

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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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 efficiency of the farming industry and the orderly marketing of dairy products 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 mixed 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.

As a result of legal proceedings against the Dairy Board with regard to certain Government Notices in respect of levies on dairy products, judgement was given declaring these levies null and void. This brought about that certain provisions in the Dairy Scheme were practically unworkable and the Dairy Board decided, during 1993, to submit a new Dairy Scheme to the Minister of Agriculture for his consideration. The acceptability of this Scheme was tested by the National Marketing Council during meetings held with milk producers and it was found that a significant percentage of producers did not support the proposed Scheme. After further deliberations, the Milk Producers' Organization proposed a Milk Scheme which was accepted by the majority of milk producers and approved by the Minister of Agriculture. The Milk Scheme and the Milk Board instituted in terms of the Scheme was implemented on 1 January 1994. The functions of the Milk Board are of an administrative nature regarding funds that are collected by way of statutory levies on milk and made available for the funding of producer organizations, research in the interest of the industry, information services and milk market promotion.

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 September 1993 were as follows:

Class A: 79.77 c/litre (with average butterfat 3.72 per cent and protein 3.25 per cent),

Class B: 77.09 c/litre (with average butterfat 3.68 per cent and protein 3.23 per cent),

Class C: 75.31 c/litre (with average butterfat 3.69 per cent and protein 3.23 per cent),

with a general average of 79.47 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

Average retail prices for the period January-November 1993 were as follows:

Fresh milk	R 2.07/litre
Cheddar, Grade I	R 19.79/kg.
Skimmed milk powder	R 16.66/kg.
Butter	R 6.58/500g.

2. Factors which influence internal consumption

(i) Availability and price levels of the various products

A full range of dairy products is available from local processors. Imports occur to supplement local supply in times of shortage and to extend the available product range.

Prices are determined in the market place and take account of demand and supply and the quality of the product in question.

(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

Under the discontinued Dairy Scheme, generic advertising was funded by levies placed on dairy processors. Promotion of dairy products is undertaken by private processors on a product/brand basis.

(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) Dairy products are not subsidized and there are no State-operated policies and measures to stabilize prices or promote consumption.

C. Measures at the frontier

In view of the successful conclusion of the GATT Uruguay Round of Multilateral Negotiations, quantitative control in terms of Section 87 of the Marketing Act will be replaced with a system of tariff protection. The Milk Board is therefore currently in the process of tariffication and the tariffs indicated below will be adjusted accordingly.

1. 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
04.02.10	Milk powder with less than 1.5 % butterfat	Free
04.02.2	Milk powder with more than 1.5 % butterfat	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	3.6c/kg.
04.05.00.20	Butteroil	Free
04.05.00.90	Butter	3.6c/kg.
04.06.10.05	Fresh cheese	25 %
04.06.10.15		
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 Director-General of Agriculture. This measure will be phased out when tariff protection is instituted.

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) The Dairy Scheme in terms of which surplus dairy products were exported with the aid of funds from the stabilization fund has been discontinued.
- (ii) The terms and provisions of the International Dairy Arrangement are communicated regularly to all exporters of dairy products.
- (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 for approval for exportation. The Perishable Products Export Control Board (PPECB) is assigned, under Section 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.

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 South 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.