

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

L/1328/Add.18
25 May 1961

Limited Distribution

Original: English

SUBSIDIES

Notificiations by Contracting Parties

Addendum

FEDERATION OF RHODESIA AND NYASALAND

Notification of 10 May 1961

The Government of the Federation of Rhodesia and Nyasaland, by letter of 17 May 1961, has transmitted to the secretariat a notification on subsidies. The Government of the Federation states that "the Federal Government considers that the subsidies which it maintains and which it is notifying ... do not fall under the provisions of Article XVI but are being notified following the invitation extended to all contracting parties by the Chairman of the CONTRACTING PARTIES at the thirteenth session to supply information on all subsidies whether or not they are considered notifiable under Article XVI."

INFORMATION ON SUBSIDIES NOT FALLING
WITHIN THE SCOPE OF ARTICLE XVI

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

The geographical situation and the climate of the Federation are such that it is neither cheap to produce fresh milk nor economic to import it. Supplies of fresh milk are considered to be essential for the health of the community. Whole-milk subsidies are paid to maintain prices to producers and limit prices to consumers. The subsidies on the "safety-margin" are paid to ensure adequate supplies by giving producers a higher return on a proportion of their total milk output. Quality subsidies are a means of encouraging improved methods of hygienic production. All milk subsidies are paid on the authority of the Federal Treasury. The Federal Government is not responsible for milk production in Nyasaland.

(b) Incidence

The incidence of the subsidy varies regionally between the two Rhodesias as follows:

Type of subsidy

<u>Whole milk</u>	<u>Southern Rhodesia</u>	<u>Northern Rhodesia</u>
Paid to	Dairy Marketing Board	Co-operative Creameries of Northern Rhodesia
	fixed	fixed
Amount	credit £47,000	£87,500
Amount per Unit	credit 1.5d per gallon on 7,500,000 gallons	10d per gallon on 2,100,000 gallons
<u>Milk safety margin</u>		
Paid to	Producers via Dairy Marketing Board	Producers via Co-operative Creameries of N. Rhodesia
	fixed	fixed
Amount	£80,000	£22,500
Amount per Unit	25.5d per gallon on 750,000 gallons	21.5d per gallon on 250,000 gallons

Quality premium

Paid to	Producers supplying Dairy Marketing Board	Producers supplying Co-operative Creameries of Northern Rhodesia
	fluctuating (calculated on Methylene Blue and total solids content of milk)	fluctuating
Amount	£87,000	£21,000
Amount per Unit	Averages 1.4d per gallon on 15 million gallons	Averages 1.4d per gallon on 3,600,000 gallons

Good dairy bonus

Paid to	Producers in Southern Rhodesia	Producers in the Livingstone area
	fluctuating	fluctuating (depending upon producers having approved buildings and mechanical coolers)
Amount	£9,000	£2,500
Amount per Unit	1/- per lb. on first grade butterfat 9d per lb. on second grade butterfat	2d to 4d a gallon

Chipinga cheese
milk subsidy

Paid to	Producers in remote Chipinga area of Southern Rhodesia only
	fixed
Amount	£6,000
Amount per Unit	8d per gallon on milk supplied during the winter and 5d a gallon on milk supplied during the summer periods

II. Effect of subsidy(a) Estimated quantitative trade effects of the subsidy

It is considered that the final result, in quantitative trade terms, of subsidies paid to milk producers in the Federation is little different from that which would pertain were none of these subsidies payable. The purpose of these subsidies, as has already been stressed, is to ensure that adequate supplies of fresh milk are readily available to consumers at prices which they can afford to pay and although, at present, their net effect is that small quantities of milk (unsubsidized) are exported to Mozambique, it is not expected that exports, even on this very limited scale, will continue in the long term, nor is it Federal Government policy to promote, by subsidy, exports of milk on any significant scale to this or any other market. With regard to the possible effect of these milk subsidies on imports, the geographical position of the Federation and its relative inaccessibility to external sources of supply makes it certain that milk from external sources would be highly priced and it is therefore unlikely that significant quantities would be imported, even if no subsidies were payable on local milk production. The Federal Government thus feels that to withdraw the subsidies could only have the effect of making local supplies uncertain without creating any practical opportunity for imports at reasonable prices.

(b) Statistics(i) Whole milk

	<u>Southern Rhodesia</u>		
	<u>Gallons</u>		
	<u>1957/58</u>	<u>1958/59</u>	<u>1959/60</u>
Production	10,518,757	11,967,555	13,559,490
Sales (fresh)	6,967,248	7,337,905	7,183,248
Imports	-	-	-
Exports	53,251	66,405	72,123

	<u>Northern Rhodesia</u>		
	<u>Gallons</u>		
	<u>1957/58</u>	<u>1958/59</u>	<u>1959/60</u>
Production	2,211,000	2,867,000	3,076,000
Sales (fresh)	1,635,000	1,656,000	1,711,000
Imports	-	-	-
Exports	-	-	-

(ii) As the growth of the dairy industry has kept pace with the rapid development of the Federation in recent years it is not thought meaningful to quote statistics for any year prior to the introduction of subsidy.

MAIZEI. Nature and extent of subsidy(a) Background and authority

The growing of maize is traditionally the principal economic activity of the bulk of the Federation's population who rely upon the product for their staple diet. In addition there is large scale "estate type" production by efficient commercial producers. Due to the Federation's geographical situation and internal and external transport difficulties the substitution of local production by imports would not be economic and importation in times of shortfall imposes a considerable burden upon the national economy. A subsidy is paid to guarantee prices to producers for the maize consumed locally and to ensure the orderly marketing and distribution of this essential commodity. The subsidy is paid under the authority of the Federal Grain Marketing Act. The Federal Government is not responsible for maize production in Nyasaland.

(b) Incidence

Maize subsidy is paid to the Federal Grain Marketing Board to enable it to reduce the impact of maize handling, storage and distribution costs on the local consumer. The subsidy is fixed.

(c) Amount of subsidy

The amount of the subsidy for 1960/61 financial estimate year is £1,020,000.

(d) Estimated amount per unit

The amount per unit is approximately $5/7\frac{1}{2}$ d per 200 lb. bag.

II. Effect of subsidy(a) Estimated quantitative trade effects

It is estimated that the effect of the subsidy paid to the marketing organisation has been to produce, in quantitative trade terms, the relatively insignificant tonnages of maize, surplus to local requirements, which the figures given below show to have been exported in recent years. While the quantity of maize available for export from the Federation from time to time could have been reduced, or eliminated, by the reduction or removal of the maize subsidy, the vagaries of the Federation's weather are such that, with an expectation of perhaps two bad harvests out of every five, it is essential to ensure that sufficient maize - the staple diet of the majority of the Federation's population - is produced in any one year not only for the following year's consumption, but for storage against the possibility of one, and perhaps two, bad harvests as well. In its calculation of the amount of the subsidy, therefore, the Federal

Government has endeavoured to ensure that it errs, if anywhere, on the side of excess to, rather than a shortfall in, local requirements and because of recent good harvests quantities of maize have become available for export.

With regard to the estimated quantitative effects of the subsidy on imports, it is felt that even without the subsidy, significant quantities of maize would not be imported into the Federation, except possibly, in a year following a succession of very poor harvests. The position is that a high proportion of the maize obtaining subsidy which is in any case only between one third and one half of the total quantity of maize grown in the Federation, comes from a small proportion of efficient producers who would probably grow maize even if there were no subsidy. To remove the subsidy, therefore, would only result either in making the production of maize uneconomic for the majority of maize producers and necessitates the substitution of other cash crops to preserve farm incomes, or in an increase in the price to consumers, without offering any substantial opportunities to external sources to supply maize for consumption in the Federation.

(b) Statistics

(i) <u>Marketing year</u>	<u>Grain Marketing Board Purchases</u>	<u>Local Sales</u>	<u>Export Surplus</u>
		<u>BAGS</u>	
1957/58	5,423,000	3,968,000	1,455,000
1958/59	3,548,000	3,701,000	- 153,000*
1959/60	4,887,000	3,679,000	1,208,000

* drawn from reserve stocks

(ii) There has been a considerable improvement in the techniques of maize production in recent years and production has expanded very considerably so that the quoting of statistics for a year preceding the introduction of the subsidy would not be meaningful.

IDENTIFIED TOBACCO

I. Nature and extent of subsidy

(a) Background and authority

The producers of flue-cured tobacco in the isolated Fort Jameson area of Northern Rhodesia have been faced with certain special difficulties arising from the lack of rail transport facilities and the fact that their produce has been specially identified on the Rhodesian flue cured tobacco auction sales at Salisbury where lower prices have usually been paid for tobacco from this area than for equivalent grades of unidentified origin. To offset these

difficulties a fertiliser transport subsidy is paid on Treasury authority and a flue-cured tobacco price subsidy has been paid for the 1960 selling season. This latter subsidy is now discontinued.

(b) Incidence

Type of subsidy

Fertilizer transport subsidy.

Paid to flue-cured tobacco producers in the Eastern Province of Northern Rhodesia. A fixed amount per ton is paid. The subsidy amounts to £5,000. A provision of £20,000 was made in the 1960/61 financial estimates for the indentified flue-cured tobacco subsidy to cover the remaining portion of the 1960 selling season.

Amount per Unit: £5 per ton of fertilizer.

II. Effect of subsidy

(a) Estimated quantitative trade effects

It is considered that the subsidies paid to producers on tobacco in the Federation have had a negligible quantitative trade effect. In any event it is proposed to discontinue the price equalisation subsidy in the next financial year.

(b) Statistics of production

(i) Eastern province tobacco

<u>Year</u>	<u>Acres</u>	<u>Production</u> <u>lbs.</u>
1956/57	2,060	1,283,000
1957/58	1,800	1,064,000
1958/59	2,310	1,682,000

(ii) As this area has had a chequered history with various factors influencing the profitability of tobacco production, it is not considered that a meaningful, previous, representative year can be quoted.

