

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## SUBSIDIES

### Notifications Pursuant to Article XVI:I

#### 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 and phosphorus contents of the various types of fertilizers. At present the formula is  $N = R12,00$  and  $P = R31,50$  per ton.

No direct subsidies, as in the case of fertilizers, are payable on agricultural lime and agricultural gypsum, but a rebate, amounting to 75 per cent (with a maximum of 35 cents per 100 kgs.) for agricultural lime and agricultural gypsum 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'000 000		
	Amount of railage rebate	Amount of subsidy	Total
1975	2,0	15,4	17,4
1976	2,3	18,4	20,7
1977	3,0	17,8	20,8

(d) Amount per unit

In accordance with the formula referred to in 1(b) above, the subsidy for superphosphate (8,3 per cent P) and ammonium sulphate (21 per cent N) is R1,72 and R2,52 per ton respectively.

2. Effect of the subsidy(a) Estimated quantitative trade effect of the subsidy

South Africa's imports of fertilizers consist almost exclusively of nitrogen and potassium, 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

	1974	1975	1976
	Tons		
<u>Crude</u>			
Natural, animal or vegetable	6	1 534	260
Natural sodium nitrate	235	-	23
Natural potassic fertilizers	309 820	245 809	205 279
<u>Manufactured</u>			
Ammonium nitrate	-	17 289	82
Ammonium sulphate	18 217	42 232	59 846
Urea fertilizers	20 761	22 473	17 320
Basic slag	1 795	-	-
Super phosphates	8	15	2
Chemical potassic fertilizers	18 179	22 402	11 613
Fertilizers n.e.s.	909	1 077	861
Total	369 930	352 831	295 286

(ii) Exports

	1974	1975	1976
	Tons		
<u>Crude</u>			
Natural, animal or vegetable	4 875	3 131	1 098
Natural sodium nitrate	63	762	-
Natural potassic fertilizers	198	-	-
<u>Manufactured</u>			
Super phosphate	11 086	1 490	260
Ammonium	5 310	5 991	5 215
Ammonium	1 145	1 090	56
Urea fertilizers	15 697	1 307	3 380
Chemical fertilizers	107	270	1 714
Fertilizers n.e.s.	34	76	626
<b>Total</b>	<b>38 515</b>	<b>14 117</b>	<b>12 349</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:

<u>Year</u>	<u>Tons</u>
1974	523 069
1975	568 756
1976	593 893

## 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 brown and whole wheat bread, butter and maize. The maize subsidy is also specifically intended to encourage local consumption.

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 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 brown and whole wheat bread (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 bakers through the Board. This enables the bakers to sell white, brown and whole wheat bread at prices fixed by the Government.

(ii) Maize

In practice the Maize 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.

(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 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'000 000			
	Bread flour and meal	Maize <sup>1)</sup>	Butter	Total
1975	44,6	31,5	12,6	88,7
1976	65,8	54,8	8,3	128,9
1977	67,8	61,9	7,2	136,9

<sup>1)</sup> Including the rebate in respect of transport charges which has been withdrawn as from 1 January 1978.

(d) Estimated amount of subsidy per unit

The subsidy rates in respect of the financial year 1977/78 were as follows:

	<u>Subsidy rate</u>
Brown bread	6,045 cents per 900 grams
Whole wheat bread	5,977 cents per 900 grams
Butter	R285,71 per ton
Maize	R10,52 per ton

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	'000 tons			
	Production <sup>1)</sup>	Consumption	Imports	Exports
1974/75	1 532	1 580	-	43
1975/76	1 735	1 683	-	31
1976/77	2 170	1 632	-	242

1) I.e. purchases by the Wheat Board.

Normally no flour or meal is imported. Exports of wheat, flour and meal, up to the 1971/72 season were insignificant and occasionally small quantities have been supplied to adjacent territories. In latter years wheat has from time to time been offered on the world market through the local export trade.

(ii) Maize

Season	'000 tons			
	Production	Consumption	Imports	Exports <sup>1)</sup>
1974/75	11 105	5 760	-	3 260
1975/76	9 140	5 761	-	3 240
1976/77	7 314	5 732	-	1 513

1) Including exports of maize products.



(iii) Butter

Season	Tons			
	Production	Consumption	Imports	Exports
1974/75	27 357	23 177	-	1 139
1975/76	26 883	23 826	-	2 718
1976/77	24 638	21 919	-	3 604

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 recognised 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 of Afrikaans languages

- (i) Subsidy is payable on net box office receipts at the following rates after net cinema income has reached an amount of R100 000:

Films of which the language used is at least 95 per cent in Afrikaans

<u>Net box office receipts</u>	<u>Subsidy rate</u>
Up to R200 000	70%
R200 001 to R300 000	60%
R300 001 to R400 000	50%
R400 001 to R500 000	40%
more than R500 000	30%

Films in other languages (excluding Bantu language films)

<u>Net box office receipts</u>	<u>Subsidy rate</u>
Up to R200 000	60%
R200 001 to R300 000	50%
R300 001 to R400 000	40%
R400 001 to R500 000	30%
more than R500 000	20%

- (ii) revenue earned from shows taking place more than two years after release of a film is not considered for subsidy purposes;

(iii) the maximum subsidy per film is R300 000.

(B) Films in any of the recognised Bantu languages

- (i) For films in any of the recognised Bantu languages, the subsidy is paid on every admission ticket sold;

- (ii) the subsidy is equal to the price of each ticket sold with a maximum of 18c per ticket in respect of a film in any of the recognised 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 two years from the release date of a film;
- (iv) the maximum subsidy payable is R70 000 per film.

(c) Amount of the subsidy

The total amount of the subsidy has been as follows:

<u>Financial year</u>	<u>Total payments</u>	<u>Average subsidy per film</u>
1974/75	R2 566 590	R111 000
1975/76	R2 900 637	R100 000
1976/77	R2 156 344	R102 600

(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.