

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

DPC/INV/5/Add.4

23 March 1992

Special Distribution

International Dairy Arrangement

Original: English

INTERNATIONAL DAIRY PRODUCTS COUNCIL

Reply to Questionnaire 5 Regarding Information on Domestic Policies and Trading Measures

SOUTH AFRICA

Addendum

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 a floor price to producers for all milk in bulk based on butterfat and protein content, as well as a floor price for butterfat supplied in bulk to creameries (with approval of the Minister);
- (ii) 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;
- (iii) operates a stabilization fund.

(b) Levels of minimum prices*

(i) Milk

Class A** at R 44.65 per 100 kg. (equals 43.88 cents/litre) which is based on an average of 3.66 per cent butterfat and 3.24 per cent protein content (price for butterfat content is 500 cents/kg. and 750 cents/kg. for protein). Compulsory deduction for higher bacterial counts are 2 cents/litre for class B** and 4 cents/litre for class C**.

(ii) Butterfat to creameries (bulk)

As from January 1991 no support price exists for bulk butterfat.

(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 for December 1991 are as follows:

Class A: 62.93 cents/litre (with average butterfat 3.66 per cent and protein 3.24 per cent);

Class B: 60.93 cents/litre (with average butterfat 5.63 per cent and protein 3.24 per cent);

Class C: 58.93 cents/litre (with average butterfat 3.59 per cent and protein 3.22 per cent);

with a general average of 58.87 cents/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.

*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.

**Class A: Up to 50,000

**Class B: More than 50,000 up to 20,000

**Class C: More than 200,000

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

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.

(iii) Promotion of diary products

The Dairy Board estimates expenditure on advertising to be approximately R 9.7 million in 1991/92.

(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 Stabilisation Fund which is financed through levies on milk and butterfat deliveries are being paid. This subsidization is however in the process of being phased out completely.

C. Measures at the frontier1. 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
04.02.91	Unsweetened	Free
04.02.99	Condensed milk: sweetened	Free
04.05.00.20	Butter oil	Free
04.05.00.90	Butter	R 3.60 per 100 kg.
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 10 per cent is applicable on all imported dairy products (excluding butter) from 15 March 1990.

3. Import measures

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

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 skimmed milk powder and butter were exported. Fluctuations in export earnings in respect of the exports of butter and other milk products are offset through the use of the Dairy Board's Stabilisation Fund.

(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.