



## ***Customs Duty and Market Access Project of Milk SA***

(PRJ-0142-2017)

### ***SAMPRO: Customs Duty and Market Access***

***Year 2017*** (January 2017 till December 2017)

## **Project goals**

### **Goal 1 - Bilateral and Multilateral Trade Agreements and Negotiations**

#### ***Achievements***

#### **1.1 The Economic Partnership Agreement (EPA) between the Southern African Development Community (SADC) and the European Union (EU)**

The EPA agreement was successfully concluded and it was signed on 10 June 2016. The SADC EPA Group included Botswana, Lesotho, Mozambique, Namibia, and South Africa. Swaziland and Angola, who were initially part of the negotiating countries, have an option to join the agreement in future.

With the implementation of the SADC / EU EPA two aspects helped to spread the burden on processed cheese, cheddar and gouda cheese:

Firstly, all cheese imports under the quota will be subjected to a zero rate of duties. This means that the main outputs of the South African cheese industry (processed cheese, cheddar cheese and gouda cheese) will be less burdened by duty free imports; and

Secondly, with the implementation of the EPA the quota will now be spread between the participating SADC members. In the first round the quota has only been allocated to SACU members based on historical trade, size of the economy and requests by individual SACU members.

The allocations for 2017 are contained in the table below:

#### **Allocation of cheese, butter and ice cream quotas between the participating countries**

Product	Quota (ton)	Botswana	Lesotho	Namibia	South Africa	Swaziland
		TRQ Allocation in tons				
Butter	500	43	10	80	350	17
Cheese	7 550	713	190	1 014	5 285	348
Ice Cream	150	17	4	18	105	6

#### **Source: Department of Agriculture, Forestry and Fisheries**

All the above quotas will be subjected to a **zero rate of duty** and the allocations will be on a “first come first served” basis. Once the quota is fully utilized the duty on the product will revert back to the normal applied rate of duty.

The 500 ton butter quota is only on butter in packaging of 20 kg or more and a zero rate of duty is applicable. Packaging less than 20 kilogram will pay the normal duty of R5.00 per kilogram.

#### **1.2 OVERVIEW OF THE CONTINENTAL FREE TRADE AREA (C-FTA)**

During the last quarter of 2017 representatives of the various African states have been in discussion and negotiations to establishment and roll out of the continental Free Trade Area

(CFTA). The agreement will form a single continental market for goods and services. A new C-FTA will bolster the links between 54 nations - but significant progress still needs to be made before it becomes a reality.

### **The objectives of C-FTA**

The main objectives of the C-FTA are to create a single continental market for goods and services, with free movement of business persons and investments, and thus pave the way for accelerating the establishment of the Africa Customs Union.

It will also expand intra-African trade through better harmonization and coordination of trade liberalization and facilitation and instruments across the C-FTA. The C-FTA is also expected to enhance competitiveness at the industry and enterprise level through exploitation of opportunities for scale production, continental market access and better reallocation of resources.

### **Current progress**

**Negotiations for the establishment of the C-FTA were officially launched in June 2015, with the stated aim of reaching a final agreement by 2018. Although it is not yet known whether this target will be met, concrete progress continues to be made.**

Between June 2015 and June 2017, the Continental Free Trade Area Negotiating Forum (CFTA-NF) has held six meetings discussing draft modalities for negotiations on tariff liberalization and trade in services, while the C-FTA Technical Working Groups held their first meeting in February 2017 to create an overview of the draft legal text and appendices.

At the most recent C-FTA-NF meeting earlier in October 2017, it was agreed that 90 per cent of tariff lines for goods will be liberalized. Although further work is still needed to establish the new tariff schedules and exclusions, as well as to devise a strategy for approaching rules of origin, trade remedies, customs cooperation and trade facilitation, talks continue to move forward. Additional rounds of negotiation took place towards the end of the year and the African region are hoping that further progress can be achieved, and that C-FTA can become a reality in 2018.

It should be noted that the position of the Customs Duty and Market Access Project on behalf of Milk SA during discussions in the Agricultural Trade Forum (ATF) of the Department of Agriculture, Forestry and Fisheries (DAFF) is that the rule of origin should only make provisions for duty reductions if a specific agricultural product is wholly obtained (produced in) from the member countries.

### **1.3 Geographical indications (Gi's)**

The prohibition on the use of certain names, geographical indications (Gi's) was published by the Department of Trade and Industry in the Government Gazette, no. 40359 on the 21 October 2016. This publication was distributed by Milk SA to all levy payers.

### **1.4 Draft guidelines for Infant Industry Protection (IIP)**

The project supported the draft guidelines on the implementation of IIP within the SACU agreement as drafted by DAFF for submission to the SACU Secretariat for approval and implementation by member countries. The draft guidelines are in line with guidelines proposed by SAMPRO a few years ago.

### **1.5 Nedlac**

A document with the title "South African Customs tariff dispensation iro dairy products" was compiled and submitted to the negotiating team of Milk SA.

**1.6 The project manager attended the following Agricultural Trade Forum (ATF) meetings:** February, March, May, August, September and October 2017

## ***No Non-achievements / underperformance has been reported***

## **Goal 2 - Export Certification**

### ***Achievements***

#### **2.1 Perishable Product Export Control Board (PPECB)**

A team of experts has been selected to revisit the Standard Operations Procedure (SOP) and to

find solutions for the problems experienced by the dairy industry as far as inspections and certification of product composition is concerned.

A discussion with PPECB regarding the finalisation of the SOP and the fees structure took place on 22 March 2017. The Standards and Regulation Project of Milk SA reported at the end of November 2017 that an agreement have been reached between the dairy industry, the Department of Agriculture, Forestry and Fisheries (DAFF) and PPECB on the SOP. The agreement and SOP will be implemented in 2018.

## **2.2 Veterinary Procedure Notice (VPN 20)**

The VPN for export approval and certification of dairy products are in the process of revision and DAFF stated in a letter dated 15 February 2017 that

the current VPN 20, is the official document and is still applicable until the revision is finalised and implemented.

## **2.3 Import requirements of dairy products earmarked for Angola and Mozambique**

Some of the neighbouring countries are focusing more and more on the animal health status of the herds and will not allow imports of dairy products if there are any notifiable animal diseases, as listed by the Animal Health Organization (OIE), present in the area where the raw milk is collected for processing.

Discussions took place on 8 February 2017 at the Delpen Building to discuss the requirements of Angola and Mozambique. The following officials were present:

The Directorate Animal Health, Drs' C Gibbs, S Labuschagne;

Mr. J Burger of the Standards and Regulations project of Milk SA; and

Mr. D Jonker of the Custom Duties and Market Access project of Milk SA.

Exporters within the Eastern Cape Province were not able to export any dairy products to the Angola and Mozambique markets. The said countries will not allow any importation of milk and dairy products if the raw milk is sourced from herds which are infected by any of the of the notifiable animal diseases, as listed by the Animal Health Organization (OIE).

The matter was taken up with the relevant authorities (DAFF/Veterinary services) and the meeting proposed that:

In the case of Angola the Directorate Animal Health at the National Head Office discussed the matter further with the Provincial State Veterinarian to obtain acceptance that heat treatment destroys all known pathogenic bacteria and ensures food safety;

In the case of Mozambique the National Department of Agriculture, Forestry and Fisheries discussed the matter with the Mozambique authorities to amend the import requirements of Mozambique to be similar to that of Angola. At the moment the specific import requirements of Mozambique are excessive and not justified in terms of food safety and animal health and it is thus a non-tariff trade barrier;

An expert opinion was sought indicating that appropriate heat treatment destroys all known pathogenic bacteria and ensures food safety and it was submitted to the Department of Agricultural; and

The particular processors decided to procure their raw milk from herds that are free from the animal diseases as listed by OIE.

## ***No Non-achievements / underperformance has been reported***

### **Goal 3 - Import Monitoring and liaison with ITAC**

#### ***Achievements***

The following monthly and quarterly reports were submitted to the Customs Duty and Market Access Project and the Information Project of Milk SA.

Monthly import and export statistics January to December 2017

Quarterly reports for the periods:

January to December 2016;

January to March 2017;

January to June 2017; and

January to September 2017

## ***No Non-achievements / underperformance has been reported***

### **Goal 4 - Animal Health Forum**

#### ***Achievements***

The project manager participates in the meeting of the forum and focus on trade related issues. Bovine brucellosis, one of the notifiable diseases of the OIE, has been identified by DAFF as a pilot project with the aim to eradicate/limit the existence of diseases as soon as possible.

## ***No Non-achievements / underperformance has been reported***

### **Income and expenditure statement**

Income and expenditure statement	<a href="#">December Management statements Customs.pdf</a> <a href="#">2017 Project Advances.xlsx</a>
Unnecessary spending during period	No

### **Popular Report**

[Annual qtr pop report.doc](#)

### **Additional documentation**

No file has been uploaded

### **Statement**

Levy funds were applied only for the purposes stated in the contract	Yes
Levy funds were applied in an appropriate and accountable manner	Yes
Sufficient management and internal control systems were in place to adequately control the project and accurately account for the project expenditure	Yes
The information provided in the report is correct	Yes