

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED
COM.AG/W/5
30 June 1968
Special Distribution

Agriculture Committee

Original: English

UNITED KINGDOM

Information Supplied in Response to the Questionnaire COM.AG/9

The material has been arranged on a commodity basis but two of the questions (A.5. and B.I.3.) cannot be conveniently answered on a commodity-by-commodity basis. The answers to these two questions are provided separately, with appropriate cross references on the commodity replies.

Except for calendar years and unless otherwise stated, references are to financial years, viz. April to March.

In converting sterling values to United States dollars, the following method has been used:-

- For periods ending before 18 November 1967: \$2.80 to £1
- For periods beginning after 18 November 1967: \$2.40 to £1
- For the calendar year 1967: \$2.80 to £1
- For the financial year 1967/68 (April-March):
 - eight twelfths of the total at \$2.80 to £1
 - four twelfths of the total at \$2.40 to £1

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Dairy Products

COM.AG/W/5/Add.1

- (a) Liquid milk
- (b) Butter
- (c) Near butters
- (d) Milk powder
- (e) Condensed milk
- (f) Cheese

Grains

COM.AG/W/5/Add.2

Live cattle, beef and veal, canned and processed meats

COM.AG/W/5/Add.3

Other meats

COM.AG/W/5/Add.4

- (a) Poultry meat
- (b) Live pigs, pigmeat, canned and processed meats
- (c) Live sheep, mutton and lamb

Fruits and vegetables

COM.AG/W/5/Add.5

- (a) Citrus fruits
- (b) Tropical fruits
- (c) Apples
- (d) Pears
- (e) Apricots
- (f) Peaches
- (g) Fresh grapes
- (h) Melons
- (i) Tomatoes
- (j) Edible nuts
- (k) Canned fruits and vegetables
- (l) Potatoes
- (m) Dry bulb onions

Vegetable oils and oilseeds

COM.AG/W/5/Add.6

Unmanufactured tobacco

COM.AG/W/5/Add.7

Wine

COM.AG/W/5/Add.8

I. AN ACCOUNT OF THE UNITED KINGDOM'S GENERAL AGRICULTURAL AND HORTICULTURAL POLICIES

The basic principles of the United Kingdom Government's agricultural policy are laid down in the Agriculture Acts of 1947 and 1957. These principles recognize that a stable and efficient agricultural industry must be maintained; that such an industry should be capable of producing such part of the nation's food and other agricultural requirements as in the national interest it is desirable to produce in the United Kingdom and that such production should be at minimum prices consistent with proper remuneration and living conditions for farmers and workers in agriculture and an adequate return on capital invested in the industry.

In the past two or three years there has been increased emphasis on the need to pursue these objectives against the background of agriculture's contribution to the national economy as a whole. In 1965 the Government called on agriculture to undertake a programme of selective expansion based on increasing productivity in order to help meet the growing demand for food and thus contain the increase that would otherwise take place the United Kingdom import bill, and also to release manpower for use elsewhere in the economy. The fulfilment of this programme and the need to increase productivity provide the main emphasis for United Kingdom agricultural policy.

Every spring the Government, in consultation with the Farmers' Unions, reviews the economic condition and prospects of the agricultural industry and determines the level of Government support for the coming year. Financial support is given to agriculture in the form of guaranteed prices for the main agricultural commodities (cattle, sheep, pigs, eggs, wool, milk, cereals, potatoes and sugar beet) and direct farming grants (designed to raise farm productivity and encourage certain types of production: for example, subsidies for fertilizers and lime, cattle breeding and rearing, and farm improvement grants). It is estimated that in the year ended March 1968 the Government spent nearly \$720 million on agricultural support, including almost \$373 million to maintain guaranteed prices and \$312 million for farming grants and subsidies. This was some \$240 million less than the cost of support in 1961-62, the year when it reached its peak, despite an expansion in the volume of agricultural production of about 25 per cent.

Imports of agricultural produce are not generally restricted.

"Horticultural produce, because it is perishable and liable to seasonal variations in quantity and quality, does not lend itself to support by guaranteed prices. Hitherto the principal means of support have been tariffs on imports, but financial and other assistance is now available to enable growers to become more competitive and thus reduce their dependence on tariffs." Periodically, the agricultural departments, in consultation with the Farmers' Unions, conduct an examination of developments within the horticultural industry the purpose of which is to elicit the facts about the industry, the changes that are taking place and the progress made towards achieving a higher degree of competitive efficiency.

II. THE POSITION OF AGRICULTURE IN THE UNITED KINGDOM ECONOMY

Agriculture is one of the largest and most important industries in the United Kingdom; it employs about 800,000 people or about 3 per cent of the total working population and provides about 3 per cent of the gross national product.

The value of output of agricultural products at farm-gate prices (including subsidies) in the United Kingdom is about \$4,560 million a year and purchases of goods and services from other industries are about \$2,640 million. About half of domestic requirements of food and feeding stuffs are produced within the country, but the remainder, many of which could not be grown in the United Kingdom, are imported.

In 1967 the value of imported foods and feeding stuffs was about \$4,480 million. Goods imported, other than tropical products, included beef and veal, mutton and lamb, bacon, wheat, coarse grains, butter and cheese. Agricultural exports from the United Kingdom are relatively small and in 1967 their value totalled about \$196 million. The most important of these were barley and live animals.

There are about 450,000 or so holdings in the United Kingdom covering about 12 million hectares of crops and grass, but only about 400,000 represent significant farming units, and only about 207,000 provide full-time employment for one or more persons.

About 20 per cent of the full-time farms in the United Kingdom are large holdings employing more than four people. The average size of these holdings is about 121 hectares of crops and grass and they produce roughly half of the total agricultural output of the country. A further 30 to 35 per cent of the full-time farms are medium-sized holdings employing two to four people. These farms extend on average to about 53 hectares of crops and grass, and they supply about a quarter of total agricultural output. The remaining full-time farmers employ one to two men and average about 25 hectares in size. The produce from these farms accounts for about a fifth of total output. The very small farms in the United Kingdom, which number almost 200,000, provide less than full-time employment for one man and contribute only about 8 per cent or so of the output of the industry.

Estimates of farm expenses and sales and of the aggregate net income of agricultural producers are prepared annually and details of those for the years beginning 1 June 1966 are given in Table A attached. From these figures it can be seen that most of farmers' income is derived from livestock and livestock products and that the heaviest items of expenditure are feed, machinery, and labour.

About half of the farms in the United Kingdom are owner-occupied and half are tenanted. Most of the finance required to provide capital formation in buildings, plant and machinery and vehicles to maintain the level of output required in this country is provided out of farmers' income and net rents received by landlords and only a small part is borrowed from banks or merchants.

Table A

FARM SALES AND EXPENSES IN THE UNITED KINGDOM
IN YEAR BEGINNING 1 JUNE 1966

(£ million)

<u>Farm sales</u>	
Farm crops	1,054
Total livestock	1,842
Total livestock products	1,709
Total horticulture	531
Sundry output	67
Total value of output	<u>5,204</u>
Farming grants, subsidies and sundry receipts	<u>301</u>
Total receipts	<u>5,505</u>
<u>Farm expenses</u>	
Labour	871
Rent and interest	440
Machinery	689
Feeding stuffs	1,239
Fertilizers	369
Other	634
Total expenses	<u>4,242</u>
Change in the value of growing crops, livestock and farm stocks	+ 113
Net income	<u>1,376</u>

Table B

AGGREGATE GROSS CAPITAL FORMATION IN AGRICULTURE
IN THE UNITED KINGDOM IN 1967

(£ million)

<u>Gross capital formation</u> ¹	
Buildings and works	216
Vehicles	56
Plant and machinery	<u>255</u>
Total fixed assets	527
Stocks and work in progress	<u>144</u>
Total	<u>671</u>

¹ Excluding any additions to financial assets, and trade debtors.

III. GENERAL ANSWER TO QUESTION A.5.

A.5. Policies and measures of governments or other bodies likely to influence production

(a) Farm structure

(1) Part II of the Agriculture Act 1967 provides for grants to improve farm structure by encouraging the voluntary amalgamation of small farms and the adjustment of farm boundaries. Under the Farm Amalgamations and Boundary Adjustments Scheme grant of half the cost may be paid towards the incidental expenses, such as legal and survey costs, of carrying out an approved farm amalgamation, and the consequent works and improvements to remodel the resulting farm. An approved amalgamation must normally absorb a unit capable of providing between 100 and 599 man-days work a year (i.e. an "uncommercial unit") and result in one capable of providing at least 600 man-days work a year (i.e. a "commercial unit"). Where it is not possible to form a fully commercial unit in one step a unit capable of providing 275-599 man-days work a year may be formed (i.e. an "intermediate unit").

Similar grants are available towards the cost of improving farm boundaries.

(2) Under the Farm Structure (Payments to Outgoers) Scheme grants of a lump sum or an annuity for life, according to age, may be paid to owner-occupiers or tenants who give up occupation of an "uncommercial unit" for amalgamation. The lump sum grants range from \$2,400 for up to 4 hectares to \$4,800 for 40.5 hectares or more, and annuities range from \$480 for up to 4 hectares to \$660 for 40.5 hectares or more. The widow of an annuitant may be paid one half of the original annuity.

(3) The Act also provides for the State to purchase land voluntarily offered to it for amalgamation. This power is to be used where improvement of farm structure would be slow if left to private initiative.

(4) Amalgamated farms formed with the aid of grant are subject to a land charge to keep the unit in agricultural use and from being split up for 40 years unless the Minister of Agriculture consents. There are penalties for a breach of these conditions.

(5) The Schemes came into operation on 31 October 1967. In the first full year, 1968-69 they are estimated to cost \$1.2 million, and in a peak year \$36-\$40.8 million.

(b) Agriculture investment grants

The following agricultural investment grants are now available in lieu of the investment allowances for tax purposes which were discontinued with effect from 17 January 1966:

(1) A grant of 10 per cent, increasing to 12½ per cent during the period 1 January 1967 to 31 December 1968, on investment in farm buildings and other fixed equipments, new fixed plant and new fixed machinery for the purposes of an agricultural or horticultural business, or long-term improvements to land comprised in such a business. Only businesses whose labour requirements amount to at least 250 standard man-days will qualify and there is a minimum expenditure limit of \$240 a claim. Expenditure which has already been grant aided otherwise will not qualify.

(2) A grant of 10 per cent, increasing to 15 per cent for the period 1 January 1967 to 31 December 1968, on new tractors and self-propelled harvesters licensed under the Vehicles (Excise) Act 1962 as agricultural machines and paying duty at the appropriate rate.

The estimated cost of these investment grants in 1967/68 is \$10.0 million. Payments of grants did not begin until the Agriculture Act 1967 came into force in May 1967. There was no financial provision for them prior to 1967/68.

Investment supplements of 5 per cent of approved costs are also paid on grants claimed on or after 17 January 1966 under the Farm Improvement Scheme, the Horticulture Improvement Scheme (production businesses only) and, in England and Wales, the Farm Water Supply Grants Scheme. The cost of these supplements is included in the sections dealing with the basic grants.

(c) Rural Development Boards

The Agriculture Act 1967 provides that a Rural Development Board may be set up to meet the special problems of the development of hills and uplands as rural areas and to meet also the special needs of these areas. These include the difficulties involved in forming larger farms, and the need for a programme for the development of land use so that agriculture and forestry may be complementary, for improved public services and for preserving and taking full advantage of the amenities and scenery in those areas in the course of this development.

A Board may buy land by agreement, spend money on it and use it to bring about the improved structure of farms. A Board, may also give financial assistance to provide or improve communications and

public services; to help to get electricity, gas or water to a house or other premises used in connexion with agriculture or forestry or for improving accommodation for tourists; and to help the occupier of an agricultural or forestry unit to provide or improve a site for tourists' caravans or tents. Rural Development Boards will be financed from public funds.

No such Boards are yet in existence but two are likely to be set up during 1968. When a Board is fully operative, its expenditure may be of the order of \$1.2 million per annum.

(d) Agricultural and Horticultural Co-operation

Part IV of the Agriculture Act 1967 established the Central Council for Agricultural and Horticultural Co-operation, with the function of promoting and developing United Kingdom co-operation generally. The Government believes that co-operation can offer producers generally a means of increasing their productivity and can help smaller farmers in particular by enabling them to obtain the benefits of scale in production and marketing - thus offering them an alternative to amalgamation or going out of farming. One of the means through which the Council implements its functions is the Agricultural and Horticultural Co-operation Scheme 1967 - see B.I.3.

IV. GENERAL ANSWER TO QUESTION B.I.3.

B.I.3. Amount of producer subsidies

(i) Fertilizer and lime subsidies

Schemes under the Agriculture (Fertilisers) Act 1952 provide subsidies (at varying rates not exceeding 50 per cent of the cost) to assist farmers in the purchase of nitrogenous and phosphate fertilizers. Subsidy is also paid to farmers towards the cost of liming land to improve soil fertility. This latter subsidy now takes the form of flat rate contributions depending on the kind and quality of lime used and the distance it is transported. On average this subsidy now meets 50 per cent of farmers' costs, and may not exceed 60 per cent in any individual case. The cost of these subsidies in 1965/66 was \$82.83 million for fertilizers and \$22.66 million for lime; in 1966/67 - \$83.98 million for fertilizers and \$17.89 million for lime; and the estimated cost in 1967/68 is \$85.60 million for fertilizers and \$13.87 million for lime.

(ii) Ploughing grants

Up to 31 May 1967, grants of up to \$17.3 per hectare were available under the Agriculture (Ploughing Grants) Act 1952 for land that had been under grass for not less than three years, to encourage the regular ploughing up and extended use of leys. A higher rate of \$71.2 per hectare (\$83 prior to devaluation) might be paid for land which had been continuously under grass for twelve years, and for which grant had not previously been paid.

As from 1 June 1967, the lower rate of grant was abolished, and grant of \$71.2 per hectare (\$83 prior to devaluation) is available for bringing into cultivation land which has been continuously under grass for at least twelve years, which is abnormally costly to plough and cultivate and on which grant has not previously been paid.

The cost of these grants for 1965/66 was \$21.25 million and for 1966/67 \$15.85 million. The estimated cost for 1967/68 is \$7.30 million.

(iii) Farm Improvement Scheme

Under Part II of the Agriculture Act 1957, grants of one third of the cost were available to persons having an interest or intending to acquire an interest in agricultural land towards the cost of improving certain kinds of fixed equipment including farm buildings, roads, fences and electricity supply; grants of one third were also made towards the incidental cost of amalgamating uneconomic holdings. This Scheme has been replaced by a new one under Section 30 of the Agriculture Act 1967. Grants of one quarter of the cost are available on a wider range of improvements than under the old Scheme. The cost of these grants was \$32.4 million in 1965/66 (payments under the old Scheme only) and \$31.0 million in 1966/67 (combined payments under old and new Schemes). The estimated cost in 1967/68 is \$33.3 million for both Schemes. (Some payments are still being made under the old Scheme.)

Claims for grant under both Schemes now attract an investment incentive supplement of 5 per cent of the cost. The estimated cost of this supplement in 1967/68 is \$8.8 million.

(iv) Assistance for small farmers

Grants under schemes authorized by the Agriculture (Small Farmers) Act 1959, are offered to small farmers to help them increase the productivity and profitability of their business. The revised Scheme introduced in 1965, the Small Farm (Business Management) Scheme, requires farmers to implement a three-year farm management programme, an essential part of which is the keeping and using of farm records as a basis for farm management decisions. The maximum total grant for any one farm business is £1,000. The cost of these schemes was \$9.63 million in 1965/66 and \$6.44 million in 1966/67. The estimated cost for 1967/68 is \$5.78 million.

(v) Eradication of bovine tuberculosis

Under the Tuberculosis (Attested Herds) Scheme, authorized by the Diseases of Animals Act 1950, bonus payments were made for a period of six years to farmers towards the initial capital costs of voluntarily eradicating bovine tuberculosis from their herds. The last eradication areas were declared in 1960 and bonus payments ceased effectively in 1966.

The levels of bonus payments for Great Britain were \$2.49 million in 1965 and \$0.32 million in 1966.

(vi) Field drainage grants

In England and Wales, grants of 50 per cent of the approved cost of schemes for ditching and underdrainage are made under the Agriculture (Miscellaneous War Provisions) Act 1940, as amended. A supplement of 10 per cent is paid on such schemes in hill areas. In Scotland, grants of 50 per cent of the approved cost of schemes for field and hill drainage, minor arterial drainage and ditching are made under the Agriculture Act 1937; this grant also carries the 10 per cent supplement in hill areas. The total cost of these grants in the United Kingdom was \$8.3 million in 1965/66 and \$8.5 million in 1966/67. The estimated cost in 1967/68 is \$10.7 million.

(vii) Farm water supply grants

In England and Wales, the Agriculture (Miscellaneous Provisions) Act 1941, as amended, provides for grants of 25 per cent or 40 per cent of the approved cost of providing water supplies to farms. A 5 per cent investment supplement is payable in respect of grants made since 17 January 1966. In Scotland, the Agriculture Act 1937 as amended by the Agriculture (Miscellaneous Provisions) Act 1941 and 1944 provides for grants of up to 50 per cent. The total cost of these grants in the United Kingdom was \$1.6 million in 1965/66 and \$1.3 million in 1966/67. The estimated cost for 1967/68 is \$1.6 million.

(viii) Silo subsidies

Subsidies amounting to about half the cost of approved projects, up to a maximum of £250 a farm, were available, under the Agriculture (Silo Subsidies) Act 1956, for constructing and improving silos for conserving grass and fodder. The closing date for applications under this Scheme was 31 July 1966 but grant aid for the construction of silos is available under the new Farm Improvement Scheme. The cost of grant under the Silo Subsidy Scheme was \$0.64 million in 1965/66 and \$0.67 million in 1966/67. The estimated cost for 1967/68 is \$0.35 million.

(ix) Market Development Scheme

Grants are payable under the Agriculture (Miscellaneous Provisions) Act, 1963 to encourage research and development in the marketing of agricultural and horticultural produce. Subject to Parliamentary approval the Scheme will be extended to 31 March 1971. The cost of grants under this Scheme was \$0.65 million in 1965/66 and \$0.52 million in 1966/67. The cost in 1967/68 is estimated at \$0.57 million.

(x) Agricultural credit

Producers are not provided with subsidized credit facilities, but powers exist for some support to be given to the activities of three commercial institutions:

(a) The Agricultural Mortgage Corporation

This body is owned by the banks and makes long-term loans at commercial rates - currently (March 1968) $8\frac{1}{2}$ per cent - for farm purchase; the Government may supplement the Corporation's reserves by making interest-free loans, and during the last three financial years the amount advanced has been raised to approximately \$12 million. The income annually received by the Corporation from the investment of this money is applied in reduction of its operating expenses and this enables it to offer a slightly lower lending rate.

The Corporation has also been appointed for the purposes of making Government loans at commercial rates to assist farm amalgamations, but no loans have yet been made.

(b) The Agricultural Credit Corporation and

(c) The Agricultural Finance Federation

The Government may underwrite guarantees of bank loans given by these two organizations to farmers, growers and their co-operatives. No expenditure was incurred in 1965/66 and 1966/67 and none is expected to arise in 1967/68.

(xi) Farm Business Recording Scheme

Grant of up to \$240 a year (\$280 before devaluation) for a maximum of three years is payable to farmers and growers to encourage the keeping of farm business records as an aid to sound management decisions. The Scheme was introduced on a pilot basis in November 1965 and was extended to the whole country during 1966. Expenditure during the year 1966/67 was \$0.04 million; expenditure during 1967/68 is estimated at \$0.93 million.

(xii) Horticulture Improvement Scheme 1966

This Scheme made under the Horticulture Act 1960 as amended by the Agriculture and Horticulture Act 1964, has as its primary aim the encouragement of improvements in facilities for the production, storage, preparation for market and transport of horticultural produce. Grants are available towards the cost of a wide range of production equipment, including the erection, replacement, reconstruction or other improvement of glasshouses and other production buildings, and equipment for heating, control of environment and pest and disease control. Grants are also available for the erection or improvement of storage and other buildings and for a wide range of equipment used in the storage and preparation for market of horticultural produce. Horticultural co-operative marketing associations which submitted applications under the Horticulture Improvement Scheme up to 3 October 1967 may obtain grants for buildings and equipment for the storage, preparation for market and transport of horticultural produce and for constructing and equipping producers' markets. From 3 October 1967 grants to horticultural co-operatives have been available under the Agricultural and Horticultural Co-operation Scheme 1967 described below.

The Horticulture Improvement Scheme 1966, which came into force on 21 July 1966, replaces earlier schemes of 1960 and 1964. The total estimated costs of grant for the United Kingdom for the financial year 1967/68 is \$6.56 million. The average amount of grant payable in respect of each approved application over this period is £375.

The cost of grants under earlier schemes was \$3.05 million in 1965/66 and \$4.30 million in 1966/67.

An investment supplement of 5 per cent of the total approved expenditure is payable to growers in addition to grants under the Scheme which were claimed on or after 17 January 1966. The total estimated cost of this supplement in the financial year 1967/68, is \$1.52 million, of which \$0.53 million represents arrears for the financial years 1965/66 and 1966/67.

(xiii) The Small Horticultural Production Business Scheme 1964

This Scheme was made under the Agriculture and Horticulture Act 1964 and came into operation on 1 July 1964. The Scheme is intended to help small growers to improve the efficiency of their businesses. The grant is a contribution to the working capital needed while they are carrying out an

approved three-year programme of re-organization or improvements. The total cost for the United Kingdom was \$0.64 million in 1965/66 and \$0.78 million in 1966/67. The total estimated cost for 1967/68 is \$0.83 million. The average amount of grant payable in respect of each approved application in 1967/68 is £365 - which is payable over a period of three years.

(xiv) Grant for grubbing orchards

Section 3 of the Agriculture and Horticulture Act 1964 provides for grants of a third of the cost of clearing orchards planted originally for profit but which are now producing only poor quality fruit. The grant is available to owners or occupiers of any commercial orchards of quarter acre or more provided it is intended to use the land for agriculture when the orchard has been cleared. The total cost for the United Kingdom was \$0.10 million in 1965/66 and \$0.11 million in 1966/67. The total estimated cost for 1967/68 is \$0.11 million. The average grant payment for each application in 1967/68 is £70.

(xv) Farmers' Machinery Syndicates Grants Scheme

Grants are payable under the Agriculture (Miscellaneous Provisions) Act 1963 towards the cost of certain buildings occupied on a co-operative basis by farmers' machinery syndicates. Grants are paid at one third of approved costs, one half of the total grant being paid on completion and the balance over five years. Applications ceased to be accepted as from 3 October 1967 when a new scheme of grants - the Agricultural and Horticultural Co-operation Scheme 1967 - was introduced and included grants for this kind of co-operative activity. Expenditure in 1965/66 was \$0.05 million and in 1966/67 \$0.04 million. Estimated expenditure in 1967/68 is \$0.13 million.

(xvi) Agricultural and horticultural marketing co-operatives

Grants at rates from 33 1/3 to 100 per cent are payable under the Horticulture Act 1960 towards the cost of promoting and developing the co-operative marketing of horticultural produce. Additional grants to assist with the capital required to establish new or to expand or increase the efficiency of existing horticultural marketing co-operatives were introduced in the Agriculture and Horticulture Act 1964. These latter grants were extended to agricultural co-operatives in 1965, legislation being introduced in the Agriculture Act 1967. Applications for all these grants ceased to be accepted as from 3 October 1967 when similar grants became payable under the Agricultural and Horticultural Co-operation Scheme 1967. Expenditure in 1965/66 was \$0.11 million and in 1966/67 \$0.20 million. Estimated expenditure in 1967/68 is \$0.43 million.

(xvii) The Agricultural and Horticultural Co-operation Scheme 1967

This Scheme was made under Part IV of the Agriculture Act 1967 and is administered, on behalf of the Agricultural Ministers of the United Kingdom, by the Central Council for Agricultural and Horticultural Co-operation. The Scheme consolidates and extends the grants previously available for co-operation under a number of enactments. It applies equally to agriculture and horticulture and provides aid for co-operation in storage, preparation for

market, marketing, transport and, for the first time, production activities. Grants are available at varying rates towards the cost of research, surveys, feasibility and business efficiency studies, the setting up and initial operation of co-operative bodies, the initial employment and training of managers, the provision of buildings and other fixed equipment and towards working capital needs. Expenditure in the financial year 1968/69 is estimated at \$1.1 million and is expected to increase within a few years to about \$3.6 million per annum.

(xviii) Special assistance to Northern Ireland

Under the Agriculture Act 1957, payments are made to the Northern Ireland Exchequer by the United Kingdom Exchequer for expenditure on approved arrangements for the benefit of Northern Ireland producers. These payments are intended to compensate Northern Ireland producers for their remoteness from the main markets in the United Kingdom, over and above the remoteness suffered by remote producers in Great Britain. Provision exists for expenditure of \$4.2 million per annum, although a shortfall one year may be carried over to the next. Expenditure was \$3.64 million in 1965/66 and \$4.48 million in 1966/67. Expenditure in 1967/68 is estimated at \$5.32 million.

(xix) Hill Land Improvement Scheme

Fifty per cent grants are available under the Agriculture Act 1967 for improvements which will increase the productivity of hill land. These include the improvement of land by cultural operations, the laying down of permanent pasture, the reclamation of land and the improvement or provision of roads, bridges, fencing, shelters, pens and dips and the supply of water for agricultural purposes. There is a 10 per cent supplement to existing field drainage schemes in hill areas to the extent that the work benefits hill land.

In a full year the estimated cost of the Scheme is expected to be \$2.4 million.