

RESTRICTED

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

Notification of Contracting Parties

Addendum

SOUTH AFRICA

Notification of 16 November 1961

By letter of 16 November 1961, the Government of South Africa has transmitted to the secretariat the following notification on subsidies in accordance with the revised questionnaire. This supersedes the previous notification of 25 February 1959 (L/964/Add.1) and the supplementary notification of 3 September 1959 (L/1131) submitted by South Africa.

A. SUBSIDIES

I. FERTILIZERS

1. Nature and extent of the subsidy

(a) Background and authority

A subsidy on fertilizers was introduced with effect from 1 January 1942.

The subsidy is maintained largely to encourage the use of fertilizers as a means of promoting soil productivity. The subsidy is paid from funds which are approved annually by Parliament for this purpose. Payments from these funds must ultimately also be accounted for to Parliament.

In addition, a partial rebate of rail and road transportation charges on fertilizers has been in existence since the 1930's.

(b) Incidence

The price of fertilizers to agricultural producers is in general subsidized by a fixed amount of R2 per ton¹ irrespective of the crop cultivated. The subsidy is paid to the importers/producers of fertilizers, who in turn reduce

¹Throughout this notification the ton referred to is the short ton of 2,000 lbs.

their selling prices by the same amount. A rebate of 75 per cent on the railage and/or Railway Administration road transport charges is also allowed on fertilizers and the Railway Administration is in turn compensated by the Treasury.

The subsidy is not payable on farm manure or on agricultural lime. On low-grade phosphate mined locally, the price subsidy is limited to R1 per ton.

(c) Amount of the subsidy

The rebates and subsidy payments have been as follows in recent years:

Financial year ending 31 March	Amount of rebate of transporta- tion charges	Amount of subsidy	Total
	R'000	R'000	R'000
1961	3,598	2,372	5,970
1960	3,442	2,360	5,802
1959	3,072	2,150	5,232

(d) Amount per unit

The amount of the price subsidy is R2 per ton, except in the case of low-grade phosphate mined locally, in respect of which the subsidy is limited to R1 per ton. Seventy-five per cent of the rail and/or Railway Administration's road transport charges is also rebated.

2. Effect of the subsidy

(a) Estimated quantitative trade effects of the subsidy

South Africa's imports of fertilizers consist almost exclusively of rock phosphate and artificial fertilizers, both of which serve almost entirely as raw materials for the local industry. As the subsidy is applicable to end-products only, the demand for raw materials from both domestic and other sources is increased to the extent that the subsidy actually stimulates the consumption of fertilizers.

However, whilst the use of fertilizers has no doubt been encouraged by the subsidies, the increased use of fertilizers which has occurred in the country has been due not so much to the operation of the subsidies but rather to changes in cultivation practices and the desire of agricultural producers to improve yields. Other factors which have contributed to the increased consumption of fertilizers are the growth of agricultural extension services as

well as increases in the area under cultivation and in the demand for food arising from the growth of the population and the constantly rising living standards of the people.

(b) Statistics

(i) Imports

Net imports of fertilizers, not including agricultural lime, bone, manure and guano, have been as follows:

	1960 ¹ '000 tons	1959 '000 tons	1958 '000 tons	1939 '000 tons
Rock phosphate	425.5	379.5	436.4	140.7
Potash sulphate and manures	62.6	6.4	3.5	8.1
Basic slag	44.4	47.9	57.9	3.5
Ammonium sulphate	43.9	48.1	50.5	15.1
Ammonium nitrate	43.7	17.9	13.3	-
Superphosphates	2.0	1.3	1.6	84.6
Other	37.9	41.8	23.7	14.8
Total	658.0	542.9	586.9	266.8

(ii) Exports

The following statistics reflect the exports of fertilizers in the years 1958 to 1960 and in 1939:

	1960 '000 tons	1959 '000 tons	1958 '000 tons	1939 '000 tons
Superphosphates	0.9	0.6	4.7	- ²
Other	3.9	1.7	1.2	- ²
Total	4.8	2.3	5.9	8.9

¹Preliminary.

²Not available.

(iii) Production and consumption

Production figures are only available by value. The volume of production should, however, closely tally with that of consumption. In recent years consumption has been as follows:

1960:	1,281,000 tons
1959:	1,225,000 tons
1958:	1,144,000 tons

II. FOODSTUFFS

1. Nature and extent of the subsidy

(a) Background and authority

Subsidies, which are intended to reduce the cost of these products to the consumer, are being paid on wheaten bread flour, sifted and unsifted meal for bread, butter and maize. The maize subsidy is also specifically intended to encourage consumption.

Apart from the consumer subsidy on maize a rebate is allowed on the Railway Administration inland rail and/or road transport charges on maize and primary products thereof. The rebate is not applicable to maize exported.

The subsidy on enriched bread was discontinued at the end of 1959. The present subsidy on bread is paid on bread derived from domestically produced as well as imported wheat.

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 subsidies are paid to the respective Marketing Boards to enable them to reduce prices to consumers, and the amount of the subsidies is determined annually by the Government.

(i) Bread, flour and meal

The Wheat Industry Control Board is the sole buyer of locally produced wheat, and also the sole importer of wheat. The physical handling of the grain is undertaken by agents appointed by the Board and these consist of farmers' co-operative companies, country mills and traders.

The price paid to the local producer of wheat, the Board's selling price and the prices of wheaten products, namely, bread, flour, bread meal and bread, are fixed annually by the Board with the approval of the Government.

In order to keep the price of bread at as low a level as possible, the Government pays a subsidy on bread flour and sifted and unsifted bread meal (no subsidy is paid on flour used for confectionery purposes, i.e. flour of 70 per cent extraction or lower). The subsidy on wheaten products has been paid since 1941, but the method as well as the rates of payment have been changed from time to time. At one stage it was paid partly to millers and partly to bakers. At present the total amount is paid to millers through the Board. This in turn enables the millers to sell the three types of bread meal to the bakers at fixed prices which again enables the latter to sell white, brown and wholewheat bread at prices fixed by the Government.

(ii) Maize

In practice the Mealie Industry Control Board controls the purchase of maize from the producers. Producer prices are annually determined by the Board, these prices being subject to Government approval and based on production costs plus an entrepreneur's reward, with due regard to the demand and supply position.

In order to reduce the price of maize and maize products to the final consumer, the Government has for a number of years been paying the Board a subsidy, thereby enabling the Board to reduce its local selling prices correspondingly.

With certain adjustments, the subsidy is equivalent to the unit cost per bag of 200 lbs. of the Board's administrative, handling, storage and ancillary expenses, due allowance being made for the exclusion of costs related to exports as well as the activities of the Board in respect of agricultural products other than maize.

In 1960/61 the unit cost of these expenses amounted to 33.75c. per bag of 200 lbs. This also constituted the level of the basic subsidy on maize.

In order to encourage the use of yellow maize, an additional subsidy of 10c. per bag of 200 lbs. was paid in respect of this product.

(iii) Butter

A consumer subsidy on butter was introduced in 1943. It has never been paid on butter exports.

The subsidy is paid to the Dairy Industry Control Board which is thereby enabled to reduce the price of butter to domestic consumers. The wholesale and retail prices of butter are fixed by the Board with the approval of the Government.

(c) Amount of the subsidy

The amounts paid on wheat and meal for bread, on maize and on butter during the financial years 1958/59 to 1960/61 were as follows:

Financial year ending 31 March	Wheat/meal bread R'000	Maize ¹ R'000	Butter R'000	Total R'000
1961	12,806	11,944	2,968	27,718
1960	13,018	11,994	2,566	27,578
1959	14,058	13,326	2,476	29,860

(d) Estimated amount per unit

The rates of subsidy for the current season are as follows:

<u>Bread flour:</u>	87½c. per 200 lbs.
<u>Sifted meal:</u>	R2.10 per 200 lbs.
<u>Unsifted meal:</u>	R1.72½ per 200 lbs.
<u>Maize:</u>	37½c. per 200 lbs.
<u>Butter:</u>	2.7c. per lb.

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

The subsidy reduces the cost of these foodstuffs to the consumer and is not applicable to exports. It is not possible to assess the quantitative trade effects of the subsidy.

¹Including the subsidy in respect of transport charges which amounted to R3,300,000 in 1959, R2,990,000 in 1960 and R3,144,000 in 1961.

(b) Statistics

(i) Bread flour and meal

Production and imports of wheat have been as follows:

Crop year	Production ¹	Imports
	tons	tons
1959/60	731,700	247,800
1958/59	630,136	263,872
1957/58	808,942	nil
1944/45	281,785	107,062

Normally no meal or flour is imported.

A reduction in the usual carry-over from one season to the next along with three fairly large crops accounted for the reduced imports during the crop year 1957/1958.

Exports of wheat, bread meal and flour are insignificant. Occasionally small quantities are supplied to adjacent territories. The details are as follows:

<u>Crop year</u>	<u>Tons</u>
1959/60	567
1958/59	1,000
1957/58	1,037

Total consumption, in terms of wheat, at present amounts to about 1 million tons per annum. The details are as follows:

<u>Crop year</u>	<u>Tons</u>
1959/60	1,033,900
1958/59	1,023,900
1957/58	1,021,900

¹ Production represents purchases by the Wheat Industry Control Board.

(ii) Maize

Marketing year	Production tons	Consumption tons	Imports tons	Exports ² tons
1960/61 ¹	4,190,000	3,250,000	-	950,000
1959/60	4,033,500	3,044,600	-	616,000
1958/59	3,732,900	3,119,100	-	1,174,300

(iii) Butter

Imports and exports of creamery butter have been as follows:

Season	Imports		Exports
	Into the South African customs union		'000 lbs.
	'000 lbs.	Overseas	
1959/60	3,472	nil	2,847
1958/59	3,780	nil	3,198
1957/58	nil	1,735	3,761
1942/43	1,522	nil	5,161

Exports of butter to all destinations have in recent years been considerably less than in 1939/40 and prior thereto. During that year total exports amounted to 18,117,000 lbs.

Production and consumption of creamery butter have been as follows:

Season	Production '000 lbs.	Consumption '000 lbs.
1959/1960	95,797	89,205
1958/1959	87,000	88,411
1957/1958	91,665	86,536
1942/1943	53,807	50,565

¹Preliminary.

²Including exports of maize products.

III. FILMS

1. Nature and extent of the subsidy

(a) Background and authority

Since July 1957, a subsidy has been payable to South African producers of 35 mm. feature films. The subsidy is intended to improve the quality of such films. Payment is made from funds voted for this purpose by Parliament from year to year.

(b) Incidence

The subsidy is paid to film producers and consists of a refund of the entertainment tax paid by audiences in respect of the showing of each film, subject to a maximum payment per film of R20,000 or 50 per cent of the production costs, whichever is the lower.

(c) Amount of the subsidy

The total amount of the subsidy has been as follows:

Financial year ended 31 March	Total payments
	R
1958	21,691
1959	38,926
1960	32,222
1961	88,910

(d) Estimated amount per unit

The average amount of the subsidy per film thus far has been approximately R12,960.

2. Effect of the subsidy

(a) Estimated quantitative trade effects of the subsidy

The subsidy is aimed at improving the quality rather than increasing the number of locally produced films and has very little, if any, effect on South Africa's imports or exports of films.

Imports of commercial sound films in recent years have been as follows:

Year	Length '000 ft.
1959	13,377
1958	15,171
1957	15,880

Comparable export statistics are not available. Details of the entertainment tax derived from the showing of films are likewise not available.

IV. OTHER SUBSIDIES

The subsidy on jute grain bags was discontinued in April 1959, and that on enriched bread at the end of 1959.

B. PRICE STABILIZATION MEASURES

1. Nature and extent of the stabilization measures

(a) Background and authority

Under the Marketing Act (Act No. 26 of 1937, as amended), Marketing Boards have been established to control the marketing of particular agricultural products.

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. To this end some Boards have established stabilization funds by means of which the shocks of sudden price fluctuations are absorbed.

(b) Incidence

Stabilization funds are built up by way of levies imposed on producers in respect of sales of their products in the home market. If higher prices are realized on export markets than those ruling on the domestic market, the additional profit resulting from exports are likewise paid into the stabilization fund for the product concerned. At one stage the Government made a small contribution to the Maize Stabilization Fund, but this has been discontinued. The State does not at present contribute to the stabilization fund of any Marketing Board.

Producers do not receive direct payments from the stabilization funds held by the Marketing Boards.

During World War II, and for several years thereafter, most domestic prices were below world levels; where domestic prices are currently above world levels, the aim is to adjust these gradually to those levels. Losses which may be incurred on exports while this process of adjustment is being carried out, are met from the stabilization funds.

(c) Stabilization fund receipts and payments on export transactions

The following details relate to the export operations of the Boards concerned (inclusive of transport costs, insurance charges, commission fees, etc.):

Product	Year	Payments from stabilization funds	Stabilization fund receipts from exports
		R	R
Eggs	1960/61	186,972	-
	1959/60	513,218	-
	1958/59	240,868	-
Oats	1959/60	30,398	-
	1958/59	177,760	-
	1957/58	-	2,058
Barley		No exports	
Maize	1959/60	1,663,200	-
	1958/59	3,828,218	-
	1957/58	3,768,480	-
Grain sorghum	1959/60	577,996	-
	1958/59	735,800	-
	1957/58	405,684	-
Butter	1959/60	194,710	-
	1958/59	276,156	-
	1957/58	516,348	-
Cheese	1959/60	490,050	-
	1958/59	199,924	-
	1957/58	8	-

Product	Year	Payments from stabilization funds	Stabilization fund receipts from exports
Tobacco	1959/60	1,275,204	-
	1958/59	336,844	-
	1957/58	198,762	-
Dried beans	1959/60	-	-
	1958/59	103,378	-
	1957/58	55,624	-
Potatoes	1959/60	-	2,286
	1958/59	-	28,608
	1957/58	20,946	-

(d) Estimated amount per unit exported

Product	Year	Unit	Fund payments	Fund receipts from exports
			R	R
Eggs	1960/61	Case of		
		30 dozen	0.50	-
		"	1.26	-
Oats	1959/60	Ton	1.40	-
			4.64	-
			10.78	-
Maize	1957/58	Ton	-	6.00
			2.70	-
			3.26	-
Grain sorghum ¹	1959/60	"	2.40	-
			9.16	-
			13.00	-
			10.62	-

¹ Approximately 70 per cent of the commercial grain sorghum production is used in the manufacture of malt for the production of a special type of beer, the consumption of which is peculiar to South Africa. On account of this special outlet, sorghum commands a higher price in South Africa than in countries where the grain is used essentially as a feed grain. In consequence the shortfall per ton on exports is relatively large. This also explains why the shortfall is considerably greater than in the case of maize.

Product	Year	Unit	Fund payments	Fund receipts from exports
Butter	1959/60	lb.	0.0675	-
	1958/59	"	0.0875	-
	1957/58	"	0.0992	-
Cheese	1959/60	"	0.1058	-
	1958/59	"	0.0525	-
	1957/58	"	0.0042	-
Tobacco	1959/60	lb.	0.2142	-
	1958/59	"	0.0967	-
	1957/58	"	0.0900	-
Dried beans	1959/60	Ton	-	-
	1958/59	"	16.98	-
	1957/58	"	13.96	-
Potatoes	1959/60	Ton	-	0.18
	1958/59	"	-	1.80
	1957/58	"	2.94	-

2. Effect of the stabilization measures

(a) Please see the notes above relating to the background, authority and incidence of the stabilization measures.

(b) For the statistics relating to maize and butter, please refer to the notes above in respect of the subsidies applicable to these products. Statistics relating to the other products in respect of which stabilization funds are in operation are given below (the figures for 1960/61 are preliminary):

Statistics of production, consumption, imports and exports

Marketing year	Production	Consumption	Imports	Exports
Eggs	Cases of 30 dozen			
1960/61	3,154,000	2,737,300	-	400,000
1959/60	3,130,000	2,708,767	-	421,576
1958/59	2,689,000	2,464,900	-	224,467

Statistics of production, consumption,
imports and exports (continued)

Marketing year	Production	Consumption	Imports	Exports
<u>Oats</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>
1959/60	174,675	168,100	-	6,561
1958/59	150,900	134,400	-	16,496
1957/58	108,825	98,963	9,519	343
<u>Barley</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>
1959/60	25,875	19,249	6,626	-
1958/59	28,575	22,916	5,659	-
1957/58	22,200	12,665	9,535	-
<u>Grain sorghum</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>
1960/61	223,500	194,600	-	48,100
1959/60	242,400	167,400	-	63,100
1958/59	205,000	189,400	-	56,600
1957/58	260,000	178,700	-	38,200
<u>Cheese</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>
1959/60	16,475	13,774	1287	3,296
1958/59	15,257	13,424	531	560
1957/58	16,475	13,495	603	40
<u>Tobacco (leaf)</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>
1960	30,075	25,232	1,500	4,551
1959	39,600	24,950	2,200	2,977
1958	34,260	24,432	2,200	1,739
1957	28,077	26,759	3,050	1,100
<u>Dried beans</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>
1960/61	51,250	46,050	3,090	1,670
1959/60	43,370	43,980	3,940	1,060
1958/59	39,880	46,690	3,580	7,610
1957/58	56,000	-	700	7,300
<u>Potatoes</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>
1959/60	401,700	392,785	10,000	18,910
1958/59	423,450	406,384	5,972	23,038
1957/58	288,900	285,884	8,650	11,666

