

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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International Dairy Arrangement

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INTERNATIONAL DAIRY PRODUCTS COUNCIL

Reply to Questionnaire 5 Regarding Information on Domestic Policies and Trade Measures

SOUTH AFRICA

Supplement

South Africa's dairy policy constitutes part of the country's general policy of stabilization of prices of the major agricultural commodities and rationalization of the relevant industries, i.e. to reduce the spread between producer and consumer prices. The objectives are aimed at improving the productivity of the farming industry and the efficiency of the allied marketing and processing industries for the mutual benefit of producers and consumers.

Dairy production moreover forms an integral part of the farming structure and acts as a balancing factor in the farming systems practised in large parts of the country which are subject to variable and often very unfavourable weather conditions.

A. Production

1. (a) Instruments of stabilization

The dairy scheme in terms of which the Dairy Board:

- (i) fixes producer prices for industrial milk based on butterfat and protein content (with approval of the Minister);
- (ii) fixes the price based on butterfat content at which distributors purchase milk from producers (with ministerial approval);
- (iii) regulates the number of processing plants; and
- (iv) operates a stabilization fund.

(b) Levels of guaranteed or support prices

- (i) Industrial milk - R 27.97 per 100 kg. (3.8 per cent butterfat and 3.3 per cent protein);

(ii) Butterfat (Bulk)

First grade: R 3.94 per kg.

Second grade: R 3.74 per kg.

(c) Producer subsidies

Producer subsidies are not normally or presently paid.

(d) Average returns to producers

Industrial milk: R 32.11 per 100 kg.

Butterfat: R 3.84 per kg.

Fresh (liquid): R 33.60 per 100 litres (until end
December 1984)

- (i) the industrial milk price, which is guaranteed, varies according to butterfat and protein content;
- (ii) butterfat prices, which are also guaranteed, vary depending on hygienic standards;
- (iii) deliveries of fresh milk to distributors are taken up at a price based on butterfat content. Surplus fresh milk (excess over market requirements) is diverted to manufacturing outlets. The joint proceeds are pooled and the net average returns paid to producers of milk for fresh consumption.

2. Policies and measures of governments or other bodies likely to influence production

The Dairy Board operates quality purchase funds for fresh and industrial milk towards which all producers contribute in the form of a levy. Premium payments are made to producers owning bulk milk facilities and supplying quality milk.

B. Internal prices and consumption

1. Representative retail and wholesale prices of standard products

CONTROLLED BY THE BOARD:	<u>Wholesale</u>	<u>Retail</u>
Butter	R 4.45/kg. ¹	R 4.68/kg.
Cheddar cheese	R 4.72/kg. ¹	R 5.05/kg.
Gouda Cheese	R 4.77/kg. ¹	R 5.10/kg.

¹From 1 July 1984 - Maximum prices in case of retail

UNCONTROLLED PRODUCTS:	<u>Wholesale</u>	<u>Retail</u>
Skimmed milk powder	Dairy Board buys in surplus at R 3.36/kg. (25 kg. bags)	
Whole milk powder	-	-
Fresh milk (cartons)	R 0.68 to R 0.93 per litre	
Fresh milk doorstep delivery (bottles)	R 0.68 to R 0.93 per litre	

2. Factors which influence internal consumption:

(i) Availability and price levels of the various products:

Conservative price policies are pursued and full availability at all times ensured. Shortages are not allowed to occur as supplies are timeously augmented through imports;

(ii) Levels of wages and salaries:

Income levels, generally, and those of the lower income groups in particular, show a long-term tendency to rise;

(iii) Promotion of dairy products:

Dairy Board expenditure on advertising amounted to approximately R 6.1 million in 1984;

(iv) Availability and relative price level of yellow margarine which has a direct effect on consumption of butter and an indirect effect on the availability of skimmed milk powder.

3. Policies and measures

(i) Manufacturers' margins on butter, Gouda and Cheddar cheese are controlled;

(ii) Maximum retail prices apply in respect of butter, Gouda and Cheddar cheese (standard products);

(iii) Cheese and butter are also periodically subsidized from the Dairy Board's stabilization fund which is financed through producer levies on milk and butterfat deliveries.

The above measures and consumer subsidies contribute towards increased consumption.

C. Measures at the frontier1. Customs tariff

04.02.10	Whey	Free
04.02.13	Buttermilk	Free
04.02.15	Cream	R 5.50 per 100 kg.
04.02.40	Condensed milk -	
	0.10 sweetened	R 3.30 per 100 kg.
	0.20 unsweetened	R 2.75 per 100 kg.
04.02.30	Milk powder (including skimmed milk powder)	Free
04.03.15	Butter oil	Free
04.03.20	Butter	R 3.60 per 100 kg.
04.04.50	Cheese (exotic)	22 per cent
04.04.90	Cheese other - including Gouda and Cheddar	25 per cent

2. Import measures

The Dairy Board itself effects the importation of butter, and Gouda and Cheddar cheeses. Imports of condensed milk, whole milk powder and skimmed milk powder and exotic cheeses are subject to permits issued by the Board which may in certain circumstances itself undertake the importation of these products.

3. Export measures

Exports are not a regular feature of the industry. Fluctuations in export earnings in respect of occasional exports of butter, cheese and other milk products, are offset through the use of the stabilization fund.

No government subsidies are involved.

4. In the absence of some form of control over, or regulatory measures in respect of imports, it would not be possible to effectively administer the dairy scheme. The measures were therefore introduced to facilitate the operation of the scheme and in the final analysis to reach the main objectives of a greater measure of price stabilization (with its concomitant beneficial effect on farm income) and the rationalization of the industry.