

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SUBSIDIES

### Notifications Pursuant to Article XVI:I

#### Addendum

#### SOUTH AFRICA<sup>1</sup>

#### 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.

###### (b) Incidence

The rates of subsidy are based on the nitrogen, phosphorous and potassium contents of the various types of fertilizers. At present the formula is  $N = R\ 24$ ,  $P = R\ 61$  and  $K = R\ 6$  per ton.

No subsidies are payable on farm manure, agricultural lime and compost, but a rebate of 75 per cent on the railage and/or railway administration road transport charges is granted by the railway administration which is in turn compensated by the Treasury.

###### (c) Amount of subsidy

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

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<sup>1</sup> Throughout this notification the ton referred to is the short ton 2,000 lb.

(R'000)

Financial year ending 31 March	Amount of railage rebate	Amount of subsidy	Total
1968	1,010	14,419	15,429
1967	948	7,908	8,856
1966	946	7,950	8,896

(d) Amount per unit

In accordance with the formula referred to in 1(b) above, the subsidy for both superphosphate (8.3 per cent P) and ammonium sulphate (21 per cent N) is R 5.05 per ton (the rate of the subsidy being rounded off to the nearest 5 cents per ton).

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

Imports of fertilizers in the years 1965 to 1967 were as follows:

(1000 tons)

	1967	1966	1965
<u>Crude</u>			
Natural, animal or vegetable	-	2.6	5.1
Natural sodium nitrate	1.0	1.1	0.6
Natural phosphates	96.5	193.8	193.0
Natural potassic salts	128.6	71.5	86.9
<u>Manufactured</u>			
Ammonium sulphate	11.5	27.2	47.2
Ammonium nitrate	19.1	11.1	3.4
Calcium, limestone, etc.	40.6	32.0	16.8
Urea fertilizers	12.2	19.0	24.4
Nitrogenous fertilizers	-	0.1	0.1
Basic slag, Thomas slag	19.6	23.0	30.9
Other phosphatic fertilizers, etc.	87.1	55.5	5.3
Potassic fertilizers	58.6	73.4	68.1
Fertilizers n.e.s.	-	-	0.6
<b>TOTAL</b>	<b>474.8</b>	<b>510.3</b>	<b>482.4</b>

(ii) Exports

The following statistics reflect the exports of fertilizers in the years 1965 to 1967:

(1000 tons)

	1967	1966	1965
<u>Crude</u>			
Natural, animal or vegetable	3.5	3.6	1.8
Natural phosphates	1.0	0.5	13.8
<u>Manufactured</u>			
Ammonium sulphate	15.0	-	-
Ammonium nitrate	1.7	1.2	4.3
Calcium, limestone, etc.	44.3	-	-
Urea fertilizers	1.0	1.1	-
Nitrogenous fertilizers	0.1	0.2	0.7
Other phosphatic fertilizers	2.4	2.3	6.1
Potassic fertilizers	0.4	-	0.1
Fertilizers n.e.s.	21.2	2.2	2.0
<b>TOTAL</b>	<b>90.6</b>	<b>11.1</b>	<b>28.8</b>

(iii) Production and consumption

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

1968	1,997,690 tons
1967	1,985,441 tons
1966	1,701,000 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 subsidy on maize, a rebate of 37½ per cent 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.

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 Maize 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 basic subsidy is approximately equivalent to the unit cost per bag of 200 lb. 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 order to further encourage the domestic consumption of yellow maize, an additional basic subsidy is paid by the Government on this product.

(iii) Butter

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

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 bread flour and meal, maize and butter during recent years have been as follows:

(R'000)

Financial year ending 31 March	Bread flour and meal	Maize <sup>1</sup>	Butter	Total
1968	25,767	23,603	4,679	54,049
1967	20,065	25,346	4,477	49,888
1966	17,147	15,310	4,599	37,556

<sup>1</sup>Including the rebate in respect of transport charges which amounted to R 4.4, R 4.3 and R 3.8 million in 1966, 1967 and 1968 respectively.

(d) Estimated amount per unit

Bread flour	R 2.52 per 200 lb. (1967/68)
Sifted meal	R 3.76 per 200 lb. (1967/68)
Unsifted meal	R 3.27 per 200 lb. (1967/68)
Butter	R 4.215 cents per lb. (1967/68)
Maize <sup>1</sup>	38.5 cents and 67.5 cents per 200 lb. for white and yellow maize respectively (1968/69)

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.

(b) Statistics(i) Bread flour and meal

Production and imports of wheat have been as follows:

<sup>1</sup>The rates represent the basic subsidy and do not include the railage rebate of 37½ per cent.

(tons)

Season	Production <sup>1</sup>	Imports
1967/68	1,128,838	2,302
1966/67	560,665	716,937
1965/66	380,526	531,796

<sup>1</sup>I.e purchases by the Wheat Industry Control Board.

Normally no flour or meal is imported.

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

Exports

Season	Tons
1967/68	37.7
1966/67	39.4
1965/66	154.9

Total consumption, in terms of wheat, has been as follows:

Season	Tons
1967/68	1,343,500
1966/67	1,276,600
1965/66	1,257,500

(ii) Maize

Production, consumption and foreign trade have been as follows:

(tons)

Marketing year	Production	Consumption	Imports	Exports <sup>1</sup>
1967/68	10,620,000	4,560,000	-	3,429,800
1966/67	5,570,000	4,670,000	168,000	521,600
1965/66	4,950,000	4,610,000	123,600	528,700

<sup>1</sup>Including exports of maize products.

(iii) Butter

Production, consumption, imports and exports of creamery butter have been as follows:

('000 lb.)

Season	Production	Consumption
1967/68	117,606	108,983
1966/67	100,099	106,632
1965/66	85,431	107,016

('000 lb.)

Season	Imports	Exports	
	Into the customs union	Overseas	Ships' stores and adjoining territories
1967/68	816	-	617
1966/67	6,984	-	1,119
1965/66	26,238	-	1,879



### 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 feature films of at least 16 mm. width. The subsidy is intended to improve the quality of such films and to train local film technicians in the film industry.

Payment is made from funds voted for this purpose by Parliament from year to year.

##### (b) Incidence

Only South African films are eligible for assistance and for this purpose a film is considered to be of South African origin when it complies with the following requirements:

(i) the producer or producing company should, for income tax purposes, be regarded as resident in South Africa, and

(ii) certain minimum percentages of the salary and wages expenditure incurred in producing the film must have been paid to South African subjects.

The payment of the subsidy is made on the following basis:

(i) no subsidy is paid in respect of the first R 50,000 of gross income earned of any film;

(ii) for films released before 1 October 1969, a payment of 44 per cent of the amount by which the gross income of any film exceeds R 50,000 is made. For films released on or after that date, the payment has been increased to 55 per cent in the case of films, at least 95 per cent of the dialogue of which is in the Afrikaans language;

(iii) revenue earned from shows taking place more than four years after release of a film is not considered for subsidy purposes.

##### (c) Amount of the subsidy

The total amount of the subsidy has been as follows:

Financial year ended 31 March	Total payments R
1969	587,895
1968	399,916
1967	269,447
1966	333,751

(d) Estimated amount per unit

The average amount of the subsidy per film in respect of the financial year ended 31 March 1965, was approximately R 18,973.

2. Effect of the subsidy

(a) Estimated quantitative trade effects of the subsidy

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

(b) Statistics

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

Year	Length '000 feet
1964	30,564
1963	37,070
1962	32,334
1961	26,493