

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

RESTRICTED

IMC/INV/12/Rev.10
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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 1990)

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 (1990) of all red meat produced in the country. Production increased by around 13.5 per cent during 1990 while the slaughter rate increased by 17.8 per cent.

Production is mainly dependent on natural and cultivated pastures although at present about one third 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.

During 1989/90 beef production contributed approximately 11.1 per cent to the gross value of all agricultural production and approximately 64.3 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 1990) in the commercial sector of the country is about 8.1 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.

During October and November 1990 (sheep, goats and beef respectively) 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 Meat Board is however required to bring any meat including imported meat into defined controlled areas.

(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 2.2 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 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 health and sanitary standards 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 coincides with the country's overall policy objective of price stabilization for the major agricultural commodities.

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 necessary 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, two of these stabilization measures are aimed at stabilizing prices, namely:

- a floor price which offers producers long-term stability; and
- a basic price which offers producers short-term stability.

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. The Meat Board purchases meat at the floor price.

Basic price

In addition to the floor price, a basic price which is at least 10 per cent below the expected auction price for a specific centre according to grade and species, is determined on a weekly basis.

Separate basic prices are determined for each of the controlled markets.

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 1990/91

Guaranteed minimum beef prices - c./kg.

Super AZ

Prime BZ

Grade C1Y

460

422

368

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 levy rate for controlled areas is as follows:

Cattle	- 7.380 c. per kg. cold dressed mass
Sheep and goats	- 5.376 c. per kg. cold dressed mass
Pigs	- 6.457 c. per kg. cold dressed mass

For the uncontrolled areas the following special levies apply:

Cattle - R 12.13 per animal
Calves - R 2.28 per animal
Sheep and goats - R 0.76 per animal
Pigs - R 2.98 per animal

Average returns to producers for 1990

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
504.0	472.6	424.7	467.9

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 R 9.66 million during 1990/91. 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.

¹Average for all weight classes

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 4.8 million during the period 1990/91.

III. Measures at the frontier

(a) Customs duty

02.01	- Beef: fresh, chilled	
0201.10	- Carcasses and half-carcasses	- 20% or 300 c./kg. less 80%
0201.20	- Other cuts with bone in	- 20% or 900 c./kg. less 80%
0201.30	- Boneless	- 20% or 900 c./kg. less 80%
02.02	- Beef: frozen	
0202.10	- Carcasses and half-carcasses	- 20% or 300 c./kg. less 80%
0202.20	- Other cuts with bone in	- 20% or 900 c./kg. less 80%
0202.30	- Boneless	- 20% or 900 c./kg. less 80%
02.06	- Edible offals	
0206.10	- Of bovine animals, fresh or chilled	- 30%
0206.2	- Of bovine animals, frozen:	
0206.21	- Tongues	- 30%
0206.22	- Livers	- 30% or 350 c./kg. less 70%
0206.29	- Other	- 30%
16.02.50	- Canned beef	
1602.50.30	- Tripe	- 3 c./kg.
1602.50.40	- Other, dehydrated, in immediate packing of a content of 5 kg. or more	- 3 c./kg.
1602.50.90	- Other	- 50%

(b) The exportation of beef, veal and pork; cattle, calf and pig offal and all meat products manufactured from the above-mentioned excluding canned meat products is 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. 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, 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.

- (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 traditional 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 the controlled areas on the same basis as domestically produced beef i.e. by auction and subject to the guaranteed minimum prices.

Imports of processed beef are not restricted quantitatively.

Part H

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