

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## SUBSIDIES

### Notifications Pursuant to Article XVI:1

#### 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.

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 R.2 per ton irrespective of the crop cultivated. The subsidy is paid to the importers/producers of fertilizers, who in turn reduce 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 R.1 per ton.

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

(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 transportation charges	Amount of subsidy	Total
	R'000	R'000	R'000
1962	3,630	2,695	6,325
1961	3,598	2,372	5,970
1960	3,442	2,360	5,802

(d) Amount per unit

The amount of the price subsidy is R.2 per ton, except in the case of low-grade phosphate mined locally, in respect of which the subsidy is limited to R.1 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:

	1961 '000 tons	1960 '000 tons	1959 '000 tons
Rock phosphate	413.6	423.5	379.5
Potash sulphate and manures	73.0	66.0	6.4
Basic slag	57.4	44.4	47.9
Ammonium sulphate	56.9	43.9	48.1
Ammonium nitrate	32.7	56.4	17.9
Superphosphates	3.0	2.0	1.3
Other	16.0	37.9	41.8
<b>Total</b>	<b>652.6</b>	<b>674.1</b>	<b>542.9</b>

(ii) Exports

The following statistics reflect the exports of fertilizers in the years 1959, 1960 and 1961:

	1961 '000 tons	1960 '000 tons	1959 '000 tons
Superphosphates	3.7	0.9	0.6
Other	7.1	3.9	1.7
<b>Total</b>	<b>10.8</b>	<b>4.8</b>	<b>2.3</b>

(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:

1962	1,500,000 tons (preliminary)
1961	1,420,000 tons
1960	1,281,000 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 whole-wheat 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 1961/62 the unit cost of these expenses amounted to 35.5c. per bag of 200 lbs. This also constituted the level of the basic subsidy on maize.

In order to encourage the domestic consumption of yellow maize, an additional subsidy of 15c. per bag of 200 lbs. was paid in respect of this product.

To partially offset the effect of further increases in the production costs of the maize industry, the Government has decided to pay to the credit of the Stabilization Fund of the Mealie Industry Control Board a subsidy of 5c. per bag of 200 lbs. on maize and primary maize products exported during the 1962/63 marketing year.

(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 wheat and meal for bread, on maize and on butter during the financial years 1960/61 to 1962/63 were as follows:

Financial year ending 31 March	Wheat/meal bread R'000	Maize <sup>1</sup> R'000	Butter R'000	Total R'000
1963 <sup>2</sup>	13,277	14,340	4,418	32,035
1962	10,570	12,014	3,559	26,143
1961	12,806	11,944	2,968	27,718

(d) Estimated amount per unit

The rates of subsidy for the most recent season are as follows:

Bread flour:	R.1.26 per 200 lbs.
Sifted meal:	R.2.42 per 200 lbs.
Unsifted meal:	R.2.04 per 200 lbs.
Maize:	38.5c. per 200 lbs.
Butter:	4.86c. per lb.

<sup>1</sup>Including the subsidy in respect of transport charges which amounted to R.3,144,000 in 1961, R.2,951,068 in 1962 and, according to preliminary estimates to approximately R.3,200,000 in 1963.

<sup>2</sup>Preliminary.

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, with the exception of the 5c. per bag subsidy payable on maize and primary maize products exported during the 1962/63 marketing year.

(b) Statistics

(i) Bread flour and meal

Production and imports of wheat have been as follows:

Crop year	Production <sup>1</sup> tons	Imports tons
1961/62	902,388	81,708
1960/61	788,585	123,562
1959/60	756,515	249,590

Normally no meal or flour is imported.

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>
1961/62	nil
1960/61	nil
1959/60	567

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>
1961/62	1,046,600
1960/61	1,016,400
1959/60	1,033,900

<sup>1</sup> Production represents purchases by the Wheat Industry Control Board.

(ii) Maize

Marketing year	Production tons	Consumption tons	Imports tons	Exports <sup>1</sup> tons
1962/63 <sup>2</sup>	6,160,000	3,401,100	-	2,598,800
1961/62	5,328,300	3,081,100	-	1,773,400
1960/61	4,378,500	3,309,800	-	1,045,300

(iii) Butter

Imports and exports of creamery butter have been as follows:

Season	Imports		Exports
	Into the South African customs union	Overseas	Ships' stores and adjoining territories
	'000 lbs.	'000 lbs.	'000 lbs.
1961/62	nil	14,154	1,760
1960/61	nil	22,767	2,663
1959/60	5,152	nil	2,847

Production and consumption of creamery butter have been as follows:

Season	Production '000 lbs.	Consumption '000 lbs.
1961/62	106,336	94,380
1960/61	111,983	89,020
1959/60	95,797	89,205

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

<sup>2</sup>Preliminary.

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 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 entertainment tax paid in respect of the exhibition of such films in this country, and the amount refunded in respect of each film is calculated in the following way:

	<u>Percentage of entertainment tax refunded</u>
In respect of the first R.10,000 of entertainment tax paid .....	nil
In respect of the amount by which the entertainment tax paid exceeds R.10,000 but does not exceed R.12,000 .....	100
In respect of the amount of entertainment tax paid in excess of R.12,000 .....	200

The amount refunded in respect of any particular film does, however, not exceed 50 per cent of the production cost of the film concerned if the cost of production is less than R.45,000. If the cost of production of the film concerned exceeds R.45,000, the maximum amount that is payable in respect thereof is R.22,500 plus the amount by which the cost of production exceeds R.45,000.

(c) Amount of the subsidy

The total amount of the subsidy has been as follows:

Financial year ended 31 March	Total payments R.
1960	32,222
1961	88,910
1962	102,439
1963	174,556

(d) Estimated amount per unit

The average amount of the subsidy per film in respect of the financial year ended 31 March 1963 has been approximately R.9,187.

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.

(b) Statistics

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

<u>Year</u>	<u>Length</u> <u>'000 ft.</u>
1962	38,944
1961	26,498
1960	24,780
1959	13,377

Comparable export statistics are 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.

