

GENERAL AGREEMENT ON TARIFFS AND TRADE

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The following statement has been received from the Government of the United Kingdom:

UNITED KINGDOM

Notification of 8 August 1956

This notification replaces and brings up to date the notification dated 30 September 1955 contained in L/351/Add. 2.

Food and Agricultural Subsidies

As was indicated in the previous submission, the year 1954/55 was a transitional period in the United Kingdom. State purchasing of home agricultural produce ceased and almost all the food subsidies were eliminated. Alternative schemes for the implementation of the guarantees to home agriculture were introduced. Expenditure on subsidies in the financial year 1954/55, therefore, included a proportion of food subsidies incurred under state trading and a proportion of direct subsidy payments to producers.

The total expenditure on subsidies administered by the Ministry of Food was £278,400,000. Of this sum the Welfare subsidies accounted for £39,500,000, the bread subsidy cost £29,200,000 and trading deficits on imported foodstuffs amounted to £20,900,000. The trading deficits incurred in implementing guaranteed prices on home produce together with the direct subsidy payments made to producers accordingly aggregated £188,800,000. Subsidies administered by the Agricultural Departments cost £51,800,000 so that, subject to the fact that the trading deficits included an unascertainable element of consumer subsidy, the total cost of agricultural support can be assessed at £240,600,000.

1955/56 was the first complete financial year in which the policy of providing support to home agriculture under specific schemes of assistance was fully operative and the cost of this support is now estimated to have been £213,600,000. In addition, the bread subsidy is estimated to have cost £38,500,000. Price control was maintained only on milk and on bread.

Broadly similar arrangements will apply in 1956/57 although certain changes have been announced. The retail price of bread was increased by 1d. per 1 lb. 12 oz. loaf on 26 February 1956, and the retail price of milk will be

increased by $\frac{1}{2}$ d. per pint on 1 July 1956. Subsequently it has been decided to abolish the remainder of the bread subsidy on 30 September 1956.

Details of the estimated costs of the subsidies to home agriculture are set out in the following table and take account of the increase in the retail price of milk mentioned in the preceding paragraph. Adjustments in certain of the prices guaranteed to producers and in the rates of a number of production grants and subsidies were determined at the Annual Review held in February 1956. These adjustments have similarly been taken into account in the table.

Estimated Subsidies and
Production Grants

	<u>Revised Estimate</u> <u>1955/56</u>		<u>Revised Estimate</u> <u>1956/57</u>	
	£mil.	£mil.	£mil.	£mil.
I. <u>Implementation of</u> <u>Agricultural Price Guarantees</u>				
(a) Cereals:-				
Wheat and Rye	25.4		24.7	
Barley	11.2		11.2	
Oats & Mixed Corn	-		6.2	
(b) Home-Produced Eggs	22.5		21.5	
(c) Fatstock:-				
Cattle	0.4		11.9	
Sheep	5.1		10.2	
Pigs	47.5		41.3	
(d) Milk	37.1		26.7	
(e) Potatoes	0.8		1.9	
(f) Wool	<u>-</u>	150.0	<u>1.1</u>	156.7
II. <u>Production Grants and</u> <u>Subsidies</u>				
(a) General Fertilizer Subsidy	14.5		18.3	
(b) Lime Subsidy	10.0		9.0	
(c) Grants for ploughing-up grassland	5.2		6.6	
(d) Field drainage and water supply grants	2.7		2.5	
(e) Grants for improvement of livestock rearing land	1.4		1.5	

	<u>Revised Estimate</u> <u>1955/56</u>		<u>Revised Estimate</u> <u>1956/57</u>	
	£mil.	£mil.	£mil.	£mil.
II. (Continued)				
(f) Marginal Production assistance grants	1.7		2.3	
(g) Bonus payments under the Tuberculosis (Attested Herds) Scheme, 1950	10.6		11.0	
(h) Livestock: Grants for improvement of breeding	0.1		0.1	
(i) Calf Subsidy	8.0		11.4	
(j) Hill Sheep & Hill Cattle	<u>3.9</u>	58.1	<u>3.9</u>	66.7
Administrative Overheads applicable to I & II above		<u>5.5</u>		<u>5.6</u>
<u>TOTAL COST OF AGRICULTURAL SUPPORT</u>		<u>213.6</u>		<u>229.0</u>

Price Guarantees

The payments included in Section I of the above table are made in implementation of guarantees given to producers under Part I of the Agriculture Act, 1947. The object of these payments is broadly to make up to the prices determined at an Annual Review and guaranteed under the Act, the prices obtained by farmers from the sale of their products in a free market. Various methods are employed to achieve this object.

Cereals and Fatstock

Deficiency payments schemes are in operation. In essence these schemes provide that if the average price realized by all producers in any year for a product of prescribed quality falls short of the guaranteed price, a deficiency payment equivalent to the difference between the average price and the guaranteed price is payable to the producers of that product. (In the case of fatstock, minimum returns were also guaranteed under the 1955/56 scheme to individual producers in respect of each eligible animal. This feature has been dropped from the 1956/57 scheme under which the collective guarantee only will be operated.)

The payments made for cereals in any financial year normally relate to two crop years. Unit rates of subsidy can accordingly be expressed more realistically in relation to the crop year. The estimated rates applicable to the 1955 crops are:-

Wheat	7/6d. per cwt.
Rye	4/3d. per cwt.
Barley	75/- per acre
Oats	10/- per acre

Under the 1955/56 Fatstock Scheme the following unit rates of subsidy were paid:-

Cattle	10d. per live hundredweight
Sheep	3 1/3 d. per lb. dressed carcass weight
Pigs	13/3d. per score lb. deadweight.

These unit rates are based on the numbers of animals passing through the scheme and not on total sales of fatstock. The unit rates for cattle would be materially lower if related to sales.

Home-Produced Eggs

When the market price of eggs falls below the guaranteed price, arrangements provide for direct payments to be made to packing stations to enable them to maintain the price to producers at the guaranteed level and also for purchase by the Ministry of Agriculture, Fisheries and Food of any unmarketable surplus at the guaranteed minimum price.

The average unit rate of subsidy paid in 1955/56 is estimated to have been about 11d. per dozen.

Milk

Payments are made to the Milk Marketing Boards to enable them to implement price guarantees to producers related to a standard quantity of milk, to meet their approved distributive costs and to sell milk at not more than controlled maximum prices. In 1955/56 the unit rate of subsidy was approximately 6d. per gallon.

Potatoes

Commencing with the 1955 crop the arrangements provide for the purchase by the Potato Marketing Board at the guaranteed price of any potatoes of prescribed quality offered by producers which cannot be sold to better advantage in the open market. Payments will be made to the Board in respect of trading losses incurred on such potatoes.

The quantity of surplus potatoes offered by producers from the 1955 crop under these arrangements was 25,000 tons from a crop of about 6½ million tons. The subsidy of £0.8 million which includes the cost of administering the scheme represents a unit rate of subsidy of about 2/6d. per ton.

Wool

An Agreement with the Wool Marketing Board provides for any deficiency incurred by the Board being made good when the proceeds realized from the sale of the wool clips are less than the annual guaranteed prices paid by the

Board to producers. Under the Agreement with the Board surpluses arising from any "wool years" are paid into a Special Account, from which deficiencies in other years are met in the first instance.

As the balance available in the Special Account was sufficient to meet the deficiency in 1955/56, no payment was required from the Exchequer. The unit rate of Exchequer subsidy was accordingly nil.

Production Grants and Subsidies

The production grants and subsidies in Section II of the Table are designed to encourage agricultural production and the increased use of modern agricultural methods, and to assist the improvement of farms and agricultural land.

The nature and effect of the various grants are as follows:-

(i) The fertilizer subsidy gives assistance towards expenditure by farmers on the purchase of fertilizers to encourage the maintenance and improvement of fertility for grass and crop production. The legislative authority is provided by statutory schemes made under the Agriculture (Fertilizers) Act, 1952. The rates are determined in the light of annual reviews of the economic condition and prospects of the industry. For the year July 1956 - June 1957, they represent from 28 to 33 per cent of the cost of the principal straight nitrogenous fertilizers and from 45 to 47 per cent of the cost of straight phosphatic fertilizers. These figures are approximations. No general figure for compounds can be given.

(ii) The Lime Subsidy gives assistance towards expenditure by farmers on the acquisition, transporting and spreading of lime to improve the fertility of the soil. The legislative authority for the subsidy is the Agricultural Lime Schemes 1947 - 1953 made under the Agriculture Acts, 1937 and 1947. The current rate of contribution is 60 per cent with an additional 10 per cent (on delivered costs only) payable in four summer months.

(iii) Ploughing grants are intended to encourage production of tillage crops and regular ploughing of leys. The authority is provided by statutory schemes made annually under the Ploughing Grants Act, 1952. They are paid to occupiers of agricultural land at the rate of £7 per acre for the ploughing and subsequent cultivation of land that has been under grass since before June 1953 and £12 per acre for ploughing up and bringing into cultivation difficult land which has been continuously under grass since before 4 May 1949.

(iv) Grants for ditching and field drainage are made to encourage good drainage in the interests of agricultural production. The statutory authority is the Agriculture (Miscellaneous War Provisions) Act, 1940 as amended by later enactments. The grants are paid to owners and occupiers at the rate of 50 per cent of their expenditure. Costs, and therefore, grants, per unit of work vary widely.

(v) Water supplies grants are made to assist the provision of water supplies to farms as a means of increasing agricultural production. The statutory authority is the Agriculture (Miscellaneous Provisions)

Act, 1941, as amended by later enactments. Grants are paid to owners and occupiers of agricultural land at the rate of 25 per cent and 40 per cent of the cost of providing supplies from public and private sources respectively; and to statutory water undertakers of up to 75 per cent of the estimated value of agricultural benefits for the laying of water mains extensions to farms.

(vi) Grants are made to assist and encourage the improvement of holdings in upland areas producing store sheep and cattle. The grants are not intended to assist milk production, the fattening of sheep or cattle, or the growing of crops for sale. The authority for the grants is the Hill Farming and Livestock Rearing Acts, 1946 to 1954. They are paid to owners and occupiers of eligible land at the rate of 50 per cent of the cost of the improvement. Costs, and therefore grants, per unit of work vary widely.

(vii) Marginal production assistance enables occupiers of agricultural land to obtain goods and services at reduced costs. The object is to assist them to carry out work which will increase or maintain production where they cannot afford the expense out of farm income without detriment to other necessary work, or where desirable work would not immediately be worth while without assistance. The assistance may amount to up to 50 per cent of the cost of approved work, depending on the circumstances; the variety of eligible work and of costs makes it impossible to give any figure for grant per unit.

(viii) Bonus payments are made as a contribution towards the initial capital cost to farmers of eradicating bovine tuberculosis from their herds. The statutory authority is the Tuberculosis (Attested Herds) Scheme, 1950, made under the Diseases of Animals Act, 1950. Payment is made to owners of supervised or attested herds either on milk sales at the rate of 2d. per gallon for four years followed by a 1d. per gallon for two years or at the owner's option on numbers of cattle at the rate of £2 per head for four years followed by £1 per head for two years.

(ix) Grants are made for the improvement of livestock to owners of high class bulls, boars, goats and heavy horse stallions who are willing to make their services available to other farmers. The amount of grant varies with the cost of the animal and the period for which it is made available. The authority for the grant is the Annual Appropriation Act.

(x) The Calf Subsidy is intended to encourage the rearing of suitable calves for beef or for breeding for beef. The legislative authority is the Agriculture (Calf Subsidies) Act, 1952 and schemes made thereunder. Payments are made to owners of home bred calves at the rate of £7.10s.0d. for each calf which is certified suitable for the purposes of the subsidy.

(xi) The Hill Cattle and Hill Sheep Subsidies are intended to encourage the maintenance of cattle and sheep on hill farms both for breeding purposes and to improve the grazings by diversified stocking. The statutory authority is provided by schemes under the Hill Farming and Livestock

Rearing Acts, 1946 to 1954. Payments are made to hill farmers looking after the animals. The rates are £10 per head for cows or heifers in breeding herds and £2 for other cattle, and in 1956/57 5/-, or in certain circumstances 2/6d. for hill sheep.

Effects of Food and Agricultural Subsidies

The payments set out at I and II above form part of the Government's production policy for agriculture. The objective of this policy remains the most that can be produced economically and efficiently in accordance with market requirements, steadily increasing technical efficiency and diminishing unit cost. The repercussions of this policy on United Kingdom exports however are negligible since virtually all United Kingdom production is consumed by the home market. The policy affects the United Kingdom's requirements of food imports but it has not been possible to measure these effects.

Flax

In England the Home Flax Scheme which has been operated by the Government is coming to an end.

The crop sown in 1955 was only a partial one and was the last to be sown under the scheme. When it has been processed, the scutching mills will be closed. The flax is sold in the open market. No subsidy is paid but the mills are Government owned and any losses that arise are borne by the Government.

The terms and conditions of the Flax Act (Northern Ireland), 1954 apply to flax grown in Northern Ireland.

These arrangements do not in either case compete with imports in price or subsidize exports.

Fisheries

White Fish. Under the White Fish and Herring Industries Act, 1953, a subsidy is being paid to catchers of white fish (i.e. any fish found in the sea except herrings, salmon, migratory trout and shellfish) caught from British fishing vessels of not more than 140 ft. in length, in certain waters (between 43° and 63° N. and East of 17° W.).

The subsidy is at present paid in two parts:-

- (i) in respect of vessels not exceeding 70 ft. in length, apart from those fishing with seine-nets and making voyages of eight days or more; at a flat rate of 8d. per stone on white fish landed and sold (other than by retail) for human consumption.
- (ii) in respect of vessels between 70 and 140 ft. in length and those under 70 ft. in length and fishing with seine-nets but making voyages of eight days or more, at a flat rate per day at sea varying between nil and £22 per day according to the length of the vessel and method of propulsion. Subsidy will not be paid for more than 300 days in the year beginning 1 August.

Payment of subsidy to the seine-net vessels and which make voyages of eight days or more, whether over 70 ft. in length or not, is restricted to days spent at sea between 1 November 1956 and 30 April 1957 (both dates inclusive).

Herring Oil and Meal. Herring surplus to other requirements is purchased by the Herring Industry Board at a fixed price for conversion either in their own factories or in commercial factories. The proceeds from the sale of oil and of the meal do not meet the cost of purchase, processing and transport of the herring taken for conversion. The Board's loss is reimbursed by the Government by means of grants under the Herring Industry Act, 1948/53. In the year ended 31 March 1956, the total grant for these purposes amounted to £132,000.

Grants for Fishing vessels. Grants and loans are available towards the building of vessels up to 140 ft. in length and towards the cost of engine replacements for vessels belonging to working fishermen. Loans are also available for reconditioning vessels up to 140 ft. in length. The building and re-engining grants are normally one quarter of the total expenditure (one third when the vessel's owner is a working fisherman), with a ceiling of £25,000 per vessel. With effect from 7 August the ceiling of £25,000 for grants will be increased to £30,000. The authority is the White Fish and Herring Industries Act, 1953.

Effect of Fisheries Subsidies. The White fish subsidy is designed to offset the heavy losses incurred by catchers of inshore, near, and middle water fish sufficiently to keep the diminishing steam fleet from going out of existence too quickly and to encourage the provision of a continuous and plentiful supply of white fish. It is intended to be a temporary measure to tide over the industry until such time as a sufficient number of new and profitable vessels can be introduced into an ageing fleet to enable it to become self-supporting. The grants for new vessels and engines are designed to encourage and speed up this modernisation.

The distant water fleet, which catches over 50 per cent of the white fish landed by British vessels, receives neither subsidy nor grants towards new building, and in these circumstances it is impossible to say what precise effect the assistance given to the near and middle water fleet has had on either imports or exports of fish.

The herring oil and meal scheme is designed to assist the herring producers and any effects on international trade must be small. None of the home-produced meal is exported and the amount produced is small in relation to imports. The oil is exported but the amounts involved are negligible in relation to world production.

Forestry

The Forestry Act, 1919, empowers the Forestry Commissioners subject to Treasury approval, to "make advances by way of grant or by way of loan upon such terms as they think fit, to persons (including local

authorities) in respect of the afforestation (including the replanting) on land belonging to those persons". Financial assistance to encourage the expansion of private commercial forestry in the United Kingdom is given to owners of woodlands on the following basis:

- (a) Where the owner dedicates his woodland permanently to forestry, a grant of up to 25 per cent of his operating losses until the woodland becomes self-supporting, or alternatively, £17 per acre for planting plus an annual contribution of five shillings and sixpence per acre towards the cost of maintenance over the first 15 years.
- (b) A grant of £17 per acre for planting woodlands not suitable for dedication.
- (c) A grant of £8.10s.0d. per acre, or alternatively, two shillings per tree where not less than 100 trees are planted in avenues for planting on land devoted exclusively to poplars.
- (d) Where woodlands are considered suitable for dedication and the owner has not dedicated but is working to a plan of operations approved by the Forestry Commissioners, half the planting grant referred to in (a) in respect of any planting carried out in the woodlands.
- (e) A grant in respect of the clearance of unproductive scrub from land which the owner undertakes to re-stock with trees. The amount of the grant depends on the net cost of clearance, being £8.10s.0d. per acre where this is between £17 and £27 per acre, and £13.10s.0d. where it exceeds £27 per acre.

In addition, payments are made for the timely thinning of young conifer, hardwood or mixed plantations at the rate of £3,15s.0d. per acre, subject to limits as to either (a) average total height, or (b) average girth at breast height. Not more than two such payments may be made in respect of the same stand.

The actual amounts paid in grants for the forest year ended 30 September, 1955 was £430,000. The estimated expenditure for the year ended 30 September 1956 is £475,000.

Effect of Forestry Subsidies. Forestry is a long-term project and it is not thought that grants to woodland owners can have any effect on imports or exports for at least fifty years.

