

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

Notifications of Contracting Parties

Addendum

CEYLON

Notification of 14 December 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 the CONTRACTING PARTIES of the subsidies in operation.

Notification under Article XVI GATT - Subsidies (Including all forms of income and price support)

A. Production subsidies

Ceylon's three major export products viz. tea, rubber and coconut, account for approximately 95 per cent of the annual value of its exports. The subsequent paragraphs furnish a brief resumé in regard to the Subsidy Schemes in operation for these products and for paddy and cocoa cultivation, along with the relevant statistical data.

Tea

The primary object of the Subsidy Scheme pertaining to tea is to replant the uneconomical acreage in estates and smallholdings. In order to encourage replanting and rehabilitation of tea lands, the Government inaugurated a scheme in 1959 consisting of two divisions:

- (1) A Replanting Subsidy Scheme under which subsidies are paid for replanting of old uneconomic tea lands with high yielding varieties.

- (2) A Rehabilitation Programme under which aid is rendered for improving the agricultural condition of land under tea cultivation by the application of fertilizers, supply of vacancies, machinery etc.

The Replanting Subsidy Scheme is primarily intended for large tea estates (over 100 acres) and to further this effort the Tea Research Institute has developed certain varieties of tea which give yields of approximately 2,200 lbs. per acre - most sterling and rupee companies have taken advantage of this Scheme to embark on regular and systematic replanting programmes. Approved varieties are used for replanting and a subsidy of Rs.2,500 per acre is given in instalments. These instalments are paid on clearing the land, adopting soil conservation methods and thereafter at regular intervals, depending on the satisfactory maintenance of the area. The acreage to be replanted in the ten-year period 1959 to 1968 is estimated at 50,000 acres and the output from these new areas when they come into bearing at 75 million lbs. of tea, the expected average increase being 1,400 lbs. per acre.

The Rehabilitation Scheme is worked on similar lines, but the benefits are channelled mainly to the smallholdings and smaller tea estates. The total subsidy payable under the Scheme amounts to Rs.650 per acre and is paid in instalments. The target acreage to be rehabilitated during the same ten-year period is 60,000 acres and the expected increase in yield 250 lbs. per acre. The total expenditure under the Rehabilitation and Replanting Subsidy Schemes during 1959 was Rs.2.6 million. Tea exported in 1959 was nearly 395 million lbs., the average price for all grades was Rs.1.85 per lb., domestic consumption 29 million lbs., and total production was approximately 423 million lbs.

Rubber

The total area under rubber in Ceylon at the end of 1959 was 668,178 acres of which 397,849 acres were planted with ordinary seedling rubber while the remaining extent was planted with strains noted for high yields (clonal seedlings or budded stumps). About half of the high-yielding rubber acreage was replanted under the Rubber Replanting Subsidy Scheme launched in 1953, and those parts of this area which were replanted in 1953 and 1954 are likely to be ready for tapping now.

Total production of rubber in Ceylon in 1959 was estimated at 91,695 tons and the average overall yield per acre at 382 lbs. per year. Returns furnished show that local consumption of rubber amounted to a total of 678 tons while figures for all types of rubber exported (crepe, sheet, and latex varieties) in 1959 were 92,013 tons, while the income derived amounted to Rs.297 million. Under the Government-sponsored Subsidy Scheme 18,547 acres of rubber were replanted in 1959 while the total acreage replanted up to the end of 1959 was 133,148. For replanting with approved varieties of high yielding rubber, the following subsidies are paid on a graded scale:

- (a) For estates of 100 acres or more, Rs.700 per acre.
- (b) For estates between 10 to 100 acres, Rs.900 per acre.
- (c) For smallholdings under 10 acres in extent, Rs.1,000 per acre.

Three fundamental criteria govern aid dispensed under the Scheme and these are the extent of land, ownership and suitability for rubber production. The amounts are paid in several instalments to ensure that the replanting programme is satisfactorily maintained and successfully completed. The total area envisaged under the Replanting Scheme after ten years (1953 to 1962) is approximately 200,000 acres. The present cost of the Scheme with the annual replanting of 22,000 acres is estimated at Rs.20 million yearly and this amount is found partly by aid granted by China and partly from Ceylon Government funds.

Coconut

The Coconut Rehabilitation Scheme was launched in 1956 for the purpose of arresting the decline in the coconut industry by enabling cultural improvements on coconut estates and smallholdings. The Scheme can be broadly demarcated into two divisions, namely replanting with high-grade coconut seedlings, and the campaign to improve the yields of holdings by supplying fertilizers to owners at subsidized rates.

- (a) Replanting with high-yielding coconut seedlings. This scheme is for providing subsidized high-grade seedlings to replant worn-out and low-yielding coconut estates. It is operated by the Coconut Research Institute which has established nurseries in the principal coconut growing districts to enable it to provide the seedlings. During 1959 the Institute distributed approximately 1.3 million high-grade varieties, and hopes in 1960 to provide more. The distribution of seedlings in 1959 was sufficient for new planting or replanting of nearly 21,500 acres. The seedlings cost the Institute 65 cents each but are sold at a subsidized rate of 30 cents each, the deficit being made good by an annual Government grant of Rs.850,000.
- (b) The subsidized Fertilizer Scheme is conducted by the Coconut Rehabilitation Department; for estates over 20 acres, one-third of the cost of fertilizer is met by the Department while the percentage subsidy provided for smallholdings is 50 per cent. Smallholders normally channel their requests for fertilizer through Co-operative Agricultural Production and Sales Societies (CAPSS), while estates apply direct to the Department. During 1959, 44,030 tons of fertilizer were distributed under the Scheme to estates and smallholdings covering 350,000 acres, which represent nearly one-third of the total extent of coconut land in Ceylon.

The total cost of fertilizer was in the region of Rs.14.3 million and the subsidy payable approximated to Rs.6 million. It is anticipated that when the Scheme reaches the point of full operation nearly 400,000 acres of coconut land will have been brought under it, the annual cost of which would then be nearly Rs.8 million.

Paddy

Production subsidies in operation for paddy were as follows:

- (i) The distribution of subsidized fertilizers to cultivators, the subsidy being 50 per cent in districts under the Paddy Lands Act and 33 1/3 per cent in others. The subsidy was restricted to smallholders, i.e. cultivators owning less than 5 acres in extent.
- (ii) The Seed Paddy Subsidy Scheme - inaugurated towards the end of 1959. Good seed paddy costing around Rs.15 per bushel in the open market was made available to farmer's at Rs.12 per bushel. Seed paddy was distributed free or on loan through CAPSS Societies and during 1958-1959 Rs.524,133 was spent. 5,850 cultivators were issued with free seed paddy while the quantity of seed paddy distributed amounted to 36,128 bushels. On a loan basis Rs.26,887 worth of seed paddy was allocated during this period.

Cocoa Replanting Subsidy Scheme

During 1959 permits were granted for 285 applications covering an acreage extent of 10,634 acres as follows:

	<u>Acres</u>
<u>Scheme A.</u> A sum of Rs.450 paid in five instalments for interplanting cocoa under rubber	7,300
<u>Scheme B.</u> A sum of Rs.600 paid in four instalments for planting cocoa after removing worn-out rubber	2,334
	<u>9,634</u>

During the latter part of the year applications were requested for 1959 replanting, though in 1958 the maximum acreage allowed under one permit was fifty, it was later decided to remove the restriction. An aggregate sum of Rs.1.2 million has been paid under both Schemes since its inception, while for 1959 the amounts paid totalled Rs.326,171. Most of the cocoa produced is consumed locally while from the little exported the export income derived is less than 1 per cent of total export revenue.

B. The Guaranteed Price Scheme

This Scheme is operated under the aegis of the Department of Agrarian Services and all forms of support are meant to ensure to the producer a reasonable price and stable market prices, assuring him thereby of a fair standard of living. During 1959 large sums of money were issued as marketing loans to CAPSS, while storage accommodation was also increased.

Under the Guaranteed Price Scheme (GPS) quantities of the products purchased were as follows:

<u>Commodity</u>	<u>Quantity</u> <u>1957</u> <u>(Bushels)</u>	<u>Quantity</u> <u>1958</u> <u>(Bushels)</u>	<u>Quantity</u> <u>1959</u> <u>(Bushels)</u>
Paddy	13,258,283	16,261,246	16,641,867
	(Cwts.)	(Cwts.)	(Cwts.)
Red onions	139,375	192,462	130,220
Maize	26,069	17,857	7,308
Sorghum	3,326	4,166	3,208
Kurakkan	396	4,045	1,043
Gingelly	113	9,092	82,176
Chillies	4,824	2,387	1,873
Green gram	1,587	1,781	34
Tamarind	3,756	406	188
Black pepper	219	105	153
Mustard	117	2,808	2,437

C.i.f. prices for import commodities and guaranteed prices for local produce

	<u>C.i.f. price</u> <u>per bushel</u> <u>Rs. Cts.</u>	<u>Guaranteed price</u> <u>per bushel</u> <u>Rs. Cts.</u>
Paddy	6.82	12.00
	<u>per cwt.</u> <u>Rs. Cts.</u>	<u>per cwt.</u> <u>Rs. Cts.</u>
Red onions	17.00	26.88*
Maize	-	14.50*
Kurakkan	-	15.00*
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	60.00

* For Grade I quality.

