

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

RESTRICTED  
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SUBSIDIES

Notifications of contracting parties

Addendum

CEYLON

Notification of 5 March 1960

The Government of Ceylon, in an earlier notification, (document L/880), had stated that it did not grant or operate subsidies falling within the scope of Article XVI. While still adhering to this view, it wishes, however, to notify CONTRACTING PARTIES of the subsidies in operation.

NOTIFICATION UNDER ARTICLE XVI GATT - SUBSIDIES  
(INCLUDING ALL FORMS OF INCOME AND PRICE SUPPORT)

Subsidies, including all forms of Income and Price Support (Details  
of the measures applied)

A. Production Subsidies

1. Three products, viz. tea, rubber and coconut, account for more than 95 per cent by value of Ceylon's annual exports. Replanting and rehabilitation schemes are in operation to increase the productivity of tea and rubber lands.

2. In regard to tea, the object is to replant approximately 12 per cent of the area under tea (568,000 acres), and to rehabilitate about 60,000 acres under smallholdings. Under the replanting programme, the Government will offer a subsidy to estates in the form of a grant of Rs. 2,500 per acre. Cost of replanting is expected to be Rs. 4,000 per acre. Smallholders will be offered a subsidy of Rs. 650 per acre to rehabilitate their plants. The entire programme of replanting and rehabilitation will be met by a cess on all the tea exports. This scheme came into operation on 1 October 1958 and is expected to cost annually Rs. 15,000,000.

3. In regard to rubber, the rubber replanting scheme was launched in 1953. Under this scheme the following grants are offered for the replanting of uneconomic rubber plants:

- (i) Rs. 700 per acre for estates of 100 acres and above;
- (ii) Rs. 900 per acre for estates between 10 and 100 acres; and
- (iii) Rs. 1,000 per acre for smallholdings under 10 acres in extent.

It is estimated that the total cost of replanting is Rs. 1,500 per acre for estates and Rs. 1,000 per acre for smallholdings. The object is to replant 200,000 acres of uneconomic rubber under this scheme. Up to 1958, 110,000 acres have been replanted. The cost of the subsidy scheme in 1958 was Rs. 19,000,000.

The cost of the scheme up to 1957 was met entirely from a rubber replanting cess levied on all exports of rubber. From 1958, the cost will be financed partly from economic aid from China and partly from funds accumulated from the cess mentioned earlier.

4. The programme for coconuts comprises:

- (i) The fertilizer subsidy scheme. This was launched in 1956. Under this scheme owners of coconut lands over 20 acres received a subsidy of one-third of the cost of fertilizer used whilst smallholders owning 20 acres or less received a subsidy of half the cost. The cost of the scheme which was Rs. 6,700,000 in the financial year 1957/58 was met from a grant from the Government.

- (ii) A scheme to assist the replanting of superannuated coconut lands through subsidizing the cost of planting materials and of fencing. Seedlings costing Rs. 1 from nurseries are supplied by Government at 35 cents. The market cost of fence posts is around Rs. 1.80 each whilst barbed-wire costs about Rs. 70 per cwt. A subsidy of Rs. 1 on each fence post used for replanting of estates over 20 acres and Rs. 1.30 on each post used by smallholdings under 20 acres is given. For barbed-wire a subsidy of Rs. 50 per cwt for both estates and smallholdings, thus bringing down the price to about Rs. 20 per cwt. is contemplated. This scheme has just been put into operation. It is expected to cost annually Rs. 500,000.

5. The Cocoa Replanting Subsidy Scheme came into operation in 1956. Under this Scheme the following subsidies are paid:

- (a) the subsidy of Rs. 450 per acre is payable in five equal instalments of Rs. 90 each to those who decide to retain the rubber and inter-plant cocoa;
- (b) a subsidy of Rs. 600 per acre is payable in four equal instalments of Rs. 150 each to those who are prepared to poison or remove the rubber prior to planting cocoa and adopt intensive measures of cultivation as recommended by the Department of Agriculture.

The estimated cost of the Scheme is Rs. 4,500,000 spread over a period of five years. A sum of Rs. 900,000 is provided from Voted Expenditure of the Department of Agriculture each year.

Cocoa replanting permits to cover an extent of 10,180 acres have been issued since the Scheme came into operation in 1956.

6. The following production subsidies are in operation for products grown for domestic consumption:

- (i) The distribution of subsidized fertilizers to agriculturists. The subsidy was 50 per cent in districts brought under the Paddy Lands Act and  $33 \frac{1}{3}$  per cent in other districts. This subsidy was restricted to smallholders, i.e., persons cultivating not more than 5 acres. The expenditure on this subsidy in 1958 was Rs. 1,759,591.
- (ii) A scheme to subsidize seed paddy to the farmers was begun at the end of 1958. The cost of good seed paddy is about Rs. 15 per bushel in the open market. Seed paddy to the farmer was made available at Rs. 12.20 per bushel, 20 cents being towards the cost of gunny bags. The private seed farmer who produces certified pureline seed paddy is paid a premium of Rs. 2 per bushel from the Votes of the Department of Agriculture. The total allocation for payment of premia this financial year amounts to Rs. 400,000.

- (iii) Subsidy for sinking wells for use in food production was in operation in 1958. During this year a sum of Rs. 277,129 was spent on this subsidy.

B. Other Forms of Income Support

1. The Government has devised a Guaranteed Price Scheme for paddy and fifteen other commodities. The Scheme is designated "to furnish the best possible incentives to the increased production of food crops and thereby reduce the country's dependence on imported supplies.... An equally important aim was to shield the cultivators from wide fluctuations in the price of paddy and to reduce his income instability". The price guarantee has taken the form of a fixed price paid to all farmers for the entire amount of the commodities offered for sale to the Government.

2. The quantities of the various products bought under the Guaranteed Price Scheme for the years 1956, 1957 and 1958 were as follows:

COMMODITY	QUANTITY 1956 Bushels	QUANTITY 1957 Bushels	QUANTITY 1958 Bushels
Paddy	9,727,865 cwt.	13,258,283 cwt.	16,261,246 cwt.
Red onions	49,956	139,375	192,462
Maize	5,184	26,069	17,857
Sorghum	386	3,326	4,166
Kurrakkan	195	396	4,045
Gingolly	618	113	9,092
Chillies	2,096	4,824	2,387
Green gram	748	1,587	1,781
Tamarind	100	3,756	406
Black pepper	16	219	105
Mustard	-	117	2,808

3. For purposes of comparison, imports of the above commodities during the same three years are given below:

	1956 Bushels	1957 Bushels	1958 Bushels
Paddy	35,306,000	37,605,000	34,847,000
	cwt.	cwt.	cwt.
Red onions	49,573	1,700	12,502
Maize	434	-	-
Kurrakkan	-	-	-
Sorghum	-	-	-
Gingelly	43	-	-
Chillies	272,649	283,829	284,579
Green gram	154,377	121,099	174,555
Tamarind	76,895	42,181	72,326
Black pepper	-	-	-
Mustard	3,591	184	1

4. C.i.f. prices for imported commodities (1958) and guaranteed prices for local produce were as follows:

	C.I.f. price per bushel	Guaranteed price per bushel
	Rs. Cts.	Rs. Cts.
Paddy	6.82	12.00
	Per cwt.	Per cwt.
Red onions	17.00	26.88*
Maize	-	14.50*
Kurrakkan	-	15.60*
Sorghum	-	15.50*
Gingelly	-	38.00
Chillies	77.00	134.40*
Green gram	38.31	40.32*
Tamarind	23.00	19.40
Black pepper	-	100.80
Mustard	31.00	60.50

\* For Grade I quality.

5. There may appear to be a substantial difference between the c.i.f. price of imports and the guaranteed minimum price for paddy and certain of the other commodities (i.e. chillies, green gram and red onions). As for the guaranteed minimum price for paddy it was largely calculated as the minimum price that the paddy farmer had to obtain to maintain a reasonable standard of living. The total amount of subsidy on crops other than paddy was negligible amounting to only 2 million rupees a year and was merely intended to supplement the low incomes of paddy growers in dry zones where there was normally only one paddy harvest a year. The subsidies were not primarily intended to discourage imports nor were they in pursuit of the aim of self-sufficiency at all costs.