

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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SUBSIDIES

Notifications by contracting parties

At the meeting of the CONTRACTING PARTIES on 17 November 1958 (SR.13/17) the Chairman invited contracting parties to furnish comprehensive information to the secretariat on the subsidies they operated.

A number of contracting parties have sent their notifications to the secretariat. These are being prepared for distribution as soon as possible.

Meanwhile there are circulated herewith the notifications submitted by:

Brazil

Finland

United Kingdom

Governments which have not yet sent their notifications are requested to do so without delay.

B R A Z I L

Notification of 15 February 1959

(The present notification replaces earlier notifications issued in the following documents: L/480/Add.2, L/880, L/880/Add.1)

The bonus system in force in Brazil does not represent the allocation of subsidies for the purpose of competing in world markets. Considering, on one hand, that the fixed rate of exchange of Brazilian Cruzeiros 18.50 to US\$1 and, on the other hand, the existing inflationary process, the bonuses paid to exporters should be considered as a monetary device necessary to readjust, to some extent, the par value to a real exchange rate.

Actually the weighted average of bonuses paid to exporters brings the cost of exchange to 100,00 cruzeiros per US\$1.

Background and authority

Exchange control was introduced in Brazil in 1931 and has been amended at various times. In October 1949 practically all imports and exports were made subject to official authorization. On 21 February, 1953 a free market was introduced for invisible and capital items, as well as for exchange transactions connected with some specially authorized imports and minor exports. On 9 October Instruction No. 70 of the Council of the Superintendency of Money and Credit abolished the free market arrangements for exports and established the auction system for private imports, as well as bonuses for exports. On 5 January 1954 Decree No. 34.893 was issued, containing the regulations pursuant to Law No. 2.145 of 29 December 1953. The Law abolished the Export and Import Department of the Bank of Brazil and created a Foreign Trade Department in the Bank. The Foreign Trade Department was to handle the issue of export and import licences, enforce import, exchange and price controls, to which reference is made later, classify imports of merchandise in accordance with their nature and degree of essentiality for the purpose of the exchange auctions and in special cases to finance the importation of highly essential products and of consumption goods. In August 1957 the new tariff law established two import categories. The Customs Policy Council presides over changes in the categories of import commodities subject to the approval of the Minister of Finance.

Exchange Rate System

The par value is Brazilian Cruzeiros 18.50 - US\$1. The official rates are Cr.\$18.36 buying, Cr.\$18.92 selling, per US\$1. However, the effective rates for most private import transactions are obtained by adding to the Cr.\$18.92 rate the prices of the related exchange certificates obtained

peppermint oil; linseed and linseed
oil; castor seed oil; oiticica oil;
tung seeds and tung oil; crude mineral
oil; sawn pine wood; sawdust; cotton
waste, including pulling or garnetted
rag, all kinds of waste textiles;
sisal; oleaginous pies (not including
cocoa pie) - Cr. \$81.64

Proceeds of minor exports including all those not specifically listed
in the above three categories are negotiable in the fluctuating free
market.

at auction. These prices and, consequently, the effective rates, fluctuate. The effective rates for the proceeds of exports are obtained by adding fixed bonuses to the Cr.\$18.36 rate. There are three categories of export commodities, and a different bonus is established for each category. Proceeds of exports not included in any category may be sold in a free market. All transactions in invisibles not directly related to the movement of goods and most capital transactions also take place at a fluctuating free market rate.

Exports and Export Proceeds

All exports are subject to export license, with the exception of coffee exports, which are subject to authorization by the Brazilian Coffee Institute. Export licenses are granted without limitation except when (1) the export is contrary to national security or to obligations arising from international agreements, (2) payment is to be made in an inconvertible currency the acceptance of which is considered by the Exchange Department of the Bank of Brazil to be inconvenient, or (3) an accumulation of stocks to guarantee domestic supplies is advisable. All exports are subject to shipping permits issued by the Exchange Department.

Export proceeds must be surrendered to an authorized bank, which in turn must sell the proceeds to the Bank of Brazil. Exports are classified in three categories for each of which a different bonus has been established as follows (bonuses are expressed in cruzeiros per U.S. dollar):

- | | |
|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Category I</u> | (Coffee beans, roasted or ground) - Cr.\$41.64 |
| <u>Category II</u> | (Cocoa beans, and derivatives, and castor seeds) - Cr.\$51.64 |
| <u>Category III</u> | (Raw cotton, common sugar; ground nuts, babacu nuts, peanuts; meat, fresh or chilled, frozen, dried, smoked, in brine or similarly treated, viscera, meat offals and other edible parts, bladders, stomachs and guts of animals, glands; Brazil nuts; carnaúba wax; ouricuri wax; hog bristles; raw hides and skins; sleepers for railway and tramway lines and for similar purposes, pig iron, black beans; tobacco in leaves; jute, raw or prepared; wool, raw or washed; cotton linters and cotton waste; wood in the rough: cut, squared or sawn lengthwise; menthol; yerba mate; iron ore; manganese ore; cotton seed oil; |

F I N L A N D

Notification of 2 March 1959

(The present notification replaces earlier notifications reproduced in the following documents GATT/CP/114, G/4/Add.3, L/91/Add.1, L/223, L/351/Add.1, L/480/Add.2, L/66Q/Add.5, L/880, L/880/Add.2)

This report has been prepared pursuant to the obligation under Article XVI of the General Agreement on Tariffs and Trade and in accordance with Document L/951 asking for comprehensive information about the subsidies operated by the contracting parties.

In the Finnish Budget for the year 1958, the following subsidies were included:

Heading	Millions of Fmk.
1. Equalization of agricultural production costs and rationalization	1,680
2. Subsidy for dairy production	2,496
3. Compensation for losses resulting from the purchase of domestic seeds and early grain	200
4. Payment for barley produced in Northern Finland	90
5. Disposal of surplus domestic production	9,700
6. Subsidy for transportation of milk	436
7. Compensation for domestic wool prices	65
8. Grants for reducing the consumer price of foodstuffs	12,750
	<hr/>
T o t a l	27,417

1. Equalization of agricultural production costs and rationalization

The amount of the funds in the budget for the year 1958 was Fmk.1,680 million.

Basis of the payment: Cabinet Decision (160/58)

Terms of Payment: Farmers are given special vouchers for the purchase of fertilizers and lime for agricultural purposes, formerly gratis, now at a very low price. The condition for obtaining a subsidy is that the arable land of the farm under cultivation is at least 0.5 hectare, and that the taxable farm revenue as well as the personal income of the farmer do not exceed a certain amount determined separately each year. Payments are based upon the area under cultivation. The maximum amounts paid in 1958 were as follows:

	Area under cultivation	Southern Finland	Northern Finland
I	0.5 - 1 ha	1,900:-	2,300:-
II	1 - 2 "	2,600:-	3,200:-
III	2 - 3 "	3,300:-	4,100:-
IV	3 - 5 "	4,100:-	5,100:-
V	5 - 7 "	4,800:-	6,000:-
VI	7 - 10 "	5,500:-	6,800:-
VII	over 10 "	6,100:-	7,600:-

Northern Finland, in this case, consists of the provinces of Lappi and Oulu as well as parts of the provinces of Vaasa and Kuopio.

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

Payments thus made amounted to about Fmk.1,250 million in 1958.

In addition, reimbursements for the price of tractor petrol are paid on request direct to the farmers. This has been 19 marks per litre and the total amount paid was about Fmk.230 million.

Further, a subsidy is paid for the rail freight costs of lime for agricultural purposes. The farmer pays a certain minimum price, the State paying the balance (an average 600-700 marks per ton). In 1958 the total amount of this subsidy was Fmk.200 million.

2. Subsidy for dairy production

Amount in the budget: Fmk.2,496 million.

Basis of payment: Cabinet Decision (96/58)

Terms of payment: A production subsidy is paid to dairies and firms purchasing milk on the basis of the quantities of milk received by them in Northern Finland, in the Eastern frontier districts and in the outer

archipelago, on the condition that these firms pay the producers a correspondingly higher price. The subsidy is paid according to districts as follows:

I district	4:97	marks per kg.	IV district	1:49	marks per kg.
II "	3:97	"	V "	2:97	"
III "	2:97	"	VI "	1:49	"

These districts comprise Northern, Central and Eastern Finland as well as the outer archipelago. The amount of milk sent by these regions to the dairies is about 400 million kg. (20 per cent of the total sent to the dairies). In 1958 the total payments were about Fmk.1,000 million.

A subsidy is also paid direct to dairy farmers, a certain amount for each cow, in the form of special vouchers, which entitle the recipient to purchase fertilizers, lime for agricultural purposes, grain and special fodders. The same regional division as above is applied and the subsidy per cow has been as follows:

I district	4,600	marks	(5,500	marks)
II "	3,500	"	(4,200	")
III "	2,400	"	(2,800	")
IV "	1,300	"	(1,500	")
V "	2,400	"	(2,800	")
VI "	1,300	"	(1,500	")

Owners of livestock belonging to Dairy Control Associations are paid higher subsidies, as indicated in brackets. The total amount was about Fmk.675 million.

In addition, a subsidy for the transportation of milk is paid to the dairies and other firms purchasing milk in Northern Finland, the Eastern frontier districts and in the outer archipelago. The maximum amount of this subsidy is 80 per cent of the amount by which the average costs of transport exceed the cost of 0.2 marks per kg. of milk. In 1958 the total amount thus paid was about Fmk.500 million.

3. Compensation for losses resulting from the purchase of domestic seeds and early grain

Budgetary credit: Fmk.200 million.

Basis of payment: Law No. 51/55

Terms of payment: To foster the production of meadow and root crop seeds, the State Granary concludes with farmers annual contracts on

cultivation and supply at prices above the current price level. The losses resulting from these transactions are paid out of the above funds. The State Granary also makes purchases to support the cultivation of timothy in the provinces of Oulu and Lappi as well as in certain parishes of the provinces of Vaasa and Kuopio; for these purchases a guiding price is fixed every year. In 1958, this price was Fmk.170 per kg. In addition, to secure the supply of early grain seed, the State Granary makes agreements on the cultivation and supply of this seed and pays a cultivation subsidy for the seed delivered in accordance with these agreements.

Through this system, about 1 million kgs. of seed is produced every year which would scarcely be produced otherwise.

4. Payment for barley produced in Northern Finland

Amount: Fmk.90 million.

Basis: Cabinet decision.

Terms of payment: The State Granary makes contracts with farmers in Northern Finland on the cultivation of barley used as fodder or seed. The price paid for barley delivered under these contracts and conforming to certain quality standards is fixed at 5 marks less than the current price of rye. This actually means that the price paid for barley is considerably higher than the current price. The difference varies from year to year, but in recent years it has been from 8 to 10 marks per kg. The quantity of barley covered by these contracts is very small and the subsidy is only of local significance.

5. Disposal of surplus domestic production

Amount: Fmk.9,700 million.

Basis of payment: Cabinet decision.

Terms of payment: The subsidy is paid to exporters on the basis of the quantities exported. For butter, cheese and powdered milk, the subsidy corresponds to the difference between the controlled domestic price and the export price. For bacon and eggs it is fixed on a more permanent basis. In 1958, the following subsidies were paid:

Butter	2-300 mk/kg.	Bacon	125-140 mk/kg.
Cheese	120-170 " "	Eggs	98-130 " "
Powdered milk	105-150 " "		

6. Subsidy for transportation of milk

Amount: Fmk.436 million.

Basis of payment: Cabinet decision (115/58)

Terms of payment: The subsidy is paid to dairies and milk-purchasing firms on the basis of the quantities of milk received by them and in a similar manner as described under 2 above. The subsidy is paid in the districts of

Northern, Central and Eastern Finland, which do not fall under 2 and where the transportation cost of milk would otherwise be exceptionally high. The maximum amount paid is 60 per cent of the amount by which the average cost of transport exceeds 0.3 marks per kg. of milk.

7. Compensation for domestic wool prices

Amount: Fmk.65 million.

Basis: Law No. 169/58.

Terms of payment: To support the production of domestic wool, a fixed price, pegged to the index of the producer price of agricultural products, is guaranteed producers. The purchasing Organization of the Wool Factories which buys the wool gets a compensation for the losses resulting from the difference between the price of domestic wool and the price of the corresponding foreign wool.

8. Grants for reducing the consumer price of foodstuffs

Amount: Fmk.12,750 million.

Basis: Cabinet decision.

Terms of payment: To reduce the consumer price of domestic butter, the dairies are paid a subsidy. This, calculated per kg., is fixed by a Cabinet decision and 1958 has varied from 75 to 209 marks. On request, a corresponding subsidy is also paid for home-produced butter.

This subsidy, the amount of which has greatly varied from year to year, was originally granted in order to reduce the price by the consumer and thereby prevent the rise in the cost of living. At present, it is of equally great importance in increasing the consumption of butter. It is estimated that without this subsidy, which at present is 209 marks per kg., it would probably be necessary to find export outlets for an additional 15-25 million kgs. of butter.

Conclusions

It is extremely difficult to give figures as to the importance of the subsidies described above in regard to the amount of agricultural products imported and exported. The main aspects of this system of subsidies were introduced during the last war and the following years, when it was of a vital importance to increase agricultural production as rapidly and effectively as possible. When the food shortage was overcome and production increased, mostly because of improved production methods and even without the help of subsidies, the latter acquired a distinctly new character. They were then considered as being intended to guarantee farmers a certain level of income. They have also officially been taken into account in decisions made on prices and price adjustments designed to guarantee the agricultural revenue as a whole. (Cf. Law No. 407/58 on the price level of agriculture.) In practice the main importance of these funds is to safeguard the living conditions of certain groups of farmers. They have no direct effect upon production and foreign trade with the exception of those designed to increase domestic consumption and consequently to decrease the need to export and those granted for certain types of grains, which are a prerequisite for domestic production and which accordingly reduce the need for imports.

UNITED KINGDOM

Notification of 27 February 1959

(The present notification replaces earlier notifications issued in the following documents
GATT/CP/114, G/4/Add.3, L/91/Add.1, L/223, L/351/Add.2, L/660/Add.1,
L/809/Add.1, L/880.)

Food and Agricultural Subsidies

1. As was indicated in the previous submission, the policy of providing support to home agriculture under specific schemes of assistance was continued in 1957/58. The cost of support in that year is estimated to have been £289.4 million. Price control is maintained only on milk.
2. Broadly similar arrangements will apply in 1958/59.
3. As Her Majesty's Government announced after the Annual Review 1958, the main objective of United Kingdom production policy continues to be that production should be more economic. In the words of the White Paper "Annual Review and Determination of Guarantees, 1958" (Cmd. 390):

"This means striving for a steady improvement in the competitive position of the industry. This will depend on securing decisive reductions in unit cost, including the elimination of some of the highest cost production, by the adoption of improved techniques and better farm management. Greater adaptation of what is being produced to the needs of the market, is also important. The industry will not secure these results merely by a general increase in production; markets are already amply supplied and the reduced outlets for further supplies have become more selective."

The Government's policy is that in present circumstances gross output, particularly of milk, pigs and eggs, should not be expanded any further unless this can be done at substantially lower cost of production and without prejudicing the aim of relieving the taxpayer of the increasingly heavy burden of subsidy cost. This development can only come about gradually. On present prospects no further expansion in gross output is required. Any further expansion of net output should depend on economies in the use of resources and the greater substitution of homegrown for imported feed, including more and better use of grass and grass products.

4. Details of the estimated costs of the subsidies to home agriculture are set out in the following table:-

United Kingdom

Table showing Analyses of Estimated Agricultural Support
Subsidies and Farming Grants

	<u>Latest</u> <u>Estimates</u> <u>1957/58</u> <u>(Jan.1959)</u> <u>£.million</u>	<u>Latest</u> <u>Estimates</u> <u>1958/59</u> <u>(Jan.1959)</u> <u>£.million</u>
<u>Implementation of Agricultural</u> <u>Price Guarantees</u>		
(a) Cereals:		
Wheat and Rye	22.2	19.7
Barley	17.1	23.1
Oats and Mixed Corn	11.9	9.8
(b) Home Produced Eggs	46.7	33.8
(c) Fatstock:		
Cattle	34.1	13.7
Sheep	11.7	12.3
Pigs	36.8	22.5
(d) Milk (excluding school and welfare milk)	12.9	10.1
(e) Home Produced Wool	1.5	6.4
(f) Potatoes	8.3	6.9
Total:	203.2	158.3

II. Farming Grants and Subsidies

(a) General Fertilizers Subsidy	22.8	26.7
(b) Lime Subsidy	10.4	9.2
(c) Grants for Ploughing up Grassland	10.0	9.5
(d) Field Drainage and Water Supply Grants	2.9	2.9
(e) Grants for Improvement of Livestock Rearing Land	1.4	1.7
(f) Marginal Production Assistance Grants	2.4	2.3

	<u>Latest</u> <u>Estimates</u> <u>1957/58</u> <u>(Jan.1959)</u> <u>£.million</u>	<u>Latest</u> <u>Estimates</u> <u>1958/59</u> <u>(Jan.1959)</u> <u>£.million</u>
(g) Bonus Payments under the Tuberculosis (Attested Herds) Scheme 1950	8.0	8.6
(h) Livestock Grants for Improvement of Breeding	0.1	0.1
(i) Calf Subsidy	12.9	14.8
(j) Hill Sheep and Hill Cattle	2.9	3.0
(k) Silo Subsidies	1.3	1.1
(l) Grants for Farm Improvements	0.2	3.8
	<hr/>	<hr/>
Total:	75.3	83.7
<u>III. Administrative Overheads Applicable to I and II above</u>	4.7	4.7
<u>IV. Other Services</u>		
Payment to Exchequer of Northern Ireland	0.9	0.8
	<hr/>	<hr/>
Estimated Total Cost of Agriculture Support	284.1	247.5
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Note for foregoing table:

The figures exclude certain small expenditure of the Ministry of Agriculture of Northern Ireland.

Price Guarantees

5. The payments included in Section I of the above table are made in implementation of guarantees to producers in accordance with Parts I of the Agriculture Acts, 1947 and 1957. The object of these payments is broadly to meet any deficiency between the market prices obtained by farmers from the sale of their products and the guaranteed prices determined after an Annual Review. Various methods are employed to achieve this object.

Cereals

6. Deficiency payments schemes are in operation. In essence these schemes provide that if the average price realized by 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.

7. 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 rates paid for the 1957 crops were:

Wheat	8s. 8d. per cwt.
Rye	2s. 10d. per cwt.
Barley	163s. 11d. per acre
Oats and mixed corn	102s. 0d. per acre

Fatstock

8. New procedures were instituted as from 25 March 1957 for the calculation of guarantee payments on fat cattle, fat sheep and fat pigs. The principal changes were that in the case of cattle and sheep the rates of guarantee payments were calculated for each week separately in relation to weekly instead of annual standard prices and that for cattle, sheep and pigs the average market prices used for comparison with the standard prices for the purpose of guarantee payments were calculated by reference to four weeks actual and four weeks estimated prices instead of actual prices over a fifty-two week period.

9. Under the 1957/58 Fatstock Guarantee Scheme the following unit rates of subsidy were paid on fatstock certified:

Cattle	29s. 11 ³ / ₄ d. per live cwt.
Sheep	7d. per lb. dressed carcass weight
Pigs	10s. 8 ³ / ₄ d. per score lbs. deadweight

These unit rates are the average rates paid on animals passing through the Scheme and do not relate to total sales of fatstock. If related to total sales of fatstock the unit rates would be lower, particularly in the case of cattle and sheep.

Home produced eggs

10. Since 30 June 1957 the price guarantees for hen and duck eggs have been made to the British Egg Marketing Board, a producer organization set up under the Agricultural Marketing Acts 1931-1949, and the Board are responsible for fixing the prices which they will pay producers for eggs. Flat rates of subsidy for eligible hen and duck eggs representing the difference between the guaranteed prices to the Board (which include an allowance for the Board's administrative and marketing costs) and the estimated average market prices for the guarantee year in question are payable to the Board. These subsidy rates are subject to a profit and loss sharing arrangement when the actual average market prices exceed or fall short of the estimates by more than 2d. per dozen and to an adjustment in relation to feeding stuffs costs.

11. The unit rate of subsidy on hen eggs for 1957/58 is estimated at approximately 1s. 5d. per dozen, slightly lower than in the previous year. Following the Annual Review, 1958, the guaranteed price for hen eggs to the Board was reduced by $1\frac{3}{4}$ d. per dozen; the estimate of the average market price for 1958/59 was determined at a higher level than the estimate for 1957/58; accordingly the basic flat rate subsidy has been determined at 11.75d. per dozen for 1958/59, compared with 1s. 8.2d. per dozen for 1957/8. The unit rate of subsidy on hen eggs will be materially reduced for 1958/59.

12. Imports of eggs in 1957/58 were further reduced; exports during the second half of 1957/58 were negligible, due to the higher level of domestic prices and the export restrictions which came into force on 1 September 1957 (see paragraph 38).

Milk

13. Payments are made to the five Milk Marketing Boards in the United Kingdom (each of which covers a different part of the country) to meet any deficit between their net commercial returns and their entitlement under the guarantee arrangements. The guaranteed price for the United Kingdom as a whole is broken down into separate guaranteed prices to the Boards in the five areas. In each area this guaranteed price applies to a limited quantity (the "standard quantity") of milk. For the remainder of the milk there is a "lower guaranteed price", which is no more than an estimate of the price that the Board will receive for milk sold for manufacture in the coming year. There is also a profit and loss sharing arrangement which applies to all milk in excess of a certain proportion of the standard quantity. In 1957/58 the unit rate of subsidy was approximately $1\frac{1}{2}$ d. per gallon of milk sold off farms.

Potatoes

14. The guarantee arrangements for potatoes provide for purchase, at the appropriate guaranteed support price, of potatoes of the necessary standard offered by producers to the Potato Marketing Board in Great Britain (acting on behalf of the Government) or to the Ministry of Agriculture in Northern Ireland. These potatoes are taken up when they cannot be sold to better advantage by producers in the open market. Under a financial agreement between the Government and the Board, the Board bears 5 per cent of any loss incurred in administering the guarantee. The subsidy represents the losses incurred in implementing these arrangements.

15. The 1957 United Kingdom potato crop amounted to about 5.7 million tons. None of this tonnage was taken up under the guarantee arrangements.

Wool

16. The guaranteed price may be regarded as the fixed gross return guaranteed to the Wool Marketing Board for wool collected each year. If the Board's receipts from the wool of a clip exceed the guaranteed price, then 90 per cent of the excess is paid into a Stabilization Fund and only 10 per cent is kept by the Board. If the Board's receipts are less than the guaranteed price, the difference may be withdrawn by the Board from the Fund. If there is no credit balance in the Fund or not enough, the deficiency is made good by the Government; and if the Fund thus becomes in debt to the Government, the whole of any subsequent surplus is payable to the Government until this debt has been discharged. These arrangements are embodied in a financial agreement between the Government and the Board.

17. As the balance available in the Fund was exhausted in 1956/57 the deficiency in 1957/58 was paid by the Exchequer to the Board. This amounted to $\pounds 1\frac{1}{2}$ million or 6.436d. per lb. on wool from the 1957 clip sold by the Board during the financial year 1957/58.

Production Grants and Subsidies

18. The production grants and subsidies under Section II of the table are designed to encourage the development of agricultural efficiency.

19. 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 improve the fertility of the soil. 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. These figures are approximations.
- (ii) The Lime Subsidy gives assistance to farmers to purchase and spread lime to improve the fertility of the soil. The legislative authority for the subsidy is the Agriculture Lime Schemes 1947-1955 made under the Agriculture Acts 1937 and 1947. The current rate of contribution is 60 per cent with an additional 10 per cent 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 $\pounds 7$ per acre for the ploughing and subsequent cultivation of land that has been under grass

since before June 1955, and £12 per acre for ploughing up and bringing into cultivation difficult land which has been continuously under grass since before 1 June 1946.

- (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 provisions of water supplies to farms as a means of benefiting 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 1956. They are paid to owners and occupiers of eligible land at the rate of 50 per cent of the cost of improvement. Costs, and therefore grants, per unit of work vary widely.
- (vii) Marginal production assistance enables an eligible farmer to obtain goods and services at reduced costs in order to carry out a definite programme of work which is uneconomic for the time being and the full cost of which could not reasonably be met out of income without detriment to other necessary works on the farm. The assistance may with other grants and subsidies amount up to 85 per cent of the cost of approved work; the variety of eligible work and of costs makes it impossible to give any figure for grant per unit. The authority for the grant derives from schemes made under the Agriculture Act 1947. No further programmes will be approved for assistance under this scheme after 31st March 1959, but assistance will continue to be granted up to 31st October 1961 for the completion of programmes approved before the former date.

- (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 and boars who are willing to make the animals' services available to other farmers. The amount of grant varies with the cost of the animal and the period which it remains in service. The authority for the grant is the Annual Appropriation Act. After 31st March 1959 grants in respect of boars will be the responsibility of the Pig Industry Development Authority and will no longer be paid by the Government.
- (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 calves born in the United Kingdom and which are certified suitable for the purpose of the subsidy. The rate of subsidy for calves born since 1 April 1956 is £8. 10s. 0d. per head for steer calves and £7. 10s. 0d. per head for heifer calves.
- (xi) The Hill Cow Subsidy is intended to encourage farmers in hill and upland areas to breed store cattle and to improve the land and is payable to the occupier of the land on which the cattle are grazed and maintained. The statutory authority is the Hill Farming and Livestock Rearing Act 1948 to 1956 and schemes made thereunder. The rate of subsidy is £10 per head for eligible cows and in-calf heifers.
- (xii) The Hill Sheep Subsidy is intended to preserve the foundation breeding stocks of hill ewes and is payable to the person who is responsible for maintaining the flock. The statutory authority is the Hill Farming and Livestock Rearing Acts 1946 to 1956 and schemes made thereunder. Whether a subsidy should be paid, and if so at what rate, is determined by Ministers in the light of the economic position of hill farmers in the preceding year. In 1958 no subsidy was found to be justified.

- (xiii) Grants are made for the construction or improvement of silos in accordance with a scheme made under the Agriculture (Silos Subsidies) Act 1956. The aim is to encourage the more efficient use of grass and other crops suitable for ensilage, and so save expenditure on imported feeds. The scheme sets out standard rates of subsidy payable to owners and occupiers of agricultural land for specified works of construction or improvement. The maximum amount payable for works on any one farm is £250. Certain changes were made in the rates of subsidy under a Variation Scheme introduced on 20 February 1958, but these do not affect the general provisions of the Scheme.
- (xiv) Under Part II of the Agriculture Act 1957 grants are made towards the cost of long-term improvements for the benefit of agricultural land. They are available to owners and tenants of agricultural land for a wide range of improvements specified in the Act. Grant is at the rate of one-third of either the actual cost incurred or, for a number of the more usual improvements, the appropriate standard cost as specified in regulations made under the Act. Where both methods of calculating grant are available, the applicant has the choice. The Act also provides for grants of one-third towards the cost of certain legal and other transactions necessary for securing the formation of economic units of land through the amalgamation of uneconomic units with other land.
- (xv) Subject to the approval of Parliament the Government propose to introduce two new schemes to help farmers whose businesses are small but economically viable (able to provide a full-time job for one man but not for two). Under the first scheme (the Small Farmer Scheme) which would operate from 1 April 1959 various grants not exceeding a total of £1,000 per farm business would be payable to these farmers, provided that they carry out a 3 - 5 years improvement plan designed to make their farming more efficient. The second scheme (the Supplementary Scheme) would give help from 1 July 1959, on a similar basis to certain farmers for whom an improvement plan is not yet practicable. This scheme would also give temporary help to some small marginal producers who will not be eligible for the first scheme. It is estimated that in the first full year of operation the schemes would cost about £9 million. The cost of the schemes would be considered as part of the guarantees and production grants to the agricultural industry. No applications under the Marginal Production Scheme for England and Wales have been accepted since 31 October 1958.

Other Services

20. Under the Agriculture Act 1957 the Minister of Agriculture, Fisheries and Food may pay to the Exchequer of Northern Ireland sums not exceeding £1,000,000 in any one financial year, for five years commencing 1 April 1957 in respect of expenses incurred by the Ministry of Agriculture, Northern Ireland, in pursuance of arrangements approved by Ministers for the benefit of agricultural producers in Northern Ireland.

Effects of Food and Agricultural Subsidies

21. The payments set out above form the principal means of implementing the Government's policy on agriculture. The main objectives of this policy have already been outlined in paragraph 3. The effect of this policy on exports has been negligible and has not seriously prejudiced the interests of other traditional exporters. It follows from the call for the greater and better use of home-grown animal feed that United Kingdom requirements of imported feed should be less, but owing to the many imponderable factors involved, no estimate of likely effect on such requirements can be made.

Flax

22. The Home Flax Production Scheme has ceased operations and no flax is now being grown in Great Britain.

23. Flax growing in Northern Ireland, governed by the terms of the Flax Act (Northern Ireland) 1954, has been on a decreasing scale for some years past and the small production does not significantly reduce imports nor, since it is sold at world prices, does it subsidize exports.

24. 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 5s. 6d. per acre towards the cost of maintenance over the first fifteen 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, 2s. 0d. per tree where not less than one hundred 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.

25. 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.

26. The actual amounts paid in grants for the forest year ended 30 September 1957 was £630,000. The estimated expenditure for the year ending 30 September 1959 is £740,000.

Effect on Forestry Subsidies

27. 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.

Fisheries

Direct Subsidies

28. Under the White Fish and Herring Industries Acts 1953 and 1957, subsidies are being paid to catchers of white fish (i.e. any fish found in the sea except herrings, salmon, migratory trout and shellfish) and herrings caught from British fishing vessels of not more than 140 ft. in length, in certain waters (between 43 degrees and 63 degrees N. and east of 17 degrees W.)

White Fish

29. Subsidy is at present paid in two parts:

- (i) in respect of vessels not exceeding 70 ft. in length, apart from those normally 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 ft. and 140 ft. in length and those under 70 ft. in length and normally 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.

Payments of subsidy to vessels normally fishing with seine-nets and which make voyages of eight days or more whether over 70 ft. in length or not, is usually restricted to days spent at sea between 1 November and 30 April (both dates inclusive) in any one year. Expenditure in 1957/58 was £2.7 million and it is expected that for 1958/59 it will be at the same level.

Herring

30. This subsidy is also at present paid in two parts:

- (i) for vessels not exceeding 40 ft. in length, at a flat rate of 3½d. per stone of herring landed;
- (ii) in respect of vessels between 40 ft. and 140 ft. in length at a flat rate per day at sea, varying between £6. 10s. Od. and £10. 0s. Od. per day according to the length of the vessel and its method of propulsion.

31. The herring subsidy was introduced on 13 May 1957 and from that date the grant paid to the Herring Industry Board to cover their losses on the purchase of herrings for conversion to oil and meal ceased. Cost of the subsidies in 1957/58 was £32 million whilst the estimated cost in 1958/59 is £35 million.

32. Both subsidies are paid to the owner or charterer of the fishing vessel, but apart from vessels under 40 ft. in length, no vessel can receive both herring and white fish subsidy.

Grants for fishing vessels

33. Grants and loans are available towards the building of vessels, towards the conversion of coal-burning vessels to either diesel or oil steam propulsion and towards the cost of engine replacement for vessels belonging to working owners. Loans are also available for reconditioning of vessels. All forms of assistance are limited to vessels not exceeding 140ft. in registered length and to work carried out in the United Kingdom. The grant towards the building of a new vessel is normally one-quarter of the total expenditure with a maximum of £30,000 per vessel. Where the owner is a working fisherman and the cost is £20,000 or less, the grant is at the rate of 30 per cent of the expenditure with a maximum of

£5,000. Working fishermen can also obtain grants at the rate of 30 per cent, with a maximum of £1,250 towards the cost of new engines for existing vessels. The grants available for conversion of coal burning vessels are one quarter of the total expenditure with a limit of £7,500 for conversion of a vessel's engine boilers from coal firing to oil firing, or a limit of £10,000 where a complete new engine consuming oil is installed to replace one which was coal fired. The authorities are the White Fish and Herring Industry Acts of 1953 and 1957. Loans to fishermen for assistance in any of the above are normally limited to 60 per cent of the expenditure to be incurred. The cost of these forms of assistance in 1957/58 was £1.2 million for grants and £3.6 million for loans whilst it is estimated that the same expenditure will be incurred in the current financial year.

Effects of Fisheries Subsidies

34. The white fish subsidy is a temporary measure to help the industry through the period during which it is re-equipping with modern motor vessels. Its object is to prevent 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. The grants for new vessels and engines and conversions are designed to encourage and speed up the modernization of the fleet.

35. The distant water fleet, which catches over 50 per cent of the white fish landed by British vessels, received 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.

36. The main aim of the herring subsidy is to attract vessels back from white fishing and to prevent a further decline in the herring fleet. As with the white fish subsidy, it will of course be the aim of the herring subsidy to assist the industry to become self-supporting.

37. The statutory authority to pay herring and white fish subsidy expires in 1961, though there is the possibility of a further extension to 1963. Conversion grants are available only up to 1961, and building grants to 1963.

Discussions pursuant to Paragraph 1 of Article XVI

38. At various times, between November 1956 and June 1957, the relationship between the market prices for eggs in the United Kingdom and prices in Europe was such that exports of United Kingdom eggs became a commercial proposition. These exports of eggs which had benefited from the subsidy on British home production gave rise to protests by the Danish and Netherlands Governments. Accordingly, after negotiations with these

Governments, the United Kingdom Government undertook to take early action to prevent serious damage to normal Danish and Dutch export markets by the export of eggs which had benefited from the subsidy. This action took the form of control by licence from 1 September 1957. The effect of this control is to prohibit the export of eggs to forty-five countries which have been agreed by the Danish and Netherlands Governments to constitute normal Danish and Dutch export markets for eggs. These countries include most of Europe, and the United States.

