GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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STATE TRADING

Notifications Pursuant to Article XVII:4(a)

SOUTH AFRICA

I. ENUMERATION OF STATE-TRADING ENTERPRISES

At present the only South African enterprises which can be regarded as covered by the provisions of Article XVII are marketing boards concerned with the marketing of certain agricultural products.

Marketing boards exist for the following products:

- 1. Bananas
- 2. Bush tea
- Chicory root
- Citrus fruit
- 5. 6. Dairy products, i.e. butterfat, butter, cheese-milk and industrial milk
- Deciduous fruit, i.e. apples, apricots, grapes, peaches, pears and plums
- Dried fruit, i.e. prunes and dried vine fruits Dried beans (main varieties produced) 7.
- 8.
- 9. Eggs
- 10. Fresh milk (Cape Town, Witwatersrand, Pretoria, Bloemfontein and the urban area of Western Transvaal)
- 11. Livestock and meat
- 12. Lucerne seed
- 13. Maize, buckwheat and grain sorghum
- 14. Oilseeds, i.e. groundnuts, sunflowerseed and soyabeans
- 15. Potatoes
- 16. Tobacco
- 17. Winter cereals, i.e. wheat, oats, barley and rye
- 18. Canning pears, peaches and apricots
- 19. Mohair
- 20. Karakul
- 21. Wool
- 22. Seed cotton

II. REASON AND PURPOSE FOR INTRODUCING AND MAINTAINING STATE-TRADING ENTERPRISES

The reasons and purposes for introducing and maintaining the various marketing schemes may be summarized as follows as will be seen from the notes supplied below on each scheme:

- (i) To achieve a measure of stability for the producers concerned;
- (ii) to facilitate the marketing of the crops concerned; and
- (iii) to ensure sufficient supplies to consumers at reasonable prices either from local production or importation.
- III. DESCRIPTION OF THE FUNCTIONING OF THE STATE-TRADING ENTERPRISES

A. The rpecific schemes

The Banana Board is in practice only concerned with the marketing of bananas in the domestic market. All bananas leaving the demarcated production areas, for sale outside such areas, must be sold through the Board, as well as all bananas imported by persons and destined for consumption outside these production areas. In the northern main markets, viz. the Witwatersrand and Pretoria urban areas, the Board has its own ripening facilities and the bulk of the requirements in these areas are sold directly to the wholesale trade at prices determined by the Board from time to time in the light of the existing demand and supply In the other marketing areas supplies are sold on municipal markets subsequent to such supplies being ripened for the Board on an agency basis - the most important of these being the Cape Town auction market. Four-weekly pools are operated by the Board for the various grades and sizes of bananas marketed under its control.

- 2. The Rooibos Tea Control Board sells an indigenous type of tea on behalf of producers on a pool basis. Beyond selling tea to packers and export agencies there is no further control regarding prices. The commodity is of no importance in international trade. Before establishment of the Board producers were largely at the mercy of one large packer who could determine prices.
- 3. The Chicory Board sells chicory root on behalf of producers to coffee roasters. An advance price is paid to producers and a subsequent payment is made depending upon the ultimate realization for each crop. The Board ensures equitable treatment for all producers. The Board has nothing to do with imports of coffee beans nor with the trade in prepared coffee or coffee and chicory mixtures.
- 4. The <u>Citrus Board</u> exports oranges, lemons and grapefruit on behalf of producers on a pool basis. The disadvantages arising from several thousand producers competing amongst themselves on overseas markets are thereby avoided. The export fruit handled by the Board is usually sold by private treaty through overseas representatives on a commission basis. The scheme is therefore maintained to achieve the benefits derived from co-ordinated marketing.

With the latter object in view the Board has also been empowered to act as a one-channel marketing organization for virtually all citrus fruit intended for domestic consumption. As in the case of overseas markets the Board utilizes existing trade channels in disposing of fruit received from producers.

5. <u>Dairy products</u> being considered an essential foodstuff, the dairy products scheme is devised so as to ensure a steady supply of these products at reasonable prices to consumers.

The Dairy Board controls, with approval of the Minister of Agriculture, the producer prices of butterfat and industrial milk.

The Board is the sole first-hand buyer and importer of butter. Cheddar and Gouda cheese and also controls the manufacturing and trade prices of these products.

The Board has also been empowered to act as the sole importer of whole and skimmed milk powder, condensed milk, and process cheese, when local supplies of these products are insufficient to meet domestic demand. The Board does not control the trade prices of these products.

- 6. The <u>Deciduous Fruit Board</u> functions largely in the same manner as the Citrus Board and is maintained for the same reason. The Board exports fresh apples, apricots, grapes, peaches, pears, plums and prunes produced in the main production area on behalf of producers on a pool basis. With the exception of apples, pears and apricots the Board is also responsible for the marketing of the above varieties of fruit which are grown in the Western Province area, on a pool basis in the domestic markets.
- 7. The <u>Dried Fruit Board</u> is the sole buyer from producers of prunes, and the various dried vine fruits. After providing for the requirements of the domestic market, the Board sells any surpluses overseas.

Producers are paid advance prices and deferred payments are made from the pools after the crops have been sold. The Board's selling prices to dried fruit packers are fixed by the Board with the approval of the Minister.

The scheme protects producers from price fluctuations resulting from the annual fluctuations in output and from the disadvantage of unco-ordinated selling.

8. The Dry Bean Board is empowered to operate floor prices for the main varieties of dried beans when local supply and demand conditions warrant such action. In accordance with crop prospects the Board may thus fix minimum prices at which it offers to buy beans from producers if they cannot obtain the equivalent or better prices from traders.

Beans which the Board might purchase are resold in the domestic market for local consumption or export. The scheme is maintained in order to achieve a measure of stability for the producers of dried beans.

9. The Egg Control Board fixes from time to time the floor prices at which registered packers are required to buy eggs from producers. These prices vary according to the seasonal nature of production. All stocks of graded eggs which the packers cannot dispose of domestically or in adjoining countries may be sold to the Board which may resell such eggs at a later stage in the domestic market or export them. The bulk of the Board's purchases is generally sold in overseas markets at prevailing prices.

The production of eggs being very seasonal, the scheme is maintained to prevent producer prices from fluctuating too severely with the fluctuations in production.

10. The Milk Board at present regulates the sale and distribution of fresh milk in the urban areas of Cape Town, the Witwatersrand, Pretoria, Bloemfontein and the Western Transvaal. The price at which distributors may buy fresh milk from producers is fixed by the Board with ministerial approval. Surplus milk is diverted to industrial outlets by the Board, which distributes the joint net proceeds of milk sold for fresh consumption and for other purposes on a pool basis to producers.

The scheme is maintained to regulate the distribution of fresh milk to the advantage of both producers and consumers.

11. The <u>Meat Board</u> sets floor prices at which it is prepared to buy slaughtered carcasses of cattle, sheep, goats and pigs at the auctions in the main urban centres. When necessary the Board buys surplus quantities of meat at floor prices at the main urban centres.

If circumstances should warrant such action, the flow of animals to the urban centres concerned is regulated by the Board in conjunction with the agents appointed by the Board to handle livestock marketed in the urban centres. Under this system each agent is allotted a certain weekly quota. In centres other than the main urban areas, there is no control over the marketing of slaughter stock.

- 12. The Lucerne Seed Control Board conducts a one-channel pool scheme for lucerne seed (alfalfa) and appoints agents to physically handle the crop. The advance prices to producers, its selling prices to lucerne seed cleaners and the latter's selling prices to the trade are fixed annually with ministerial approval. Particular attention is paid to the quality and purity of the seed supplied to the trade. Final payments from the pools are made to producers when net realizations are known.
- The Maize Board operates a scheme for maize, grain sorghum and buckwheat. The Board buys all maize from producers through appointed agents at prices which are fixed annually when the maize harvest commences. equitable treatment is ensured to all maize producers and they are protected against the vagaries of the market. Board sells surplus maize on tender to private exporters and any losses sustained or profits made on such sales are met from or accrue to the Board's stabilization fund to which all producers contribute. By means of this fund the shocks of sudden price fluctuations in the export markets are moderated. Although the control measures are aimed at stabilizing local producers' prices to some degree, the Board's internal selling prices are fixed on a conservative basis as can be seen from the figures quoted below.

Export realizations in respect of maize compare as follows with domestic prices for the seasons mentioned:

Season	Rand per ton									
	Board's domes price for bull grades	tic selling k maize - best	Board's gross export realization							
	White	Yellow	White	Yellow						
1974/75 1975/76 1976/77	47,00 50,00 59,00	47,00 50,00 59,00	91,54 95,81 116,20	91,35 92,74 105,58						

When maize is occasionally imported, these quantities are sold by the Board at domestic prices and the resultant losses are met by the Treasury.

For grain sorghum the Board operates a floor price scheme. Prices by grades are established annually at which the Board buys supplies which producers are unable to sell at higher prices to grain traders. The scheme is maintained for the stability it renders to producers of grain sorghum.

The Board also operates a one-channel marketing scheme for buckwheat in terms of which this product is sold to the best advantage by the Board and the producers concerned are paid advance and subsequent payments for quantities delivered to agents of the Board.

14. The Oilseed Control Board is the sole buyer from producers of groundnuts, sunflowerseed and soyabeans and appoints agents to handle the crops. Depending upon the local firsthand selling prices, fixed annually by the Board, and overseas prospects, the Board establishes advance prices by grades to producers each year and subsequently makes one or more deferred payments from its pools depending upon what it realizes on average from the sale of the crops.

Practically all the sunflowerseed is sold in the Republic whilst groundnuts are also exported as selected nuts for the edible trade and should a season's production warrant such action, also as nuts for crushing purposes. When necessary to ensure sufficient supplies of oilcake, groundnut and sunflowerseed oil are produced in excess of domestic requirements and the excess oil is exported by the trade. Regarding exports of these three products in question, the Board, although undertaking exports itself, also sells these products for export to the local export trade.

- 15. The Potato Board endeavours to stabilize prices when excessive supplies reach the main markets, particularly Johannesburg, by operating on the market. Supplies thus purchased are redistributed to deficit markets, and to low income groups mostly at reduced prices, whilst a portion is exported. During periods of maximum supply, the Board also arranges with producers to grade and pack potatoes directly for export. On some exports profits are made whilst on others losses are incurred. The Board obtains its funds from levies imposed on potatoes marketed in the larger urban centres. The Board does not obtain any funds from the State.
- 16. The tobacco crops are handled by co-operative companies and the Tobacco Board merely fixes the minimum selling prices to manufacturers and imposes levies to build up a reserve fund. From this fund the Central Co-operative Tobacco Company is partly compensated for any shortfall on the prices of leaf exported.
- 17. The Wheat Board is the sole buyer of wheat, oats, rye and barley from producers through its appointed agents.

The domestic prices of these cereals are determined annually on the basis of production costs surveys and other relevant economic factors. For wheat these surveys are of greater importance than for the other grains where the greater importance is attached to production in relation to consumption.

There are no measures compelling the use of substitutes when shortages of wheat occur. In fact admixtures in bread are ordinarily prohibited except that a mixed rye bread is permitted provided it is labelled as such.

Any loss on barley or oats exported periodically is recovered from stabilization funds derived from levies on producers. No contributions are made by the State.

The prices for wheat and wheaten meal, flour and bread are fixed at all stages. For the other grains the prices at which the Board buys and sells are fixed, but not the resale prices by the trade or prices of the products manufactured therefrom. The Board's selling prices are the net prices paid to producers, plus levies and the storage and handling charges of its agents.

These cereals, as well as barley meal and malt, ground or crushed oats, rye meal, flour and bran, and wheaten flour, meal, semolina and bran may only be imported by the Board or by a person authorized to do so by a permit issued by the Board. In practice the Board is the sole importer of wheat.

The normal practice, when shortages arise, has, with the exception of barley malt, been to import grain and to produce the other products locally. When necessary the States pays a subsidy to bring the cost of imported wheat into line with that of domestic supplies. Importers obtain the other cereals at cost.

18. The scheme for canning pears, peaches and apricots is primarily aimed at the promotion of orderly marketing of canning pears, peaches and apricots with a provision for a measure of price protection, proper grading and payment according to quality. The scheme merely enables the Canning Fruit Board to prohibit the sale of pears, peaches and apricots by producers to canners, except in accordance with a written contract which must at least provide for the sale of such pears, peaches and apricots at prices according to grade. The Board also has the power to fix a minimum price for such sales.

- 19. The Mohair Board was established mainly for the purpose of facilitating the marketing of mohair in the Republic. The Board acquires the clip and subsequent to the receipt of the mohair by the Board, advance payments, determined at the beginning of each season for each type and class of mohair, are made to producers. At the end of the season when the various pools are finalised, producers receive final payments, the amount of which depends on every pool's average net realisation. Through appointed agents the Board sells mohair by auction, subject to the Board's reserve prices. Consignments withheld from sale by the Board under the reserve price provision are transferred to the next season's pools at prices determined by the Board.
- 20. The <u>Karakul Board</u> is mainly concerned with promotional work in the marketing of karakul pelts in the local and overseas markets. The Board has neither the power to buy or sell pelts nor to fix the price of this commodity.
- The South African Wool Board established in terms of the Marketing Act, regulates the South African wool industry in terms of a one-channel pool scheme. The Board acquires the clip and subsequent to the receipt of wool by the Board, advance payments determined at the beginning of each type and class of wool, are made to producers. At the end of the season when the various pools are finalized and closed, producers receive final payments, the amount of which depends on every pool's average net realization. Through appointed agents the Board sells wool by auction, subject to the Board's reserve prices. Consignments withheld from sale by the Board under the reserve price provision are subsequently sold by the Board for the account of its Stabilization Fund should such ultimate sale take place in the following or a subsequent season.

Furthermore the Wool Board, in co-operation with the International Wool Research and Publicity Secretariat, promotes the wool industry, undertakes research into the production of wool and matters incidental thereto and takes or aids such steps, including propaganda, as may be calculated to stimulate the consumption of wool and woollen fabrics.

22. The <u>Cotton Board</u> is empowered to fix a minimum price for seed cotton to the producer, but since the Board's inception it has not yet exercised this power. The price level to producers for seed cotton is indirectly influenced by the fact that the prices paid for cotton lint by spinners are annually negotiated on a voluntary basis by the various interested parties in this agricultural sector.

B. Handling of imports

- (a) The following boards have in practice the sole right to import the commodities listed below:
 - 1. Wheat Board barley, rye, oats and wheat and the main products derived from these cereals. In practice private traders are usually permitted by the Board to actually import the products mentioned with the exception of wheat, the importation of which is done by the Board itself.
 - Maize Board maize (Zea Mays indentata and Zea Mays indurata) and virtually all maize products.
 - 3. Dairy Board butter, cheese (including process cheese), condensed milk, condensed skim milk, milk powder and skim milk powder.
 - 4. Chicory Board unroasted chicory.

- (b) A permit, issued by the Secretary for Agricultural Economics and Marketing, is required for the importation of dried prunes, dried sultanas, loose raisins, dried currants, leguminous seeds, potatoes (with the exception of seed potatoes), grain sorghum, grain sorghum products, buckwheat and roasted and/or ground chicory.
- operate single-channel marketing schemes, importers of the relevant regulated products are obliged to market the imported products through the respective Boards. In terms of the relevant control schemes the importer of the controlled product is also regarded as the producer thereof. In this way the undermentioned control boards can exercise a measure of control over the marketing of these imported products.
 - 1. Banana Control Board bananas
 - 2. Rooibos Tea Control Board bush tea
 - 3. Dried Fruit Board dried apricots, dried peaches, dried vine fruits and dried prunes
 - 4. Lucerne Seed Control Board lucerne seed
 - 5. Oilseeds Control Board groundnuts and sunflowerseed
 - 6. Citrus Board all citrus fruit varieties, except for Seville oranges
 - 7. Deciduous Fruit Board peaches, nectarines, plums, prunes and grapes
 - 8. Mohair Board mohair
 - 9. Wool Board wool
- (d) The following control boards do not, in terms of their schemes, exercise control over imports:
 - 1. Meat Board
 - 2. Tobacco Board
 - 3. Egg Control Board
 - 4. Canning Fruit Board
 - Karakul Board
 - 6. Cotton Board

C. Handling of exports

- (a) The following boards undertake exports for their own account:
 - Potato Board table potatoes. (Seed potatoes are exported for the account of private concerns.)
 - 2. Dried Fruit Board prunes and dried vine fruits
 - 3. Egg Control Board hen eggs and egg pulp. (Exports to adjoining countries and the Far East are handled by the private trade.)
 - 4. Oilseeds Control Board groundnuts, soyabeans and sunflowerseed. (In some respects this Board might be classed under (c).)
 - 5. Dairy Board butter, Cheddar and Gouda cheese
 - 6. Meat Board occasional surpluses of chilled and frozen beef and pork
 - 7. Chicory Board chicory
- (b) The following boards undertake exports on behalf of producers:
 - 1. Citrus Board citrus fruit
 - Deciduous Fruit Board fresh apricots, peaches, plums, pears, grapes and apples
- (c) The following boards sell to commercial firms who export for their own account:
 - Maize Board maize in the grain, grain sorghum and buckwheat
 - 2. Dry Bean Board dried beans
 - 3. Oilseeds Control Board groundnuts, soyabeans and sunflowerseed, partly - see (a)4
 - 4. Lucerne Seed Control Board
 - 5. Rooibos Tea Control Board
 - 6. Mohair Board
 - 7. Wool Board
 - 8. Wheat Board wheat, oats, barley and rye

(d) The following boards are not concerned with exports:

- 1. Fresh Milk Board
- 2. Tobacco Board
- 3. Banana Board. (A few trial consignments were exported by the Board in 1958 due to a seasonal surplus, but since then no exports have been effected.)
- 4. Canning Fruit Board
- 5. Karakul Board
- 6. Cotton Board

There is no competition between the marketing boards and private commercial interests. Buying and selling of a commodity is regulated to a certain stage (in the case of wheat, from producer to baker; in the case of leaf tobacco, merely the minimum selling prices of co-operatives are regulated) and beyond that the trade is in the hands of private firms. Even where the marketing board is the sole first-hand buyer of the commodity concerned, e.g. maize, the physical handling and storing is done by private concerns acting as agents of the Board.

D. Determination of quantities exported or imported

The policy has been to supply the domestic market to the fullest extent before any supplies are exported.

The varieties of fresh fruit mentioned are produced specially for export markets. For other commodities like maize, groundnuts, leaf tobacco and the dried fruits, production is normally in excess of domestic requirements. Domestic consumption is known fairly accurately and any excess supplies are available for export. Occasional surpluses of butter, cheese, wheat, cats and barley, and seasonal surpluses of eggs are also exported.

Imports of the controlled commodities are determined on the basis of probable requirements. For wheat, for example, crop estimates are available and by February of each year practically the entire crop has been delivered. The shortage is then easily determined. For butter or cheese, factory output is known for each month and the stocks required to keep the trade fully supplied are also known. A shortage which will arise in two or three months' time is easily determined.

E. Export prices

No export prices are determined. Any supplies available for export are sold at best in available foreign markets.

F. Mark-up on imported products

There is no general mark-up on imported supplies handled by the boards concerned. The levies paid by domestic producers also apply to imported supplies but otherwise such supplies are sold at cost or at the domestic price, e.g. wheat.

G. Contracts

No long-term contract's are negotiated by the marketing boards and there are no contractual arrangements between the marketing boards and the Government. Private firms tender for all supplies required by the Government for institutions, hospitals, etc. Marketing boards are not used to fulfil contractual obligations which may be entered into by the Government.

IV. STATISTICAL INFORMATION

The required statistical information is furnished in the annex to this notification.

Lesotho, Botswana and Swaziland form a customs union with South Africa. Trade of these countries with countries outside the Republic is, therefore, included in the information furnished in the tables, while trade between South Africa and the countries is excluded.

A breakdown of the figures to show trade by the boards and other trade is necessary only in the case of imported cheese and exported eggs, and is given below. In other cases exports and/or imports were either done by or through the boards, or by the trade as explained in the notes on the schemes and the handling of imports or exports.

Season	Imports of cheese by Dairy Board	Exports of eggs and egg pulp by Egg Control Board				
	Ton	s				
1974/75	5 865	12 151				
1975/76	-	13 718				
1976/77		16 565				

These figures are not exactly comparable with the figures showing total imports of cheese and exports of eggs, as they are for the seasons mentioned, while the total figures are for the calendar years mentioned. Comparable figures are not available.

V. REASONS WHY NO FOREIGN TRADE HAS TAKEN PLACE (IF THIS IS THE CASE) IN PRODUCTS AFFECTED

The aim is to supply the domestic market to the fullest extent possible. Therefore where shortages occur the shortfalls are imported and where surpluses occur these are exported.

VI. ADDITIONAL INFORMATION

None.

ANNEX

Production and total imports and exports of products for which there are Marketing Schemes

		Production				Impo			Exports				
			ntity ons		alue '000		ntity		alue '000		ntity		alue '000
BANAN	AS		, , , , , , , , , , , , , , , , , , , 										
1974 1975		98	639 911	10	614 376	3	127 631		407 232		25 1		7 1
1976		-	370	12	913	U	242		22		-		-
BUSH	TEA	•											
1974			218		529		-		-		56		46
1975 1976			922 074		023 170		-		-		-		-
1970		4	0/4	1	170		-		-		_		_
CHICO	RY	ROOT											
1974		11	959	1	451	2	378		596		476		76
1975		11	934		046	2	513	1	061		538		107
1976		17	752	3	708		1		2		306		90
CITRU	s												
1974		659	894		261	6	684		317		643		699
1975		-	219		421		791		175		992		090
1976		652	320	88	632	4	604		206	385	163	64	165
DAIRY	PR	opuca	rs										
(i)	Fact	ory E	Butter	r									
1974		29	168	29	503	1	401		925		517		883
1975			542	-	982		630		669		635		349
1976		26	197	32	702		116		135	1	351	1	322
(ii)	Fac	tory	chee	s e									•
1974			136		497	7	578		426		176		257
1975			501		014	5	892		935		243		439
1976		30	347	44	862	8	324	1	373		638	1	126
DECID	uous	FRU	JFT [*]										
1974		594	000	88	349		304		45		152		
1975		668	000	118			431		99	260	595	59	
1976		699	000	119	491		391		96	275	247	82	719

^{*}Apples, apricots, grapes, cherries, quinces, pears, peaches, plums and prunes

										Pa	ge 19	
POTA	roes											
1974	716	000	58	407	3	144		442	17	815	1	606
1975		000		862		647		316		137	1	771
1976		000	71	318		922		154	17	795	2	662
товассо												
1974	33	730	40	077	10	381	11	033	6	901	8	029
1975	27		36	126	9	973	12	603	7	395	9	
1976	32	090	45	222	13	963	18	068	8	374	13	036
WINT	WINTER CEREALS											
(i) Wheat												
1974	1 596	000	156	631	7	153		847	296	251	36	477
1975	1 792		188		,	759		98	5	-	,	866
1976	2 239		268	344		265		50	25		3	539
(ii)	(ii) Oats											
1974	103	000	7	552	19	020	1	663		17		5
1975		000		445		com.		-		671		080
1976	88	000	6	707		•		-	66	407	6	330
(iii	(iii) Barley											
1974		000		894	15	804	1	528		36		7
1975		000		941		-		-		182		70
1976	63	000	6	590		-		-	17	543	1	732
(iv)	Rye						•					
1974	-	000		448	3	164		307		-		-
1975		000		397		-		-		-		-
1976	4	000		421		-		-		-		-
WOOL												
1974	96	630	136	555	1	039	2	021	65	076	100	557
1975		931	88	931	1	704		402		151		660
1976	102	772	120	794		964	2	069	77	792	139	016
SEED	COTTON											
1974	70	164	23	840	1	306		65	19	731	2	083
1975		800	17	078		91		33	23		1	-
1976	35	050	12	365	•	άO		12		403		45
KARAKUL PELTS (Number)												
1974	1 789	258	15	048		_ ,		_		764	15	804
1975	1 636			270		-		_		822		251
1976		737		583		-		-		752		958
MOHAIR												
1974	7	460	7	935		-		_	2	682	9	891
1975		053		815		-		-		366		073
1976		865		060		-		1000		002		710

