

GENERAL AGREEMENT ON

RESTRICTED

IMC/INV/12/Rev.9

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TARIFFS AND TRADE

Arrangement Regarding Bovine Meat

Original: English

INTERNATIONAL MEAT COUNCIL

Inventory of Domestic Policies and Trade Measures and Information on Bilateral, Plurilateral or Multilateral Commitments

Reply to Parts G and H of the Questionnaire

SOUTH AFRICA

Revision

The participants have agreed to provide information concerning their domestic policies and trade measures including bilateral and plurilateral commitments on the basis of Parts G and H of the Questionnaire (Rule 16 of the Rules of Procedure). The documents containing replies to these parts of the Questionnaire are circulated under the symbol IMC/INV; they are revised as and when changes are notified.

This set of documents constitutes the inventory of all measures affecting trade in bovine meat, including commitments resulting from bilateral, plurilateral and multilateral negotiations, which the Council has instructed the secretariat to draw up and keep up to date, under the provisions of Article III of the Agreement (Note to Article III of the Arrangement and Rule 18 of the Rules of Procedure).

PART G

(Updated to the Final Quarter of 1989)

1. Production

Except for the northern part of the Cape Province, the north western part of Transvaal, certain parts of Natal where cattle farming is the main activity and the semi-arid shrub areas where farming is limited to sheep, beef production in South Africa generally forms an integral part of a mixed farming system. Income derived from this branch of farming contributes largely to the economic viability of farming enterprises and the sustainment of the rural population.

Beef represents approximately 64 per cent (1989) of all red meat produced in the country. Production increased by around 6.2 per cent during 1989 while the slaughter rate increased by 4.9 per cent.

Production is mainly dependent on natural and cultivated pastures although feed-lot operations have shown considerable growth in recent years. At present about one third of all slaughtered stock is marketed through these enterprises.

During 1988/89 beef production contributed approximately 11.8 per cent to the gross value of all agricultural production and approximately 63.6 per cent to the gross value of total red meat production.

Due to the mixed nature of farming a reasonable estimate of the number of cattle farms is difficult to establish. However, a typical beef farm is, on average, 3,800 hectares in extent with a beef herd of approximately 380 animals.

The total cattle population (August 1989) in the commercial sector of the country is about 8.6 million units. (Accurate figures for the subsistence and semi-commercial sectors are not available.)

As South Africa is generally a deficit beef producer, beef production is domestically orientated. Occasional surpluses are exported.

The neighbouring States normally supply all of the country's imports of beef in the form of frozen and chilled quarters as well as live animals.

(a) Factors influencing the evolution of the beef industry

1. Measures taken by the Meat Board to stabilize prices and to promote orderly marketing.
2. The economic implications of changing weather conditions.

3. Production costs.
4. Further growth in feed-lot operations.
5. Improved technology and managerial skills.
6. Competition from alternative farming enterprises.
7. Population growth which is currently 2.2 per cent per annum. affects demand.
8. General availability of other meats. Broiler production is at a high level and poultry meat is substituted for red meat by consumers.
9. Steadily rising income levels coupled with an income elasticity of demand substantially greater than unity among the lower income groups.

(b) Policies and measures of Government

1. Research by Government, the Meat Board and universities and guidance to producers in respect of breeding and pasture management, disease control and general management practices.
2. Drought and flood schemes operated by Government.
3. The slaughtering of cattle and the marketing of beef are subject to strict health and sanitary regulations imposed by the Government. In the controlled areas governmental grading regulations and inspection services are also in force.
4. The Government is furthermore involved in schemes for the prevention and/or eradication of animal diseases, e.g. a mandatory dipping scheme and preventative measures in respect of the spreading of foot and mouth disease from adjoining territories.

(c) Support and stabilization measures

South Africa's policy with regard to meat which is an essential foodstuff, coincides with the country's overall policy objective of price stabilization for the major agricultural commodities; orderly marketing; and rationalization of the allied manufacturing and distribution industries.

In view of the generally unfavourable climatic and environmental conditions prevailing in the greater part of the country as well as the fairly long production cycles, especially in respect of beef, it is considered essential to afford producers some measure of price stability by preventing excessive price fluctuations.

The Meat Board whose powers vest in the Marketing Act, has as its main objective the stabilization of the red meat industry. Thus three of these stabilization measures are aimed at stabilizing prices, namely:

- Floor price system which offers producers a long-term stabilizing price;
- Basic price system which offers producers a short-term stabilizing price; and
- Ceiling price system which offers producers a long-term stabilizing price.

Floor price

The floor price is determined once a year on the basis of market trends and serves as a minimum guaranteed price to producers according to grade, mass and species. The purpose of the floor price is to ensure long-term stability for the producer and to serve as a long-term guideline for production.

Basic price

Since the floor price has a long-term stabilizing function and must take account of expected market trends, it follows that the floor price could in the short term be out of step with market trends. The basic price was also introduced to offer the producer a measure of stability in the short term and to prevent the auction price from dropping to floor price level as a result of abnormal fluctuations, to subsequently return to previous levels.

The basic price is determined on the basis of market trends at a level of 10 per cent below the expected auction price for a specific centre according to grade and species. During the relevant week the auction prices cannot drop below the basic price but can be adjusted upwards or downwards to the floor price on a weekly basis according to market trends.

Thus it has been possible during the past year to largely curb the abnormal downward fluctuations in the auction price of red meat.

Ceiling price

As from 3 October 1988 it was decided to introduce a ceiling price on the same basis as for basic prices. Ceiling prices are intended to dampen similar price fluctuations above current auction prices since these prices do not form part of market trends and create unrealistic expectations which adversely affect supply. A further disadvantage attached to excessive upward price fluctuations is that such prices are held up in an indiscriminate manner to the public.

Although serious problems were experienced when these prices were initially implemented, they have nevertheless succeeded in curbing abnormal upward price fluctuations in the auction prices of red meat.

The minimum prices and grading system do not apply in the uncontrolled areas where cattle are sold mostly by private treaty and auctions on the hoof. The minimum prices applicable in the controlled areas, however, tend to influence the prices in the rest of the country where approximately 60 per cent of all commercial cattle slaughtering occurs.

Levels of the average minimum prices for 1989/90

Guaranteed minimum prices - c/kg.

<u>Super AZ</u>	<u>Prime BZ</u>	<u>Grade C1Y</u>
455	439	320

The Meat Board operates a stabilization fund, within the meat marketing scheme, which is financed from special levies paid by producers, i.e. distinguished from ordinary levies imposed to cover administration costs. A special levy is imposed on all cattle slaughtered and marketed in the controlled and uncontrolled areas. The levies are deposited in a special levy fund from which stabilization, product promotion, consumer development and advertising are financed as well as losses, if any, on exports of chilled or frozen beef. The present levy rate for controlled areas is as follows:

Cattle	-	7,000c per kg. cold dressed mass
Sheep and goats	-	3,800c per kg. cold dressed mass
Pigs	-	5,460c per kg. cold dressed mass

For the uncontrolled areas the following special levies apply:

Cattle	-	R14.00 per animal
Calves	-	R 2.30 per animal
Sheep and goats	-	R 0.65 per animal
Pigs	-	R 3.00 per animal

The Meat Board is the sole importer of chilled and frozen meat and on these imports no special levies are imposed.

Average returns to producers for 1989

I. Controlled areas - average auction price c/kg.

<u>Super A</u> ¹	<u>Prime B</u> ¹	<u>Grade C1</u> ¹	<u>Average all grades</u> ¹
496.8	469.3	431.2	472.1

Returns to producers comprise the above auction prices plus proceeds from the sale of offal and hides less marketing and transport costs.

II. Internal prices and consumption

- (a) Meat consumption is stimulated by promotional activities of the Meat Board. Expenditure in this respect amounted to approximately R6.85 million during 1987/88. Furthermore, during periods of oversupply, the Meat Board may allow the trade to buy at prices lower than the guaranteed minimum. These deficits are borne by the stabilization fund.
- (b) To prevent undesirables entering the trade and to enforce certain discipline, entrants are required to register with the Meat Board. The Board has the power to refuse such registration.
- (c) Generally, the retail mark-up (average for cuts and bulk meat sales) is approximately 30 per cent on wholesale prices.
- (d) Factors influencing local consumption:
 - 1. Actual beef prices and their relationship to price levels of competing meats and other protein foods.
 - 2. General availability of beef and other meats. Broiler production is at a very high level.
 - 3. Changing levels of disposable income, especially in respect of the lower income groups.
 - 4. Income elasticity of demand of lower income groups is substantially greater than unity.
 - 5. Population growth. This currently exceeds 2 per cent per annum.
 - 6. Advertising. The Meat Board's expenditure on promotion of beef amounted to approximately R3.4 million during the period 1987/88.

¹Average for all weight classes

III. Measures at the frontier

(a) Customs Duty

01.02	- Live animals of bovine species	- 10% surcharge
02.01	- Beef: Fresh, chilled	- 730c/100 kg. and 10% surcharge
02.02	- Beef: Frozen	- 730c/100 kg. and 10% surcharge
02.06	- Edible offals	- 730c/100 kg. and 10% surcharge
16.02.50.80	- Canned beef	- 30% or 100c/kg. and 10% surcharge

(b) No measures exist whereby the level of exportation of beef and veal products, cattle and calves are affected except the arrangement between the Meat Board and the Minister referred to in paragraph (d) below.

(c) In terms of Act No. 13 of 1956, the Animal Disease and Parasite Act, all imports of animals and animal products into South Africa are subject to a permit issued by the Director of Veterinary Services of the Department of Agriculture. The purpose of this legislation is the protection of South Africa from a veterinary health point of view.

In terms of Act No. 87 of 1967, the Animal Slaughter and Meat Hygiene Act, any abattoir or meat plant in a country wishing to export meat to South Africa must be approved by the Chief Meat Hygiene Officer in South Africa.

In addition, the same Act (No. 87 of 1967) lays down that any fresh meat imported into South Africa must be in the form of anatomically recognized cuts of meat.

(d) The neighbouring States (including Customs Union members) normally supply all of the country's imports of beef in the form of frozen and chilled quarters and live cattle. These countries are traditional exporters to the South African market and the quantities imported are determined through mutual arrangement between the Meat Board and the States concerned in consultation with the Minister. These imports are sold in the controlled areas on the same basis as domestically produced beef i.e. by auction and subject to the guaranteed minimum prices. Relatively small quantities of manufacturing beef cuts are also imported but sold by private treaty.

In order to ensure that the adjoining States are not deprived of their traditional markets, beef is only imported from other sources in the event of these States not being able to supply the necessary requirements. In such cases the Board undertakes the importation and allocates the quantities to interested concerns in the meat trade.

Supplies from the neighbouring States, all of which are developing countries, are imported duty-free.

Imports of processed beef are not restricted quantitatively.

Since South Africa is a net importer of beef, the quantity of beef which may be exported, is fixed annually by the meat Board in consultation with the Minister in the light of expected supply/demand conditions.

The quantity allowed for export is then allocated to commercial exporters on the basis of past performance and availability of approved slaughtering facilities.

Losses, if any, on exports of chilled or frozen beef are financed by the Board's stabilization fund.

Exports of canned beef are not restricted and are sometimes assisted financially from the Meat Board's stabilization fund.

PART H

No formal bilateral or plurilateral agreement or commitments are in existence except for the understanding referred to under III(d).