SUBSIDIES

Notifications submitted under Article XVI

The following statements have been received:

<table>
<thead>
<tr>
<th>Country</th>
<th>Page</th>
<th>Country</th>
<th>Page</th>
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<tr>
<td>Australia</td>
<td>1</td>
<td>India</td>
<td>8</td>
</tr>
<tr>
<td>Ceylon</td>
<td>8</td>
<td>Union of South Africa</td>
<td>10</td>
</tr>
</tbody>
</table>

AUSTRALIA

Notification of 29 August 1956

I. CELLULOSE ACETATE FLAKE

(1) Nature and Extent of the Subsidy

(a) Background and Authority. The payment of a bounty on the production of cellulose acetate flake was introduced by the Cellulose Acetate Flake Bounty Act, 1956 following investigation by the Tariff Board. In the course of this enquiry it was found that the newly established industry had reached a stage where production was efficient and had sound economic prospects and that assistance was warranted, the most appropriate form being by way of bounty rather than Customs duties. The bounty is payable for a period of three years and is retrospective to 1 July 1955 on sales made on and after that date.

(b) Incidence. A bounty of 10 pence per pound is paid to the producer of cellulose acetate flake sold and for use in the manufacture, in Australia, of cellulose acetate yarn.

(c) Amount of Subsidy. Bounty is limited to not more than £142,000 per annum of sales in a particular year.

(d) Amount per Unit. Ten pence per pound.
(2) **Effect of Subsidy.**

Australian capacity for the production of cellulose acetate flake is regarded as being sufficient to satisfy Australian requirements for the next few years.

II. **COTTON.**

(1) **Nature and Extent of the Subsidy.**

(a) **Background and Authority.** A bounty is paid under the Cotton Bounty Act, 1951-1955 on the production of cotton in Australia in order to foster the development of the local cotton growing industry. The bounty is payable on seed cotton delivered by growers to processors before 31 December 1958.

(b) **Incidence.** Bounty is payable to the processor of the cotton who is required to distribute it under specified conditions to the producers of the cotton. The rate of bounty paid is the amount by which the average price to the growers is less than fourteen pence per pound.

(c) **Amount of Subsidy.** The cost of the subsidy in the year ended 30 June 1956 was £67,284.

(d) **Estimated Amount per Unit.** The average rate of the bounty was 2.9 pence per pound of seed cotton for 1955-1956.

(2) **Effect of Subsidy.**

In 1955/56 bounty was paid on 5.65 million pounds of seed cotton from which approximately 2.16 million pounds of raw cotton was produced. The proportion of locally produced to imported raw cotton is low and the assistance given to the local industry by the cotton bounty is unlikely to affect imports in the near future. Locally grown cotton represents less than 5 per cent of total cotton usage in Australia.

III. **DAIRY PRODUCTS.**

(1) **Nature and Extent of the Subsidy.**

(a) **Background and Authority.** Under the Dairying Industry Act 1952 dairy farmers are guaranteed for a period of five years from 1 July 1952, a price in respect of butter and cheese based on the cost of efficient production.

(b) **Incidence.** The guaranteed price covers the quantity of butter and cheese consumed in Australia plus 20 per cent of that quantity. The addition of the margin of 20 per cent is intended to ensure that adequate supplies for local consumption will be available every year notwithstanding any adverse seasonal conditions that may occur.
(c) Estimated Amount per Unit. On sales for domestic consumption only, the amount per unit approximated 7\(\frac{1}{2}\) pence per lb. for butter and 3\(\frac{1}{2}\) pence per lb. for cheese in 1955/56.

(2) Effect of Subsidy.

The subsidy is one that is primarily directed to butter and cheese consumed locally. Its main effect is to reduce the price of butter and cheese to the Australian consumer and, at the same time, to provide an assured return to the producer to the extent mentioned in (b) above.

This system for the stabilization of prices and returns to producers results at times in the sale of the commodity for export at a price either higher or lower than the price for the commodity to buyers in the domestic market.

IV. FLAX FIBRE.

(1) Nature and Extent of the Subsidy.

(a) Background and Authority. The Flax Fibre Bounty Act, 1954 provides for payment of a bounty on flax fibre produced in Australia during the period of two years commencing on 1 November 1954. Although the provision of Government assistance to this industry was influenced largely by defence considerations, the bounty measure was introduced only after investigation and report by the Tariff Board. The question of continuing assistance to the industry beyond 31 October 1956 has been referred to the Tariff Board for enquiry and report to the Government.

(b) Incidence. The bounty is paid to the producer of flax fibre manufactured for local delivery from flax grown in Australia. An instrumentality of the Commonwealth is the largest manufacturer, accounting for about 80 per cent of total output of flax fibre. The rate of bounty is £35 per ton when the landed cost of imported Standard "B" grade flax fibre is £330 per ton and varies inversely with the imported price.

(c) Amount of Subsidy. Bounty is limited by the Act to not more than £70,000 per annum. The total amount of bounty paid in 1955/56 was £58,070.

(d) Estimated Amount per Unit. The basic rate of bounty is £35 per ton but this will rise or fall in accordance with fluctuations in the landed cost of imported flax fibre below or above £330 per ton.
(2) **Effect of Subsidy.**

The average Australian demand for flax fibre is estimated to be about 2000 tons per annum of which the local industry has capacity to produce approximately 1500 tons. In view of the smallness of Australian requirements for flax fibre, the effect of the bounty on international trade would be negligible.

V. **RAYON YARN.**

(1) **Nature and Extent of the Subsidy.**

(a) **Background and Authority.** The Rayon Yarn Bounty Act 1954 authorized payment of a bounty on continuous filament acetate rayon yarn produced and sold in Australia during the three years commencing 1 November 1954. Following a recent review by the Tariff Board the bounty has been extended to 30 June 1959, and a protective duty imposed on imports of continuous filament acetate rayon yarn.

(b) **Incidence.** A bounty of six pence per pound of yarn is payable to the producer for rayon yarn sold for delivery in Australia.

(c) **Amount of Subsidy.** The total amount of bounty paid in 1955/1956 was £38,294 on 1,531,752 pounds of yarn produced.

(d) **Amount per Unit.** Six pence per pound of yarn.

(2) **Effect of Subsidy.**

The capacity of the Australian industry is expected to be sufficient to fully satisfy local requirements for continuous filament acetate rayon yarn, at present about 3.5 million pounds per annum.

VI. **SHIPBUILDING.**

(1) **Nature and Extent of the Subsidy.**

(a) **Background and Authority.** Under a scheme for maintaining an efficient shipbuilding industry in Australia the Commonwealth Government meets portion of the cost of approved merchant ships built in Australia for private shipowners (including a State Government organization).

(b) **Incidence.** The portion of the cost met by the Government has been increased from 25 per cent to 33 1/3 per cent with effect from 12 April 1956, in respect of orders placed as from that date.

(c) **Amount of Subsidy.** In the six years ended 30 June 1956, the Commonwealth has subsidized vessels to the extent of £1,878,000.
(d) **Estimated Amount per Unit.** This amount varies according to the type, dead weight and cost of each ship.

(2) **Effect of Subsidy.**

It is difficult to assess the effects of the subsidy on imports of ships, but it is not considered to be large. The amount of ship construction undertaken in Australia and overseas on account of Australian private shipowners in recent years has been small.

VII. **SUGAR.**

(1) **Nature and Extent of the Subsidy.**

(a) **Background and Authority.** A scheme for regulating the production and marketing of cane sugar and certain products made from cane sugar, as a means of stabilizing returns to sugar growers, is provided in legislation enacted by the Commonwealth and Queensland Parliaments.

(b) **Incidence.** When the world parity price for sugar is less than the price of Australian sugar fixed under the scheme, price rebates equal to the difference between the two prices are granted to exporters on the sugar content of fruit products and other approved manufactured products exported from Australia.

(c) **Amount of Subsidy.** The cost of the rebates, estimated at £341,000 in 1954/55, is borne by the Australian sugar producing industry.

(d) **Amount per Unit.** The average rate of export rebate per ton of sugar content in 1955/56 was approximately £17/10/-.

(2) **Effect of Subsidy.**

The export sugar rebate is not intended to increase exports or decrease imports in the manner described in Article XVI but is granted so that exporters of approved products containing sugar will not be at a disadvantage by reason of the Australian price of sugar being fixed at a level higher than the world price.

VIII. **SULPHURIC ACID.**

(1) **Nature and Extent of the Subsidy.**

(a) **Background and Authority.** The Sulphuric Acid Bounty Act, 1954, gave effect to the recommendations of the Tariff Board following an enquiry into the need for assistance for the production of sulphuric acid from materials of Australian origin. The need for increasing the proportion of acid
produced from local materials arose from the uncertainty of obtaining supplies of imported brimstone and the possible serious effects of any subsequent shortage of brimstone on the production of fertilizers so essential to Australian primary industries. The bounty is payable up to 30 June 1959.

(b) Incidence. Bounty is payable to the producer of sulphuric acid from pyrites of Australian origin. The rate of bounty is to be determined according to landed duty free cost of imported brimstone. The bounty is £2 per ton when the landed cost of imported brimstone is £20.10.0 per ton and rises or falls in inverse proportion to variations in the cost of brimstone. Bounty is not to exceed £4 per ton and ceases when the cost of brimstone rises to £25.10.0 per ton.

(c) Amount of Subsidy. In 1955/1956 the total cost was £512,471 on 260,614 tons of acid produced.

(d) Estimated Amount per Unit. The rate per unit payable varies as described in sub-paragraph (b) above but in 1955/1956 the average rate was almost £2 per ton.

(2) Effect of Subsidy.

The bounty is intended to foster the production of sulphuric acid from indigenous materials which is in addition to production from imported brimstone. The increasing demand for fertilizers is expected to maintain the existing level of demand for imported brimstone.

II. TRACTORS.

(1) Nature and Extent of the Subsidy.

(a) Background and Authority. A recent amendment to the Tractor Bounty Act extended for a further three years from 24 October 1955, the bounty payable on wheel-type tractors of from 10 to 55 belt-pulley horsepower produced in Australia for use in Australia and its territories.

(b) Incidence. The bounty is paid to the producer and is an amount per unit determined according to the belt-pulley horsepower of the engine and the percentage of the cost of locally produced materials used to the total factory cost of the tractor. Crawler tractors are not eligible for bounty whilst it is not paid on tractors exported to a country other than an Australian Territory.

(c) Amount of Subsidy. The total cost of the bounty in 1955/1956 was £55,035.
(d) Estimated Amount per Unit. If the percentage of the value of Australian labour and materials to total factory cost is 90 per cent or more the rate of bounty varies from £80 to £240 per tractor depending on the belt-pulley horse-power. No bounty is payable if the proportion of Australian content is less than 60 per cent whilst if the proportion is greater than 60 per cent but less than 90 per cent the rate of bounty payable varies in proportion to the percentage Australian content.

(2) Effect of the Subsidy.

For the eleven months ending May 1956, 19,560 tractors were imported and bounty was paid on 253 tractors locally produced during 1955/56. The effects of the bounty upon the demand for imported tractors therefore would not be significant.

X. WHEAT.

(1) Nature and Extent of the Subsidy.

(a) Background and Authority. The Wheat Stabilisation Scheme authorized under Commonwealth and State legislation (1954) includes provision for a guaranteed price for export wheat for five years commencing with the 1953/54 wheat crop.

(b) Incidence. The guarantee covers exports of up to 100 million bushels per annum. Operation of the scheme involves the building up of a Stabilisation Fund from a levy on exports when the price exceeds the determined cost of production and payments from the fund to producers if the price falls below the determined cost of production. In the event of the Fund being insufficient to meet payments required to be made to producers the deficiency will be met by the Commonwealth.

(c) Amount of Subsidy. No Stabilisation payments had been made up to 30 June 1956, by which date some £9 million had been accumulated in the Fund.

(d) Estimated Amount per Unit. Nil.

(2) Effect of Subsidy.

At the present time the scheme is not affecting imports or exports in the manner described in Article XVI.
CEYLON

Notification of 1 September 1956

... Ceylon does not grant any subsidies which directly or indirectly increase exports or reduce imports.

INDIA

Notification of 9 August 1956

The Government of India maintains a scheme of rebate on exports of handloom cloth. Details of this scheme were circulated to the contracting parties (see document L/35/1/Add.1). There has been no change or modification of the scheme since then. Latest available statistics of exports of handloom cloth from India are given below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Handloom Cloth Exports (in million yards)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1954</td>
<td>57.3</td>
</tr>
<tr>
<td>1955</td>
<td>56.2</td>
</tr>
<tr>
<td>(January to April) 1956</td>
<td>20.9</td>
</tr>
</tbody>
</table>

They indicate that there has been no rise - on the other hand, there has been some decline in exports after the scheme of subsidization was introduced.

With effect from December 1955, India has introduced a scheme of subsidy on the production of a motor benzol and benzene. Details of this measure are shown in the following statement:

**Subsidy on the production of benzol and benzene.**

Nearly 10 million tons of coal are converted into coke every year in India, but for lack of sufficient domestic demand there has not so far been any serious attempt to recover such important by-products of carbonisation as benzol, benzene, toluene and other hydrocarbons. On an average yield of 2 gallons of crude benzol per ton of coal carbonised, the total quantity of crude benzol which can become available if conversion is wholly carried out in by-product coke ovens will be about 20 million gallons. The present installed capacity for scrubbing and recovering crude benzol is, however, much less - 2.64 million gallons. Even this capacity is not being fully worked and actual production has been as follows:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Motor Benzol</th>
<th>Toluene</th>
<th>Benzene</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>1361</td>
<td>172</td>
<td>32</td>
</tr>
<tr>
<td>1952</td>
<td>1481</td>
<td>292</td>
<td>39</td>
</tr>
<tr>
<td>1953</td>
<td>1327</td>
<td>283</td>
<td>35</td>
</tr>
<tr>
<td>1954</td>
<td>1246</td>
<td>149</td>
<td>69</td>
</tr>
<tr>
<td>1955</td>
<td>968</td>
<td>83</td>
<td>255</td>
</tr>
</tbody>
</table>
At present the chief use of benzol and benzene in this country is as a motor fuel in which it can be blended to the extent of 20 per cent; but even for this they are not being fully used as the cost of recovery is rather high. These hydro-carbons are, however, primary raw materials for several basic industries, such as dye-stuffs, pharmaceuticals, explosives and plastics and the development of these industries in India has at present reached a stage where increased production of benzene and toluene must be established in order to ensure their uninterrupted supply.

As stated above, the lack of domestic demand has been responsible for the small output of benzol and benzene and the small output increases in turn the cost of their recovery. It has, therefore, become necessary to create additional demand for benzol and benzene by cheapening their prices and for this purpose it has been decided to grant, for one year in the first instance, with effect from 3 December 1955, a subsidy of one anna per gallon to manufacturers of detoulated benzol and benzene sold as motor benzol. The subsidy will be paid only to those manufacturers who have installed, or make arrangements to install, scrubbing equipment to produce all the crude benzol possible from their coke ovens and also the requisite plant for the further distillation of the entire crude benzol to benzene, toluene, xylene, etc.

The quantum of subsidy works to 8 1/3 per cent of the cost of production. The customs duty payable on imported motor benzol is equal to the excise duty leviable on indigenous production, the subsidy is not expected to have any serious effect on imports. Only one manufacturer has so far qualified for subsidy under the scheme but he has not yet preferred his claim. Statistics of imports during the last three years, when either the scheme was not in operation or it was in operation but no payment was made, are as follows:

<table>
<thead>
<tr>
<th>Imports of motor benzol and benzene</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>1953-54</td>
</tr>
<tr>
<td>Quantity (Gallons)</td>
</tr>
<tr>
<td>Benzene</td>
</tr>
<tr>
<td>Benzol (Motor Spirit)</td>
</tr>
</tbody>
</table>

As stated above, no manufacturer has yet asked for a subsidy and accordingly the sharp decline in imports of benzene during 1955-56 cannot be attributed to it.
UNION OF SOUTH AFRICA

Notification of 5 September 1956

This notification replaces the original notification of 17 July 1950 (GATT/CP/114 of 10 May 1951), the first supplementary notification of 7 August 1953 (L/91/Add.1 of 11 September 1953), and the second supplementary notification of 9 December 1954 (L/223/Add.2 of 23 December 1954).

A. STATE SUBSIDIES

(1) Bags

(1) Nature and extent of the subsidy

(a) Background and authority: A subsidy is paid on certain types of bags from funds which are set aside annually and which have to be approved by Parliament. The ultimate payments have to be accounted for to Parliament. The object is to reduce costs to producers. At present the subsidy is confined to grain bags while formerly it was also applicable to wool-packs and potato bags.

(b) Incidence: The importation and distribution of bags is controlled by the Jute Controller who arranges for new grainbags to be sold to producers at the fixed price of 2/- per bag. The rate of the subsidy depends upon the foreign purchase price of the bags, the amount per bag being the difference between the purchase price and the fixed domestic selling price.

(c) Amount of the subsidy: The subsidy payments on bags amounted to £2,732,000 for the financial year ending 31 March 1955 and £2,227,000 (provisional) for the financial year ending 31 March 1956 while it is estimated that £1,005,000 will be necessary for the financial year 1956/57. The smaller amount budgeted for in 1956/57 is largely due to a drop in the price of imported bags.

(d) Estimated amount per unit: For 1955 the subsidy per bag amounted to 10d. while for 1956 it is estimated at about 6d per bag.
(11) **Effect of the subsidy**

This subsidy has little or no effect on the Union's foreign trade. Most bags and fibres for bagging materials are imported, and the subsidy is not paid on bags used for exporting grain or milled products.

(2) **Fertilizers**

(1) **Nature and extent of the subsidy**

(a) **Background and authority:** A subsidy is paid on fertilizers from funds which are set aside annually and which have to be approved by Parliament. The ultimate payments have to be accounted for to Parliament. The subsidy on fertilizers is intended largely to encourage their use and thereby to protect the soil.

(b) **Incidence:** The price of fertilizers is reduced to producers by a subsidy of £1 per ton paid to distributors while a rebate of 75 per cent on the railage and/or motor bus charges on fertilizers is also allowed.

(c) **Amount of the subsidy:** During the financial year 1954/55 the subsidy amounted to £848,000 and the rebate on rail and road transport charges to £587,000. For the financial year 1955/56 the subsidy was £934,000 and the transport charges rebate was £963,000, while it is estimated that £850,000 will be required for the subsidy for the financial year 1956/57 and £1,100,000 for the transport charges. A revision of rail tariffs took place on 1 September 1954 resulting in an increase in many rates.

(d) **Estimated amount per Unit:** The amount of the price subsidy per ton is £1 while 75 per cent of the rail and/or motor bus charges is recoverable by rebate.

(11) **Effect of the subsidy**

Up to the present the great bulk of raw phosphate rock, potash nitrates and some mixed fertilizers have been imported, and the increased consumption resulting from these subsidies in part benefits the countries supplying these fertilizer materials.
(3) **Foodstuffs**

(1) **Nature and extent of the subsidy**

(a) **Background and authority:** Subsidies intended to reduce costs to consumers are being paid on butter, maize, wheat and sifted and unsifted breadmeals. The maize subsidy is also intended to encourage consumption. Apart from the consumer subsidy on maize, 50 per cent of the inland rail and/or motor bus charges on this commodity are also recoverable by rebate. This rebate is not applicable to maize exported. South Africa is an importer of wheat and, in addition to the subsidy on domestically produced wheat, the State also carries the amount of the difference between domestic prices and the landed price of imported wheat. For years the price of imported wheat was higher than the domestic price but lately these prices have been about equal.

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

(b) **Incidence:** The rates of these subsidies (except the subsidy on imported wheat) are determined from year to year by the Cabinet.

(c) **Amount of the subsidy:** The amounts paid on wheat and meal for bread, maize and butter during the financial years 1954/55 and 1955/56 and the amount budgeted for the year 1956/57 are given in the table below:

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Wheat/meal bread</th>
<th>Maize</th>
<th>Butter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>1954/55</td>
<td>7,677,000</td>
<td>6,779,000</td>
<td>1,206,000</td>
<td>15,664,000</td>
</tr>
<tr>
<td>1955/56</td>
<td>7,585,000</td>
<td>4,628,000</td>
<td>1,284,000</td>
<td>13,497,000</td>
</tr>
<tr>
<td>1956/57</td>
<td>7,671,000</td>
<td>5,901,000</td>
<td>1,250,000</td>
<td>14,822,000</td>
</tr>
</tbody>
</table>

(a) Including £1,500,000 subsidy on transport charges.
(d) **Estimated amount per Unit:**

**Butter:** The rate of subsidy is 3½d. per lb. for the current season.

**Maize:** The rate of the subsidy is 4s.0¾d per 200 lb. for 1956/57.

These subsidies are not applicable to butter, maize or maize products exported or removed to adjoining territories.

**Wheat in the grain:** The rate of subsidy for the current season is 7d. per 200 lb. as compared with 4s.4d. during 1954/55.

**Breadmeal:** The rate of subsidy for the current season is 13s.4d. per 200 lb. as compared with 8s.1ld during 1954/55.

**Sifted meal:** The rate of subsidy for the current season is 27s.7d. per 200 lb. as compared with 29s.4d. during 1954/55.

**Unsifted meal:** The rate of subsidy for the current season is 24s.5d. as compared with 26s.6d. during 1954/55.

**Enriched bread:** The rate of subsidy is 2d. per 2 lb. loaf.

(ii) **Effect of the subsidies**

The subsidies reduce the cost of these essential foodstuffs to the consumers, and have no effect on exports.

**B. PRICE STABILIZATION MEASURES**

(1) **Nature and extent of stabilization measures**

(a) **Background and authority:** Under the Marketing Act (Act No. 26 of 1937, as amended) Marketing Boards may be established to control the marketing of agricultural products. The products for which such Boards are in existence are as follows:
(1) Wool (Under a special Act. No active participation by the Board in marketing clips)
(2) Maize
(3) Wheat, oats, barley and rye
(4) Fresh milk, milk for industrial purposes, butterfat, butter and cheese
(5) Slaughter stock (cattle, sheep and pigs)
(6) Citrus fruit
(7) Deciduous fruit (certain varieties)
(8) Potatoes
(9) Oilseeds (groundnut and subflower)
(10) Dried fruit
(11) Tobacco
(12) Chicory
(13) Eggs
(14) Lucerne seed
(15) Dried beans
(16) "Rooibos" tea (an indigenous plant of the genus Cyclopia)

The major aim of these Boards is to achieve a measure of price stability for the products concerned and to ensure the orderly marketing thereof. These Boards control the domestic distribution of the products and undertake the export of surpluses should these occur. Recently losses have been incurred on the exportation of tobacco, maize, oats and dried fruit.

(b) Incidence: The losses on the export of tobacco were recovered from funds derived from a special levy on all tobacco grown in South Africa. It should be added that South Africa is on balance an importer of tobacco but that the Tobacco Board has for a number of years endeavoured to establish an export market for certain types of leaf tobacco in order to have an outlet when local crops are in excess of domestic consumption. It is, however, extremely difficult to persuade overseas manufacturers to use a particular type of leaf, and in order to facilitate exports the best price offered by such manufacturers is accepted and the difference between that price and the domestic price is paid as a bounty.

The loss on maize is being covered from a stabilization fund towards which producers, consumers and the State contribute. For the 1955/56 season producers contributed towards this fund 3d. on every 200 lb. bag of maize sold while for 1956/57 the producers' contribution is 6d. per 200 lb. bag. For the 1956/57 season the Board has to contribute 6d per 200 lb. bag from the price in the domestic market. Previously no such contribution was made. Since 1954/55 the State also contributed
towards this fund the contribution being 6d. per 200 lb.
bag consumed in the domestic market for that year and
4½d. for 1956 and 1957. The State contributions amounted
to £509,154 during 1954/55 and £384,000 during 1955/56.

During the past ten years South Africa imported
218,944 tons of oats and had an exportable surplus during
two years viz. 1954/55 and 1955/56 amounting to 32,229 tons.
Losses were incurred on the export of these surpluses
and were covered from funds derived from a special levy
on oats delivered to the Wheat Board. The levy fund
serves as a means of stabilizing prices to producers
and during 1954/55 amounted to 1/6 per 150 lb. bag in the
case of the better grades and 2/- per 150 lb. bag in the
case of the lower grades. During the 1955/56 season the
levies were increased to 5/- and 3/9 per 150 lb. bag
respectively.

The Dried Fruit Board acts, through firms handling
dried fruit, as the sole buyer of prunes, currents,
raisins and all types of sultanas, but does not control
the sale of other kinds of dried fruits.

In respect of the varieties controlled by the Board,
producers are paid an advance price on delivery. On the
basis of anticipated export prices, domestic prices are
then determined at a level which would enable the Board
subsequently to pay producers a supplementary price
after having disposed of those crops.

Except for raisins, the overseas prices of which
dropped severely during 1954, this arrangement has up
to the present been carried out with success by the
Board.

(c) Amount of export losses: The following losses were
covered in the manner described above for the four
products concerned.

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Tobacco</th>
<th>Maize</th>
<th>Oats</th>
<th>Dried fruit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity</td>
<td>Loss</td>
<td>Quantity</td>
<td>Loss</td>
</tr>
<tr>
<td></td>
<td>lb.</td>
<td>£</td>
<td>200 lb. bags.</td>
<td>£</td>
</tr>
<tr>
<td>1954/55</td>
<td>2,195,000</td>
<td>74,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1955/56</td>
<td>806,000</td>
<td>40,000</td>
<td>10,993,000</td>
<td>1,538,000</td>
</tr>
<tr>
<td>(a) Estimates</td>
<td>(b) Not available</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Not available</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(d) **Estimated amount per unit:** The losses per unit covered or to be covered in the manner described above are as follows:

- **Tobacco:** (1955/56) 1s. per lb.
- **Maize:** (1955/56) 2s. 9½d. per 200 lb.
- **Oats:** (1955/56) 7s. 11¼d. per 150 lb.
- **Dried fruit:** (1954/55) 16s. 4d. per 112 lb.

(ii) **Effect of the Stabilization measures**

**Tobacco:** The Union is on balance an importer of tobacco and the bounty has no material effect on domestic production as a whole.

**Maize:** The stabilization fund protects producers from the vagaries of world prices and ensures that sufficient maize which is a very important foodstuff for a large part of the population is produced in the country.

**Oats:** The levy funds were used to cover a sporadic loss on exports and will have no effect on the Union's foreign trade. In view of the surpluses, producers' prices of oats used for breakfast cereals were reduced by 13/4 per short ton and the price of other varieties by 20/- in 1955 which will no doubt cause a decrease in production. No surplus is expected from the 1955/56 crop.

**Dried fruit:** As a result of the losses incurred on the export of raisins and the present low level of world prices, producers' advance prices were lowered for the 1956 crop. This will no doubt cause a decrease in production with a consequent decrease in exports.

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**C. Differential Railway Rates**

In South Africa, as in most other countries, railway rating policy governed by three main considerations, namely, that

(a) certain classes of traffic can only afford to pay railway rates lower than the average cost per ton mile of conveyance by rail;

(b) some classes of traffic can afford to pay railway rates considerably higher than the average cost per ton mile;
(c) it is better for the South African Railway Administration to convey additional traffic at rates below the average cost per ton mile than to lose such traffic by charging higher rates than the traffic can afford to pay.

In accordance with the rating principle that it is more economical for the South African Railways to convey additional traffic at rates below the average than to lose such traffic altogether, reduced rates have been quoted in favour of a number of South African commodities when convoyed to a port for export overseas. If the normal tariffs were charged, most, if not all, of the commodities affected could not be economically exported with a resultant loss in traffic and revenue to the Railway Administration.