

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

L/1948/Add.24

31 July 1963

Limited Distribution

Original: English

SUBSIDIES

Notifications Pursuant to Article XVI:1

FEDERATION OF RHODESIA AND NYASALAND

MAIZE

I. Nature and extent of the subsidy

(a) Background and authority

Maize entering the money economy in Northern and Southern Rhodesia is handled by the Grain Marketing Board, established under the Grain Marketing Act. Under this legislation the Board is required to determine its local selling price by adding its handling costs to the guaranteed producer price for the grain it takes in. As a measure to control the cost of living, the Federal Government has fixed the consumer price both in Northern and Southern Rhodesia at a level lower than the Board would have to fix in terms of normal legislation.

(b) Incidence

The subsidy is paid to the Grain Marketing Board on the basis of its sales of maize on the local market.

(c) Amount of subsidy

The total cost budgeted for 1962/63 was £1,058,000.

(d) Amount per unit

The subsidy represents approximately 5/7d. per bag but as there was an overpayment to producers for the previous season's maize the present producer price was adjusted to take this into consideration.

II. Effect of the subsidy

(a) The guaranteed price for maize sold on the local market has resulted in a considerable increase in production. This has eliminated the need for expensive imports (the Federation is land-locked), which were a drain on the economy during the previous two decades.

(b) (i) As a considerable proportion of the maize crop in the Federation is produced and consumed within the subsistence economy, accurate total figures cannot be given. The table below excludes this subsistence production and consumption, and represents total production in the money economy plus the sales of surplus maize from the subsistence sector of the economy.

<u>'000 bags of 200 lbs.</u>	<u>S. Rhodesia</u>	<u>N. Rhodesia</u>
1960	3,657	1,812
1961	7,138	2,382
1962	6,084	2,328

Federal Imports and Exports

Tons of 2,000 lbs.

	<u>Imports</u>	<u>Exports</u>
1960	500	12,121
1961	78	311,461
1962	125	449,636

(ii) The maize subsidy was taken over from the Northern and Southern Rhodesia Governments by the Federal Government when the Federation was established. These subsidies had been paid for a number of years prior to 1953 and it is felt that there have been so many economic, technical and political developments since the time when subsidies were first introduced that no comparison would be meaningful.

CHEESE

I. Nature and extent of the subsidy

(a) Background and authority

The manufacture of cheese is carried out mainly by the Dairy Marketing Board, which handles most of the milk and dairy produce of the Rhodesias. However, there is one small cheese factory and one farmer who are outside the provisions of the Dairy Marketing Scheme. As the cheese factory is a valuable asset to the economy of the remote areas where it is situated and as the producers in that area are dependent upon it for the disposal of their milk supplies, it has been decided to maintain this cheese production.

(b) Incidence

The subsidy is paid directly to the cheese factory and the farm cheese maker.

(c) Amount of subsidy

The total cost budgeted for 1962/63 was £5,000.

(d) Amount per unit

The subsidy represents 6d. per lb. of cheddar or gouda type cheese.

II. Effect of the subsidy

(a) The subsidy has helped to maintain the two small producers in business. The subsidy has little or no effect on the dairy industry as a whole as the quantities involved are very small.

(b) (i) The amounts of cheese produced by the factory and the farmer for the last three years are set out below:

	<u>Factory</u>	<u>Farmer</u>
1960	167,589 lbs.	6,793 lbs.
1961	213,183 lbs.	7,860 lbs.
1962	206,603 lbs.	5,221 lbs.

This cheese is all consumed locally and is a small proportion of total production.

(ii) This subsidy has been paid for a number of years and comparisons with pre-subsidy periods would not be meaningful.

MILK

I. Nature and extent of the subsidy

(a) Background and authority

A statutory body, the Dairy Marketing Board receives and processes the milk from most dairy producers in the main centres of population. The Government guarantees a price in respect of milk consumed locally on the internal market as fresh milk, together with a "safety margin" of one million gallons (approximately 10 per cent of consumption). To encourage consumption and to help to maintain the cost of living at a reasonable level, the Government subsidizes the whole milk operations of the Dairy Marketing Board as necessary to keep the retail price of milk at a reasonable level.

To encourage the production of milk under hygienic conditions a quality premium and a dairy bonus scheme exist. Under the former, bonuses are paid according to composition and keeping quality of the milk with penalties for below standard milk. Under the dairy bonus scheme in Southern Rhodesia payments are

made to producers of butterfat and cheese milk who follow satisfactory dairying methods. Producers in the Livingstone area of Northern Rhodesia can qualify for a bonus on whole milk produced under good dairying conditions.

(b) Incidence

The milk subsidy is paid to the Dairy Marketing Board.

The quality premium and bonus payments are made to individual producers.

(c) Amount of subsidy

The total cost budgeted for 1962/63 was £260,000.

(d) Amount per unit

Milk produced and consumed as liquid milk in Southern Rhodesia results in a net contribution to Government revenue of 1.5d. per gallon, which reduces the subsidy requirement on the 750,000 gallons of "safety margin" milk from approximately 26d. per gallon to about 1/- per gallon. Milk consumed as liquid milk in Northern Rhodesia is subsidized at the rate of 10d. per gallon and the 250,000 gallons of the "safety margin" are subsidized at the rate of 21.5d. per gallon.

Quality premium payments average about 1.4d. per gallon.

Payments under the Southern Rhodesia dairy bonus scheme are at the rate of 1/- per lb. on first-grade butterfat, 9d. per lb. on second-grade butterfat and 6d. per gallon on cheese milk.

Producers in the Livingstone area who qualify under the Dairy Production Assistance Scheme obtain a bonus of 4d. per gallon.

II. Effect of the subsidy

(a) The Federation is a net importer of dairy products and the subsidies will have little effect on trade.

(b) (i) Milk production and utilization in the Rhodesias

	<u>Southern Rhodesia</u>				<u>Northern Rhodesia</u>			
	Estimated whole milk production ('000 gall.)	<u>Utilization</u>			Estimated whole milk production ('000 gall.)	<u>Utilization</u>		
Fresh & powdered milk		Butter	Cheese	Fresh & powdered milk		Butter	Cheese	
1960	18,000	50%	33%	17%	4,000	65%	14%	21%
1961	18,800	51%	39%	10%	4,400	69%	18%	13%
1962	19,900	51%	39%	10%	4,600	77%	14%	9%

Federal Imports and Exports

	<u>Imports</u>	<u>Exports</u>	<u>Imports</u>	<u>Exports</u>	<u>Imports</u>	<u>Exports</u>
Milk, condensed, skimmed (lb.)	1,395,627	-	1,508,895	-	973,784	-
Milk, condensed, full cream (lb.)	5,778,624	-	6,581,909	-	6,068,601	-
Milk powder, skimmed (lb.)	1,772,098	-	1,069,618	-	2,846,908	-
Milk powder, full cream (lb.)	1,665,880	-	879,539	-	537,365	-
Milk and cream, fresh (gall.)	346	28,948	705	42,682	24	24,037
Butter and ghee (lb.)	2,107,735	91,055	1,218,494	77,713	1,466,262	65,421
Cheese and curd	563,190	535,052	1,136,478	8,489	1,449,667	36,135

(ii) See cheese subsidy.

OTHER SUBSIDIES

In addition to the above commodity subsidies, the Federal Government assists producers by means of grants, bounties or subsidies on production requisites as below.

Livestock Improvement Scheme

With a view to improving our beef and dairy herds, grants are paid to approved farmers who purchase approved livestock. Before any grant is authorized an inspection is carried out to determine whether the applicant is maintaining a sufficiently high standard of management of his livestock. Total cost £6,000.

Conservation and irrigation subsidies

Subsidies on water conservation measures are paid at the following percentage rates of the subsidizable value, which value is limited to a maximum of £4,000 in respect of any one work.

50 per cent of subsidizable value of works constructed in areas having an annual rainfall of twenty-five inches or less.

33 1/3 per cent of subsidizable value of works constructed in other areas.

Total cost £200,000.

Good Cattle Production Bounty

This scheme, which was introduced by the Northern Rhodesia Government prior to Federation, is designed to encourage farmers to improve their herds and stock management methods. Subject to certain conditions bona fide cattle breeders in

Northern Rhodesia are paid a bounty in respect of each approved yearling in good condition at the rate of £2 for the first fifty approved yearlings, £1 for the next fifty approved yearlings, 12/- for the next 100 approved yearlings, and 8/- for yearlings over 200. The maximum payable to any farmer is £2,000. Total cost £30,000.

Fertilizer transport subsidy

The position of the producers in the north-eastern area of Northern Rhodesia has already been referred to.

The cost of transporting fertilizers used for the production of crops in this remote area of Northern Rhodesia is subsidized at the rate of £5 per ton (approximately 50 per cent). The total cost to the Government is £3,500.

Regional planning subsidy

Regional planning is a scheme designed to protect the natural resources of Northern Rhodesia initiated by the Northern Rhodesia Government and inherited by the Federal Government when it assumed responsibility for non-African agriculture in that territory with effect from 1 January 1956. Very broadly, regional planning consists of putting in conservation measures on a regional basis rather than on an individual farm basis. Certain works of a communal nature qualify for up to 100 per cent subsidy. Farm works within the overall plan with direct benefit to the land-owner are subsidized to the extent of 50 per cent. The annual cost to the Government is £40,000.

