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GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

Notifications by contracting parties

Addendum

At the meeting of the CONTRACTING PARTIES on 17 November 1958 (SR.13/17) the Chairman invited contracting parties to furnish comprehensive information to the secretariat on the subsidies they operated.

A number of contracting parties have sent their notifications to the secretariat. These are being prepared for distribution as soon as possible.

Meanwhile there are circulated herewith the notifications submitted by:

New Zealand
Norway
Union of South Africa

Governments which have not yet sent their notifications are requested to do so without delay.

NEW ZEALAND

Notification of March 1959

(The present notification replaces earlier notifications reproduced in the following documents: GATT/CP/114, G/4/Add.3, L/91/Add.1, L/223, L/351/Add.1, L/480/Add.2, L/660/Add.5, L/880, L/880/Add.2)

The Government of New Zealand does not consider that these measures fall within the scope of Article XVI. However, this paper is submitted to facilitate the review of Article XVI in response to the request conveyed in GATT Document L/951.

A. SUBSIDIES

I. Wheat

II. Butter

III. Milk

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B. INCOME AND PRICE SUPPORT SCHEMES

I. Butter and Cheese

II. Wool

III. Meat

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PAPER A - SUBSIDIES

I. WHEAT AND GRAIN PRODUCTS

1. Nature and Extent of the Subsidy

(a) Background and Authority

The Board of Trade (Wheat) Regulations 1935-36 established a State monopoly over the importing and marketing of wheat.

(b) Incidence

The subsidy is paid direct by Government to the Wheat Committee, which purchases all requirements of wheat, both locally grown and imported, and sells at subsidized prices to the millers. The Committee then purchases flour from the millers at a price equivalent to cost plus a profit margin and sells the flour, again at subsidized prices, to bakers and other consumers.

The nominal subsidy on New Zealand milling wheat for the 1958 harvest was 7/9.5d. per bushel, calculated as follows:

Grower's price	11/6 per bushel
Commission	2.25d.
F.o.b. charges	10.75d.
	12/7
Price to millers (F.o.b. basis)	4/9.5d.
Subsidy on sale of wheat to millers	7/9.5d.

The grower's price of 11/6 per bushel included an incentive element approximately equivalent to a shilling above the assessed cost of production. This incentive element has been increased by 2/- per bushel for the current season and the grower's price raised to 13/6 per bushel. Wheat will still be sold to millers at a price of 4/9.5d. so that the subsidy for the year 1958-59 will amount to 9/9.5d. per bushel.

All wheat, both locally grown and imported, is sold to millers at the subsidized price of 4/9.5d. per bushel. As New Zealand imported 85 per cent of its total wheat requirements in 1957-58, the greater part of the subsidy was in fact devoted to reducing the cost to the miller of imported wheat. The average purchase price for imported wheat in 1957-58 was 13/6.7d. per bushel, CIFE, and the subsidy per bushel was therefore 8/9.2d.

For the 1958-59 season the average cost per bushel of imported wheat is estimated at 14/9.3d. and the subsidy would thus be 9/11.8d. per bushel.

(c) Amount of Subsidy

Total cost to Government of the operations detailed in (b) above was £3,600,000 for the year ended 31 March 1958, and a cost of £4,200,000 is estimated for 1958-59.

(d) Estimated Amount per Unit

Subsidies involved in the sale of wheat to millers are detailed in Section (b) above. The subsidy element in the price at which flour is sold to bakers and other consumers varies slightly according to use and has been calculated as follows:

(i)	Flour for bread	1.95d. per lb. or 3.9d. per 2lb. loaf
(ii)	" " household use	2.12d. " " " 4/5d. per 25 lb. bag
(iii)	" " pastrycooks	2.41d. per lb.

2. Effect of Subsidy

To reduce the cost of a basic foodstuff to the consumer.

II. BUTTER

1. Nature and Extent of the Subsidy

(a) Background

The subsidy is paid only on butter sold on the domestic market, its purpose being to stabilize at a low level the price to the domestic consumer. The price of butter was fixed originally under the Primary Products Marketing Act 1936 and is at present based on principles incorporated in the 1956 Dairy Products Marketing Commission Amendment Act.

(b) Incidence

Butter for local consumption is sold by the dairy companies to wholesalers at a price equivalent to the domestic retail price, which is fixed at 2/- per pound. The dairy companies recover from the Dairy Commission the difference between the domestic wholesale price and the guaranteed price equivalent which is paid to all producers of butterfat. The Commission, in turn, recovers the amount involved from Government as a subsidy.

(c) Amount of Subsidy

The subsidy for the year ended 31 March 1958 amounted to £4,744,929 and is estimated to amount to £3,400,000 for the year ended 31 March 1959.

(d) Estimated Amount per Unit

11.1d. per pound of butter for the year ended 31 March 1958. Following reduction of the guaranteed price, the subsidy has been lowered to 7.42d. per pound.

2. Effect of Subsidy

Encourages domestic consumption.

III. MILK

1. Nature and Extent of the Subsidy

(a) Background and Authority

Assistance is provided in terms of the Milk Act 1944 and Amendments.

(b) Incidence

Milk for town milk supply is purchased by the Urban Co-operatives from a restricted list of producers who have satisfied requirements as to hygiene, etc., and sold to the consumer at a fixed price determined by Government. The difference between production cost and the consumer price is recovered by the Co-operatives from Government through the New Zealand Milk Board which receives the amount involved as a subsidy paid monthly by Government.

(c) Amount of Subsidy

£3,847,946 for the year ended 31 March 1958. An expenditure of £3,650,000 is estimated for the year 1958-59.

(d) Estimated Amount per unit

16.557d. per gallon for the current year.

2. Effect of Subsidy

To encourage domestic consumption by maintaining a low price.

IV. EGGS

1. Nature and Extent of the Subsidy

(a) Background and Authority

Disbursement of financial aid by Government to the Poultry Industry is provided for by the Egg Marketing Authority Regulations 1953, to ensure adequate supplies of eggs to the main urban centres.

(b) Incidence

Producers receive a subsidy direct from Government of 4d. per dozen for eggs sold through the authorised egg floors, which receive approximately one-third of total egg production, the remainder being sold by producers to consumers and retailers operating outside the recognised marketing areas.

(c) Amount of Subsidy

The subsidy on eggs sold through the egg floors amounted to £255,607 in 1957-58 and is estimated to amount to £260,000 in 1958-59.

(d) Estimated Amount per Unit

4d. per dozen eggs.

2. Effect of Subsidy

To attract a steady flow of eggs to official egg floors in the urban centres.

V. CARRIAGE OF LIME

1. Nature and Extent of the Subsidy

(a) Background and Authority

There has been a Government subsidy on lime transport since 1898. The present Lime Transport Assistance Scheme has been operating since 1947.

(b) Incidence

Under the present scheme, which provides for assistance on road, rail, water and air deliveries, the farmer pays the full cost of rail transport, about 7/10d. per ton, for the first fifteen miles and thereafter pays only 25 per cent of the normal charge for up to 100 miles. Extensions of the subsidy beyond the 100 mile limit are allowed for areas with inadequate nearer sources of lime. The subsidy paid on road transport varies from 4d. to 6d. per ton mile according to the distance covered. The Government meets only 15 per cent of the cost of the present scheme, 70 per cent of the remainder being borne by the Meat Industry, and 15 per cent by the Dairy Industry.

(c) Amount of Subsidy

Cost of the scheme amounted to £401,112 for the year ended 31 March 1958, 15 per cent of which, or £60,167, was met by Government.

(d) Estimated Amount per Unit

Data not available.

2. Effect of Subsidy

To encourage the use of lime by farmers who are remote from lime works.

VI. CITRUS FRUITS INDUSTRY (Grapefruit)

1. Nature and Extent of the Subsidy

(a) Background and Authority

Authorised by Cabinet on 6 August 1951, following representations by the Industry that increased rail freights were seriously affecting sales of grapefruit.

(b) Incidence

The subsidy takes the form of reduced railway charges and is administered by the Railways Department. A uniform rail charge of 2/3d. per case is made for domestic consignments, in addition to which the Railways Department claims a subsidy of 8.7d. per case. For commercial consignments ordinary mileage rates are charged up to 370 miles separately. Thereafter the charge for 370 miles applies as a flat rate, involving a subsidy from Government of 6d. per case.

(c) Amount of Subsidy

£2,313 for the year 1957-58. £3,000 is estimated for the year 1958-59.

(d) Estimated Amount per Unit

As above.

2. Effect of Subsidy

To assist marketing by growers whose orchards are distant from the main centres.

PAPER B - INCOME AND PRICE SUPPORT SCHEMES

I. GUARANTEED PRICES FOR BUTTER AND CHEESE

Background

The guaranteed price for butter and cheese was established in 1936 by the Primary Products Marketing Act. Changes in the structure of the scheme were made in 1947 under the New Zealand Dairy Products Marketing Commission Act and subsequent amendments in 1956 and 1958.

Administration

The New Zealand Dairy Products Marketing Commission which administers the scheme is comprised of four producer and three Government representatives with a Chairman to be elected annually from and by the members of the Commission. The Commission's general functions include the handling of dairy produce for export and the operation of the guaranteed price scheme.

The guaranteed price is fixed by a separate authority composed of members of the Commission, an additional Government representative and an independent Chairman. When the Reserve Account is in deficit the guaranteed price must be fixed in consultation with the Minister of Agriculture.

Reserve Funds

The funds, held in the Dairy Industry Reserve Account were built up mainly during the war and immediate post-war years from the excess of prices paid for dairy produce over the payment made to producers under the guaranteed price, and the interest accruals on these amounts. The Account reached its maximum at the end of the 1955-56 season when reserves totalled £27.1 m.

Operation

The guaranteed price for butter and cheese is determined after consideration of such matters as the cost of production, current realizations, and the continued efficiency of the industry as well as the standards of living of persons engaged therein.

Present Situation

Low prices in the London market for both butter and cheese over the 1956/57 and 1957/58 seasons resulted in a substantial loss of reserves. At the end of the 1957/58 season the Account was in deficit to the extent of £8.9 m. This deficit was financed by a repayable advance from the Reserve Bank. In addition the Government made available an advance of £5 m. from the Consolidated Fund for the current season's operations. The recent increase in prices may obviate the necessity of calling upon this advance which in any event is repayable by the industry.

The guaranteed price for the current season is equivalent to a payment to producers of 32d. per lb. of butterfat for butter, and 35d. per lb. for cheese, which represents a reduction on the 1957/58 season's guaranteed price of nearly 11 per cent.

II. WOOL SUPPORT PRICE SCHEME

Background

Floor prices have been assured to wool growers under the present scheme since 1952. Authority is provided by the Wool Commission Act 1951.

Administration

The scheme is administered by the New Zealand Wool Commission, which consists of six members appointed for a term of three years by the Governor-General on the recommendation of the Minister. Two of these members (one of whom is Chairman) represent the Government, three members are appointed by growers, and one member is appointed as an associate member on the nomination of the New Zealand Wool Brokers' Association.

Reserve Funds

The reserve funds were accumulated in two separate accounts until 1952 when the two reserve funds were amalgamated as the Wool Commission Capital Account. At this time approximately £19.6 m. was transferred to this Account from profits made on the disposal of wartime stocks taken over by the Wool Disposal Commission at the end of World War II. In addition a wool contributory charge can be levied on all wool sold at auction. A total of £6.2 m. had accumulated from this charge by 1952 but since this date the levy has been discontinued. The Account has grown since this date by accruals of interest and small profits made from wool purchased below the support price and resold later at a more favourable price. At the end of 1958 reserve funds totalled about £30 m.

Operation

The Commission is authorised to buy wool at auctions at floor prices, or when necessary, to supplement prices to growers when wool is sold at less than the floor price.

A schedule of minimum prices is prepared by the Commission at the commencement of each season. In preparing this schedule the Commission takes into consideration the following factors:

(a) Current trends and prospects in international markets and in prices of commodities generally.

(b) The level of the reserves.

(c) The maintenance of the production of wool in New Zealand.

(d) Such other matters as the Commission from time to time deems relevant.

Present Position

The Wool Commission has followed a cautious policy and has fixed support prices at levels normally well below the average prices for the season. Only in the 1957/58 and 1958/59 seasons has the Commission had to purchase substantial quantities of wool. In 1957/58 the schedule of support prices was based on an overall average minimum price for the greasy wool clip of 33d. a pound ex store. The average price of wool sold was 41.16d. per pound. The Commission purchased wool stocks to the value of nearly £2 m. during that season. Stocks of wool held by the Commission at the end of the 1957/58 season amounted to approximately 47,000 bales. The average floor price for the 1958/59 season remained unchanged at 33d. per lb.

III. MEAT SUPPORT PRICE SCHEME

Background

The present floor price support scheme for meat came into operation in October 1955 with the passing of the Meat Export Prices Act 1955.

Administration

Minimum prices are determined by a Meat Export Prices Committee, comprising a Chairman agreed upon by Government and producers, two industry representatives and two Government representatives.

Reserve Funds

The greater part of the Meat Industry reserve funds were accumulated by the retention of part of producers' earnings during the war and immediate post-war period. Meat Marketing at this time was being carried out with the United Kingdom under bulk purchase agreements. Justification for the withholding of these sums was provided by the wartime emergency stabilization measures, designed to reduce inflationary pressures in the New Zealand economy. Since this time the Meat Industry Reserve Account has been added to from interest accruals and at the end of 1958 totalled approximately £42 m.

Operation

Before the season begins an announcement is made as to the floor price for each class of export meat. This remains unaltered throughout the season. A deficiency payment is announced when the following week's schedule of buying prices for any class of meat falls below the floor price. Meat exporters add this amount to the price paid to producers and are reimbursed from the meat industry reserve funds.

The Price Committee in fixing meat support prices must take into account the average market price of export meat over the previous three years and it may also take into account future market prospects for meat, the level of prices for other farm products and the general level of costs and prices and wages in New Zealand.

Present Situation

Floor prices have been fixed conservatively and little support action has been necessary. For the 1955/56 season deficiency payments were declared for beef, expenditure amounting to £367,000. Total deficiency payments for the 1956/57 season amounted to £110,856. No payments were made in the 1957/58 season nor to date for the 1958/59 season.

IV. APPLES AND PEARS

Background

The Apple and Pear Marketing Board was established by the Apple and Pear Marketing Act of 1948, to take over the acquisition and marketing of the apple and pear harvest.

Administration

The Board is comprised of five members appointed by the Governor-General on the recommendation of the Minister of Agriculture. Two members are nominated by the Fruitgrowers' Federation, two by the Government and the remaining member, the Chairman, is agreed upon by both parties.

Reserve Funds

When in any season the total receipts from sales of fruit by the Board exceed the amount which the Board is required to pay to growers in accordance with the declared average price, the surplus, after deduction of costs and expenses incurred by the Board, is apportioned between a reserve fund and the growers. So much of the annual profit as was required to increase the reserve fund to £1 m. was paid to the Reserve Fund. The profit accruing until the reserves reached £1,250,000 was distributed in the proportion of 25 per cent to growers and 75 per cent to the Fund. When the Fund is above this level the annual profit is divided equally between the Fund and the grower.

At the end of the 1958 season the Industry's reserves were £1,567,000.

Operation

The guaranteed price is fixed by the Minister of Agriculture, who bases his decision on a recommendation from the Board, which in turn is based on a cost of production survey. Allowances are made each year for any changes in the schedule of costs. This price is a New Zealand average, and within it prices to growers vary according to different varieties, grades and sizes. The Board's function is to recover from the market these prices, together with the cost of marketing. It determines the wholesale prices at which fruit is sold within New Zealand by authorized wholesalers to retailers, but there is no control over retail price. The Board is the sole exporter of apples and pears.

If sales in any season realize less than the amount the Board is required to pay, the deficiency is met from the Reserve Fund.

Present Situation

After small losses in its first two years of existence, 1949 and 1950, the Board has shown consistent profits earned mostly from the export trade, and reserves have increased steadily during this period.

NORWAY

Notification of 10 March 1959

(The present notification replaces earlier notifications reproduced in the following documents: L/480/Add.1, L/660/Add.1, L/809/Add.1 and L/880)

AGRICULTURAL SUBSIDIES

(a) Background and authority

Appropriations are voted under Chapter 1166 of the State Budget for payment of subsidies on the retail prices of milk and milk products, Norwegian-grown grain, prepared animal feed and fertilizers. Appropriations are voted annually by Parliament.

(b) Incidence

With regard to milk and milk products subsidies are paid to producers through the Milk Production Centres and through the Norwegian Dairies' Sales Organization. Subsidies are granted as fixed amounts per unit of the products concerned. Subsidies on Norwegian grain are paid either in the form of direct subsidies or as an excess purchase price. The direct subsidies constitute an aid to producers for grain ground in the mills for producers' own use - either as food or as fodder. Payments are made to producers via the local mills. The excess prices on Norwegian grain represent the difference between - on the one side - the purchase prices paid by the State Grain Monopoly for Norwegian grain, plus expenses, and - on the other side - the current import prices. Since the import prices vary, the excess prices will fluctuate accordingly.

Subsidies on prepared animal feed are granted in the form of discounts on farmers' purchase prices, fixed at a certain amount per kilo for limited quantities. The subsidized quantities vary according to farm acreage.

Subsidy disbursements from the State Grain Monopoly to wholesale dealers are based on a system of discount coupons.

Fertilizer subsidies are paid to consumers upon application. Farms with cultivated land of between 10 and 75 dekars are entitled to these subsidies, but the general financial position of the applicant is also taken into account. For the purpose of assessing the fertilizer subsidy rates Norway has been divided into two zones. The subsidy paid per kilo varies with the price, as the rates are percentual. Some of the fertilizer subsidies are granted in the form of a transport cost contribution, the rates of which vary with local conditions. The subsidies are paid through the wholesalers.

(c) Amounts of subsidies

With the subsidies in force on 1 January 1959, budget estimates under Chapter 1166 for the fiscal year 1959/60 are the following:

Milk and milk products	kroner	295 m.
Grain subsidies	"	25 "
Excess prices on Norwegian grain ...	"	95 "
Prepared animal feed	"	56 "
Fertilizers	"	37 "

(d) Estimated amounts per unit

On 1 January 1959 subsidies per unit of the products concerned were as follows:

Milk and milk products (delivered at dairies)

..... approx. 22 öre per kg.

Grain subsidies on Norwegian grain:

Wheat and rye for human consumption, upward limit 1000 kg. per farm	19 öre per kg.
Wheat and rye (in excess of 1000 kg. per farm), barley, oats, mixed grain and peas, basic subsidy	6 öre per kg.
Wheat and rye (in excess of 100 kg. per farm), barley and peas, additional subsidy	8 öre per kg.
Oats and mixed grain, additional subsidy	4 öre per kg.

Additional subsidies are limited to fixed quantities of grain per animal.

Excess prices on Norwegian grain

The average excess prices for the various types of grain are estimated as follows for the fiscal year 1959/60:

Wheat for human consumption	44 öre per kg.
Barley " " "	34 " " "
Oats " " "	25 " " "
Prepared animal feed	20 " " "

Fertilizers

Small farms in Northern Norway and in certain areas of Southern Norway are granted up to 50 per cent discount on the prices of fertilizers. In other areas the discount is up to 30 per cent. Statistics are not available for the calculation of the average subsidy rate in öre per kg.

FISHERIES SUBSIDIES

Appropriations are voted under Chapter 1167 of the State Budget for aid to the cod fisheries, partly in the form of subsidies on the prices of fishing gear and bait and partly as subsidies on the prices of raw fish. For the fiscal year 1959/60 Parliament voted the following appropriations:

Subsidies on fishing gear	.....	kroner 4.4 m.
" " " bait	.....	" 0.2 "
Raw fish subsidies	.....	" 11.0 "

Subsidies on gear (granted on the prices of primary products) represent the difference between - on the one side - the cost prices of the State Fishing Gear Import and - on the other side - the basic prices quoted by private importers when selling to factories. Subsidies therefore vary according to the import prices. In the period 1 February 1958 - 31 January 1959, subsidies on certain items averaged as shown below:

Line thread	approx.	kroner 4.40	per kg.
Rope yarn	....	" 2.75	" "
Cotton thread	....	" 4.25	" "
Raw hemp	....	" 3.35	" "
Crochet hemp	....	" 4.65	" "

Subsidies on bait (herring) are granted in Northern Norway. On 1 January 1959 the rate was kroner 1.65 per crate of 50 kg. An additional subsidy of kroner 2.- per crate is granted on bait delivered south of Hordaland. As regards subsidy rates on raw fish local variations are great. The budgeted amount is distributed between sales co-operatives who themselves decide on the allocation on prices and sales transactions.

NON-BUDGETARY MARKETING SUPPORT MEASURES

The subsidies provided for in Chapter 1166 of the State Budget are included in the Farm Products Agreement negotiated between the Government and the farmers' organizations. This agreement also sets out the provisions of

a marketing support scheme relating to farm products, which is not based on appropriations voted by Parliament. It is a strictly non-budgetary arrangement, where contributions are derived from the farming industry itself through a special tax levied on prepared animal feed, imported or domestic.

A "Prepared Animal Feed Fund" has been established, from which disbursements take place for the various purposes listed in the Agreement.

Kroner 40 m. from the Fund may be used annually towards securing agreed minimum prices on milk products. A further kroner 9 m. may be used for the stabilizing of prices of meat and pork and kroner 4 m. as marketing support for eggs and poultry. Should the need arise, an additional total sum of kroner 5 m. annually may be made available for the same purposes.

UNION OF SOUTH AFRICA

Notification of 25 February 1959

(The present notification replaces earlier notifications reproduced in the following documents: GATT/CP/114, L/91/Add.1, L/223/Add.2, L/480/Add.5, L/660/Add.3, L/880)

A. STATE SUBSIDIES

I. BAGS

(a) Background and Authority: A subsidy is paid on grain bags from funds which are set aside annually and which have to be approved by Parliament. The ultimate payments have to be accounted for to Parliament. The object is to reduce costs to producers.

(b) Incidence: The importation and distribution of bags is controlled by the Jute Controller who arranges for new grain bags to be sold to producers at the fixed price of 2s. per bag. The rate of the subsidy depends on the foreign purchase price of the bags, the amount per bag being the difference between the purchase price and the fixed domestic selling price.

(c) Amount of the Subsidy: The subsidy payments on bags amounted to £1,260,000 for the financial year which ended on 31 March 1957, and £1,188,000 for the financial year 1957/58, while it is estimated that £1,136,000 will be necessary for 1958/59.

(d) Estimated Amount per Unit: For the financial year 1957/58 the subsidy per bag amounted to 9d., while for 1958/59 it is estimated at 8d. per bag.

2. Effect of the Subsidy

The subsidy has little or no effect on South Africa's foreign trade. Most bags and fibres for bagging materials are imported, and the subsidy is not paid on bags used for exporting grain or milled products.

II. FERTILIZERS

1. Nature and Extent of the Subsidy

(a) Background and Authority: A subsidy is paid on fertilizers from funds which are set aside annually and which have to be approved by Parliament. The ultimate payments have to be accounted for to Parliament. The subsidy on fertilizers is intended largely to encourage their use and thereby to protect the soil.

(b) Incidence: The price of fertilizers is reduced to agricultural producers by a subsidy of £1 per ton paid to distributors while a rebate of 75 per cent on the railage and/or motor bus charges on fertilizers is also allowed.

(c) Amount of the Subsidy: The rebates and subsidy payments have been, or are estimated to be, as follows:

Financial Year Ending 31 March	Amount of Rebate on Railage and Transport	Amount of Subsidy
	£'000	£'000
1956	963	934
1957	1,207	929
1958	1,293	1,055
1959 (estimated)	1,700	1,185

(d) Estimated Amount per Unit: The amount of the price subsidy per ton is £1 while 75 per cent of the rail and/or motor bus charges is rebated.

2. Effect of the Subsidy

Up to the present the great bulk of raw phosphate rock, potash nitrates and some mixed fertilizers have been imported, and the increased consumption resulting from these subsidies in part benefits the countries supplying these fertilizing materials.

III. FOODSTUFFS

1. Nature and Extent of the Subsidy

(a) Background and Authority: Subsidies intended to reduce costs to consumers are being paid on butter, maize, wheaten bread flour, sifted and unsifted meal for bread and enriched bread. The maize subsidy is also intended to encourage consumption. Apart from the consumer subsidy on maize, 37½ per cent of the inland rail and/or

motor bus charges on this commodity and its primary products are also rebated. This rebate is not applicable to maize exported. In addition to the subsidy on bread flour, sifted meal, unsifted meal and enriched bread manufactured from domestically produced wheat, the State also carried the amount of the difference between domestic prices and the landed price of imported wheat in those years during which wheat has been imported. Arrangements have, however, been made for the importation of wheat during the current season, but information as to the exact quantity and landed prices is not yet available. No wheat has been imported since the 1956/57 season.

All funds annually set aside for these subsidies have to be approved by Parliament and all ultimate payments have to be accounted for to Parliament.

(b) Incidence: The rates of these subsidies (except the subsidy on imported wheat) are determined from year to year by the Cabinet.

(c) Amount of the Subsidy: The amounts paid on wheat and meal for bread, maize and butter during the financial years 1955/56 and 1956/57 and 1957/58 and the amounts budgeted for the year 1958/59 are given in the table below:

Financial Year Ending 31 March	Wheat/Meal/ Bread	Maize	Butter	Total
	£'000	£'000	£'000	£'000
1956	7,190	6,538	1,284	15,012
1957	7,540	6,062	1,333	14,935
1958	6,937	5,841*	1,339	14,117
1959 (estimated)	7,192	6,451/	1,270	14,913

* Including 1,218,000 subsidy in respect of transport charges.

/ Including £1,650,000 subsity in respect of transport charges.

(d) Estimated Amount per Unit:

Butter: The rate of subsidy for the current season remains the same as for the last season, viz. 3½d. per lb.

Maize: The rate of the subsidy for the current season remains the same as for the last season, viz. 4s.2d. per 200 lbs.

These subsidies are not applicable to butter, maize or maize products exported or removed to adjoining territories.

Wheat in the grain: No subsidy is being paid on wheat in the grain during the current season.

Breadflour: The rate of subsidy for the current season is 16s. 5d. per 200 lbs. compared with 14s. 6d. during 1957/58.

Sifted meal: The rate of subsidy for the current season is 30s. 2d. per 200 lbs. compared with 28s. 8d. during 1957/58.

Unsifted meal: The rate of subsidy for the current season is 26s. 8d per 200 lbs. compared with 25s. 4d. during 1957/58.

Enriched bread: The rate of subsidy remains ½d. per 2 lb. loaf.

2. Effect of the Subsidies

The subsidies reduce the cost of these essential foodstuffs to the consumers and have no effect on exports.

IV. FILMS

1. Nature and Extent of the Subsidy

(a) Background and Authority: Since July 1957, a subsidy is payable to South African producers of feature films from funds annually set aside for this purpose by Parliament. The subsidy is intended to improve the quality of such films.

(b) Incidence: The subsidy is paid to producers on the basis of the entertainment tax paid on the showing of each film, subject to a maximum per film of 50 per cent of the production costs or £10,000 whichever is the lower.

(c) Amount of the Subsidy: The total amount of the subsidy is not expected to exceed £50,000 in each of the financial years ending 31 March 1960.

(d) Estimated Amount per Unit: The amount per film is estimated at £10,000.

2. Effect of the Subsidy

As the subsidy is aimed at improving the quality rather than increasing the number of locally produced films, it has little or no effect on South Africa's foreign trade in films.

B. PRICE STABILIZATION MEASURES

1. Nature and Extent of Stabilization Measures

(a) Background and Authority: Under the Marketing Act (Act No. 26 of 1937, as amended) Marketing Boards may be established to control the marketing of agricultural products. The products for which such Boards are in existence, are as follows:

1. Wool (Under a special Act. No active participation by the Board in marketing clips.)
2. Maize and Kaffir corn (sorghum).
3. Wheat, oats, barley and rye.
4. Fresh milk, milk for industrial purposes, butterfat, butter and cheese.
5. Slaughter stock (cattle, sheep and pigs).
6. Citrus fruit.
7. Deciduous fruit (certain varieties).
8. Potatoes.
9. Oilseeds(groundnut and sunflower)
10. Dried fruit.
11. Tobacco.
12. Chicory.
13. Eggs.
14. Lucerne seed.
15. Dried beans.
16. "Rooibos" tea (an indigenous plant of the genus Cyelopia).
17. Bananas.

The major aim of these Boards is to achieve a measure of price stability for the products concerned and to ensure the orderly marketing thereof. These Boards control the domestic distribution of the products and undertake the export of surpluses should these occur.

Recently losses have been incurred on the exportation of tobacco, maize, kaffir corn, eggs, dried beans, butter and meat (pork).

(b) Incidence: The losses on the export of tobacco are recovered from funds derived from a special levy on all tobacco grown in South Africa. It should be added that South Africa is on balance an importer of tobacco but that the Tobacco Board has for a number of years endeavoured to establish an export market for certain types of leaf tobacco in order to have an outlet when local crops are in excess of domestic consumption. It is, however,

extremely difficult to persuade overseas manufacturers to use a particular type of leaf, and in order to facilitate exports the best price offered by such manufacturers is accepted and the difference between that price and the domestic price is paid as a bounty.

The losses on maize exports are defrayed from the Maize Board's stabilization fund. The State and also the producer make direct contributions towards this fund (the latter by means of a special levy). The producers' contribution to this fund has been as follows: 6d. on every bag (200 lbs.) of maize sold for 1956/57 marketing season, and 1s. 3d. per bag for 1957/58 and 1958/59 seasons. For the 1956/57 season provision was also made in the local selling prices for a contribution of 6d. per bag to be paid into the stabilization fund. For the 1957/58 season this contribution of 6d. per bag applied only to white maize sold. The contribution for the 1958/59 season is 1s. per bag in respect of white and 6d. per bag in respect of yellow maize.

The State's contribution has been 4½d. per bag (200 lbs.) for 1956/57, 1957/58 and 1958/59 on all maize sold for consumption. The rate of 4½d. per bag is included in the Government subsidy of 3s. 2d. referred to in paragraph A.III.1.(d) above. The State's contributions amounted to £420,000 during 1956/57, £395,000 during 1957/58 and are estimated at £384,000 for the current season.

During the 1957/58 season Kaffir corn was controlled by means of a pooling system. Losses on export were partly recovered from profits on pools and partly from a special levy on all Kaffir corn malt sold locally by malt manufacturers. This special levy on Kaffir corn malt was at the rate of 3s. 6d. per bag (180 lbs.)

For the present season control on Kaffir corn is by way of a floor price system whereby a price is guaranteed to the producer by the Board. Producers can sell to the Board should the market price fall below the guaranteed price. Losses on exports are covered by a special levy of 13s. 6d. per bag on Kaffir corn malt sold by malt manufacturers for local consumption and 6s. per bag on Kaffir corn meal sold by manufacturers for local consumption.

During the past ten years South Africa in some years imported oats. During the 1954/55 and 1955/56 seasons, however, there were exportable surpluses and losses were incurred on the export thereof, which were covered from an oats reserve fund which is maintained by levies imposed on oats delivered to and sold by the Wheat Board. During the 1956/57 season these levies were 5s. 0d. per bag (150 lbs.) for Class A oats, 3s. 9d. for Class B grade 1, and 1s. 0d. per bag for the lower grades. For the 1957/58 and 1958/59 seasons the levy on Class A grades 1 and 2 was reduced to 4s. 6d. per bag and that on Class B grade 1 to 2s. 3d. per bag while the levy on the lower grades remained unchanged. Since the 1956/57 season there have been exports of oats.

The Dried Fruit Board acts, through firms handling dried fruit, as the sole buyer of prunes, currants, raisins and all types of sultanas, but does not control the sale of other kinds of dried fruits.

In respect of the varieties controlled by the Board, producers are paid an advance price on delivery. A levy is imposed to maintain a price stabilization fund from which export losses are met. For the 1958 season this levy amounted to 10 per cent on the Board's net selling price in the case of raisins, 1½d. per lb. on stalk, muscadel and loose raisins and 6 to 15 per cent in the case of the other varieties controlled by the Board. For the present season (1959), this levy amounts to 10 per cent on the Board's net selling price in the case of raisins, 1½d. per lb. on stalk, muscadel and loose raisins, and 6 to 9 per cent in the case of the other varieties.

During 1955 the Board suffered considerable losses on the export of raisins. Subsequently, however, as a result of improved overseas prices and smaller local crops, no further losses have occurred.

Losses on surplus eggs exported in the 1956/57 and 1957/58 seasons were covered from a levy fund built up from levies on eggs sold by producers within a controlled area or introduced for sale in such areas by persons dealing with eggs in the course of trade. During the 1958/59 season the contribution to the fund was 1½d. per dozen eggs, compared with a levy varying between 1½d. and 2½d. per dozen during the 1957/58 season.

Any losses on dried beans sold for export are covered from funds obtained from a special levy collected in respect of all dried beans sold by producers. During the 1955/56, 1956/57 and 1957/58 marketing seasons, this special levy was fixed at 2s. per bag (200 lbs.). For the current season the levy is 2s. 6d. per bag.

During 1956/57 and 1957/58 losses on butter exports were covered from the Dairy Industry Control Board's stabilization fund, built up mainly by means of a special levy collected from producers. During 1956/57, 1957/58 and 1958/59, this levy was at the rate of ½d. per lb. of butterfat.

The loss on meat (pork) exported during 1957/58 was defrayed from a special stabilization levy fund built up from levies paid on each class of pig slaughtered either at private slaughter-poles or at abattoirs under the control of a local authority. The levy at present imposed for this purpose is:

Baconers and sausage pigs:	16s.3d.per pig	(in main urban areas)
Porkers and larders:	10s.3d.per pig	(in main urban areas)
Roughs:	4s. 3d.per pig	(in main urban areas)

In the rest of South Africa the levy is at a flat rate of 10s. 3d. per pig.

(c) Amount of Export Losses: The following losses were covered in the manner described above for the seven products concerned:

Financial year Ending	Tobacco	Maize	Kaffir corn	Eggs	Dried Beans	Butter	Meat (Pork)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1957	40	698	-	479	-	257	-
1958	39	2832	235	42	35	245	230
1959	99		369	109	50	not yet available	

Estimated Amount per Unit: The losses per unit covered in 1958/59 in the manner described are as follows:

Tobacco:	10s. 8d. per lb.
Maize:	3s.10d. per bag of 200 lbs.
Kaffir corn:	14s. - per bag of 200 lbs.
Eggs:	16s. 1d. per case of 30 dozen
Dried beans:	16s.11d. per bag of 200 lbs.
Butter:	Not yet available 1957/58) 10d. per lb.)
Meat (Pork):	(Not yet available 1957/58 (3s. 4d. per lb.

2. Effect of the Stabilization Measures

Tobacco: The Union is on balance an importer of tobacco and the bounty has no material effect on domestic production as a whole.

Maize: The stabilization fund protects producers against the vagaries of world prices and ensures that sufficient maize, which is a very important foodstuff for a large part of the population, is produced in the country.

Oats: The levy funds were used to cover a sporadic loss on exports and had no effect on South Africa's foreign trade. In view of the surpluses, producers' prices were reduced, and as a result there were no exportable surpluses in 1956/57 and 1957/58.

Dried fruit: As a result of the losses incurred on the export of raisins and the then prevailing low world prices, producers' advance prices were lowered for the 1956 crop. Due to the smaller crop and improved world prices producers' prices were again slightly raised for the 1957 crop.

Eggs: The contribution to the levy fund in effect lowered the price paid to the producer. The covering of the export loss from levy funds has no effect on South Africa's foreign trade.

Dried beans: The contribution to the fund from which losses were covered actually lowered the price to the producer. It is not considered that South Africa's export trade is affected by this procedure.

Butter: The remarks made above with regard to eggs and dried beans also apply to butter.

Meat (pork): The imposition of the levy lowered the price to the producer considerably and had an adverse effect on production, but it also helped to cover losses on exports. Through the curtailment of production, exports might be reduced with a resultant decrease in losses.

C. DIFFERENTIAL RAILWAY RATES

In South Africa, as in most other countries, railway rating policy is governed by three main considerations, namely, that

(a) certain classes of traffic can only afford to pay railway rates lower than the average cost per ton-mile of conveyance by rail;

(b) some classes of traffic can afford to pay railway rates considerably higher than the average cost per ton-mile;

(c) it is better for the South African Railway Administration to convey additional traffic at rates below the average cost per ton-mile than to lose such traffic by charging higher rates than the traffic can afford to pay.

In accordance with the rating principle that it is more economical for the South African Railways to convey additional traffic at rates below the average than to lose such traffic altogether, reduced rates have been quoted in favour of a number of South African commodities when coveyed to a port for export overseas. If the normal tariffs were charged, most, if not all, of the commodities affected could not be economically exported with a resultant loss in traffic and revenue to the Railway Administration.