

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 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 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 1984 an amount of R 4,9 million was disbursed for this purpose.

2. Effect of the subsidy

2(a) Estimated quantitative trade effects of the subsidy

South Africa 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 merely to stimulate its usage.

2(b) Statistics : Consumption

Consumption of the abovementioned products during recent years has been as follows :

<u>Year</u>	<u>Metric tons</u>
1980	1 707 441
1981	1 500 000
1982	1 750 746
1983	1 395 845
1984	1 234 250

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 and maize.

In the past a subsidy was also paid on butter, but this was phased out and the last payment was made in the financial year ended 31 March 1983.

All funds annually set aside for these subsidies have to be approved by Parliament and all payments are accounted for.

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 who 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 and bread, are fixed annually by the Board with the approval of the Minister of Agricultural Economics. 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 which in turn claims back from the Government. The exception is brown bread meal and whole wheat meal in packages of 5 kg. 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 Agricultural Economics.

(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 Agricultural Economics. 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.

1(c) Amount of the subsidy

In recent years payments have been as follows :

Financial year ended 31 March	Payments (R million)			
	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	201,0	70,0	0,9	271,9
1984	260,7	132,3	NIL	393,0

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.

1(d) Estimated amount of subsidy per unit

The rates in respect of the financial year 1983/84 were as follows :

<u>Product</u>	<u>Subsidy rate</u>
White Bread	1,0634 cents per 900 grams
Brown Bread	13,6886 cents per 900 grams
Whole Wheat Bread	13,6203 cents per 900 grams
Maize	R 26,50 per ton

2. Effect of the subsidies2(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 ¹⁾	'000 tons			
	Production	Consumption	Imports	Exports
1980/81*	1 490	2 011	307	47
1981/82*	2 350	2 359	147	35
1982/83*	2 432	2 587	29	85
1983/84*	1 783	n.a.	n.a.	n.a.
1984/85*	2 222	n.a.	n.a.	n.a.

(ii) Maize

Marketing year ²⁾	'000 tons			
	Production	Consumption	Imports	Exports
1980/81*	10 840	6 546	23	3 444
1981/82*	14 734	6 979	62	4 987
1982/83*	8 391	7 834	89	3 787
1983/84*	4 101	n.a.	n.a.	n.a.
1984/85*	4 473	n.a.	n.a.	n.a.

Source : Abstract of Agricultural Statistics, 1985.

*Preliminary.

1) October - September

2) May - April

III. FILMS

1. Nature and extent of the subsidy

(a) Background and authority

Subsidies on locally produced films are intended to improve their quality and to encourage the training of local actors and technicians in the film industry.

The subsidies are payable to South African producers of feature films of at least 16 mm width in any of the recognised South African languages such as English, Afrikaans, Zulu, Sotho and Xhosa.

The first subsidies payable date back to 1957. Payments are 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 and, in some instances, when the leading actor and at least 75% of the cast are South Africans.

The payment of the subsidy is made either on net box office receipts during the first two years, above a certain threshold, but on a declining scale, or per ticket sold during the first three years. In each case a maximum amount per film applies.

(c) Amount of the subsidy

The total amount of the subsidy during the past five years has been as follows:

<u>Financial year</u>	<u>Total payments</u>	<u>Average subsidy per film</u>
	<u>Rand</u>	<u>Rand</u>
1980/81	1 911 715	32 960
1981/82	3 077 200	52 156
1982/83	2 406 702	44 569
1983/84	4 343 854	71 210
1985/85	5 147 351	63 548

(d) Estimated amount per unit

See (c) 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

Further statistics are not available.