

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/2601/Add.5

7 June 1966

Limited Distribution

---

Original: English

## 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 and are determined in accordance with the formula N=R20, P=R45 and K=R8 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.

---

<sup>1</sup> Throughout this notification the ton referred to is the short ton 2,000 lbs. Previous notification was issued in L/2326/Add.8.

(c) Amount of subsidy

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

Financial year ending 31 March	Amount of railage rebate R'000	Amount of subsidy R'000	Total R'000
1965	3,834	4,230	8,064
1964	4,996	3,202	8,198
1963	3,881	2,967	6,848

(d) Amount per unit

The consolidated subsidy (see paragraph 1(b) above) varies according to the plant food value of each individual type of fertilizer, e.g. superphosphate (8.4 per cent P) - R3.80 per ton and ammoniumsulphate (21 per cent N) - R4.20 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

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

	1963 '000 tons	1962 '000 tons	1961 '000 tons
Rock phosphate	351.6	498.1	413.6
Potash sulphate and manures	130.6	89.9	73.0
Basic slag	44.2	49.3	57.4
Ammonium sulphate	131.3	67.8	56.9
Ammonium nitrate	55.3	21.6	32.7
Superphosphates	15.0	7.1	3.0
Other	26.1	11.8	16.0
<b>Total</b>	<b>754.1</b>	<b>745.6</b>	<b>652.6</b>

(ii) Exports

The following statistics reflect the exports of fertilizers in the years 1961, 1962 and 1963:

	1963 '000 tons	1962 '000 tons	1961 '000 tons
Superphosphates	4.2	1.9	3.7
Other	28.5	18.3	7.3
<b>Total</b>	<b>32.7</b>	<b>20.2</b>	<b>11.0</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:

1964	1,913,000 tons
1963	1,820,000 tons
1962	1,537,000 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 of  $37\frac{1}{2}$  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.

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 order to encourage the domestic consumption of yellow maize, an additional subsidy of 15¢ per bag of 200 lbs. was paid in respect of this product until the end of the 1963/64 marketing year. As from the 1964/65 marketing year this subsidy has been increased to 23½¢ per bag with a view to further stimulating local demand.

The subsidy on maize and primary maize products exported, amounting to 1¢ per bag of 200 lbs. during the 1964/65 marketing year, has been discontinued as from the current marketing season, i.e. 1965/66.

(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 1962/63 to 1964/65 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
1965	13,612	14,425	4,534	32,571
1964	12,468	14,356	4,608	31,432
1963	13,111	14,299	4,418	31,828

(d) Estimated amount per unit

The rates of subsidy for the most recent season for which final figures are available are as follows:

Bread flour:	R1.27 per 200 lbs.	(1963/64)
Sifted meal:	R2.45 per 200 lbs.	(1963/64)
Unsifted meal:	R2.06 per 200 lbs.	(1963/64)
Butter:	4.26¢ per lb.	(1963/64)
Maize <sup>2</sup> :	24¢ and 47.5¢ per 200 lbs. for white and yellow maize respectively (1964/65).	

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.

<sup>1</sup>Including the subsidy in respect of transport charges which amounted to R3,161,000 in 1963, R3,353,000 in 1964 and R3,802,000 in 1965.

<sup>2</sup>The rates represent the basic subsidy and do not include the railage rebate of 37½ per cent.

(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
1963/64	913,272	248,902
1962/63	713,870	269,524
1961/62	902,388	81,708

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>
1964/65	72.7
1963/64	94.2
1962/63	89.2

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

<u>Crop year</u>	<u>Tons</u>
1963/64	1,120,000
1962/63	1,071,000
1961/62	1,012,000

<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
1964/65	4,716,700	4,259,100	-	1,213,100
1963/64	6,724,300	4,030,800	-	3,047,700
1962/63	6,616,000	3,788,100	-	2,851,000

(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.
1963/64	17,422	170	2,607
1962/63	1,577	346	2,334
1961/62	nil	14,154	1,760

Production and consumption of creamery butter have been as follows:

Season	Production '000 lbs.	Consumption '000 lbs.
1963/64	92,040	106,209
1962/63	99,598	100,978
1961/62	106,336	94,380

<sup>1</sup>Including 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 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 R50,000 gross income earned on any film;
- (ii) a payment of 44 per cent is made in respect of the amount with which the gross income on any film exceeds R50,000.

The maximum amount refunded in respect of any particular film, depends on the production cost thereof.

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

The total amount of the subsidy has been as follows:

Financial year ended 31 March	Total payments R
1965	284,694
1964	180,917
1963	174,556
1962	102,439

(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 R18,975.

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:

<u>Year</u>	<u>Length</u> <u>'000 feet</u>
1964	30,564
1963	37,070
1962	38,334
1961	26,498

IV. OTHER SUBSIDIES

None.