

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

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UNITED KINGDOM

AGRICULTURE

1. On 1 February 1973 the mechanisms of the Common Agricultural Policy of the EC were adopted. Where there is common organization of the market the EC arrangements might include elements of support buying, import levies, export restrictions 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 CAP including refunds on imports from other EC 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 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. The wool guarantee is not, however, listed below as a subsidy because its purpose is to prevent excessive fluctuations in prices and not to subsidize producers.

3. Additional assistance is also given to the industry in the form of grants. These accord with EC directives designed to promote capital investment in order to improve productivity, to increase incomes where these are below average earnings outside agriculture, and to assist less favoured areas.

Price Guarantees

POTATOES

1. 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 main-crop 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 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 cost to the Government of implementing the price guarantee varies according to the prevailing supply and demand balance. It was £15.6 million, nil and has been provisionally estimated at £2.1 million for 1980/81, 1981/82 and 1982/83 respectively.

(d) Estimated amount per unit

£2.19 per tonne (all potatoes) for the 1980/81 crop; provisionally estimated at £0.30 per tonne (all potatoes) for 1982/83 crop.

2. Effect of subsidy

Statistics under the various headings for the crop years 1980/81 to 1982/83 are given in Annex I.

Farming Grants and Subsidies

I. The Agriculture and Horticulture Development Scheme (AHDS) 1980

1. Nature and extent of subsidy

- (a) The Agriculture and Horticulture Development Scheme came into operation on 1 October 1980, replacing the Farm and Horticulture Development Scheme (FHDS). It puts into effect the EC Directives on Farm Modernisation and Less-Favoured Areas. (Directives 72/159 EC and 75/268 EC). The Scheme, which is partly financed by the Community's Agricultural Fund, offers assistance to eligible farmers and growers to develop their agricultural business.
- (b) The AHDS is designed to enable existing agricultural businesses, through modernization, to earn incomes per labour unit comparable with those in non-agricultural occupations. Extra aid is given

to businesses in less-favoured areas and to those concentrating on the production of beef and sheepmeat. To be eligible under the Scheme, an applicant must submit a development plan designed to support at least one man working full-time (one labour unit), and raise the income of each employee to the appropriate level within six years. Other conditions of eligibility are that farming is the applicant's main occupation and that he must have had at least five years' experience in the industry, or hold an appropriate certificate from a recognized teaching establishment. It is also necessary for him to keep farm accounts in an approved manner.

- (c) An applicant whose eligibility has been established and whose development plan has been approved may receive:
- (i) Capital grants for a wide range of investments necessary to carry out a development plan (including livestock);
 - (ii) A "guidance premium" payable over a period of three years, for plans which concentrate on the breeding or keeping of cattle or sheep for meat production;
 - (iii) Grant spread over four years to help meet the expense involved in keeping farm accounts;
 - (iv) Assistance with professional fees incurred in drawing up approved development plans;
 - (v) Priority in acquiring land given up under the Payments to Outgoers Scheme, but no assistance with the purchase of such land.

2. Rate of subsidy

The standard rate of grant for items eligible under AHDS is 32.5 per cent with special rates for less-favoured areas. Examples of grant rates are given below with LFA rates in brackets.

(a) Capital Improvements

| | <u>Agriculture</u> | | <u>Horticulture</u> |
|--|--------------------|--------|---------------------|
| | % | % | % |
| Permanent building, silos | 32.5 | (37.5) | - |
| Field drainage | 50 | (70) | 50 |
| Roads, grids, fences, walls, pens, dips, etc. | 32.5 | (50) | 32.5 |
| Grassland improvement | 32.5 | (50) | - |
| Land clearance, levelling, subsoiling, etc. | 32.5 | (50) | 32.5 |

| | <u>Agriculture</u> | | <u>Horticulture</u> |
|---|--------------------|--------|---------------------|
| | % | % | % |
| Extra permanent horticultural buildings | - | - | 5 |
| Replacement horticultural buildings | - | - | 32.5 |
| Horticultural equipment (marketing purposes only) | - | - | 20 |
| Livestock (first purchase) | 5 | (10) | - |
| Fees for development plans | 32.5 | (32.5) | 32.5 |

(b) Guidance premium

Year 1 - Approx.£30.56 per hectare up to a limit of £3,056 per holding.

Year 2 - Approx.£20.67 per hectare up to a limit of £2,067 per holding.

Year 3 - Approx.£10.52 per hectare up to a limit of £1,052 per holding.

(c) Account-keeping grant

Year 1 - Approx.£193 (1983), Approx.£205 (1984)

Year 2 - Approx.£103

Year 3 - Approx.£103

Year 4 - Approx.£103

Note: The figures given in (b) and (c) above are correct as at January 1984.

II. The Agriculture and Horticulture Grant Scheme 1980

1. Nature and extent of subsidy

(a) The Agriculture and Horticulture Grant Scheme 1980 is made under Section 28 and 29 of the Agriculture Act 1970 and came into operation on 1 October 1980. The Scheme complies with the terms of EC Directives on Farm Modernisation (Directive 72/159) and Less-Favoured Areas (Directive 72/268). It replaced the Farm Capital Grant Scheme 1973 and the Horticulture Capital Grant Scheme 1973.

(b) The Scheme is designed to provide assistance to agricultural and horticultural production businesses which do not qualify or do not wish to apply for aid under the FEOGA-assisted Agriculture and Horticulture Development Scheme. Grant is payable on capital expenditure incurred on such items as buildings (excluding living accommodation and additional horticultural production buildings and ancillary services; field drainage; water supply; farm roads and bridges; various land improvement works; and

plant or equipment designed and intended for the preparation for market of horticultural produce. Grant is not payable on any expenditure related to egg or poultry production.

2. Rate of subsidy

- (a) There are limits on grant aid for dairying and pig production. Also limits on grant-aidable expenditure in a two-year period and any six-year period. The limit in any six-year period is £100,000.
- (b) The standard rate of grant is 20 per cent of expenditure except for field drainage for which the rate is 30 per cent and for horticultural plant and equipment for which the rate is 15 per cent. Agricultural businesses situated in Less-Favoured Areas with an income per labour unit less than the comparable income qualify for grant for field drainage and work on hedging and walls at 60 per cent rate, for water supply and various other land improvement works at a 50 per cent rate and for roads, bridges and ancillary road works at a 40 per cent rate.

3. Amount of subsidy

The cost of grant under this Scheme and the two Schemes it replaced is estimated to be £92.7 million for 1982/83 and £92.6 million for 1983/84.

III. The Agricultural and Horticultural Co-operative Scheme 1971 (as varied)

1. Nature and extent of subsidy

(a) Background and authority

The Agricultural and Horticultural Co-operation Scheme 1971, made under Part IV of the Agriculture Act 1967 came into operation on 1 April 1971, and applies to the whole of the United Kingdom. The period for grant under this scheme was originally 1 April 1971 to 14 May 1977, but has since been extended to 14 May 1986.

The Scheme provides for grants for co-operation mainly in the storage and preparation for market primary agricultural and horticultural produce.

(b) Incidence

Grant is paid directly to a co-operative on the recommendation of Food from Britain's Cooperation Development Division and the approval of the appropriate Agricultural Minister. Grant is generally paid on completion of a capital project case of grant aid towards salaries and expenses of key staff employed by the co-operative during the first five years of its existence it is paid in arrears, and this may be by quarterly instalments.

The maximum rates of grant are:

- (1) 75 per cent of cost of surveys and feasibility studies, formation of new co-operative, management selection, training of managers and research;
- (2) 30 per cent of costs of facilities, land improvement and buildings off farm; except for the storage or drying of grain;
- (3) 15 per cent of costs of grain storage facilities off farm;
- (4) 25 per cent of costs of equipment off farm; except for the storage or drying of grain;
- (5) 10 per cent of costs of plant and equipment for storage;
- (6) 15 per cent of costs of equipment on farm;
- (7) 33 1/3 per cent of costs of managerial and other key staff salaries and expenses for three years during the first five years of the co-operation existence

Despite the foregoing limitation on grant-aid the amount of any grant in respect of any approved proposal for research of a kind proposed by Food from Britain but carried out or promoted by an applicant approved by them may be aided to 90 per cent.

(c) Amount of subsidy

The total cost for the financial year 1982-83 was £2,356,310.

IV. Hill farming

Hill Livestock Compensatory Allowances

1. Nature of extent of Allowances

The Hill Livestock (Compensatory Allowances) Regulations 1979 (as amended), which are applicable throughout the United Kingdom were introduced in 1976 and implement part of Directive 75/268 (as amended) of the Council of the European Community which is designed to assist farmers in less favoured farming areas.

The Regulations provide for a system of payments on breeding cattle and ewes in areas consisting predominately of mountain hills or heath inherently suitable for livestock rearing but not suitable to any material extent for dairying, fattening or cost cropping.

2. Eligibility

To qualify for compensatory allowances in respect of any year a person must on the qualifying day (1 January) in that year be occupying at least three hectares (7.41 acres) of eligible land and be maintaining cattle comprised in a regular breeding herd or ewes comprised in a qualified stock. Except in the case of a person in receipt of a state retirement pension he is also required to give an undertaking that he will continue to farm at least 3 hectares of eligible land for a period of five years from the qualifying day in the year in respect of which the allowance is paid.

3. Rates of allowance

The rate for a breeding cow is currently £44.50. In the case of ewes there is a distinction between those of an approved breed which form a specially qualified flock or other ewes in respect of which an allowance may be paid. In the case of the former the rate is currently £6.25 and the latter £4.25. The overall payment to any person is currently restricted to a maximum of 97 European Currency Units per hectare of eligible land available to him for the maintenance of his herd or flock.

4. Amount of subsidy

The expenditure for 1982/83 in the United Kingdom was £88.4 million, of which approximately 25 per cent will be met from European Community funds.

5. Grants to statutory water undertakers

Under the Agriculture (Miscellaneous War Provisions) Act 1940 supplementary agricultural grants are payable in England and Wales to statutory water undertakers towards the cost of public water mains extensions, designed to serve primarily agricultural needs. There is no fixed rate of grant; each case is considered on its merits. The estimated cost in 1980/81 of these grants is £149,700.

6. Credit for agriculture and horticulture

Under Section 64 of the Agriculture Act, 1967 grant may be made towards expenditure incurred by a body in fulfilling its guarantees of loans for business purposes made by banks to farmers, growers or their co-operatives. Grants are at present available in respect of losses on guarantees given until 30 April 1981. The cost of these grants in 1979/80 and 1980/81 was nil and £110,410 respectively.

FISHERIES

I. Grants for the acquisition and improvement of fishing vessels

1. Nature and extent of the subsidies

(a) Background and authority

Under the Fisheries Act 1981 the Sea Fish Industry Authority (which replaced the White Fish Authority and Herring Industry Board) make grants from Government funds for the acquisition and improvement of fishing vessels and the installation of new engines in existing vessels within the United Kingdom subject to the conditions of the current scheme - The Fishing Vessels (Acquisition and Improvement Grants) Scheme 1981.

(b) Incidence

Grant is given towards the capital costs of construction and improvement of vessels employed in catching or processing sea fish. The current rate of grant is 25 per cent of the approved expenditure for all fishing vessels. Improvements which may be aided are those designed to result in greater efficiency or economy in the operation of the vessel or better working conditions for the officers or crew.

(c) Amount of grant in the United Kingdom

Expenditure on grants in 1981/82 was £4.3 million and for 1982/83 was £4.5 million. These figures include grants given by the Highlands and Islands Development Board.

(d) Estimated amount per unit

The amount of subsidy is related to the approved cost of the vessel and has no direct bearing on the quantity of fish landed.

2. Effect of subsidy

Statistics of production, consumption, imports and exports are given at Annex 2.

FISHERIES

II. Grants for harbour and harbour related facilities

1. Nature and extent of the subsidy

(a) Background and authority

Under Section 2 of the Fisheries Act 1955 grants are available in Great Britain to public authorities and other similar bodies for harbour and harbour related facilities where such assistance will promote the maintenance or development of the fishing industry.

Loans are also available in Scotland for authorities other than local authorities. In Northern Ireland grants are available under Section 3 of the Harbours Act (Northern Ireland) 1970 to persons improving maintaining or managing a harbour or carrying out harbour operations.

(b) Incidence

Grants are available towards the capital cost of construction improvement and repair of harbour and other facilities used by the fishing industry. In England and Wales the rate of grant is normally 20 per cent for the major ports and 50 per cent for all others. In Scotland and Northern Ireland rates of grant vary according to circumstances but do not normally exceed 75 per cent.

(c) Amount of subsidy

Expenditure on grants in 1980/81 was £3.06 million, in 1981/82 was £1.9 million and for 1982/83 £1.92 million. Loans amounting to £0.07 million in 1980/81, £0.19 million in 1981/82 and £0.008 million in 1982/83 were taken up in Scotland.

2. Effect of subsidy

Statistics of production, consumption, imports and exports are given at Annex 2.

ANNEX I

United Kingdom - Potatoes ('000 tonnes)

| June-May | Home production | Imports | Exports | Disappearance |
|----------|-----------------|---------|---------|---------------|
| 1980/81 | 7,110 | 539 | 227* | 7,422 |
| 1981/82 | 6,190 | 943 | 208* | 6,925 |
| 1982/83 | 6,930 | 736 | 194* | 7,472 |

All figures include maincrop, seed, new and processed potatoes.

Source: Statistics Division MAFF except* (OTS Customs and Excise).

ANNEX II

UNITED KINGDOM FISHERIES

Production: (landings by British vessels, etc. ...)

| | <u>1982</u> |
|----------------------|----------------|
| England and Wales | 220,210 |
| Scotland | 469,160 |
| Northern Ireland | 20,319 |
| Total United Kingdom | <u>709,689</u> |

Trade: Imports (landed weight equivalent, etc. ...)

1982
342,280

Exports (product weight, etc. ...)

1982
239,574

Consumption: (estimates of fish supplies per head)

| | <u>1981*</u> | <u>1982</u> |
|------------------------|--------------|-------------|
| Fish | | |
| Fresh, frozen, etc. | 4.9 | 5.0 |
| Herring | 0.2 | 0.1 |
| White fish | 4.7 | 4.9 |
| Shellfish (edible wt.) | 0.6 | 0.6 |
| Canned fish (imp.) | 1.5 | 1.3 |
| Total (edible wt.) | 7.0 | 6.9 |

* not available previously

FORESTRY1. Nature and extent of the subsidy(a) Background and authority

The Forestry Act 1967 and the Forestry Act 1979 empower the Forestry Commissioners, subject to Treasury approval, to make advances by way of grant upon such terms as they think fit, to owners and lessees of land (including local authorities) for afforestation (including replanting).

(b) Incidence

Financial assistance to encourage the expansion of private commercial forestry in Great Britain is currently given to the owners and lessees of woodlands on the terms set out in paragraph 1(d) below.

(c) Amount of subsidy

The amount paid in grants for the year ended 31 March 1982 was £3,956,000 and for the year ended 31 March 1983 was £4,585,000.

(d) Estimated amount per unit

(i) A new Forestry Grant Scheme was introduced on 1 October 1981 aimed at encouraging the expansion of private forestry and increasing timber production in Britain. The Scheme has been designed to retain the practical advantages of the earlier grant arrangements while reducing the costs by simplifying the administrative and legal procedures involved.

Grants for the planting, replanting or otherwise restocking of land are payable under the Scheme at the following rates:

| <u>Area of wood</u> | <u>Conifers per hectare</u> | <u>Broadleaves per hectare</u> |
|------------------------|-----------------------------|--------------------------------|
| 0.25 to 0.9 hectares | £600 | £850 |
| 1.0 to 2.9 hectares | £480 | £700 |
| 3.0 to 9.9 hectares | £400 | £600 |
| 10.0 hectares and over | £230 | £450 |

In recognition of the important contribution that small woods make to overall timber production and of the greater costs involved, higher rates of grant are offered as an additional inducement to plant these areas.

Payments will be made in two instalments:

80 per cent of the total grant on completion of planting;

the balance of 20 per cent five years after the date of payment of the first instalment provided the plantation had been properly maintained.

Grants will be paid for the rehabilitation of existing unproductive woodlands and in special areas of Scotland approved planting or natural regeneration of native pine of local origin will attract the same planting grants as broadleaves.

The new Scheme succeeds the Basis III and Small Woods Schemes which were closed to new applicants from 1 July 1981.

(ii) Although the Basis III Dedication Scheme was closed to new applications from 1 July 1981 existing participants are entitled to retain their rights and obligations under the Scheme until such time as they part with their interest in the woodlands. With effect from 1 October 1980 the rates of grant payable under this Scheme are as follows:

Planting grants of £140 per hectare for land planted, replanted, or otherwise restocked with conifers and £315 per hectare for land planted, replanted or otherwise restocked with approved broadleaved species.

An annual management grant of £4.20 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 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.

(iii) Likewise, private woodland owners who have previously dedicated their woodlands under the earlier Basis I and II Dedication Schemes are entitled to retain their existing rights and obligations under the Schemes until such times as they part with their interest in the woodlands. With effect from 1 October 1980 the rates of grant payable are as follows:

For Basis I, 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 £105 for every hectare satisfactorily planted, replanted or otherwise restocked.

An annual management grant of £4.80 per hectare for the first forty hectares, £3.25 for the second forty hectares and £2.00 per hectare for the remainder.

(iv) The Small Woods Scheme was also closed from 1 July 1981 but owners who had submitted applications for approval before that date are entitled to remain in the Scheme if they so wish. With effect from 1 October 1980 the rates of grants available under the Scheme are as follows:

For planting, replanting or restocking of areas of 0.25 hectares up to but excluding three hectares, a planting grant of £420 per hectare; and for areas of three hectares up to but excluding ten hectares, a planting grant of £350 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 export - not applicable.