

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/5102/Add.5

6 July 1981

Limited Distribution

Original: English

SUBSIDIES

Notifications Pursuant to Article XVI:1

SOUTH AFRICA

The following notification concerning subsidies has been received from the Permanent Mission of South Africa.

I. AGRICULTURAL LIME AND AGRICULTURAL GYPSUM

1(a) Background and authority

The subsidy on high-concentrate fertilizers was reduced gradually over a number of years and finally phased out on 1 January 1980.

A subsidy on agricultural lime and agricultural gypsum was introduced with effect from 1 January 1979. The range of liming materials on which the subsidy is payable was extended on 1 January 1981 to include calcium silicate, calcium oxide or slaked lime, calcium hydroxide or burned lime, magnesium oxide and magnesium hydroxide. The subsidy is applicable to these products on condition that they meet the composition and quality requirements of fertilizers in terms of the Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act of 1947.

The subsidy is paid in order to encourage the use of liming materials to combat soil acidity or brackishness.

The subsidy is derived from funds approved annually by Parliament for this purpose and disbursements must be accounted for.

1(b) Incidence

An amount of R 4 per metric ton is payable to farmers, farming partnerships and farming companies upon application supported by proof of purchase and delivery.

1(c) Amount of subsidy

During the financial year to 31 March 1980 an amount of R 4.7 million was disbursed for this purpose.

2.(a) Effect of the subsidy

The Republic is self-sufficient in liming materials and does not import these products. Due to the fact that judicious application of liming materials improves the quality of the soil and therefore also the yield the subsidy can be expected to stimulate its usage.

2.(b) Statistics : Consumption

Consumption of the abovementioned products during recent years was as follows:

1976	1 118 656 metric tons
1977	1 535 877 metric tons
1978	1 193 821 metric tons
1979	1 646 383 metric tons

Production figures are not available.

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 paid on bread, butter and maize.

All funds annually set aside for these subsidies have to be approved by Parliament and all 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 this product. The physical handling of the grain is undertaken by agents appointed by the Board and are principally farmers' co-operative companies.

The prices paid to producers of wheat, the Board's selling prices and the prices of wheaten products, namely, flour, meal, semolina, self-raising flour, bran and bread, are fixed annually by the Board with the approval of the Government. In order to keep the price of bread as low as possible, the Government pays a subsidy on bread.

A subsidy on wheat or wheaten products has been paid since 1941. However the method as well as the rates of payment have been changed from time to time. At one stage payments were made partly to millers and partly to bakers. At present the subsidy is confined to bakers and payments are made by the Board and claimed back from the Government. The subsidy enables the bakers to sell white, brown and whole wheat bread at prices fixed by the Board with the approval of the Government.

(ii) Maize

The Maize Board is the sole purchaser of maize from producers. Producer prices are fixed annually by the Board with the approval of the Government. In deciding on the price levels due consideration is given 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.

In order to reduce the price of maize and maize products to the end users, the Government pays the Board a subsidy, thereby enabling the latter to reduce its selling prices for domestic use of whole maize correspondingly.

Subject to 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 products other than maize.

(iii) Butter

A consumer subsidy on butter was introduced in 1943. No subsidy has ever 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	Maize	Butter	Total
1978	65,4	52,6 ¹⁾	7,0	125,0
1979	57,4	48,9	4,9	111,2
1980	116,4	44,7	3,7	164,9

¹⁾ 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 1980/81 were as follows:

	<u>Subsidy rate</u>
White bread	8,5219 cents per 900 grams
Brown bread	15,0427 cents per 900 grams
Whole wheat bread	14,9742 cents per 900 grams
Butter	25,659 cents per kg
Maize	R12,50 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	Consumption	Imports	Exports
1977/78	1 860	1 660	1	237
1978/79	1 690	1 897	2	162
1979/80	2 086	1 737	1	127

(ii) Maize

Season	'000 tons			
	Production	Consumption	Imports	Exports
1977/78	9 714	5 941	2	2 071
1978/79	10 081	5 840	4	2 929
1979/80	8 271	5 935	5	2 109

(iii) Butter

Season	Tons			
	Production	Consumption	Imports	Exports
1978/79	16 954	18 194	690	1 167
1979/80	18 480	16 623	3 382	840

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 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 languages of the Black Peoples. 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 or 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 films in the recognised languages of the Black Peoples)

<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 languages of the Black Peoples

(i) for films in any of the recognised languages of the Black Peoples, 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 languages of the Black Peoples, provided that 75 per cent of the language used in the film is an acknowledged South African language of the Black Peoples;

(iii) the subsidy is payable on shows taking place up to three 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>
1977/78	R1 367 736	R13 960
1978/79	R2 073 646	R22 060
1979/80	R1 580 814	R20 530
1980/81	R1 911 715	R32 960

(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.

