

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

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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 conditions that they meet the composition and quality requirements of fertilizers in terms of 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 R4 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 1983 an amount of R5,6 million was disbursed for this purpose.

2. Effect of the subsidy

2(a) Estimated quantitative trade effects 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 the recent years was as follows:

1979	1 646 383 metric tons
1980	1 707 441 metric tons
1981	1 500 000 metric tons
1982	1 750 746 metric tons
1983	1 395 845 metric tons

Production figures are not available.

II. FOODSTUFFS

1. Nature and extent of the subsidy

1(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 are accountable to Parliament.

1(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 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 Boards' selling prices and the prices of wheaten products, namely, flour, meal, semolina, self-raising flour and bread, are fixed annually by the Board with the approval of the Minister of Agriculture. 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 Wheat Board who in turn claim back from the Government. The exception is brown bread meal and whole wheat meal in packages of 5kg and less where the subsidy is paid to millers.¹⁾ The subsidy enables the bakers to sell white, brown and whole wheat bread at prices fixed by the Board with the approval of the Minister of Agriculture.

1) The subsidy on meal was introduced in order to bring the cost of homebaked bread in line with that of bread purchased from commercial bakers.

(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 Minister of Agriculture. In order to reduce the price of maize and maize products to the end users, the Government pays the Maize Board a subsidy, thereby enabling the latter to reduce its selling prices of whole maize for domestic use 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 been paid on exported butter.

The subsidy is paid to the Dairy Board which is thereby enabled to reduce the price of butter to domestic consumers. This subsidy is currently being phased out. The wholesale and retail prices of consumer butter are fixed by the Board with the approval of the Minister of Agriculture.

1(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
1980	116,4	44,7	3,7	164,9
1981	162,1	59,4	3,7	225,2
1982	182,0	82,8	3,0	267,8
1983	193,5	70,0	0,9	264,4

1(d) Estimated amount of subsidy per unit

The following rates in respect of the financial year 1982/83 were as follows:

	<u>Subsidy rate</u>
White bread	3,3783 cents per 900 grams
Brown bread	15,9012 cents per 900 grams
Whole wheat bread	15,8328 cents per 900 grams
Butter	2,613 cents per kg
Maize	R26,50 per ton

2. Effect of the subsidies

2(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.

2(b) Statistics

(i) Wheat

Production and marketing year	'000 tons			
	Production	Consumption	Imports	Exports
1980/81*	1 490	2 011	255	13
1981/82*	2 350	2 359	131	6
1982/83*	2 432	n.a.	n.a.	n.a.
1983/84*	1 807	n.a.	n.a.	n.a.

(ii) Maize

Marketing year	'000 tons			
	Production	Consumption	Imports	Exports
1980/81*	10 840	5 957	23	4 414
1981/82*	14 734	6 279	62	5 924
1982/83*	8 390	6 657	n.a.	5 096
1983/84*	3 930	n.a.	n.a.	n.a.

(iii) Butter

Season	tons			
	Production	Consumption	Imports	Exports
1979/80*	19 400	14 000	-	826
1980/81*	17 236	20 000	2 500	764
1981/82*	15 182	18 000	2 014	1 334
1982/83*	19 232	n.a.	n.a.	n.a.

Source: Abstract of Agricultural Statistics, 1984.

*Preliminary.

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:

<u>Net box office receipts</u>	<u>subsidy rate</u>
Up to R1 000 000	70%
R1 000 001 to R2 000 000	50%
More than R2 000 000	None

- (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 R1 200 000.

(B) Films in any of the recognised languages of South Africa

- (i) for films in any of the recognised languages of South Africa, 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 21c per ticket in respect of a film in any of the recognised languages of South Africa provided that the leading actor and at least 75 per cent of the other actors are South African Black persons.
- (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 R80 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
1981/82	R3 077 200	R52 156
1982/83	R2 406 702	R44 569

(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.