



Customs Duty and Market Access Project of Milk SA

(PRJ-0142-2017)

SAMPRO: Customs Duty and Market Access

Quarter 2 2017 (April 2017 till June 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.

The other six members of the Southern African Development Community region – the Democratic Republic of the Congo, Madagascar, Malawi, Mauritius, Zambia and Zimbabwe – are negotiating Economic Partnership Agreements with the EU as part of other regional groups, namely Central Africa or Eastern and Southern Africa.

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.

According to SARS statistics 4 259 tons of cheese was imported from the EU in the period January to May 2017. SARS further stated that they will amend the tariff rate on the tariff Quotas (TRQ's) for cheese of tariff subheadings 0406.10, 0406.20, 0406.40 and 0406.90.99 to free as they are currently at 50% of the normal applied rate (MFN), with retrospective effect from 1 November 2016.

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

1.2 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.

1.3 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.

1.4 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.

1.5 The project manager attended the following Agricultural Trade Forum (ATF) meetings: February, March and May

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. Feedback on the meeting will be forwarded to the dairy industry by the Standards and Regulation Project of Milk SA.

2.2 Veterinary Procedure Notice (VPN 20) 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 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 between officials of the Directorate Animal Health, Drs' C Gibbs, S Labuschagne and Mr. J Burger of the Standards and Regulations project of Milk SA and Mr. D Jonker of the

Non-achievements / underperformance

Exporters within the Eastern Cape province were not able to export any dairy products to the Angola and Mozambique markets.

Reasons for non-achievements / underperformance

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),

Planned remedies for non-achievements / underperformance

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

Custom Duties and Market Access project of Milk SA, to discuss the requirements of Angola and Mozambique.

industry is awaiting the outcome of negotiations between South African Veterinary Services and their counterparts in Angola and Mozambique.

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 are sourcing their raw milk from herds that are free from the animal diseases as listed by OIE.

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 statistics October 2016 to April 2017 and

Quarterly reports for the periods: January to December 2016 and January to March 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 | Finansiele verslag Januarie tot Junie 2017.doc Project 2 nd qtr pop report.doc |
| Unnecessary spending during period | No |

Popular Report

No file has been uploaded

Additional documentation

No file has been uploaded

Statement

| | |
|---|----|
| Levy funds were applied only for the purposes stated in the contract | No |
| Levy funds were applied in an appropriate and accountable manner | No |
| Sufficient management and internal control systems were in place to adequately control the project and accurately account for the project expenditure | No |
| The information provided in the report is correct | No |