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

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 bulk milk based on butterfat and protein content as well as a floor price for butterfat supplied in bulk to creameries (both with approval of the Minister);

(ii) operates a fresh milk pool for producers electing to participate therein, and acts as agent for such pool producers to negotiate with milk purchasers the most beneficial realization for their milk supplies (currently a pool is operated in a limited area in respect of approximately 2.9 per cent of the country's total milk production);

(iii) regulates the standard of processing and distribution plants by means of conditions of registration to be complied with prior to and after commencement of operations;

(iv) operates a stabilization fund.

(b) Levels of guaranteed or support prices[1]

(i) Milk

Class A[2] plus facilities at R 39.14 per 100 kg. (equals R 0.4031 per litre) which is based on an average of 3.799 per cent butterfat and 3.270 per cent protein content (price for butterfat content is R 4.50 per kg. and R 6.74 per kg. for protein). Compulsory deduction for higher bacterial counts are R 0.01 per litre for class B[2] and R 0.02 per litre for class C[2].

(ii) Butterfat to creameries (bulk)

First grade: Ex condensing milk factories: R 7.31 per kg. (less R 2.04 stabilization fund subsidy to creameries)

Ex cheese factories and other: R 5.27 per kg.

Second grade: Ex condensing milk factories: 6.31 per kg. (less R 2.04 stabilization fund subsidy to creameries)

Ex cheese factories and other: R 4.27 per kg.

(c) Producer subsidies

None

(d) Average returns to producers

Although a floor price system is in operation, average prices paid to producers are well in excess of the fixed floor price. Average actual returns to producers since the inception of the Milk-is-Milk System on 1 September 1988 are as follows:

Class A: R 0.5015 per litre (with average butterfat 3.74 per cent and protein 3.41 per cent);

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[1] Floor prices in terms of the uniform marketing system for all milk - generally known as the Milk-is-Milk System - which came into effect on 1 September 1988.

[2] Class A: Up to 50,000
Class B: More than 50,000 up to 200,000
Class C: More than 200,000

Class B: R 0.4618 per litre (with average butterfat 3.66 per cent and protein 3.34 per cent);

Class C: R 0.4434 per litre (with average butterfat 3.66 per cent and protein 3.33 per cent);

with a general average of R 0.4944 per litre.

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

A system of compulsory deductions (see (b)(i) above) is aimed at improvement of production quality.

B. Internal prices and consumption

1. Representative retail and wholesale

	Wholesale	Retail
Butter[1]	N.a.	R 5.20/kg.
Cheddar cheese[2]	N.a.	R 9.30/kg.
Gouda cheese[2]	N.a.	R 9.39/kg.
Skim-milk powder	N.a.	R 8.29/kg.
Whole milk powder	N.a.	R 12.16/kg.
Fresh milk (pasteurized, full cream)	N.a.	R 1.17/l.

2. Factors which influence internal consumption

(i) Availability and price levels of the various products

Conservative price policies are pursued in respect of floor prices and full availability ensured at all times. Shortages are prevented 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

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

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[1] Wholesale price determination in respect of butter abolished from 1 October 1988/retail from June 1985

[2] Whole price determination in respect of Cheddar and Gouda cheese abolished from 1 October 1986/retail from June 1985

(iii) Promotion of dairy products

The Dairy Board estimates expenditure on advertising to be approximately R 10.7 million in 1989/90.

(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 skim-milk powder and butter (which contributes towards increased consumption) from the Dairy Board's Stabilization Fund which is financed through levies on milk and butterfat deliveries.

C. Measures at the frontier

1. Customs tariff

04.04.10	Whey	Free
04.03.90.90	Buttermilk	Free
04.01.10	Cream with less than 1% butterfat	Free
04.01.20	Cream with 1% to 6% butterfat	Free
04.01.30	Cream with more than 6% butterfat	Free
04.02.21	Milk powder (including skim-milk powder)	Free
04.02.99	Condensed milk:	
	.10 sweetened	Free
04.02.91	.20 unsweetened	Free
04.05.00.20	Butter oil	Free
04.05.00.90	Butter	R 3.60/100 kg.
04.06.90	Cheese (exotic)	22%
04.06.90.90	Cheese other - including Cheddar and Gouda	25%

2. Import surcharge

A fiscal import surcharge of 15 per cent is applicable on all imported daily products from 15 August 1988.

3. Import measures

Imports of butter, condensed milk, whole and skim-milk powders, Gouda, Cheddar and exotic cheeses are subject to permits issued by the Dairy Board.

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.

4. Export measures

(i) Exports are not a regular feature of the South African dairy industry, except in the last few years when limited quantities of skim-milk powder and cheese were exported. Fluctuations in export earnings in respect of the export of butter, cheese and other milk products are offset through the use of the Dairy Board's Stabilization Fund.

(ii) No government subsidies are involved.

(iii) No exports are expected to take place during the year January to December 1989.