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Working Party on State Trading Enterprises

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STATE TRADING

NEW AND FULL NOTIFICATION PURSUANT TO ARTICLE XVII:4(A) OF THE GATT 1994 AND PARAGRAPH 1 OF THE UNDERSTANDING ON THE INTERPRETATION OF ARTICLE XVII

UNITED KINGDOM

The following notification, dated 29 June 2022 and received on 30 June 2022, is being circulated at the request of the delegation of the United Kingdom.

The following notification covers the reporting period 2020 and 2021, during which time the UK was still a member of the European Union (EU) (until 31 January 2020), after which followed the UK-EU Transition Period (1 February 2020 to 31 December 2020).

Pursuant to Article XVII:4(a) of the GATT 1994 and paragraph 1 of the Understanding on the Interpretation of Article XVII of the GATT 1994, and in response to the call for notifications set out in document G/STR/N/19, the United Kingdom makes the following new and full notification of its state trading enterprises.

I. Enumeration of state trading enterprises

A. Identification of state trading enterprises

British Wool Marketing Board (BWMB).

B. Description of products affected (including tariff item number(s) encompassed in product description)

Fleece wool (CN code: 5101110000).

II. Reason and purpose

A. Reason or purpose for establishing and/or maintaining state trading enterprise

The British Wool Marketing Board's purpose is to maximise the value of wool on behalf of approximately 35,000 producers across the UK. It does this by grading (sorting) their wool and amalgamating it by type to form commercially viable lots which are tested to International Wool Textile Organisation (IWTO) standards and sold steadily throughout the year by public auction.

B. Summary of legal basis for granting the relevant exclusive or special rights or privileges, including legal provisions and summary of statutory or constitutional powers

BWMB was established in 1950. Its powers are laid down under the British Wool Marketing Scheme (Approval) Order 1950 and the Agricultural Marketing Act 1958. The Order provides that wool producers with more than four adult sheep must register with BWMB (under paragraphs 49 and 53 of the schedule) and also puts an obligation on BWMB to collect wool duly tendered by any registered producer (paragraph 72(2) of the schedule). This is in effect a Universal Service Obligation. The Order also provides for an optional monopoly on the collection and sale of producers' wool (paragraph 71(2)-(5) of the schedule) which in practice is not utilised, leaving producers the right to sell wool independently or outside of the scheme via one of BWMB's competitors. Exemptions from the scheme are largely at the discretion of BWMB (paragraph 70 of the schedule).

http://www.legislation.gov.uk/ukxi/1950/1326/pdfs/ukxi_19501326_en.pdf

III. Description of the functioning of the state trading enterprise

A. Summary statement providing overview of operations of the state trading enterprise

The BWMB arranges the collection of wool from producers and sells that wool on their behalf, via auction. British Wool is sold at open auctions, organised by the Board, in free competition with wool from other sources. British Wool receives no financial support from the government. The "Scheme" exists to regulate the collection and marketing of UK fleece wool and obliges British Wool to provide a service to any producer with four sheep or more.

B. Specification of exclusive or special rights or privileges enjoyed by the state trading enterprise

Whilst BWMB holds an optional monopoly on the collection of fleece wool from producers under the governing legislation, this is not used in practice. BWMB in practice only collects 80% of UK wool, with the remaining 20% purchased directly from farms by competitors. These third-party buyers also purchase wool directly from British Wool through its auctions.

C. Type of entities other than the state trading enterprise that are allowed to engage in importation/exportation and conditions for participation

The "Scheme" under which BWMB operates does not extend to the import or export of wool. The BWMB board has no direct role in regulating imports or exports of wool in the UK. Merchants purchasing wool via BWMB's auctions are entitled to retain the wool for onward production in the UK, or export for onward processing or sale.

D. How import/export levels are established by the state trading enterprise

BWMB does not import any wool, therefore non-UK producers (i.e. the producers of wool from non-UK sheep) are not subject to the Scheme. The BWMB has no role in establishing export levels – the buyers are free to use the wool for whatever purposes they have bought it.

E. How export prices are determined

Merchants buy wool at auction and may export this wool in both greasy and scoured form but as the BWMB has no role in establishing export level, it has no control over export prices. Export prices are determined by the market. With UK wool only accounting for <1.5% of global wool production, the Board has no role in determining market prices, although it can dictate a reserve price at auction.

F. How the resale prices of imported products are determined

The BWMB does not import any wool/woollen products and, therefore, has no control over the resale prices.

G. Whether long-term contracts are negotiated by the state trading enterprise. Whether the state trading enterprise is used to fulfil contractual obligations entered into by the government

All UK wool is sold via auction and, therefore, the BWMB has no contractual obligations, either private or governmental.

H. Brief description of market structure

The BWMB is required to register all producers with four or more sheep (with the exception of Shetland, which has its own arrangement). It has an infrastructure of regional grading Depots, and Intermediate Depots, as well as a network of collection centres and hauliers throughout the UK. The wool is graded and stored at the Depots until it is sold – no wool is released without payment being received. Wool from the UK is traded as a global commodity and, therefore, subject to global market changes.

IV. Statistical information (see attached Tables I - III)

See Appendices

V. Reason why no foreign trade has taken place (as appropriate)

Not applicable

VI. Additional information (as appropriate)

TABLE I

STATE TRADING: BRITISH WOOL MARKETING BOARD

STATISTICAL INFORMATION, IMPORTS

Description of product(s) (including HS number(s))	Total quantity imported¹	Quantity imported by state trading enterprise¹	Average import price	Average representative domestic sales price	Mark-up²	National production
1	2	3	4	5	6	7
Greasy Fleece Wool CN 5101110000	18,832 tonnes (2021)	0	GBP600/tonne (2021)	Not Available	Not available	Not available

¹ In cases where no imports have taken place under columns 2 or 3, provide an explanation under Section V of this questionnaire.

² Members may report either under columns 4 and 5 or under column 6.

TABLE II

STATE TRADING: BRITISH WOOL MARKETING BOARD

STATISTICAL INFORMATION, EXPORTS

Description of product(s) (including HS number(s))	Total quantity exported ³	Quantity exported by state trading enterprise ³	Average procurement price ⁴	Average representative domestic sales price	Average export price	National production
1	2	3	4	5	6	7
Greasy Fleece Wool CN 5101110000	5,250 tonnes (2021)	0	Not Available	Not available	GBP1,000/tonne (2021)	Not available

³In cases where no exports have taken place under columns 2 or 3, provide an explanation under Section V of this questionnaire.

⁴In cases where the initial procurement price is augmented by other payments, additional payments should also be reported.

TABLE III

STATE TRADING: NAME OF STATE TRADING ENTERPRISE

STATISTICAL INFORMATION, DOMESTIC ACTIVITIES

Description of product(s) (including HS number(s))	Domestic purchases by state trading enterprise	National production	Domestic sales by state trading enterprise	National consumption
Greasy Fleece Wool CN 5101110000	Nil	<u>1 May – 30 April:</u> 2020E clip – 23.425m kg 2019E clip – 26.724 m kg 2018 clip – 27.170 m kg 2017 clip – 28.955 m kg 2016 clip – 29.338 m kg 2015 clip – 29.288 m kg	2020E clip- GBP13.9m** 2019E clip - GBP19.8m* 2018 clip - GBP27.190 m 2017 clip – GBP29.341 m 2016 clip – GBP33.720 m 2015 clip - GBP37.570 m	Estimated 15 m kg

* The drop in value between 1 May 2019 and 30 April 2020 was largely a function of the Covid-19 situation.

** The reduced value in sales is a further reflection of the international market closures caused by the Covid-19 pandemic.