

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

L/6630/Add.6

25 June 1990

Limited Distribution

Original: English

SUBSIDIES

Notification Pursuant to Article XVI:1

SOUTH AFRICA

I. FOODSTUFFS

1. NATURE AND EXTENT OF THE SUBSIDY

(a) Background and authority

Subsidies which are paid on standard bread and maize are intended to reduce the cost of these products to the consumer.

All funds annually set aside for these subsidies have to be approved by Parliament and all payments are accountable 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) Standard bread, 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 wheat is undertaken by agents appointed by the Board and are principally farmers' co-operative companies.

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

The bread subsidy is paid to bakers except in the case of brown and whole wheat meal in packages of 5 kg. and less, where the subsidy is paid to millers.

* The subsidy on meal was introduced in order to bring the cost of home-baked bread in line with that of bread purchased from commercial bakers.

During 1988 the Government decided to phase out the subsidy over a three-year period. As from 1 April 1991 the wheat industry will receive no subsidy payments.

(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.

(c) Amount of the Subsidy

The most recent statistics available are as follows:

| Financial year ended 31 March | R'000 000 | | |
|----------------------------------|-----------|-------|-------|
| | Bread | Maize | Total |
| 1983 | 193.5 | 69.9 | 263.4 |
| 1984 | 267.6 | 132.4 | 400.0 |
| 1985 | 194.3 | 215.0 | 409.3 |
| 1986 | 180.5 | 250.0 | 430.5 |
| 1987 | 147.0 | 151.0 | 298.0 |
| 1988 | 147.4 | 359.0 | 506.4 |
| 1989 | 132.0 | 80.0 | 212.0 |

(d) Estimated amount of subsidy per unit

The average rates in respect of the financial year 1988/89 were as follows:

| | <u>Subsidy rate</u> |
|-------------------|---------------------------|
| White bread | 1.4810 cents per 850 gram |
| Brown bread | 9.0835 cents per 850 gram |
| Whole wheat bread | 7.4276 cents per 850 gram |
| Maize | R12.40 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 local consumer and is not applicable to exports.

(b) Statistics

(i) Wheat

| Production and marketing year ¹ | '000 tons | | | |
|--|------------|-------------|---------|---------|
| | Production | Consumption | Imports | Exports |
| 1983/84 | 1,786 | 2,086 | 6 | 128 |
| 1984/85 | 2,346 | 2,053 | 352 | 46 |
| 1985/86 | 1,691 | 2,092 | 120 | 64 |
| 1986/87 | 2,333 | 2,143 | 357 | 1 |
| 1987/88 | 3,155 | 2,645 | 132 | - |
| 1988/89* | 3,548 | ** | 75 | ** |
| 1989/90* | 2,245 | ** | ** | ** |

(ii) Maize

| Marketing year ² | '000 tons | | | |
|-----------------------------|------------|-------------|---------|---------|
| | Production | Consumption | Imports | Exports |
| 1983/84 | 4,399 | 7,132 | 1,277 | 1,320 |
| 1984/85 | 4,797 | 5,724 | 2,674 | 15 |
| 1985/86 | 8,444 | 5,462 | 421 | 370 |
| 1986/87 | 8,598 | 5,050 | 209 | 1,769 |
| 1987/88 | 7,893 | 5,192 | 92 | 2,442 |
| 1988/89* | 7,382 | ** | 33 | ** |
| 1989/90* | 12,276 | ** | ** | ** |

¹October-September

²May-April

* Preliminary

** Not available

II. 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 recognized South African languages such as English, Afrikaans, Zulu, Sotho or 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 per cent of the cast are South Africans.

The payments of the subsidy are made either on net box office receipts during the first year, above a certain threshold, but on a declining scale, or per ticket sold during the first eighteen months. 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>Rand</u> | <u>Average subsidy</u> <u>per film</u> <u>Rand</u> | <u>Number</u> <u>of films</u> |
|-----------------------|--------------------------------------|--|----------------------------------|
| 1985/86 | 9,046,895 | 61,965 | 146 |
| 1986/87 | 9,751,290 | 65,781 | 148 |
| 1987/88 | 12,533,321 | 110,915 | 113 |
| 1988/89 | 13,000,000 | 92,858 | 140 |
| 1989/90 | 25,705,627 | 157,703 | 163 |

(d) Estimated amount per unit

See (c) above

2. EFFECTS 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.