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1996-2000 Report

on the implementation of the long-term national aid scheme for agriculture in the northern regions in Sweden pursuant to Commission Decision 96/228/EC

*presented by the Commission to the Council pursuant to Article 143(2) of the Act of Accession
to the European Union of the Republic of Austria, the Republic of Finland
and the Kingdom of Sweden*

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1. INTRODUCTION

1.1. In general

Pursuant to Article 142 of the Act of Accession to the European Union of the Republic of Austria, the Republic of Finland and the Kingdom of Sweden, the Commission has authorised Sweden to grant long-term national aid to maintain traditional agricultural activities in specially designated regions. These regions have been determined by the Commission and they include the agricultural areas to the north of the sixty-second Parallel and some adjacent areas where comparable climatic conditions render agricultural activity particularly difficult.

The following factors have been taken into consideration when determining the areas; low population density (maximum 10 persons/km²), Utilised Agricultural Area (UAA) as a proportion of the total area (less than 10 percent) and agricultural area used for the cultivation of crops intended for human consumption as a proportion of UAA. The area covers a total of 509 442 hectares of utilised agricultural area, which corresponds to 14 percent of Sweden's total UAA in year 1994.

The northern regions affected consist of the areas 1, 2a, 2b and 3 of the Swedish aid system for northern Sweden that was in force before accession (see figure 1). The previous differentiation between these four regions or part-areas has been maintained for the application of the aid scheme for the northern regions based on Article 142 of the Act of Accession.

Long-term aid is differentiated by aid area and granted on the basis of production factors (head of livestock or hectare), taking into consideration the restrictions established by the common organisations of the market. Aid may not be linked to future production or bring about an increase in production (quantitative restriction) or an increase in the level of combined aid (monetary restriction) in relation to the aid granted during a reference period. The production amount is considered at the total level, regional limits are set for the sake of clarity.

This Nordic aid system was approved by Commission Decision 96/228/EC¹ of 28 February 1996. It has since then been amended twice. The first amendment (97/557/EC²) corrected some material errors, allowed aid for milk at farm level to be paid to the total amount of milk in accordance of Article 2(1) of Regulation (EEC) No 3950/92³ and increased slightly the aid for pig meat (as a result of more accurate data). The second amendment (2000/411/EC⁴) transferred part of the aid for milk to the aid for milk transport (retaining total budget neutrality), postponed the annual reporting deadline from April to June and allowed some flexibility between pig meat and eggs sectors in calculating livestock units eligible for support.

1.2. Reference period

As a condition for national aid, agricultural production may not increase in relation to the period before accession. In addition, the total level of aid should not exceed the level before accession. On the basis of national statistics available, 1994 was chosen as a reference period for the production of cow's milk and soft fruit and vegetables, both in terms of quantity and level of aid. The period was not considered to be affected by the forthcoming accession and was, at the same time, representative of the situation after the Swedish agricultural reform. This year was also the

¹ OJ L 76, 26.3.1996, p. 29.

² OJ L 230, 21.8.1997, p.13.

³ OJ L 405, 31.12.1992, p. 1.

⁴ OJ L 155, 28.6.2000, p. 60.

first year during which aid was given for soft fruit and vegetables. 1993 was chosen as the reference period for the other branches of production.



Figure 1: Support areas

1.3. Method of calculating the Nordic aid

To evaluate the level of aid and the combined aid allocated by type of product receiving national aid, the total level of regional aid during the reference period has been compared with the level of aid after accession. Aid after accession relates not only to national aid but also to co-financed compensatory allowances and agri-environmental measures.

National aid (with the exception of aid for cow's milk for which there is a quota system) is calculated on the basis of production factors (head of livestock or hectare) within the aid areas and not on the quantities produced.

1.4. Determination

To guarantee the level of aid and to avoid production or combined aid exceeding the level permitted, the Commission Decision lays down a number of conditions. The decision states the permitted number of aid units and the total combined aid per product type. Pursuant to Article 4 of Commission Decision 96/228/EC, if the reference quantities for production are exceeded, Sweden should reduce the aid granted proportionally during the following year for the product concerned.

1.5. The Swedish programme of national aid

Fundamental domestic regulations on national aid to agriculture in northern Sweden can be found in Swedish Regulation (1996:93)⁵ on aid to agriculture in northern Sweden. Pursuant to this national legislation aid may be granted to create better conditions for agriculture in areas in northern Sweden where, in view of the climate and other production conditions, it is particularly difficult to pursue such activity. Due to the difficult, permanent natural conditions that prevail in the areas they are eligible for a total subsidy amount which is greater than the maximum amount stipulated in the Council Regulation which regulated compensatory allowances in 1995. The fact that the areas are permanently disadvantaged, mainly due to the poor soil quality, structural shortcomings and the short growing season, leads to low output and high production costs per unit. This in turn makes it difficult for farmers in these areas to obtain a reasonable income from their production, i.e. an income obtained by comparable farms in other regions.

Pursuant to Commission Decision 96/228/EC, national aid is granted for cow's milk, pigs, goats, piglets, eggs and soft fruit and vegetables. In most cases aid is differentiated in the above mentioned regions to reflect previous conditions and the significance of the natural disadvantage.

Aid is also granted for the transport of cow's milk between the place of production and the first collection point (or the place of initial treatment). This is regarded as aid to facilitate the sale of products pursuant to the aim of Article 142(3) of the Act of Accession. It covers some of the transport costs between the place of production and the central collection point or the first treatment plant.

National aid relating to animal production is granted per animal, with the exception of aid for cow's milk, which is paid per kg. Transport aid for milk is granted per kg, with aid amounts differentiated by aid area. Regarding laying hens the aid is granted per replacement hen, once in a lifetime.

The Swedish authorities have used the maximum permitted unit aids for all the products throughout the whole period, with the exception of egg production from 1998 onwards (1 SEK is approximately 0.11 EUR).

Maximum permitted and actually applied aid level in each aid area (AA)

Product	Aid area and amount SEK			
	AA 1	AA 2a	AA 2b	AA 3
Piglets, SEK/sows	843	437	437	101
Goats, SEK/nanny goat	430	430	430	430
Soft fruit/vegetables, SEK/ha	2850	2850	2850	1850
Milk, SEK/kg	1,05	0,71	0,47	0,09
Pigs, SEK/pig	222	143	143	23
Eggs, SEK/hen	13,45	13,45	13,45	4,90
- <i>Applied since 1998</i>	<i>10,00</i>	<i>10,00</i>	<i>10,00</i>	<i>3,60</i>
Milk transport, SEK/kg	0,043	0,039	0,039	0,03

To be eligible for national aid a farmer must undertake to use at least three hectares of agricultural land (arable or pastureland) within aid areas 1–3. National aid is not given to farmers who are

⁵ Regulation SFS (1996:93) of 22 February 1996 on the national aid for agriculture in Northern Sweden.

drawing a state old-age pension or a full early retirement pension. National aid is not paid out if the amount is less than SEK 500.

Anyone applying for national aid for animals must have financial responsibility for the animals. There are also special conditions linked to the different types of aid, which are listed below under the relevant aid form.

1.6. Administration and controls

National aid for milk, pig and egg production is handled, considered and approved by the Swedish Board of Agriculture. Audits to check that aid beneficiaries meet the conditions required for the aid are conducted within the scope of the integrated administration and control system (IACS)⁶. Egg producers support is controlled with a copy of an invoice of the acquisition of the replacement hen. On the spot checks are conducted on qualification factors and on meeting the requirement for minimum three hectares of arable land. The Swedish Board of Agriculture also audits dairies and slaughterhouses within the scope of the aid system according to the market regulations.

National aid for producing piglets, goats, soft fruit and vegetables is sought using a combined application form for area aid, environmental aid and regional aid. The aid is considered by the County Administrative Board in the County in which the farm is situated. The paying authority is the Swedish Board of Agriculture. IACS is applied for audits. The Swedish Board of Agriculture is responsible for co-ordinating the audits which are conducted by the County Administrative Boards.

At least ten percent of the applications relating to animal based aid and at least five percent of the area-based aid is audited. These percentages are coherent with the sampling techniques used in IACS. Each year 25–30 farmers are selected for area based audit. The amount of land audited in recent years has been approximately 100 hectares.

2. IMPLEMENTATION OF THE AID SCHEME DURING 1996-2000

Each year Sweden must submit information to the Commission on the impact of the aid granted and on economic development in the specific regions and on the impact on the environment and on the preservation of the countryside. The following report provides details on aid in aid areas 1-3 during the years 1996–2000 and also provides information on the development of the economy in the areas.

With the exception of milk and pig production, where statistics have been gathered from dairy and slaughterhouse associations, the figures in the report are based on the Agricultural Farm Register (ACR). Other statistics have been gathered from the aid system's databases that relate to quantity, amount of aid and, in some cases, head of livestock.

2.1. Milk production

2.1.1. Milk delivered to dairies

To be eligible for aid for milk production the milk producer, in addition to meeting general conditions, must have at least two dairy cows. National aid for milk production is granted for the milk quantity delivered to the dairy.

⁶ Regulation (EEC) No 3887/92.

In 2000 the number of farms specialising in milk production in the northern regions and receiving Nordic aid is 2 407 or 18.9% of the total number of dairy farms in Sweden. Their production corresponds to only 14.8%, however, of the entire milk production in Sweden.

Table 1. Milk production in the national aid areas (AA), 1996–2000

Aid year	No of dairy farms in AA 1–3	No of dairy farms eligible for aid in AA 1–3	As a proportion of total farms in Sweden by milk quota, (%)	Milk production in 1–3, proportion of Swedish production, (%)
1996	3 371	~ 3 150	18,5	14,7
1997	3 178	2 945	~ 20	14,4
1998	3 009	2 841	18,7	14,3
1999	2 791	2 682	~ 18	13,7
2000	2 538	2 407	18,9	14,8

The years 1996–2000 were distinguished by the fact that the total number of farms engaged in milk production in aid areas 1–3 gradually decreased (tables 1 and 2) slightly more significantly than Sweden as a whole. However, the share of dairy farms receiving Nordic aid has remained fairly stable. This decrease has been accompanied by a decrease in the number of dairy cows in these areas, although slightly less than the national average (table 3). The number of dairy cows eligible for aid did not reach the reference level in any year.

Table 2. No of farms with dairy cows per aid area and for the country as a whole, 1996–2000

Aid year	AA 1	AA 2:a	AA 2:b	AA 3	Total 1–3	Sweden
1996	538	1 402	805	626	3 371	16 463
1997	459	1 362	735	622	3 178	15 790
1998	522	1 205	736	546	3 009	14 859
1999	409	1 170	676	536	2 791	13 964
2000	372	1 073	616	477	2 538	12 691

Table 3. Total number of dairy cows per aid area and for the country as a whole, 1996–2000

Aid year	AA 1	AA 2:a	AA 2:b	AA 3	Total 1–3	Sweden
1996	7 816	30 362	17 242	12 820	68 240	466 355
1997	7 694	32 263	17 053	13 335	70 345	467 981
1998	8 371	30 824	18 350	11 928	69 473	449 130
1999	7 247	30 494	17 148	12 172	67 061	448 521
2000	6 876	29 202	16 426	11 433	63 937	427 621
Ref. number	8 819	34 057	19 465	14 559	77 000	

Source: ACR.

As a combined effect of the reduction in number of farms and cows and yield trend, the production volume has remained quite stable (table 4). However, the total production for each year is well below the reference level in all areas apart from 2:a.

Table 4. Total milk production (tonnes) per aid area, 1996–2000 ¹⁾

Aid year	AA 1	AA 2:a	AA 2:b	AA 3	Total
1996	53 930	209 498	118 970	88 458	470 856
1997	50 161	215 879	118 679	86 799	471 789
1998	50 168	216 627	118 773	85 730	471 298
1999	49 701	221 560	117 513	84 026	472 800
2000	47 500	219 161	117 730	82 039	466 430
Reference production	54 763	216 150	121 073	92 249	484 235

1) Includes also milk from farms that do not receive Nordic aid.

The amount paid out in the different aid areas is below the reference level for each year and each aid area (table 5).

Table 5. National aid paid out for milk production (MSEK), 1996–2000

Aid year	AA 1	AA 2:a	AA 2:b	AA 3	Total 1–3
1996*	51,45	140,50	45,14	4,96	242,05
1997	52,47	151,75	55,00	7,55	266,59
1998	52,15	152,21	55,02	7,39	266,77
1999	51,59	155,61	54,35	7,23	268,78
2000	49,70	155,14	54,86	7,05	266,76
Reference level	53,00	158,00	56,37	7,50	274,87

* Reduced aid amount in öre/kg January–April.

Production of goat's milk in Sweden is relatively small. Calculated as an average yield of 800 kg per year and goat, total production has been 1 800 tonnes of milk, with little variation, during the years 1996–2000. National aid, paid per goat, is reported in section 2.6.

2.1.2. Transport aid

Pursuant to the Commission Decision on national aid to agriculture in northern Sweden aid may also be granted for the transport of milk. Aid is granted for the quantity of milk collected in each aid area. An application for transport aid should include information on the amount of milk, which is collected monthly in each aid area. Payments are made to the dairies after the Swedish Board of Agriculture has received the application. Transport aid paid and total aid paid for the dairy sector is shown in tables 6 and 7.

Table 6. National transport aid paid for milk (MSEK), 1996–2000

Aid year	AA 1	AA 2:a	AA 2:b	AA 3	Total 1–3
1996	2,18	8,40	4,66	2,58	17,82
1997	2,16	8,42	4,63	2,60	17,81
1998	2,15	8,44	4,63	2,57	17,79
1999	2,09	8,48	4,58	2,52	17,67
2000	2,03	8,56	4,59	2,46	17,64
Reference level	2,20	8,70	4,90	2,80	18,60

Table 7. Total national aid paid for milk production and transport (MSEK), 1996–2000

Aid year	AA 1	AA 2:a	AA 2:b	AA 3	Total 1–3
1996	53,63	148,90	49,80	7,54	259,87
1997	54,49	159,98	59,59	10,15	284,40
1998	54,30	160,65	59,65	9,96	284,56
1999	53,68	164,09	58,93	9,75	286,45
2000	51,73	163,70	59,45	9,51	284,39
Reference level	55,20	166,70	61,27	10,30	293,47

2.1.3. Direct sales

When the Swedish regulation (1996:93) on national aid to agriculture in northern Sweden came into force, farms with direct sales quotas also became entitled to national aid.

Aid is granted for the amount of milk or other milk products which are sold directly from the farm during the quota year and which are reported to the Swedish Board of Agriculture's milk quota unit. Aid is paid afterwards, once per quota year. The quantity involved has varied between 199 000 - 307 000 kg and aid amount between SEK 131 000 - 236 000.

2.2. Pigs

To be eligible for aid for pig production it is necessary, in addition to meeting general conditions, for the animals for which aid is sought to have been within the same aid area during the three months preceding slaughter (qualification period). In addition, the meat must have passed inspection under the national Food Act. Aid per head is granted between 40 and 2 500 pigs per farm.

The number of farms engaged in pig production during the period 1996–2000 has decreased both in the Nordic aid areas and in Sweden as a whole. Pig production carried out in aid areas 1–3 during the entire period 1996–2000 comprised 3–4% of total Swedish pig production (tables 8 and 9).

Table 8. Pig production in the aid areas and in the country as a whole, 1996–2000

Aid year	No of pig farms in Sweden	No of farms in aid areas 1–3	No of farms with aid	Pig prod. share of Swedish production, (%)
1996	~ 7 500	~ 550	190	3,6
1997	~ 6 600	~ 500	197	3,3
1998	~ 5 700	~ 400	167	3,8
1999	~ 4 900	~ 335	175	3,5
2000	~ 3 900	~ 300	131	3,8

Table 9. No of farms with pigs, aid area and the country as a whole, 1996–2000

Aid year	AA 1	AA 2	AA 3	Total 1–3	Sweden
1996	54	352	152	558	7 461
1997	30	315	154	499	6 590
1998	78	213	119	410	5 664
1999	37	204	94	335	4 907
2000	26	192	85	303	3 898

Source: ACR.

Total pig production has been above the reference level for each year apart from 2000 when production dropped below the level for the first time (table 10). Pig production with aid was, however, below the reference level in all areas during the period 1996–2000 given the fact that not all production is eligible for aid.

Table 10. Total pig production (tonnes), aid area, 1996–2000 ¹⁾

Aid year	AA 1	AA 2	AA 3	Total 1–3
1996	233	8 228	2 304	10 765
1997	224	8 554	2 105	10 833
1998	194	8 444	2 148	10 786
1999	90	9 092	1 980	11 162
2000	58	8 118	1 770	9 946
Reference level	214	8 003	2 358	10 575

1) Includes also production that is not eligible for Nordic aid.

The total aid amount paid out was below the reference level each year during the period 1996–2000. The reference level has on occasion (1996–97) been exceeded in aid area 1 (table 11).

Table 11. Total aid for pig production (MSEK), 1996–2000

Aid year	AA 1	AA 2	AA 3	Total 1–3
1996	0,50	8,92	0,35	9,77
1997	0,58	11,52	0,48	12,58
1998	0,46	12,59	0,47	13,52
1999	0,23	12,55	0,45	13,23
2000	0,09	11,02	0,41	11,52
Reference level	0,46	13,05	0,66	14,17

2.3. Sows/piglets

To be eligible for aid for piglet production it is necessary for the farmer, in addition to meeting general conditions, to have at least two sows. Aid can be given for a maximum of 120 sows per farm. The animals must also be kept at the farm for at least two months from the day after the day the application is received by the County Administrative Board (qualification period).

Of the total number of farms, which are engaged mainly in the production of piglets, 4-6% is located in the northern regions (table 12). As with other aid the number of farms engaged in piglet production, and consequently the amount paid, has decreased during the period 1996–2000. The

result has been an increasingly large gap between the reference level and the actual amount paid (tables 13–14).

Table 12. Piglet production 1996–2000

Aid year	Number of piglet farms in Sweden	Number of farms in aid areas 1–3 with aid
1996	~ 7 100	224
1997	~ 5 900	213
1998	~ 4 700	188
1999	~ 4 500	163
2000	~ 2 800	116

Table 13. Total number of sows per aid area and country as a whole, 1996–2000

Aid year	AA 1	AA 2	AA 3	Total 1–3	Sweden
1996	164	6 063	1 445	7 672	272 858
1997	182	6 226	1 409	7 817	268 662
1998	170	6 625	1 384	8 179	255 326
1999	153	5 567	951	6 671	220 096
2000	80	4 933	868	5 881	201 896
Ref. number	216	5 945	1 254	7 415	

Source: ACR.

Table 14. Piglet production, aid paid out (MSEK), 1996–2000

Aid year	AA 1	AA 2	AA 3	Total 1–3
1996	0,12	1,93	0,11	2,16
1997	0,14	1,80	0,09	2,03
1998	0,11	1,70	0,07	1,88
1999	0,11	1,52	0,08	1,71
2000	0,06	1,24	0,07	1,37
Reference level	0,18	2,60	0,13	2,91

2.4. Egg production

To support egg production in northern Sweden national aid is granted for replacement laying hens, which when put into production are less than 25 weeks old. Aid for egg production is granted to farms where egg production can provide a boost to the farm from an economic and employment point of view. Aid is not therefore given to farms with fewer than 1 000 replaced laying hens per year.

Of the total number of farms engaged mainly in egg production 12% are located in the northern regions. The number of eggs produced in the northern regions (for which aid is granted) corresponds to 6,2% of the total number of eggs produced in Sweden. The total number of farms engaged in egg production and the number of farms eligible for aid in aid areas 1–3 has decreased during the period 1996–2000 (table 15).

Table 15. Egg production no. of farms and production per aid area and country as a whole, 1996–2000

Aid year	No of egg farms in Sweden	No of egg farms in AA 1–3	No of farms eligible for aid in AA 1–3	Egg production in 1–3, proportion of Swedish production, (%)
1996	~ 8 700	970	35	3,7
1997	~ 8 300	~ 1 000	28	4,4
1998	~ 7 000	~ 1 100	21	7,2
1999	~ 6 500	~ 700	19	~ 5
2000	~ 5 700	~ 700	14	6,2

The volume of egg production has varied over the years, but recently there has been a general reduction in aid areas 1–3. In aid area 3, however, the reference level has been exceeded in recent years (table 16) although total production has been below the reference level.

Table 16. Egg production with aid* tonnes (estimated), 1996–2000

Aid year	AA 1	AA 2	AA 3	Total 1–3
1996	326	5 227	295	5 848
1997	654	2 454	997	4 105
1998	723	2 995	673	4 391
1999	561	2 474	829	3 864
2000	454	1 702	581	2 737
Reference level	900	3 700	400	5 000

* Egg production is estimated based on the assumption that 40% of the hens are kept on free-range farms. Production from free-range hens is 20.5 kg eggs per hen and laying period (4–15 months) giving an annual production of approximately 17 kg. The corresponding figure for battery hens is 22 kg (18 kg/year).

The reference level for the aid paid in aid area 3 has been exceeded during the whole period. The same applies to aid area 1, in 1996 and to aid area 2 in 1997 and 1998. The total reference level was exceeded in 1996 and 1997. As the aid per hen was reduced from 1998 onwards, the amount paid has since then been lower than the reference level (table 17).

Table 17. Egg production, total aid paid (MSEK), 1996–2000

Aid year	AA 1	AA 2	AA 3	Total
1996	1,25	1,26	0,11	2,62
1997	0,49	1,86	0,29	2,64
1998	0,41	1,86	0,14	2,41
1999	0,32	1,40	0,17	1,89
2000	0,26	0,97	0,12	1,34
Reference level	0,67	1,69	0,048	2,40

As there is a very small number of farms engaged in egg production, relatively small changes have a considerable marginal effect and therefore the total aid level was exceeded in 1996–97. Since then, due to the reduced unit aid level the amount of aid granted has remained under the maximum allowed.

2.5. No of pigs, sows and laying hens eligible for aid

From 1 January 1998 the number of cereal fed animals (pigs, sows and laying hens), converted to head of livestock has been added together when comparing the number of livestock units eligible for aid (table 18). For comparison, the same information from the years 1996–97 is also included.

Table 18. Total number of LU of sows, pigs and laying hens with aid, 1996–2000

Aid year	Sows	Pigs	Laying hens	Total 1–3
1996	1 896	10 453	2 119	14 468
1997	1 720	10 388	2 333	14 441
1998	1 584	11 063	2 481	15 128
1999	1 454	10 835	2 195	14 484
2000	1 177	11 881	1 556	14 614
Reference number	2 447	12 225	1 860	16 532

2.6. Goats

To be eligible for aid for goat production it is necessary for the stock to include at least five goats. Only nanny goats, which have had kids or are more than one year old, are eligible for aid. The animals must also be kept on the farm for at least two months from the day after the day the application is received by the County Administrative Board (qualification period).

Of the total number of Swedish farms producing goat milk as a main production line approximately 19 percent are located within aid areas 1–3. The total number of animals for aid areas 1–3 has remained below the reference number during the period 1996–2000. The number of animals in aid area 2 during the same period has, however, been slightly above the reference number each year (table 19).

Table 19. Goat production, number of animals receiving aid, 1996–2000

Aid year	AA 1	AA 2	AA 3	Total 1–3
1996	1 125	980	226	2 331
1997	988	1 026	330	2 344
1998	974	1 039	412	2 425
1999	887	950	404	2 241
2000	967	973	395	2 336
Reference number	1 173	936	468	2 577

During the period 1996–2000 the reference level for the total amount aid has not been exceeded although the level has regularly been exceeded by a couple of percent in aid area 2.

Table 20. Goat production, aid paid out (MSEK), 1996–2000

Aid year	AA 1	AA 2	AA 3	Total 1–3
1996	0,48	0,42	0,10	1,00
1997	0,42	0,44	0,14	1,00
1998	0,42	0,44	0,18	1,04
1999	0,38	0,41	0,17	0,96
2000	0,42	0,42	0,17	1,01
Reference aid level	0,51	0,40	0,20	1,11

2.7. Soft fruit and vegetable production

To be eligible for aid for soft fruit and vegetable cultivation it is necessary, in addition to meeting general conditions, to cultivate an area of at least 0.3 hectares of these crops. The minimum permitted plot is 0.1 hectares.

The number of soft fruit and vegetable farms in aid areas 1–3 has decreased during the period 1996–2000 (table 21).

Table 21. Soft fruit and vegetable production within the aid area, 1996–2000

Aid year	Number of farms receiving aid	Soft fruit/vegetable farms in AA 1–3, proportion of total Swedish production, %
1996	190	17,9
1997	185	17,9
1998	166	14,6
1999	177	18,1
2000	139	10,2

The area under cultivation for soft fruit and vegetable production in aid areas 1–3 has decreased during the period 1996–2000. The consequence of this is that the area cultivated has increasingly been below the reference area (table 22).

Table 22. Soft fruit and vegetable production, area with aid (hectare), 1996–2000

Aid year	AA 1	AA 2	AA 3	Total 1–3
1996	75,6	497,5	98,4	671,5
1997	86,4	435,4	79,8	601,6
1998	68,5	340,8	64,7	474,0
1999	57,8	319,0	52,3	429,1
2000	59,2	316,2	62,0	437,3
Reference area		646	104	750

Similarly, total production has decreased throughout the period and is now even further below the reference production level (table 23).

Table 23. Soft fruit and vegetable production, total production in the aid area * (tonnes, estimated), 1996–2000

Aid year	AA 1	AA 2	AA 3	Total 1–3
1996	822	3 365	635	4 822
1997	499	2 498	1 143	4 140
1998	418	2 406	1 016	3 840
1999	413	2 130	574	3 117
2000	403	2 116	583	3 102
Ref. Prod.		5 640	2 060	7 700

* Total production is estimated by multiplying the number of hectares by the average yield per hectare.

As can be expected the total amount of aid has also fallen further below the reference level (table 24).

Table 24. Soft fruit and vegetable production, aid paid (MSEK, 1996–2000)

Aid year	AA 1	AA 2	AA 3	Total 1–3
1996	0,21	1,41	0,18	1,80
1997	0,21	1,41	0,18	1,80
1998	0,20	0,97	0,12	1,29
1999	0,16	0,91	0,10	1,17
2000	0,17	0,90	0,12	1,19
Reference level		1,84	0,19	2,03

2.8. Total national and co-financed aid paid out 1996–2000

The total amount of National aid paid during the aid period has been well below the reference level (table 25).

Table 25. Total national aid paid out, (MSEK), 1996–2000

Aid year	Cow's milk	Goats	Pigs	Sows	Laying hens	Soft fruit/vegetables	Transport aid	Total
1996	242,32	1,00	9,77	2,16	2,62	1,80	17,82	277,5
1997	266,59	1,00	12,58	2,03	2,64	1,80	17,81	304,4
1998	266,77	1,04	13,52	1,88	2,41	1,29	17,79	304,5
1999	268,78	0,96	13,23	1,71	1,89	1,17	17,67	305,4
2000	266,76	1,01	11,52	1,37	1,34	1,19	17,52	300,7
Ref. level	274,87	1,11	14,17	2,91	2,40	2,03	18,60	316,1

The combined analysis of aid to agriculture in northern Sweden also takes into consideration the effects of co-financed compensatory allowances in less favoured areas and environmental payments for preserving open agricultural landscapes. Both the compensatory allowance, which was mainly related to milk production and goats through LUs, and to pig and piglet production through hectares of cereal crops, and the environmental aid for preserving open agricultural landscapes have been below the reference level throughout the period 1996–2000 (table 26).

Table 26. Compensatory allowances, aid for environmentally friendly agriculture and national aid, paid in aid areas 1–3 (MSEK), 1996–2000

Aid year	Compensatory allowances - R. (EC) No 950/97	Environmental aid - R. (EEC) No 2078/92 ¹⁾	Compensatory allowances + environmental aid	National aid
1996	121,19	112,56	233,75	277,49
1997	115,27	121,38	236,65	304,45
1998	113,75	122,64	236,39	304,52
1999	113,43	121,08	234,51	305,41
2000	119,30	136,12	255,42	300,71
Reference level			265,62	316,09

1) The amount of agri-environmental aid is that of total aid per hectare and not only the 20% incentive.

3. DEVELOPMENT IN NORTHERN SWEDEN – IMPACT OF THE AID

Pursuant to Article 142 of the Act of Accession Sweden is permitted to grant national aid to the northern regions to maintain agricultural activities in these areas. Analysing the profitability of each branch of production, the number of farms and the changes in the need for labour for various product types provides a means of evaluating the impact of national aid, particularly in the development of production and production methods benefiting from the aid.

3.1. Production and profitability developments

3.1.1. Milk production

The previous Swedish aid for animal husbandry production in northern Sweden (earlier aid areas 1–4) was based on profitability calculations for dairy farms in each aid area. Aid was granted in the form of a differentiated price supplement. On entry into the EU this aid was replaced by two different area-based aids; compensatory allowances and environmental aid for preserving open agricultural landscapes. For some product branches this aid was supplemented by national aid. For milk production this national aid was provided in the form of production linked and volume restricted aid differentiated by aid area.

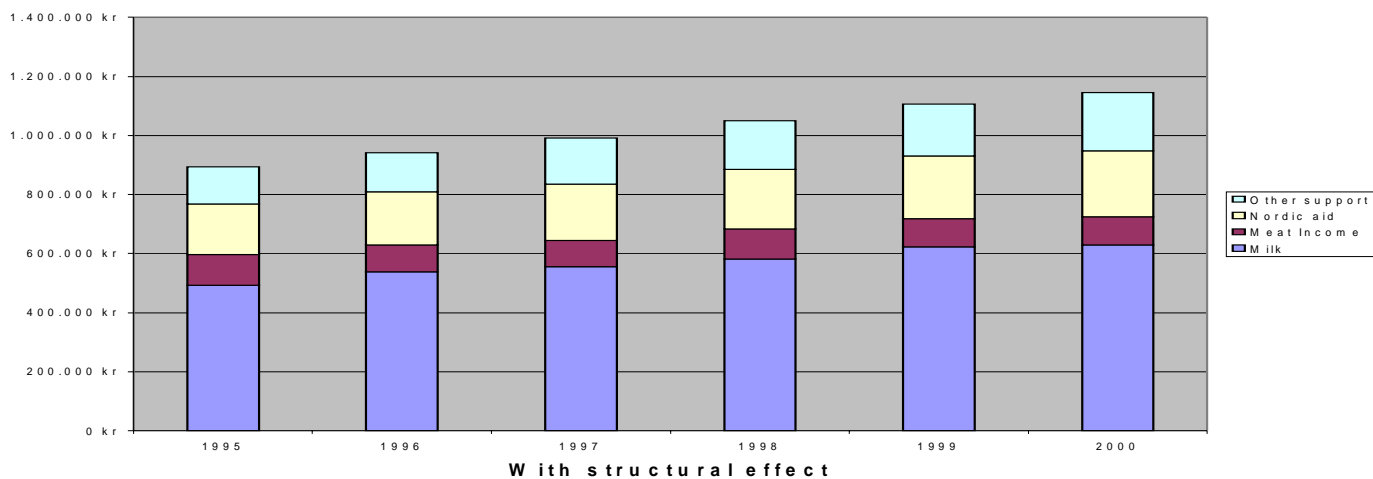
The number of dairy farms in aid areas 1–3 decreased during 1996-2000 by about 25%, compared to the country average of -23%. The decrease has been most rapid (-31%) in aid area 1, which has the poorest natural conditions and the lowest population density. On the other hand, the average herd size has increased by 30% in support area 1 and 2 and by 25% in support area 3.

In its report 2000:10, the Swedish Board of Agriculture published information on the development of profitability up to 1999 for some branches of production. Here we have chosen only to report on the milk branch of production as this dominates the trend of national aid to northern Sweden.

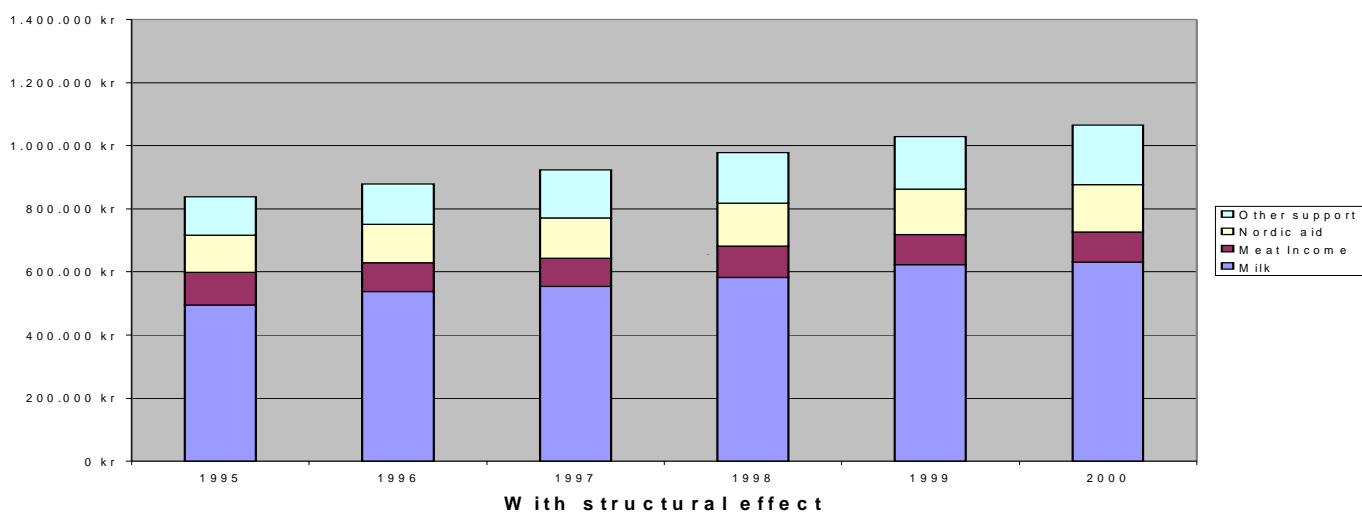
Profitability for milk production resulting from changes in product prices (milk and beef), in prices for different cost items, in direct aid and average yields and from an increase in stock shows an improvement for northernmost Sweden during the period 1990–1999. The fact that, since 1995, the aid for milk production in northern Sweden has been granted partly in the form of aid for feed grain production via CAP-payments and compensatory allowances reinforces the picture. If the contribution to profit is calculated per estimated labour hour instead of per dairy cow it becomes higher outside the aid area than within.

The effect of Nordic aid to farm income can be estimated using sector model calculations based on sampling of dairy farms. Using a model average dairy farm, where the number of milking cows has increased from 21 to 25 during the period, it can be seen that the Nordic aid presents 19% of the gross farm revenue in support area 1, 14% in support area 2a and 2% in support area 3 (see pictures).

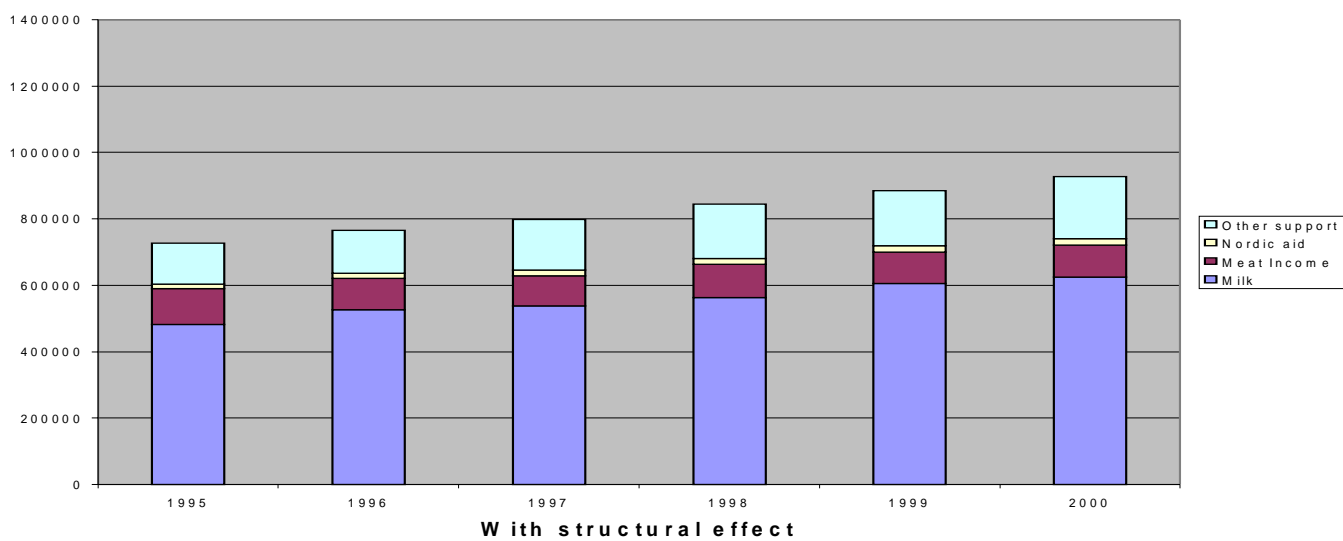
Support area 1



Support area 2a



Support area 3



3.1.2. Pig production

As for milk production part of the aid combination is granted in the form of aid for the production of feed grain (CAP + compensatory allowances) and this was taken into account when defining the aid level for the pig sector. The basic assumption was that pig farms in northern Sweden should produce two thirds of their cereal requirement on their own farms. Farms producing a considerably lower proportion will not therefore achieve the average total aid level, while farms that cultivate most cereal on the farm will be slightly favoured.

During 1998 the price of pork fell considerably. Prices also fell during the first six months of 1999. Since then there has been a recovery. Pig production decreased between 1998 and 1999 in aid areas 1–3. Despite the change in the price trend the decrease continued during 2000. The total number of pigs in the country as a whole also continued to decrease as did the number of farms producing pigs. The decrease in the number of pigs during the period was slightly more rapid in northern Sweden than in other parts of the country, at 22% and 15% respectively.

3.1.3. Egg production

The price of eggs fell dramatically during 1995 and continued to fall during the following year. The price recovered in 1997 and 1998 and, after a further fall in 1999, was felt to have stabilised in 2000 at a level comparable with that for 1997–1998. With an index set at 100 in 1995 the index value has fallen to 97.7% for 2000. The number of farms producing eggs has decreased during the period by approximately 40% both in northern Sweden and in the country as a whole.

Rapid structural development is underway in the egg sector. It is affecting production throughout the country. In the latter half of the 1990s the number of laying hens in Sweden decreased from approximately 6 million in 1996 to around 5.7 million in 2001.

3.2. Structural development

3.2.1. Number of farms

The number of farms in aid areas 1–3 decreased during the period 1996–2000 by almost 30% while the number of farms in the country as a whole during the same period decreased by about 20% (table 27).

Table 27. No of farms, aid area and country as a whole, 1994–2000

Aid year	AA 1	AA 2:a	AA 2:b	AA 3	Total 1–3	Sweden
1994	3 145	7 464	5 111	4 764	20 485	97 309
1995	2 937	6 859	4 810	4 491	19 097	92 546
1996	2 741	6 872	4 745	4 451	18 809	90 854
1997	2 631	6 622	4 856	4 301	18 140	88 387
1998	2 612	6 296	4 437	4 210	17 555	85 598
1999	2 140	5 618	4 027	3 739	15 524	80 543
2000	1 779	5 093	3 682	3 439	13 993	78 262

Source: ACR.

The proportion of small farms is considerably larger in northern Sweden than in the rest of the country. The average number of cows in dairy farms is 25 in support area whereas it is 35 cows in the rest of Sweden. Many small farms with limited opportunities for expanding business and

increasing yields have ceased milk production during the period. Both the cost of labour and the cost of buildings and fodder are normally higher the further north production takes place. The higher labour costs are due mainly to the fact that there is a greater labour input per dairy cow. The main reason for this is that the stockholding is smaller, for structural reasons, and the farm layout and climatic conditions are poorer leading to lower yields in crop production and high labour intensity in the production of fodder on the farm.

3.2.2. *Labour requirements of different sectors*

A standard working time is estimated for each agricultural farm included in the annual structural analysis and linked to the Agricultural Farm Register (ACR) and this is used primarily as a classification variable in the agricultural statistics. This measure gives a picture of the development of the economy through changes in the estimated need for labour each year.

In the *country* as a whole a trend towards decreased labour need in milk production and increased need in meat production can be observed. In the whole country less than 40% of the total estimated labour input was occupied in milk production, whereas in the northern regions the share was still more than 60%. Similarly the proportion of labour used in crop farming as a proportion of total labour needs has increased. The total labour need during the period decreased by approximately 5%.

In aid area 1, during the period 1996–2000 the labour need for milk production as a proportion of the total labour need increased slightly. The increase of the share of meat production was even more distinct. In total the estimated labour need has decreased in absolute terms by almost a quarter during the period. The greatest fall has been for small farms which is a sign of the rapid structural development.

One change common to *aid areas 2–3* is that the proportion of labour used in milk production is decreasing in favour of the labour need for meat production. The total, estimated absolute decrease in labour need during the period was between 5 and 10%.

The total labour need during the period 1996–2000 fell in all aid areas and in the country as a whole. Milk production is the dominant production branch in all aid areas. Its share of labour need has, however, decreased from north to south, i.e. from aid area 1 to 3. Crop production, apart from fodder cereals, is concentrated mainly in the flat country in South and Mid-Sweden which are located outside the aid areas. Pig production also takes place, for the most part, outside the aid areas (a third of all pigs are in the county of Skåne). The proportion of small farms (labour need < 400 standard hours) is considerably greater in northern Sweden than in the rest of the country, which is shown by the relatively high proportion of small farms.

3.3. Environmental compensation for preserving open agricultural landscapes

Pursuant to Article 142 of the Act of Accession one of the objectives of long-term Nordic aid is to guarantee the protection of the environment and the preservation of the countryside, which is an important feature for the application of the common agricultural policy in Sweden. Within Nordic aid areas 1–3 environmental aid to farmers who work to preserve open agricultural landscapes has replaced a significant part of the previous regional aid to agriculture.

Environmental aid for the preservation of open agricultural landscapes aims to stimulate the use of agricultural land in a way that improves or preserves the countryside and prevents extensive areas of agricultural land from being taken out of production. In Nordic aid areas 1–3 this environmental

aid is given only to farms engaged in milk or meat production with cattle, sheep or goats. Such milk and meat production takes place in extensive systems throughout the area.

Like the compensatory allowances, environmental aid for preserving open agricultural landscapes in Nordic aid areas 1–3 is based on the number of hectares of grazing and pastureland the farm has. There is a need to link this to the number of animals to ensure that there is sufficient animal density to prevent the agricultural land from becoming overgrown. For the period 1996–1998 a minimum density of 1,25 head of livestock was required for the area to be eligible for aid. From 1999 the minimum requirement has been reduced and differentiation has been introduced. It is now adjusted according to variations in production conditions between the different aid areas. Aid per eligible hectare is SEK 2,050.

Table 28. Minimum animal density for eligibility, head of livestock per hectare

Aid area	Minimum intensity
1	0,83
2a	0,95
2b	1,00
3	1,05

3.4. General effects

To preserve open agricultural landscapes it is necessary to maintain sufficient number of farms practising sustainable farming and generally sufficient farm income. Poor climatic conditions in northern Sweden make the growing season considerably shorter than in the rest of the country and production costs significantly higher. By increasing the farmer's income, national aid makes it possible to preserve production in the area on a long-term basis. The area is distinguished by the fact that agricultural production methods rely on a low use of fertilisers and pesticides. National aid, together with compensatory allowances and environmental aid for preserving open agricultural landscapes contributes, therefore, to safeguarding sustainable agricultural production.

A decreasing population density, in an area already sparsely populated and where many people are dependent on agriculture may jeopardise the vitality of the area. It is therefore necessary to continue farming in order to preserve the less intensive cultivation in these areas and the open and varied agricultural landscape with its associated biological diversity. The threat to the landscape in northern Sweden is that it will become overgrown with coniferous woods. An open landscape is a requirement for the creation of opportunities for tourism and other leisure activities. Agricultural activity is the core on which to build further through activities which can be combined and which complement each other.

The aid also makes a contribution in that it allows production to remain close to the consumer and in so doing limits the need for transport. Primary production also creates opportunities for a processing and food industry with the increased employment that this brings.

4. CONCLUSION

The report has been prepared on the basis of information from the Swedish authorities pursuant to Article 143(2) of the Act of Accession and it shows the following:

- (1) In most sectors where aid to the northern regions is granted the permitted level of production and the permitted level of aid has not been exceeded during 1996–2000.
- (2) Combined community aid (compensatory allowance and agri-environmental aid) has not reached the level determined for aid to the northern regions. Total level of the aid granted has therefore not increased when compared with the situation before accession.
- (3) Audits have been conducted in accordance with sound financial management practice.
- (4) The aid granted plays an important role in protecting the environment and preserving the countryside and consequently complies with the objectives in the third paragraph of Article 142(3) of the Act of Accession.

On the basis of the information provided by the Swedish authorities, the Commission considers that the Swedish authorities have globally respected the Commission Decision 96/228/EC on aid to the northern regions.