

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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SUBSIDIES

Notification Pursuant to Article XVI:I

United Kingdom

This notification gives details of the United Kingdom subsidies on forestry as well as agriculture. In connexion with the United Kingdom forestry subsidy the following should be noted:

- (i) the rates of grants applicable under the Dedication Basis II and III Schemes were revised at the triennial review and all rates quoted for these schemes are effective from 1 October 1977.
- (ii) the Small Woods Scheme as reintroduced on 1 October 1977, details of this are found on the extract from "Advice to Woodland Owners" booklet enclosed.
- (iii) the amounts of the subsidy (paragraph C) paid for the year ending 31 March 1978 will not be known until June or July. As in previous years we will advise the GATT secretariat of the exact amount as soon as it is known.

AGRICULTURE

1. On 1 February 1973 the mechanisms of the Common Agricultural Policy of the EEC were adopted. Where there is common organization of the market the EEC arrangements might include elements of support buying, import levies, export restitutions and for certain commodities direct production subsidies. These arrangements are implemented by the Intervention Board for Agricultural Produce whose activities cover the whole range of the guarantee aspects of the Common Agricultural Policy including refunds on imports from other EEC countries.

2. Previously the basic system of agricultural support in the United Kingdom was provided by guaranteed prices and deficiency payments.

The Agriculture Act of 1957 still makes provision for guaranteed prices for potatoes, sheep and wool. Guaranteed prices for these products are determined annually by the Government after a review of the economic condition and prospects of the agricultural industry. Additional assistance is also given to the industry in the form of grants (called production grants) which encourage farmers to improve their productivity generally.

PRICE GUARANTEES

FAT SHEEP

Nature and extent of subsidy

(a) Background and authority

A guaranteed price for fat sheep is determined each year under Part I of the Agriculture Act, 1957.

(b) Incidence

The sheep Guarantee Scheme provides for deficiency payments to be made on sheep which have not been used for breeding and which comply with certain standards of quality and weight. Each year a seasonal scale of weekly standard prices is drawn up estimated to be equivalent to the guaranteed price over the year as a whole. For sheep the rate of guarantee payment represents the difference between the standard price and the weekly average market price, when it is below the standard price.

(c) Amount of subsidy in 1976/77

	£ million
Sheep	0.2

(d) Amount of subsidy per unit

Sheep 0.1 per kg. dressed carcass weight

Note: These are the average unit rates paid on animals certified for the guarantee payment in 1976/77. If related to total marketings the unit rates would be lower.

POTATOES

Nature and extent of the subsidy

(a) Background and authority

A guaranteed price for potatoes is determined each year under Part I of the Agriculture Act, 1957.

(b) Incidence

The price guarantee applies to maincrop potatoes only, (i.e. those marketed for human consumption on and after 1 August in year in which grown) and is implemented in Great Britain by the Potato Marketing Board and in Northern Ireland by the Department of Agriculture for Northern Ireland. The Great Britain arrangements

provide for market support operations financed jointly by the Government and the Board with the aim of bringing the average market price for the season up to the level of the guaranteed price. Similar arrangements are operated in Northern Ireland. If, over the season as a whole, the average market price received by growers is less than the guaranteed price a deficiency payment is paid calculated on the tonnage of home-produced potatoes estimated to have been sold for human consumption in the United Kingdom. Seven eighths of the total deficiency payment is paid to the Board and one eighth to the Department of Agriculture for Northern Ireland.

(c) Amount of subsidy

The current estimated cost of implementing the price guarantee is £26 million for 1977/78, but this is likely to be reduced following a decision by the Ministry of Agriculture (of 14 April 1978) to release producers from their contracts with the Potato Marketing Board.

(d) Estimated amount per unit

£1.4 per ton for the 1977/78 crop.

WOOL

I. Nature and extent of the subsidy

(a) Background and authority

A guaranteed price for fleece wool is determined each year under Part 1 of the Agriculture Act, 1957.

(b) Incidence

The wool guarantee is implemented by a stabilization fund operated through a producers' marketing board (the British Wool Marketing Board). Producers with four or more sheep except in Shetland, register with the Board which buys the wool at a price based on the guaranteed price less marketing costs and sells it at public auction. When the auction price is above the guaranteed price the surplus is paid into the stabilization fund and this is used to make good the deficit when auction prices are below the guaranteed price. If there are insufficient reserves to meet the deficit the Exchequer advances money to the stabilization fund but these loans are repayable from future surpluses.

(c) Amount of subsidy

In 1975/76 and 1976/77 the Exchequer recovered £2.4 and £2.2 million respectively and there are now no loans outstanding to the Board.

At the start of the 1977/78 financial year some £7.2 million remained available in the fund from recent surpluses to offset future deficits.

II. Effect of subsidy

The aid given is intended to stabilize rather than increase returns to producers from wool. United Kingdom production is in any case only a small proportion of wool consumption in the United Kingdom.

FORESTRY

I. Nature and extent of the subsidy

(a) Background and authority

The Forestry Act 1967 empowers the Forestry Commissioners, subject to Treasury approval, to "make advances by way of grant ... upon such terms as they think fit, to persons (including local authorities) in respect of the afforestation (including replanting) of land belonging to those persons".

(b) Incidence

Financial assistance to encourage the expansion of private commercial forestry in the United Kingdom is currently given to the owners of woodland on the terms set out in paragraph I(d) below.

(c) Amount of subsidy

The amount paid in grants for the year ended 31 March 1977 was £1,317,932 and it is estimated that £1,342,000 will be paid in the year ending 31 March 1978.

(d) Estimated amount per unit

(i) The current Dedication Scheme known as Basis III is the only Dedication Scheme open to new applicants. Financial assistance is currently given at the following rates:

Planting grants of £100 per hectare for land planted, replanted or otherwise restocked with conifers and £225 per hectare for land planted, replanted or otherwise restocked with approved broadleaved species.

An annual management grant of £3 per hectare for conifers under the age of twenty-five years and broadleaves under the age of fifty years provided these plantations were established with the aid of Forestry Commission grants.

In special areas of Scotland approved planting or natural regeneration of native pine of local origin will attract the same planting and management grants as broadleaves.

(ii) Private Woodland owners who had previously dedicated their woodlands under the old grant schemes, Basis I and II, are however entitled to retain their existing rights and obligations under these schemes. The current rates of grants are as follows:

For Basis I it is in the form of a grant of 25 per cent of the approved net annual expenditure on the woodlands dedicated until such time as they are self-supporting.

For Basis II a planting grant of £75 for every hectare satisfactorily planted, replanted or otherwise restocked.

An annual management grant of £3.44 per hectare for the first 40 hectares, £2.32 for the second 40 hectares and £1.43 per hectare for the remainder.

(iii) A Small Woods Scheme has been reintroduced. The aim of the scheme is the establishment of small, detached woodlands of 0.25 hectares up to, but excluding, 10 hectares. Financial assistance is given at the following rates:

For planting, replanting or restocking of areas of 0.25 hectares up to, but excluding 3 hectares a planting grant of £300 per hectare will be paid and for areas of 3 hectares up to, but excluding 10 hectares the rate is £250 per hectare.

II. Effect of the subsidy

- (a) Forestry is a long-term project and it is thought that grants to woodland owners can have no effect on imports and exports for many years.
- (b) Statistics of production, consumption and exports - not applicable.

The Small Woods Scheme

Due to concern about the loss of small woods, whose importance lies not only in their aesthetic, nature conservation and amenity value but also in the significant contribution they make towards the country's timber resources, the Government decided to reintroduce a Small Woods Scheme with

effect from 1 October 1977. With the reintroduction of the Small Woods Scheme and the Countryside Commission's grant-aid scheme for small amenity plantings (see pages 7 and 8) there will be a comprehensive system for encouraging the establishment of the small woods, copses and spinneys.

The rates of grants payable under the Small Woods Scheme are as follows:

For areas of 0.25 hectare but less than 3.0 hectares - £300 per hectare
For areas of 3.0 hectares but less than 10 hectares - £250 per hectare

These rates do not distinguish between conifers and broadleaves.

75 per cent of the grant will be paid following satisfactory planting of an approved crop and the balance of the grant five years later provided the wood has been satisfactorily established and maintained.

Special emphasis will be given to the planting of broadleaves where sites are suitable and where the existing landscape is essentially broadleaved in character. It follows, therefore, that in many lowland areas there will be a presumption in favour of grant-aiding broadleaved planting under the scheme. When the aim is to establish a broadleaved wood, mixtures with conifers will be acceptable only to the extent that the conifers are essential as a nurse and the mixture is managed with the intention of providing an overall broadleaved appearance. The emphasis on broadleaves in suitable locations does not, however, preclude mixtures or pure conifer planting, where this would be acceptable on visual amenity and nature conservation grounds and is in harmony with the landscape. The considerations of species selection and amenity do not override the need to ensure that all woods established under this scheme must be silviculturally sound and managed with the objective of producing a utilizable crop of timber.

The area limits of 0.25 hectare and under 10 hectares have been set with the objective of establishing small detached woods in their own right; a proposal to extend a wood or replant part of one will only be acceptable under this scheme if the resulting wood totals less than 10 hectares. Planting of larger woodlands will be considered under the Basis III Dedication Scheme.

As a general rule there is no restriction on the shape of an area accepted for planting, provided it looks right in the landscape, however, narrow strips and belts of less than about 30 metres will not usually be appropriate for grant aid.

If an owner has a wood within the limits of the scheme which could be rehabilitated by selective planting or natural regeneration (as is similarly described on page 3 for Basis III dedication) an application will be considered.

Application forms for entry to the scheme are available from the Conservancy offices whose addresses are given on pages 13-15. Full details of the conditions under which grant aid is given are provided on the application form and the Commission's staff will be pleased to advise how these apply in particular cases. It is important, however, that no work is carried out before the application is approved.

