northern Finland. For example, the regional subsidy for milk was 15.0-29.0 p/l in the province of Oulu. In the northernmost parts of Finland the regional subsidies were 63 p/l for milk, 0.75 p/kg for pork and 8.45 mk/kg for beef. The subsidy has made it possible to equalize income differences to a large extent. According to estimates the production subsidy is up to 70% of the agricultural income in northern Finland.

The price of feed is reduced in northern Finland by paying a special reduction subsidy, which can be up to 45% of the cost of bought feed but not more than FIM 9450 per year.

The additional price of milk was introduced in 1974 to slow down inflation. First it was of equal size, but it has since been graded according to milk quantities (see Appendix 7); it has therefore become a measure of income equalization.

Table 18. Agricultural subsidy expenses in 1984

Expenses:	FIM mill.
export subsidy, total	3 650.6
price support	1 966.0
investment fund	784.8
balancing measures	298.3
food industry	715.3
other	63.7
total	7 478.7
Incomes:	
marketing fees, total	557.4
excise taxes etc.	476.1
other	14.4
total	1 047.9
Total net subsidy	6 430.8

Source: Ministry of Finance

10.3. The plan to reform the price policy subsidy

The price policy subsidy paid according to region and hectareage is about 9% of the total value of agricultural production. It, too, is paid in many different ways and has thus become administratively difficult. In 1983 a special committee was set up to see how the support could be simplified. The committee submitted their report, which included proposals for many reforms, in June 1985. They suggested that there should be three kinds of support in the future: subsidies equalizing incomes, subsidies according to production quantities, and regional subsidies.

Changes will be introduced slowly, because the incidence of the support could alter radically. The basis of division should be amended during the agricultural incomes negotiations. Some reforms, however, could be introduced more quickly, for example, the inclusion of labour-intensive production sectors, i.e. gardening and vegetable cultivation, into the hectareage subsidy system.

loans granted was estimated to be about FIM 600 million. Most of the loans from the Development Fund have gone to developing areas; farmers in southern Finland, therefore, have to rely on interest subsidy loans or commercial loans with high interest rates.

The "**start money system**" is part of the investment support system. A young farmer (under 35 years old) may be granted a subsidy of FIM 50,000 when he starts to farm a holding. The subsidy may be used to buy machines, fertilizers, etc. The aim of this system is to lighten the burden of loans on young farmers. For this purpose, FIM 110.5 million were included in the State budget. According to estimates, 2300 farmers received this subsidy in 1985.

In 1983 an Act on **investment reserve** became law. A farmer can make an investment reserve which is 20% of the farm income, but for not more than FIM 20,000. This amount is deducted for taxation purposes but is taken into account later. The farmer also has to deposit half of the reserve in a bank. The purpose of this system is to improve the timing of investments.

11. Investment support

The State subsidizes investments with **low interest loans** through the Agricultural Development Fund. The majority of these loans have gone to developing areas to improve the structure of agriculture. In 1985, FIM 480 million were transferred to the Fund from the State budget. In addition, the Fund had at its disposal interest and amortization payments of FIM 535 million. The total amount of money available for loans was FIM 1015 million. In addition, FIM 125 million were reserved in the State budget for interest subsidies for commercial loans, to bring the interest rate on them in line with that on loans granted by the Fund. The total amount of these **interest subsidy**

12. Social policy

The social security of farmers has been improved to some extent in the past few years, but much remains to be done, mainly in pension security, sickness and accident benefit, annual leave and the days-off scheme.

Farmers' pensions are prescribed by law and are comparable with the pensions in other sectors. The farmer makes his pension payments according to his income, the State paying part of the pension costs. The farmer gets his pension at the age of 65, and its size is determined by the contributions he has made. He is also entitled to a disability pension.


Farmers engaged in animal production

are entitled to an annual leave of 15 days, the during which time the local municipality hires a worker. The cost of the system is paid mainly by the State with a contribution from agriculture, thus reducing the farm income in the agricultural incomes settlement.

A farmer may receive **outside help** for the duration of a disability caused by illness or some other factor. This is paid for mainly by the State, but agriculture also contributes, thus reducing the farm income in the agricultural incomes set-

tlement. Farmers, too, pay part of it but these payments are counted as costs in the agricultural incomes settlement (FIM 6.2 million in the last settlement).

The accident insurance Act, which came into effect in 1982, compensates a farmer for costs caused by accidents. Farmers pay half of the extra insurance (FIM 22.5 million in the last price settlement). This sum is counted as agricultural costs and is taken into account in the price decision, i.e. agricultural prices are raised by that amount.



IV SUMMARY AND CONCLUSIONS

Harvests were good overall for farmers last year. Yields per hectare of various crops corresponded to the long term trend, some of them being slightly higher, some slightly lower. Yields of barley and oats were somewhat lower than in the preceding year but yields of hay were bigger. The average yield per hectare was the same as in the year before but the aggregate total yield was slightly lower.

Animal production declined to some extent because of the measures to restrict production. The farm quota system for milk production came into force at the beginning of 1985. Even though the system is too broad — since the total sum of the quotas is 3 300 million litres — it still prevents most farms from increasing their production. Together with the milk bonus system, the quotas are evidently the reason for the production decrease of around 4% last year. The volume of dairy milk (2 805 mill. l), however, exceeded the production ceiling (2 730 mill. l) which will be lowered by a further 20 million litres in 1986. Production has to be curtailed still further.

Beef production remained at a very high level and even rose slightly. It will not become a long-term problem since beef production will decrease alongside the diminishing number of milking cows.

Pork production rose by 2%. However, the immediate future looks bright with respect to the balance of production and consumption as well. Egg production diminished a little, but the volume of ex-

ports (32 mill. kg) clearly exceeded the export ceiling (13 mill. kg). From the beginning of 1986 a quota system for egg production came into effect. It is expected to reduce production somewhat in 1986.

For four successive years farmers have had good harvests, and trends in farm income have, therefore, been favourable. At the end of the 1970s and the beginning of the 1980s agriculture was in trouble, with very big fluctuations in harvests and low yields per hectare. Farms were forced to buy more feed than normal. In 1982, a total of 1 495 mill. kg of industrial feeding stuffs were used but in 1985 no more than 1 000 mill. kg.

This change is reflected in the structure of production costs for agriculture. In 1981, costs accounted for 78% of the total gross return, but in 1985 for only 68%. Farm income has also grown rapidly since 1981, although preliminary estimates indicate that growth remained at 5% in 1985. The reason was naturally the decrease in animal production.

The development of agriculture has been internally steady, and agriculture has attained an approved position in the total national economy. It has been possible to keep real producer prices at the same level as previously, an achievement that has been rare in other industrial countries, which are wrestling with difficult problems of overproduction. External pressure has been brought to bear in world forums. Large export countries would like to liberate foreign trade in agricultural products. This would un-

doubtedly have important consequences for the agriculture and self-sufficiency of Finland. Developments are slow at present, but Finnish agriculture is forced to view them with concern.

To a certain extent, criticism of agricultural support is connected with this, and there are many misconceptions about the support and its size. Much of what is actually consumer subsidy is counted as agricultural support. Export subsidies are in fact the only form of support which is not well founded. In place of overproduction, new productive activities should be found, preferably of a sort that supports the other goals of society.

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Appendices

Appendix 1. Cost price index in agriculture with subindices.

	Producer price index of agriculture	Cost price index	Requisites and tools	Machines	Buildings
1970	100.0	100.0	100.0	100.0	100.0
1971	103.7	107.9	103.6	109.2	109.2
1972	115.0	116.9	107.6	120.2	123.6
1973	129.4	135.6	122.2	133.4	155.5
1974	150.2	167.9	154.6	162.7	201.4
1975	188.2	205.9	188.4	208.3	230.2
1976	213.6	238.4	255.3	231.2	255.4
1977	229.4	273.6	267.3	258.1	281.4
1978	242.5	285.4	273.8	282.2	294.9
1979	257.2	304.3	282.8	308.7	325.6
1980	288.2	341.7	318.0	341.2	372.1
1981	324.5	394.0	384.9	374.6	400.8
1982	370.0	427.5	423.2	404.0	424.2
1983	394.8	464.2	461.3	445.7	454.3
1984	420.7	502.5	504.1	474.4	479.8
1985 ^e	449	528	531	496	500

Appendix 2. Some figures of the agriculture structure.

	Number ¹ of farms 1000 pcs	Average ¹ size of farms, hectares	Number of milk suppliers 1000 pcs	Employed persons in agriculture 1000 persons	% of total labour force
1970			190	404	19.0
1971			175	374	17.6
1972	274.4	9.31	163	339	16.0
1973	265.9	9.54	151	304	14.0
1974	258.2	9.79	140	303	13.6
1975	248.7	10.05	128	277	12.5
1976	242.7	10.26	119	244	11.3
1977	237.7	10.43	112	223	10.6
1978	232.8	10.60	104	208	10.0
1979	229.3	10.78	98	200	9.4
1980	224.7	10.96	91	200	9.1
1981	218.9	11.16	85	200	8.9
1982	212.6	11.42	78	206	9.0
1983	208.2	11.63	74	246 ²	10.3 ²
1984			70	242	10.0
1985 ^e			65		

¹ Over 1 hectare.

² The method of data collection has been revised in 1983. The data are not comparable with previous data.

Appendix 3. Number of animals in June and the average yield per cow.

	Dairy cows 1000 pcs	Yield per cow, litres	Pigs 1000 pcs	Hens 1000 pcs
1970	889.1	3677	1002.4	4470.9
1971	849.3	3806	1129.3	5249.0
1972	836.5	3889	1045.7	5963.7
1973	823.6	3839	1139.3	5869.0
1974	818.5	3856	1048.9	5803.2
1975	773.2	3997	1036.1	5943.3
1976	763.1	4200	1053.9	6333.2
1977	751.6	4197	1143.3	6245.1
1978	742.0	4260	1244.7	6046.4
1979	730.1	4336	1288.7	6029.4
1980	719.5	4478	1410.2	6040.7
1981	700.8	4450	1467.1	5200.2
1982	689.2	4493	1475.3	5291.5
1983	663.1	4778	1440.7	5440.4
1984	659.5	4799	1381.8 ¹	6025.3
1985	627.7	4820	1295.2 ¹	5922.4

¹ Including the pigs of dairies.

Appendix 4. Sales of fertilizers (kg/ha).

	N	P	K
1969-70	58.3	27.2	40.0
1970-71	63.7	29.4	43.5
1971-72	68.5	30.5	46.5
1972-73	69.4	30.8	47.4
1973-74	78.2	33.9	52.0
1974-75	85.8	34.2	53.9
1975-76	79.6	29.5	47.6
1976-77	65.4	25.0	41.1
1977-78	69.1	25.8	43.3
1978-79	76.9	27.8	47.4
1979-80	83.3	28.0	50.2
1980-81	82.4	27.8	49.3
1981-82	78.7	26.8	47.5
1982-83	91.4	29.9	53.8
1983-84	90.7	30.9	55.9
1984-85	88.9	30.8	56.5

Appendix 5. Agricultural gross return in current prices, mill. mk.

	1978	1979	1980	1981	1982	1983	1984
Crop production							
Rye	63,3	82,4	148,8	121,3	67,2	184,4	220,8
Wheat	178,4	173,0	310,9	345,8	544,3	901,8	902,9
Barley	455,2	461,7	572,5	644,1	826,2	1338,5	1347,4
Oats	177,5	200,6	308,1	350,9	488,2	779,9	746,1
Potatoes	88,2	122,3	216,5	198,8	362,3	205,6	221,8
Potatoes of processing	73,7	88,5	98,6	102,5	110,6	182,0	211,7
Sugar beets	206,8	199,2	286,3	253,5	349,6	454,0	425,3
Oil plants	86,3	94,1	166,7	182,1	264,3	388,0	294,5
Peas	9,9	10,3	10,3	20,1	33,7	51,5	72,7
Grass seeds	12,5	20,2	26,4	42,5	45,6	43,5	60,7
Total	1351,8	1452,3	2145,1	2261,6	3092,0	4529,2	4503,9
Garden production							
Vegetables	210,2	205,7	261,8	369,7	373,4	381,4	346,6
Root crops	40,0	22,6	47,5	36,1	51,3	57,9	40,6
Fruits	30,3	42,0	40,3	46,9	30,3	50,6	43,3
Berries	60,0	66,9	71,0	142,1	173,6	153,0	192,9
Total	340,5	337,2	420,6	594,8	628,6	642,9	623,4
Animal production							
Milk	4773,3	5176,4	5762,5	6119,2	6881,9	7604,3	7955,5
Beef	1548,1	1676,8	2007,8	2380,2	2586,4	2836,8	3204,2
Veal	4,1	6,6	2,5	4,1	4,2	2,9	3,0
Pork	1400,4	1543,9	1711,0	2057,9	2290,0	2422,3	2552,4
Mutton	15,6	17,1	19,6	23,9	28,4	31,3	34,3
Horse meat	11,6	10,0	11,4	12,8	12,5	13,4	14,9
Poultry	76,6	93,8	114,3	147,7	156,4	182,1	213,0
Wool	1,6	1,7	1,7	2,1	2,3	1,7	3,5
Eggs	440,8	486,0	577,7	674,2	764,2	826,0	908,5
Export of animals	7,7	5,3	5,4	7,4	9,4	10,3	10,7
Total	8279,8	9017,6	10213,9	11429,5	12735,7	13931,1	14900,0
Subsidies							
by farm size	217,4	246,0	283,2	351,3	426,8	500,4	560,4
by number of cows	16,8	36,8	40,5	42,6	48,4	53,7	63,2
for purchased fodder	22,4	25,4	27,4	34,3	44,6	49,4	49,8
Premium on bread grains	—	—	—	—	79,5	16,8	—
Premium on feed grains	—	—	—	—	28,7	30,3	31,7
Premium on beef	—	—	3,6	3,0	5,2	6,0	6,1
"Start money"	—	—	—	—	0,0	10,0	57,2
Total	256,6	308,2	354,7	431,2	633,2	666,6	768,4

Appendix 5, continued. Costs in current prices, mill. mk.

	1978	1979	1980	1981	1982	1983	1984
Compensations							
for crop damages	17,5	11,5	7,9	2,3	426,8	19,1	7,0
Production guiding	—	—	2,8	20,5	48,7	66,1	69,4
Egg bonus	—	—	—	11,9	5,0	5,5	15,2
Milk bonus	—	—	—	8,6	24,1	49,5	88,8
Pork bonus	—	—	—	—	—	1,5	13,2
Kotieläintal.väh.sop.	—	—	—	—	—	—	5,0
Fallowing payments	—	20,6	31,1	—	—	—	28,0
Total	17,5	32,1	41,8	43,3	504,6	141,7	226,6
Gross return total	10246,2	11147,4	13176,1	14760,4	17594,1	19911,5	21022,3
Index (1975=100)	126,5	137,6	162,7	182,2	217,2	245,8	259,6
Change %	+2,7	+8,8	+18,2	+12,0	+19,2	+13,2	+5,6
Fertilizers	975,6	1059,8	1232,3	1333,9	1635,8	1745,9	1744,4
Lime	54,0	50,9	69,8	41,7	72,8	130,7	89,7
Feed concentrates	1584,3	1854,4	2416,6	3097,5	3752,4	3419,1	3468,2
Feed conserving chemicals	64,0	76,0	86,5	95,8	93,6	126,9	140,7
Pesticides	89,2	116,5	134,4	141,4	140,7	192,5	221,9
Equipment	57,8	66,3	77,8	85,2	96,7	112,4	124,1
Skimmed milk	27,1	20,6	20,7	20,5	24,4	21,3	18,6
Whey	2,3	2,3	2,4	3,0	3,7	4,6	6,3
Fuel and lubricants	365,8	480,1	609,8	701,9	866,9	833,6	885,2
Electricity	174,0	189,1	209,2	243,7	273,7	274,9	271,1
Purchased seeds	215,6	229,8	237,3	274,7	378,2	398,1	395,5
Hired labor	253,3	265,0	271,7	278,9	304,7	299,4	317,8
Social expenses	102,5	107,5	112,1	118,7	135,1	132,2	145,2
Machinery and equipment expenses	1691,3	1935,1	2210,7	2526,5	2764,4	3104,5	3337,8
Building expenses	668,5	721,8	870,8	969,5	1096,2	1287,8	1336,9
Interest payment	299,3	346,4	448,9	528,7	613,3	687,5	717,1
Imports of animals	0,4	0,4	0,6	0,8	0,3	1,3	1,5
Overhead costs	574,0	644,6	724,9	809,4	888,8	1028,9	1077,6
Costs total	7199,0	8166,6	9736,5	11271,8	13141,7	13801,6	14299,6
Index (1975=100)	144,6	164,1	195,6	226,4	264,0	277,3	287,3
Change %	+15,5	+13,4	+19,2	+15,8	+16,6	+5,0	+3,6
Farm income	10246,2	11147,4	13176,1	14760,4	17594,1	19911,5	21022,3
Costs	7199,0	8166,6	9736,5	11271,8	13141,7	13801,6	14299,6
Farm income	3047,2	2980,8	3439,6	3488,6	4452,4	6109,9	6722,7
Index (1975=100)	97,6	95,5	110,2	111,8	142,6	195,7	215,4
Change %	-18,6	-2,2	+15,4	+1,4	+27,6	+37,2	+10,0

Appendix 6. Agricultural gross return in fixed prices, mill.mk.¹

	1978	1979	1980	1981	1982	1983	1984
Crop production							
Rye	101,9	105,0	148,8	111,3	55,1	128,4	139,3
Wheat	309,3	245,7	310,9	330,8	447,6	630,9	621,6
Barley	593,4	567,8	572,5	509,9	566,5	836,1	795,8
Oats	230,9	244,3	308,1	286,3	343,5	499,2	446,7
Potatoes	157,8	177,1	216,5	190,6	221,0	216,4	254,0
Potatoes of processing	91,7	101,7	98,6	89,2	81,4	129,8	140,2
Sugar beets	234,0	221,5	286,3	215,0	251,2	337,1	290,7
Oil plants	107,7	110,6	166,7	164,5	198,9	249,0	190,0
Peas	10,3	10,3	10,3	11,6	16,2	21,5	26,2
Grass seeds	7,8	19,0	26,4	28,0	37,7	34,3	46,1
Total	1844,8	1803,0	2145,1	1937,2	2219,1	3082,7	2950,6
Garden production							
Vegetables	278,0	281,0	261,8	271,0	289,1	315,0	280,1
Root crops	54,0	30,1	47,5	32,8	25,1	39,7	34,1
Fruits	32,4	47,9	40,3	56,5	32,6	53,1	94,5
Berries	72,5	75,2	71,0	122,4	152,4	132,5	118,0
Total	436,9	434,2	420,6	482,7	499,2	540,3	526,7
Animal production							
Milk	5670,5	5703,9	5762,5	5577,7	5557,4	5679,3	5649,8
Beef	1868,7	1909,4	2007,8	2150,1	2059,8	2039,4	2194,3
Veal	4,9	7,4	2,5	3,7	3,7	2,5	2,5
Pork	1564,1	1660,3	1711,0	1825,4	1829,5	1795,0	1727,2
Mutton	19,6	19,6	19,6	21,8	24,0	26,2	28,3
Horse meat	13,9	11,4	11,4	11,4	10,1	10,1	10,1
Poultry	90,1	103,7	114,3	128,7	124,9	138,5	149,1
Wool	1,7	1,7	1,7	1,6	2,0	1,4	3,0
Eggs	560,8	555,6	577,7	583,5	565,2	606,3	647,4
Export of animals	8,6	5,8	5,4	6,5	7,5	7,3	7,8
Total	9802,9	9978,8	10213,9	10310,4	10184,1	10306,0	10419,5
Subsidies							
by farm size	274,8	285,8	283,2	309,2	349,6	386,8	408,4
by number of cows	21,2	42,8	40,5	37,5	39,6	41,5	46,1
for purchased fodder	28,3	29,5	27,4	30,2	36,5	38,2	36,3
Premium of bread grains	—	—	—	—	65,1	13,0	—
Premium of feed grains	—	—	—	—	23,5	23,4	23,1
Premium of beef	—	—	3,6	2,6	4,3	4,6	4,4
"Start money"	—	—	—	—	0,0	8,1	41,7
Total	324,3	358,1	354,7	379,5	518,6	515,6	560,1

¹ 1980 prices

Appendix 6, continued. Costs in fixed prices, mill.mk.¹

	1978	1979	1980	1981	1982	1983	1984
Compensations							
for crop damages	22,1	13,4	7,9	2,0	349,6	14,8	5,1
Production guiding	—	—	2,8	18,0	39,9	51,1	50,6
Egg bonus	—	—	—	10,5	4,1	4,3	11,1
Milk bonus	—	—	—	7,6	19,7	38,3	64,7
Pork bonus	—	—	—	—	—	1,2	9,6
For decreas.anim.prod.	—	—	—	—	—	—	3,6
Fallowing payments	—	23,9	31,1	—	—	—	20,4
Total	22,1	37,3	41,8	38,1	413,3	109,7	165,1
Total	12431,0	12611,4	13176,1	13147,9	13834,3	14554,3	14622,0
Index (1975=100)	102,2	103,7	108,4	108,1	113,8	119,7	120,3
Change %	-3,3	+1,5	+4,5	-0,2	+5,2	+5,2	+0,5
Fertilizers	1088,0	1138,1	1232,3	1091,3	1247,5	1310,2	1211,5
Lime	52,4	52,7	69,8	39,2	59,9	102,5	68,8
Feed concentrates	1749,7	2025,1	2416,6	2530,3	2720,7	2185,2	1983,7
Feed conserving chemicals	82,9	90,4	86,5	89,2	87,9	115,2	117,8
Pesticides	102,0	129,0	134,4	129,9	124,2	146,4	150,6
Equipment	70,8	73,5	77,8	77,3	82,2	86,9	90,0
Skimmed milk	49,8	22,7	20,7	17,2	13,6	10,9	8,5
Whey	2,4	2,4	2,4	2,6	2,6	2,6	2,7
Fuel and lubricants	713,1	746,7	609,8	564,2	679,4	611,1	630,0
Electricity	198,8	209,6	209,2	208,6	219,1	229,3	230,0
Purchased seeds	347,5	257,7	237,3	233,0	270,6	261,8	242,5
Hired labor	315,8	293,7	271,7	249,6	242,7	223,4	213,7
Social expenses	127,8	119,2	112,1	106,3	107,6	98,6	98,2
Machinery and equipment expenses	2058,9	2140,8	2210,7	2299,1	2342,6	2385,0	2413,7
Building expenses	853,9	865,2	870,8	891,7	956,3	987,7	1011,2
Interest payment	434,2	469,9	448,9	450,5	536,7	522,6	546,2
Imports of animals	0,5	0,5	0,6	0,7	0,2	1,0	1,1
Overhead costs	725,6	748,9	724,9	712,5	728,0	805,7	800,0
Costs total	8974,1	9386,1	9736,5	9693,2	10421,8	10086,1	9820,2
Index (1975=100)	104,3	109,1	113,2	112,7	121,2	117,3	114,2
Change %	+9,8	+4,6	+3,8	-0,4	+7,5	-3,2	-2,6

¹ 1980 prices

Appendix 7. Target prices of agricultural products in 1960-85.

	Rye ¹ (South. area) p/kg	Wheat ¹ p/kg	Milk ² p/l	Beef (all) ³ mk/kg	Pork mk/kg	Eggs mk/kg	Feed- barley ¹ p/kg	Feed- oats ¹ p/kg	Mutton ⁴ mk/kg
1.9.1960	47.50	50.00	30.65		2.75	2.60			
1.9.1961			30.82		2.72	2.55			
1.9.1962	49.50		31.85	(2.73)	2.80	2.45			
1.3.1963			32.70		2.98	2.57			
1.9.1963	52.00	54.00	34.13	(2.80)	3.05	2.60			
1.3.1964			36.06	(2.90)	3.21				
1.9.1964	58.00	60.00	38.14		3.36	2.70			
1.3.1965			40.79		3.46	2.80			
1.9.1965			40.34	2.95	3.36				
1.3.1966				3.44					
1.9.1966	58.00	60.00	41.98	4.05	3.45	3.00			
1.9.1966	58.00	60.00	41.14	4.05	3.45	3.00			
1.9.1967			45.16	4.13					
1.3.1968			48.95	4.53	3.60				
1.6.1968	61.00	63.00	49.32	4.63	3.80	3.15			
1.1.1969				5.06	4.00	3.20			
1.4.1970	63.00	62.00	49.57	5.71	4.20	3.35			
1.1.1971	64.00		51.52	5.93	4.42				
1.9.1971			52.79	6.08					
1.4.1972	66.00	62.00	59.00	6.48	4.42	3.50			
1.4.1972 ⁵	68.85	65.00	65.67	6.54	4.44	3.50	(44.09)	(39.89)	(5.23)
1.5.1973	72.85		71.67	7.54	5.01	3.85	46.09	41.89	7.54
1.4.1974	78.85	70.50	80.00	8.51	5.55	4.25	53.09	48.89	9.04
1.9.1974			84.67		5.88	4.48			
1.4.1975 ⁶	94.85	85.00	87.67	9.76	7.21	5.38	68.09	63.89	11.04
1.9.1975			92.67		7.46	5.52			
1.12.1975				9.85		5.38			
1.3.1976	97.85	87.00	108.70	10.35	8.01	5.52	72.09	65.89	12.04
1.3.1977 ⁷		90.00	119.20	11.75	8.78		76.09	69.89	14.04
1.9.1977			123.20	13.65	9.11				15.94
1.5.1978			126.20						
1.9.1978	104.85	96.00	130.90	14.05	9.36	5.87	78.59	72.39	16.54
1.2.1979 ⁸	114.85	106.00	134.60	14.40	9.66	6.17	83.59	77.39	17.04
1.9.1979	124.85	114.00		14.90		6.30			17.54
1.4.1980	159.00	148.00	146.60	16.40	10.31	6.85	101.00	94.50	19.10
1.9.1980	161.00	150.00	152.60	17.14	10.91	7.25	103.00	96.50	20.00
1.3.1981	177.00	164.00	160.60	18.69	11.86	7.85	123.00	114.50	21.50
1.9.1981	187.00	172.00	171.90	19.44	12.31	8.20	128.00	119.50	22.30
1.3.1982	207.00	190.00	182.90	20.44	13.01	8.75	142.00	133.50	23.40
1.9.1982	207.00	190.00	188.90	20.73	13.14	8.88	142.00	133.50	23.80

Appendix 7, continued Target prices of agricultural products.

1.9.1982 ⁹	202.70	185.80	188.90	20.73	13.14	8.88	138.00	129.50	23.80
1.3.1983			197.20	21.56	13.68	9.23			24.80
1.4.1983	220.70	204.80	202.70	22.01	13.98	9.46	151.00	141.50	25.30
1.9.1983	220.70	204.80	205.70	22.31	14.18	9.60	151.00	141.50	25.30
1.3.1984	231.00	211.00	212.70	23.01	14.68	9.90	156.00	146.00	
1.4.1984	245.00	218.00	216.70	23.31	14.98	10.05	161.00	150.00	25.60
1.9.1984	245.00	218.00	221.60	23.91	15.38	10.20	161.00	150.00	26.15
1.3.1985	264.00	231.00	228.60	24.67	16.05	10.50	170.00	158.00	26.15

Footnotes for appendix 7.

1) The price of grain beginning from 1.4.1972 is the price of January, before that the price of September. It comes into force from the beginning of the growing period. From the crop year 1983/84 the target prices of grain are on farm level. Before that they are wholesale prices for purchases of the Finnish State Granary.

2) The price of milk 1960-62 with 4% fat p/kg and due to the new fixing of fat, from 1963 milk with 3.9% fat which corresponded to the earlier 4% fat milk including production support. From 1967 without production support and from 1973 milk with medium fat p/l without production support

The additional price of milk is paid as follows:

1.4.1974-31.3.1975	7 p/l	
1.4.1975-28.2.1977	22 p/l	
from 1.3.1977	15 p/l	
from 1.9.1981	15 p/l	up to 200 000 litres
from 1.3.1982	16 p/l	up to 200 000 litres
from 1.4.1983	15 p/l	up to 200 000 litres
from 1.9.1983	16 p/l	up to 200 000 litres
from 1.3.1984	13.5 p/l	up to 200 000 litres

and in addition step-up additional price

1.2.1979-31.3.1980	2 p/l	up to 24 000 litres
1.4.1980-31.8.1980	7.5 p/l	up to 30 000 litres
from 1.9.1980	8.3 p/l	up to 30 000 litres
from 1.3.1981	9.8 p/l	up to 30 000 litres
from 1.9.1981	10.5 p/l	up to 30 000 litres
from 1.9.1983	11.5 p/l	up to 30 000 litres

The volume of milk which gives the base for the payment of the step-up additional price is counted on an annual basis starting from 1.9.

3) In addition a production premium for beef is paid:

1.4.1974-31.3.1975	1.00 mk/kg	bulls and heifers over 160 kg
1.4.1975-31.8.1979	1.30 mk/kg	bulls and heifers over 160 kg
from 1.9.1979	1.30 mk/kg	bulls and heifers 160-210 kg
	2.00 mk/kg	bulls and heifers over 210 kg
from 1.4.1980	1.30 mk/kg	bulls and heifers 160-210 kg
	2.20 mk/kg	bulls and heifers over 210 kg
from 1.4.1981	1.30 mk/kg	bulls 160-210 kg
	2.20 mk/kg	bulls over 210 kg
	2.20 mk/kg	heifers over li 160 kg
from 1.9.1981	1.50 mk/kg	bulls 160-210 kg
	2.50 mk/kg	bulls over 210 kg
	2.50 mk/kg	heifers over 160 kg
from 1.3.1982	1.90 mk/kg	bulls 160-209 kg
	2.90 mk/kg	bulls over 210 kg
	1.00 mk/kg	heifers 130-159 kg
	2.90 mk/kg	heifers over 160 kg

4) In addition a production premium for mutton is paid:

1.8.1977-31.8.1980	1.30 mk/kg	
1.9.1979-31.3.1980	2.00 mk/kg	
from 1.4.1980	2.20 mk/kg	
from 1.9.1981	2.50 mk/kg	
from 1.3.1982	2.90 mk/kg	
from 1.9.1983	3.20 mk/kg	
from 1.3.1984	3.70 mk/kg	
from 1.3 1985	5.20 mk/kg	over 16 kg
	4.70 mk/kg	12-16 kg

5) New statistical basis for beef and pork

6) Target prices for meat were applied from 1.3.

7) Target prices for meat were applied from 1.2. and for eggs from 1.4.

8) Target prices for meat were applied from 12.1.

9) Grain prices on farm level from 1982.

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