

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

Notifications Pursuant to Article XVI:I

Addendum

SOUTH AFRICA

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, phosphorus and potassium contents of the various types of fertilizers. At present the formula is $N = R21.50$, $P = R54.00$ and $K = R5.50$ per ton.

No direct subsidies, as in the case of fertilizers, are payable on farm manure, compost and agricultural lime and agricultural gypsum, but a rebate, amounting to 75 per cent (with a maximum of 22 cents per 100 kg.) for agricultural lime and agricultural gypsum and 50 per cent (with a maximum of 11 cents per 100 kg.) for farm manure and compost, is payable by the Treasury on the railage and/or railway administration road transport charges.

(c) Amount of subsidy

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

Financial year ending 31 March	(R million)		
	Amount of railage rebate	Amount of subsidy	Total
1973	2.0	14.5	16.5
1972	2.2	18.3	20.5
1971	1.8	13.8	15.6
1970	1.6	12.8	14.4
1969	1.2	13.7	14.9

(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 R4.50 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 effect 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

The most recent statistics available in respect of imports, exports, production and consumption of fertilizers are as follows:

(i) Imports

(tons)

	1973	1972	1971	1970	1969
<u>Crude</u>					
Natural, animal or vegetable	4,552	1,050	231	5	455
Natural sodium nitrate	42	168	594	675	1,570
Natural potassic fertilizers	177,410	181,456	207,754	92,913	125,212
<u>Manufactured</u>					
Ammonium nitrate	4,506	48,258	20,446	284	4
Ammonium sulphate	23,751	36,136	12,257	1,202	2,737
Urea fertilizers	2,651	20,085	219	886	307
Basic slag	5,699	10,908	14,279	11,302	18,972
Super phosphates	323	6,375	13	539	191
Chemical potassic fertilizers	45,053	26,870	44,839	66,812	27,617
Fertilizers, n.e.s.	558	496	14	12	53
Total	264,545	331,802	300,646	174,630	177,118

(ii) Exports

(tons)

	1973	1972	1971	1970	1969
<u>Crude</u>					
Natural, animal or vegetable	5,192	2,258	3,548	1,576	1,670
Natural sodium nitrate	380	-	5	1	2
Natural potassic fertilizers	2,313	535	833	-	1

(ii) Exports (cont'd)

(tons)

	1973	1972	1971	1970	1969
<u>Manufactured</u>					
Super phosphates	46,906	12,568	-	-	-
Ammonium nitrates	15,350	19,911	32,833	31,379	75,552
Ammonium sulphate	1,691	-	9,657	6,799	8,727
Urea fertilizers	23,324	738	13,648	20,015	37,093
Chemical potassic fertilizers	6	184	78	5	-
Fertilizers n.e.s.	77,617	33,734	78,860	16,511	10,062
Total	172,779	69,928	139,462	76,286	133,107

(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:

1973	2,308,459 tons
1972	2,267,494 tons
1971	2,078,984 tons
1970	1,945,606 tons
1969	1,974,502 tons

II. FOODSTUFFS1. 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 Mealie Industry Control Board controls the purchase of maize from the producers. Producer prices are annually determined by the Board, subject to Government approval, with due regard to the supply and demand position and the returns to producers. The general objective of the scheme is to afford price stability to producers of maize as far as possible.

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 of whole maize correspondingly.

With certain adjustments, the basic subsidy is approximately equivalent to the unit cost per ton 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 encourage the domestic consumption of yellow maize further, an additional basic subsidy is paid by the Government.

(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 most recent statistics available are as follows:

Financial year ending 31 March	(R million)			
	Bread flour and meal	Maize ¹	Butter	Total
1973	40.3	33.3	11.5	85.1
1972	29.5	34.9	5.9	70.3
1971	28.9	36.8	5.4	71.1
1970	22.4	28.0	4.8	55.2
1969	25.1	25.8	4.7	55.6

¹ Including the rebate in respect of transport charges.

(d) Estimated amount of subsidy per unit

The subsidy rates in respect of the financial year 1972/73 were as follows:

	Subsidy rate per ton
Bread flour	R 36.00
Sifted meal	R 56.57
Unsifted meal	R 49.64
Butter	R287.46
Maize: white	R 5.24
yellow	R 6.59

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) Wheat

Season	(Metric tons)			
	Production ¹	Consumption	Imports	Exports
1972/73	1,693,840	1,417,156	9,104	366,946
1971/72	1,603,479	1,359,486	2,871	-
1970/71	1,320,047	1,218,713	14,168	-
1969/70	1,247,024	1,273,542	13,638	-
1968/69	1,181,520	1,214,726	10,097	-

¹i.e. purchases by the Wheat Industry Control Board.

Normally no flour or meal is imported. Exports of wheat, flour and meal, up to the 1971/72-season were insignificant. Occasionally small quantities have been supplied to adjacent territories.

(ii) Maize

Season	('000 metric tons)			
	Production	Consumption	Imports	Exports ¹
1972/73	4,360	5,206	-	3,917
1971/72	8,600	4,868	16	2,835
1970/71	6,133	5,150	73	1,302
1969/70	5,340	4,884	503	947
1968/69	5,316	4,691	-	2,956

¹ Including exports of maize products.

(iii) Butter

Season	('000 kg.)			
	Production	Consumption	Imports	Exports
1972/73	38,370	35,257	-	4,667
1971/72	45,419	38,998	6,229	7,589
1970/71	43,964	53,353	9,480	1,504
1969/70	47,267	54,020	2,796	1,114
1968/69	55,434	52,348	572	2,879

III. FILMS1. 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 in the English or Afrikaans languages, of at least 16 mm width. The scheme has in the meantime been extended to include feature films in any of the recognized South African Bantu languages. 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 the producer or producing company is, for income tax purposes, regarded as resident in South Africa.

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

(A) Films in the English or Afrikaans languages

- (i) No subsidy is paid in respect of the first R50,000 of net income earned on any film in the English or Afrikaans language;
- (ii) for films released before 1 October 1969, a payment of 44 per cent of the amount by which the net income of any English or Afrikaans film exceeds R50,000, 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.

(B) Films in any of the recognized Bantu languages

- (i) For films in any of the recognized Bantu languages, the subsidy is paid on every admission ticket sold;
- (ii) a subsidy of 18 cents per admission ticket is payable in respect of a film in any of the recognized Bantu languages, provided that 75 per cent of the language used in the film is an acknowledged South African Bantu language;
- (iii) the subsidy is payable on shows taking place up to four years from the release date of a film.

(c) Amount of the subsidy

The total amount of the subsidy has been as follows:

Financial year	Total payments	Average subsidy per film
1971/72	R 963,087	R24,000
1972/73	R1,450,860	R24,600
1973/74	R1,513,733	R24,400

(d) Estimated amount per unit

See above.

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

Statistics are not available.