

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 Trading Measures

SOUTH AFRICA

Supplement

The objectives of South Africa's dairy policy 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.

Until the beginning of 1992, stabilization measures and the determination of a minimum producer price for milk were implemented by the Dairy Board in terms of the Dairy Scheme.

A proposed new Dairy Scheme is, however, at present being considered whereby the statutory stabilization functions will no longer be carried out by the Dairy Board. Milk buyers will be responsible for the stabilization of milk production and for the restriction of surplus milk production. The minimum price for butterfat, which was determined by the Dairy Board, has already been abolished and the Board no longer determines the minimum producer price for milk. The functions of the Dairy Board, which are carried out by its appointed agent, the Dairy Services Organization, will in future only be of an administrative nature regarding funds that are collected by way of statutory levies on milk and made available for generic advertising and service organizations.

A. Production

1. (a) Instruments of stabilization

Determined independently by milk buyers.

(b) Levels of guaranteed prices or support prices

None

(c) Producer subsidies

None

(d) Average returns to producers

Average actual returns are independently determined by the milk buyers.

Average actual returns to producers for December 1992 were as follows:

Class A: 74.12 c/litre (with average butterfat 3.67 per cent and protein 3.23 per cent),

Class B: 72.01 c/litre (with average butterfat 3.63 per cent and protein 3.23 per cent),

Class C: 67.58 c/litre (with average butterfat 3.73 per cent and protein 3.27 per cent),

with a general average of 73.74 c/litre.

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

None

B. Internal prices and consumption

1. Average retail prices of standard products

No price control exists for dairy products.

2. Factors which influence internal consumption

(i) Availability and price levels of the various products

Full availability can be ensured at all times by preventing shortages through timeous augmentation by way of imports.

Competition, which will stimulate consumption, is being promoted by removing restrictive measures and through a policy of deregulation and privatization.

(ii) Levels of wages and salaries

Although income levels in general and those of the lower income groups in particular, show a long-term tendency to rise, this growth is expected to be below the projected inflation rate, through which real personal income will be further restricted.

(iii) Promotion of dairy products

The Dairy Board estimates expenditure on advertising to be approximately R 7.5 million in 1992/93.

(iv) Other factors

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 skim milk powder.

3. Policies and measures

- (i) Periodical subsidization of butterfat derived from milk factories (which contributes towards increased consumption) from the Dairy Board's Stabilization Fund which is financed through levies on milk and butterfat deliveries has been phased out completely.

C. Measures at the frontier

It is Government policy to phase out quantitative control in favour of tariff protection. This policy is also in line with the proposed commitments under the Uruguay Round negotiations. The Dairy Service Organization is therefore currently in the process of tariffication.

Customs tariff

04.01.10	Milk and cream with less than 1% butterfat	Free
04.01.20	Milk and cream with 1% to 6% butterfat	Free
04.01.30	Milk and cream with more than 6% butterfat	Free
04.02.21	Milk powder (including skim milk powder)	Free
04.02.91	Milk powder: unsweetened	Free
04.02.99	Condensed milk: sweetened	Free
04.03.10	Yoghurt	Free
04.03.90.90	Buttermilk	Free
04.04.10	Whey	Free
04.05.00.10	Ghee	3.6 c/kg.
04.05.00.20	Butteroil	Free
04.05.00.90	Butter	3.6 c/kg.
04.06.10.10	Fresh cheese	25%
04.06.10.20	Curd	20%
04.06.20	Grated or powdered cheese, of all kinds	22%-25%
04.06.30	Processed cheese, not grated or powdered	25%
04.06.40	Blue-veined cheese	22%-25%
04.06.90.10	Cheese (exotic)	22%
04.06.90.90	Cheese, other - including Cheddar and Gouda	25%

2. Import surcharge

A fiscal import surcharge of 5 per cent has been made applicable on all imported dairy products from March 1991.

3. Import measures

Imports of butter, condensed milk, whole and skim milk powder, Gouda, Cheddar and exotic cheese are subject to permits issued by the Dairy Board. The Dairy Board, with the approval of the Minister of Agriculture, has the

sole right to issue permits to the trade for these products, when local supplies of these products are insufficient to meet domestic demand.

All imports of animals and animal products, including dairy products, into South Africa are subject to a veterinary import permit issued by the Directorate Animal Health of the Department of Agriculture. In terms of the Animal Health and Meat Hygiene regulations, imported animal products have to undergo certain procedures before being cleared for in-transit movement. Further, in terms of the Agricultural Pests Act, the import of agricultural products are regulated by the issue of import permits and phytosanitary certificates.

4. Export measures

- (i) Surplus removal by means of subsidising the price of skim milk powder and butter exported, has been abolished.
- (ii) The Government has instituted measures that ensure that exports of dairy products will not take place under the minimum prices set by the International Dairy Arrangement.
- (iii) No government subsidies are involved.
- (iv) The Agricultural Product Standards Act, 1990 (Act 119 of 1990), makes provision for the imposition of inspection fees when products are presented in view of approval for exportation. The Perishable Products Export Control Board (PPECB) is assigned, under Article 2 of the Act, to perform the export inspection function on behalf of the Directorate Plant and Quality Control. The export inspection fees generated are for PPECB's own account. Export standards are harmonized as far as possible with international standards prescribed by organizations such as the International Dairy Federation.