GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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Special Distribution

Arrangement Regarding Bovine Meat

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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).

93-0802

## PART G

(Updated to 31 January 1993)

South Africa's policy with regard to meat coincides with the country's overall policy objective of price stabilization for the major agricultural commodities.

In view of the general unfavorable 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 necessary to afford producers some measure of price stability by preventing excessive price fluctuations.

On 22 January 1993, the Minister of Agriculture approved that the Meat Board repeal prohibition regulations which were imposed in terms of the Meat Scheme and the Marketing Act with regard to slaughter animals, meat, offal, hides and skins.

The repeal of the prohibitions will lead to the abolition of restrictions regarding the movement and method of sale of slaughter animals, meat, offal, hides and skins in the controlled areas, as well as the control over the sale and slaughter of slaughter animals in the controlled areas. This does not mean that the entire Meat Scheme is hereby abolished. It will, however, bring about that meat may move more freely. The present Meat Scheme still provides for controlled and uncontrolled areas although there are indications that the distinction between the two areas will be abolished completely in the near future. The remainder of the Scheme is presently being investigated by the National Marketing Council and a recommendation in this regard will be made to the Minister in due course.

Following the abolition, every abattoir owner will, without intervention of the Meat Board, be responsible for the actions in the abattoir with regard to the slaughter of animals according to the abattoir's slaughtering capacity, for example the supply of slaughter animals. It will also depend on the abattoir owner whether he will make use of agents or not.

The producer will himself decide where and at which abattoir his animals will be slaughtered as well as the method of sale of his meat, offal, hides and skins. For example he can decide whether his livestock should be sold by means of public auction or on a basis of negotiation. The producers must, however, take the hygiene requirements as prescribed by the Directorate of Meat Hygiene and the Department of Health into consideration. The abolition of the prohibitions implies that meat, subject to hygiene standards as prescribed, can move freely. Local authorities will, however, decide on the hygiene standards for meat which may be brought into and sold in areas under their control. This implies

that the free movement of meat will be allowed from abattoirs where inspections are are carried out beforehand by a veterinary surgeon and a post slaughtering inspection is carried out by a hygiene official. Where only a post slaughtering inspection is carried out, the free movement of meat will be subject to the approval of the authority into who's area the meat is brought.

The consumer will still be able to purchase meat with the necessary peace of mind. Meat which has been inspected and handled according to the prescribed requirements for a perishable product will be identified with a distinct mark which will be placed on the carcass under supervision of the Directorate of Meat Hygiene.

In future the Meat Board will only be responsible for the classification of meat, grading of hides and skins at certain abattoirs and when requested, the maintenance of an auction system as well as a floor price. Abattoirs that wish to participate in the floor price scheme, will have to apply to the Meat Board.

1. Production

Except for the northern part of the Cape Province, the north western part of Transvaal, the semi-arid shrub areas where farming is limited to sheep and certain parts of Natal where cattle farming is the main activity, 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 66 per cent (1992) of all red meat produced in the country. During 1991/92 beef production contributed +13.1 per cent to the gross value of all agricultural production and approximately 67.8 per cent to the gross value of total red meat production.

Beef production is mainly dependent on natural and cultivated pastures although at present 60 per cent of all slaughtered stock is marketed through feed-lot operations. Because of the current position in the production cycle, feed-lots are finding themselves under a cost-squeeze as beef prices have been moving horizontally for the last three years.

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 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.

During October and November 1990 quantitative restrictions on meat imports were replaced with tariffs. The Meat Board is no longer the sole importer of meat and any party can thus import meat. A permit issued by the Department of Trade and Industry is, however, required to bring any meat into South Africa.

(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. Improved technology and managerial skills.

5. Competition from alternative farming enterprises.

6. Population growth, which is currently 2.15 per cent per annum, affects demand.

7. General availability of other meats. Broiler production is at a high level and poultry meat is substituted for red meat by consumers.

8. 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 the Government

1. Research by the 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 the Government.

3. The slaughtering of cattle and the marketing of beef are subject to health and sanitary standards imposed by the Government. In the controlled areas governmental classification 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

The Meat Board whose powers vest in the Marketing Act, has its main objective the stabilization of the red meat industry. The determination of a floor price is used as a measure of stabilizing prices over the long-term.

Floor price

The floor price is determined twice a year on the basis of market trends and serves as a minimum guaranteed price to producers according to class, 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. The Meat Board purchases meat at the floor price.

The minimum prices and classification system do not apply in the unclassified abattoirs where cattle are sold mostly by private treaty and auctions on the hoof. The minimum prices applicable in the classified abattoirs, 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 1992/93

Guaranteed minimum beef prices - 486¢/kg. (weighted average).

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. The present special levy rate for controlled areas is as follows:

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|---|---|
| Cattle | - 0.07¢/kg. cold dressed mass |
| Calves | - 0.06¢/kg. cold dressed mass |
| Sheep and goats | - 0.07¢/kg. cold dressed mass |
| Pigs | - 4.37¢/kg. cold dressed mass |

For the Uncontrolled areas the following special levies apply:

| | |
|---|---|
| Cattle | - 9¢ per carcass |
| Calves | - 1¢ per carcass |
| Sheep and goats | - 0.5¢ per carcass |
| Pigs | - 2¢ per carcass |

Average returns to producers for 1992

1. Controlled areas - average auction price

511¢/kg.

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

2. Internal prices and consumption

(a) Meat consumption is stimulated by promotional activities of the Meat Board. Expenditure in this respect amounted to approximately R 21.1 million during 1991/92. 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) Entrants to the trade are subject to health regulations of the local authorities. The requirement to register with the Meat Board was discontinued as from January 1991.

(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 R 9.5 million during the period 1991/92.

3. Measures at the frontier

(a) Customs duty

| | | |
|---|---|---|
| 02.01 | - Beef, fresh or chilled: | |
| 02.01.10 | - Carcasses and half-carcasses | - 20% or 300¢/kg. less 80% |
| 02.01.20 | - Other cuts with bone in | - 20% or 900¢/kg. less 80% |
| 02.01.30 | - Boneless | - 20% or 900¢/kg. less 80% |
| 02.02 | - Beef, frozen: | |
| 02.02.10 | - Carcasses and half-carcasses | - 20% or 300¢/kg. less 80% |
| 02.02.20 | - Other cuts with bone in | - 20% or 900¢/kg. less 80% |
| 02.02.30 | - Boneless | - 20% or 900¢/kg. less 80% |
| 02.06 | - Edible offal: | |
| 02.06.10 | - Of bovine animals, fresh or chilled | - 30% |
| 02.06.20 | - Of bovine animals, frozen: | |
| 02.06.21 | - Tongues | - 30% |
| 02.06.22 | - Livers | - 30% or 350¢/kg. less 70% |
| 02.06.29 | - Other | - 30% |
| 16.02.50 | - Canned beef: | |
| 16.02.50.30 | - Tripe | - 3¢/kg. |
| 16.02.50.40 | - Other, dehydrated, in immediate packings of a content of 50 kg. or more | - 3¢/kg. |
| 16.02.50.90 | - Other | - 50% |

(b) The exportation of beef, veal and pork, cattle, calf and pig offal and all meat products manufactured from the abovementioned excluding canned meat products are controlled under Article 87 of the Marketing Act. Hereby the Meat Board determines global amounts for export subject to Ministerial approval annually. Exports can take place by the Meat Board, or private parties who require a permit issued by the Meat Board to export.

(c) In terms of Act No. 35 of 1984, the Animal Diseases Act, all imports of animals and animal products into South Africa are subject to a veterinary import permit issued by the Director of Animal Health 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, Meat and Animal Products 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 either be in the form of anatomically-recognized cuts of meat, or mechanically recovered meat. In the latter case strict bacteriological qualities are required. Apart from tests in the country of origin, tests are also carried out in South Africa before the meat is released.

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.

In terms of the Agricultural Pest Act, 1983 (Act 36 of 1983) the import and export of agricultural products are regulated by the issue of import permits and phytosanitary certificates.

(d) The neighbouring States (including Customs Union members) normally supply a large share of the country's imports of beef in the form of frozen and chilled quarters and live cattle. These countries are traditionally exporters to the South African market and the quantities imported are determined through mutual arrangement between the Meat Board and the States concerned. These imports are sold in South Africa on the same basis as domestically-produced beef i.e. by auction and subject to the guaranteed minimum prices.

## PART H

1. Description of bilateral, plurilateral and multilateral agreements

(a) The Trade Agreement between South Africa and Malawi, was signed on 19 June 1990. In terms thereof, South Africa allows all products, including meat and meat products, grown, produced or manufactured in Malawi to be exported to South Africa duty free. These products are, however, subject to an import permit issued by the Department of Agriculture or of Trade and Industry. South Africa, in return, can export to Malawi all products grown, produced or manufactured in South Africa at the "most-favoured-nation" rate of duty.

(b) The Trade Agreement between South Africa and Southern Rhodesia (Zimbabwe) was signed on 1 December 1964. In terms of this Agreement goods produced in the country of one party shall not be imported into the country of the other party, unless an import licence is issued. The Agreement provides for preferential duties on imports covering a wide range of products, including the following: cattle, beef, veal and other edible products produced from the carcasses of cattle, excluding meat extract, meat paste, meat powder, potted meat and canned meat.

(c) The first Southern African Customs Union Agreement (SACUA) was signed in 1910 after South Africa became a Union. The present SACUA with Botswana, Lesotho, Namibia and Swaziland (BLNS-countries) is a continuation of the 1910 Agreement, and has been in effect since 1 March 1970. All locally produced agricultural products are subject to the conditions set out in the SACUA.

The SACUA provides for marketing arrangements in force in the different regions of the common customs area to be applied on an equitable basis to similar commodities produced in any other region, and marketed in the region where the marketing arrangement is in operation. The Agreement also provides for consultations on matters affecting production and consumption of agricultural products, as well as the improvement and extension of marketing arrangements.