CONSULTATIONS ON AGRICULTURAL POLICIES

CEYLON

Attached for the information of the Committee is a Synopsis of Non-Tariff Measures for the Protection of Agriculture or in Support of Incomes of Agricultural Producers furnished by the Government of Ceylon.

On commodities, the Government of Ceylon has stated that in regard to dairy products, meat, cereals, sugar, vegetable oils and fish, there have not been any tariff measures in operation which in any way provide protection to the local products as against the imported commodities. Import duties in operation for these products are very low and have not been imposed with a view to giving protection to the locally-produced articles. There are no restrictions of any kind on their import, except that imports of sugar can be made only by the Government. This requirement has no restrictive effect on consumption of sugar or protective effect on the local industry which has not yet come into being.
I. National Agricultural Policies

(a) General Objectives of Policy

The major objectives of agricultural policy are to improve the efficiency of production of the main export crops by extensive replanting and/or rehabilitation, to reduce dependence on imports of rice by increasing domestic production by bringing additional land into cultivation and improving yields per acre on present paddy land, and to diversify agriculture and increase self-sufficiency by encouraging the production of other food crops.

(b) Special Measures for the Implementation of these General Objectives of Policy

1. It is presumed that for the purpose of the work of Committee II, GATT is not concerned with the activities of the Ceylon Government such as improvement of irrigation facilities, reform of land tenure, crop insurance, etc., which are being carried out to attain the above-mentioned objectives.

2. Special measures falling within the ambit of the Committee's work are:

(i) production subsidies to tea, rubber, coconut and cocoa growers to increase the productivity of their lands and so to increase the volume of export crops;

(ii) schemes of guaranteed prices for paddy and certain other agricultural products to increase their availability for local consumption, reduce dependence on imports and stabilize farm incomes.

II. Subsidies, Including all forms of Income and Price Support (Details of the measures applied)

A. Production Subsidies

1. Three products, viz. tea, rubber and coconut, account for more than 95 per cent by value of Ceylon's annual exports. Replanting and rehabilitation schemes are in operation to increase the productivity of tea and rubber lands.

2. In regard to tea, the object is to replant approximately 12 per cent of the area under tea (568,000 acres) and to rehabilitate about 60,000 acres under small holdings. Under the replanting programme, the Government will offer a subsidy to estates in the form of a grant of Rs.2,500/- per acre.
Cost of replanting is expected to be Rs. 4,000/- per acre. Small holders will be offered a subsidy of Rs. 650/- per acre to rehabilitate their plants. The entire programme of replanting and rehabilitation will be met by a cess on all the tea exports. This scheme came into operation on 1 October 1958 and is expected to cost annually Rs. 15,000,000.

3. In regard to rubber, the rubber replanting scheme was launched in 1953. Under this scheme the following grants are offered for the replanting of uneconomic rubber plants:

   (i) Rs. 700/- per acre for estates of 100 acres and above;
   (ii) Rs. 900/- per acre for estates between 10 and 100 acres; and
   (iii) Rs. 1,000/- per acre for small holdings under 10 acres in extent.

It is estimated that the total cost of replanting is Rs. 1,500/- per acre for estates and Rs. 1,000/- per acre for small holdings. The object is to replant 200,000 acres of uneconomic rubber under this scheme. Up to 1958, 110,000 acres have been replanted. The cost of the subsidy scheme in 1958 was Rs. 19 million.

The cost of the scheme up to 1957 was met entirely from a rubber replanting cess levied on all exports of rubber. From 1958, the cost will be financed partly from economic aid from China and partly from funds accumulated from the cess earlier mentioned.

4. The programme for coconuts comprises:

   (i) The fertilizer subsidy scheme. This was launched in 1956. Under this scheme owners of coconut lands over 20 acres received a subsidy of one third of the cost of fertilizer used whilst small holders owning 20 acres or less received a subsidy of half the cost. The cost of the scheme which was Rs. 6,700,000 in the financial year 1957/58 met from a grant from the Government.

   (ii) A scheme to assist the replanting of superannuated coconut lands through subsidizing the cost of planting materials and of fencing. Seedlings cost Rs. 1/- from nurseries are supplied by Government at -/35 cents. The market cost of fence posts are around Rs. 1.80 each whilst barbed-wire costs about Rs. 70/- per cwt. A subsidy of Rs. 1/- on each fence post used for replanting of estates over 20 acres and Rs. 1.30 on each post used by small holdings under 20 acres is given. For barbed wire a subsidy of Rs. 50/- per cwt. for both estates and small holdings, thus bringing down the price to about Rs. 20/- per cwt. is contemplated. This scheme has just been put into operation. It is expected to cost annually Rs. 500,000.

5. The Cocoa Replanting Subsidy Scheme came into operation in 1956. Under this Scheme the following subsidies are paid:
(a) the subsidy of Rs.450/- per acre is payable in five equal instalments of Rs.90/- each to those who decide to retain the rubber and inter-plant cocoa;

(b) a subsidy of Rs.600/- per acre is payable in four equal instalments of Rs.150/- each to those who are prepared to poison or remove the rubber prior to planting cocoa and adopt intensive measures of cultivation as recommended by the Department of Agriculture.

The estimated cost of the Scheme is Rs.4,500,000 spread over a period of five years. A sum of Rs.900,000 is provided from Voted Expenditure of the Department of Agriculture each year.

Cocoa replanting permits to cover an extent of 10,180 acres have been issued since the Scheme came into operation in 1956.

6. The following production subsidies are in operation for products grown for domestic consumption:

(i) The distribution of subsidized fertilizers to agriculturists. The subsidy was 50 per cent in districts brought under the Paddy Lands Act and 33-1/3 per cent in other districts. This subsidy was restricted to small holders, i.e., persons cultivating not more than 5 acres. The expenditure on this subsidy in 1958 was Rs.1,759,591.

(ii) A scheme to subsidize seed paddy to the farmers was begun at the end of 1958. The cost of good seed paddy is about Rs.15/- per bushel in the open market. Seed paddy to the farmer was made available at Rs.12.20 per bushel, -/20 cents being towards cost of gunny bags. The private seed farmer who produces certified purline seed paddy is paid a premium of Rs.2/- per bushel from the Votes of the Department of Agriculture. The total allocation for payment of premia this financial year amounts to Rs.400,000/-. 

(iii) Subsidy for sinking wells for use in food production was in operation in 1958. During this year a sum of Rs.277,129 was spent on this subsidy.
B. Other Forms of Income Support

1. The Government has devised a Guaranteed Price Scheme for paddy and fifteen other commodities. The scheme is designed "to furnish the best possible incentives to the increased production of food crops and thereby reduce the country's dependence on imported supplies..... An equally important aim was to shield the cultivators from wide fluctuations in the price of paddy and to reduce his income instability". The price guarantee has taken the form of a fixed price paid to all farmers for the entire amount of the commodities offered for sale to the government.

2. The quantities of the various products bought under the Guaranteed Price Scheme for the years 1956, 1957 and 1958 were as follows:

<table>
<thead>
<tr>
<th>COMMODITY</th>
<th>QUANTITY 1956</th>
<th>QUANTITY 1957</th>
<th>QUANTITY 1958</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bushels</td>
<td>Bushels</td>
<td>Bushels</td>
</tr>
<tr>
<td>Paddy</td>
<td>9,727,865</td>
<td>13,258,283</td>
<td>16,261,246</td>
</tr>
<tr>
<td>Red Onions</td>
<td>49,956</td>
<td>139,375</td>
<td>192,462</td>
</tr>
<tr>
<td>Maize</td>
<td>5,184</td>
<td>26,069</td>
<td>17,857</td>
</tr>
<tr>
<td>Sorghum</td>
<td>386</td>
<td>3,326</td>
<td>4,166</td>
</tr>
<tr>
<td>Kurrakkan</td>
<td>195</td>
<td>396</td>
<td>4,045</td>
</tr>
<tr>
<td>Gingerlly</td>
<td>618</td>
<td>113</td>
<td>9,092</td>
</tr>
<tr>
<td>Chillies</td>
<td>2,096</td>
<td>4,824</td>
<td>2,387</td>
</tr>
<tr>
<td>Green gram</td>
<td>748</td>
<td>1,587</td>
<td>1,781</td>
</tr>
<tr>
<td>Tamarind</td>
<td>100</td>
<td>3,756</td>
<td>406</td>
</tr>
<tr>
<td>Black pepper</td>
<td>16</td>
<td>219</td>
<td>105</td>
</tr>
<tr>
<td>Mustard</td>
<td>-</td>
<td>117</td>
<td>2,808</td>
</tr>
</tbody>
</table>

3. For purposes of comparison, imports of the above commodities during the same three years are given below:
4. C.i.f. prices for imported commodities (1958) and guaranteed prices for local produce were as follows:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>1956 Bushels</th>
<th>1957 Bushels</th>
<th>1958 Bushels</th>
<th>C.i.f. Price per bushel</th>
<th>Guaranteed Price per bushel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paddy</td>
<td>35,306,000</td>
<td>37,605,000</td>
<td>34,847,000</td>
<td>6.82</td>
<td>12.00</td>
</tr>
<tr>
<td>Red onions</td>
<td>49,573</td>
<td>1,700</td>
<td>12,502</td>
<td>17.00</td>
<td>26.88*</td>
</tr>
<tr>
<td>Maize</td>
<td>434</td>
<td>-</td>
<td>-</td>
<td>14.50*</td>
<td>15.00*</td>
</tr>
<tr>
<td>Kurrakkan</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15.00*</td>
<td>15.50*</td>
</tr>
<tr>
<td>Sorghum</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>38.00</td>
</tr>
<tr>
<td>Gingerlly</td>
<td>43</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Chillies</td>
<td>272,649</td>
<td>283,829</td>
<td>284,579</td>
<td>77.00</td>
<td>134.40*</td>
</tr>
<tr>
<td>Green gram</td>
<td>154,377</td>
<td>121,099</td>
<td>174,555</td>
<td>38.31</td>
<td>40.32*</td>
</tr>
<tr>
<td>Tamarind</td>
<td>76,895</td>
<td>42,181</td>
<td>72,326</td>
<td>23.00</td>
<td>19.40</td>
</tr>
<tr>
<td>Pepper</td>
<td>-</td>
<td>-</td>
<td>100.80</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mustard</td>
<td>3,591</td>
<td>184</td>
<td>1</td>
<td>31.00</td>
<td>60.50</td>
</tr>
</tbody>
</table>

* For Grade I quality
C. *Export Subsidies*
   Nil

D. *Financing of Losses on Exports*
   Nil

E. *Indirect Aids to Exports*
   Nil

F. *Aids to Exports involving the use of Resources obtained from "Corporation" of "Price Equalization" Operations.*
   Nil

G. *Other forms of Aid*
   Nil

III. *Cost of Programmes and Farm net Incomes*

   Available costs have been given under each head.

IV. *Mixing Regulations*
   Nil

V. *State Trading Operations*

   In regard to exports, government is the sole exporter of sheet rubber to China. Ceylon has a five-year trade agreement with China. In order to implement Ceylon's obligations in regard to rubber, exports of this commodity to China is a government monopoly.

   The Government was also the sole exporter of tea to Egypt under a trade agreement with that country. This agreement is no longer in force.

   Under both agreements, prices were negotiated with the countries concerned. The basis of the rubber price with China is the Singapore market price plus a certain premium.

   The following imports are allowed only by the Government:

   Paddy
   Rice
   Any products of rice
   Wheat
   Wheat flour
   Sugar
Sugar candy excluding Palmyrah Sugar Candy produced and shipped from the Republic of India.

Jaggery, excluding jaggery produced and shipped from the Republic of India and Pakistan.

Red onions
Garlic from the People's Republic of China, Hong Kong and Singapore.

Maldive fish
Dates
Masoor dahl, lentils, Masoor whole and split lentils.

In regard to rice, the Government has long-term contracts with the Governments of Burma and China. In addition, ad hoc purchases of rice are made at best possible prices. Similar remarks would apply to purchases of all the other commodities. The imports of most of these commodities are done by the Government in order to make them available as cheaply as possible to the consumer. Some of these commodities, such as Maldive fish, dahl, garlic in certain seasons are in extreme short supply and prices tend to be prohibitive if not controlled. In regard to sugar, this commodity is sold to the consumer generally at higher prices than the world prices warrant, but profits so made are entirely used to subsidize the price of rice to the consumer.

Imports of dates have been made a government monopoly recently, in order to fulfil an undertaking given to the Iraq Government to buy a specified quantity of dates which is about three times higher than normal imports in order to preserve Ceylon's tea market in Iraq.

V. Import Restrictions

For the import of the goods mentioned under heading V, no licences are issued to the private sector. All other food imports are freely allowed.