



## ***Customs duty and market access project***

(PRJ-0192-2018)

### ***SAMPRO***

***Year 2018*** (January 2018 till December 2018)

## **Project goals**

### **Goal 1 - Actions relating to multilateral trade relations**

#### ***Achievements***

DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES NOTICE 625 OF 2018 DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES (DAFF) / APPLICATION FOR MARKET ACCESS PERMITS FOR AGRICULTURAL PRODUCTS IN TERMS OF THE W.T.O AGREEMENT FOR 2019

The above notice in the Government Gazette is in order to fulfil South Africa's commitments under the World Trade Organisation (Marrakesh Agreement) regarding market access. Permits will be issued only to importers in South Africa for importation to the Republic for the quantities and at the reduced levels of duty as specified. Applications for the first six months of 2019 should have been submitted to DAFF before 9 November 2018 and applications for the last six months of 2019 should reach the offices of DAFF before the 31 May 2019.

The UK (Brexit) is due to leave the EU on 29 March 2019. The UK is requesting the participation countries in the EPA agreement for an additional quota of 94 tons of butter and 1 363 tons of cheese. This will be on top of the existing EPA quotas. This additional quota will also be allocated to the participating countries which is at present SACU countries. The EU and the UK have certain requirements for non-EU countries to comply with in order to export food of animal origin, such as dairy and dairy products in this situation. Food imported into the EU must meet the same laws and regulations as food produced in the EU. It must be safe and contain no prohibited ingredients, and all labelling and packaging must be informative and truthful. The shortcomings must be identified and plans (like split systems) to accommodate and nullified them have to be negotiated and implemented in order for SACU to export dairy products to the United Kingdom. It was proposed that the above additional quotas will only come into effect once an agreement is reached between SACU and the UK on the requirements to allow exports of dairy products into their countries.

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

### **Goal 2 - Actions relating to Africa trade relations**

#### ***Achievements***

In 2018 the focus shifted from negotiations with first world countries to trade within the Africa

continent. The focus was on three sets of free trade areas namely:

- The Continental Free Trade Area (C-FTA) which includes 54 African countries;
- The Tripartite Free Trade agreement (T-FTA) which includes some trade blocks within Africa; and
- Zimbabwe that is asking for a special derogation.

Aspects such as market access, scaling down of import tariffs and rules of origin should be handled with caution not to be flooded by cheap imports and highly subsidised dairy products caused by government intervention.

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

#### **Goal 3 - Actions relating to Europe Trade relations**

##### ***Achievements***

The Economic Partnership Agreement (EPA) between the Southern African Development Community (SADC) and the European Union (EU) was successfully concluded and signed on 10 June 2016 and the first year of provisions for dairy quotas (cheese and butter) were implemented in 2017.

The cheese and butter quotas for 2018, was divided between the participating SADC members. South Africa received 69 percent of the cheese quota that consists of 7 550 tons of cheese and 70 percent of the 500 tons of butter.

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

#### **Goal 4 - Actions relating to America and Asia**

##### ***Achievements***

No Dairy related negotiations took place

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

#### **Goal 5 - Actions relating to Export Certification**

##### ***Achievements***

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. The SOP was finalised and in the first quarter of 2018. Road shows are scheduled for the last two weeks in April 2018. Copies of the SOP can be obtained from the Standards and Regulation Project of Milk SA.

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

#### **Goal 6 - Actions relating to Import Monitoring**

## **Achievements**

A discussion document regarding the possible protection against the import of UHT milk was prepared by the Managing Committee of the Customs, Duty and Market Access Project of Milk SA, to facilitate discussion of the relevant issues by:

- The Customs Duty and Market Access Advisory Committee of Milk SA; and
- An envisaged workshop for representatives of UHT milk producers.

The discussion document was accepted by the Customs Duty and Market Access Advisory Committee of Milk SA on 20 April 2018 and formed the base of discussions during the UHT workshop that was held on 8 June 2018. The workshop was attended by a number of processors who produce more than 60 percent of the total UHT production. During the workshop the representatives obtain more information about the protective measures available to the South African industries.

Following the workshop on 8 June 2018 and taking into account the different criteria used by ITAC to judge the merits of each of the different protection measures, the workshop concluded that:

- The information available to determine whether Poland exported UHT milk to South Africa at dumped prices, is too limited to make a well-informed decision, but it does not indicate a significant potential dumping margin (the extent to which the export price is lower than the price in the country of origin); and
- A safeguard duty in terms of Article 34 of the Economic Partnership Agreement with the European Union (EU), cannot only be implemented against the imports from Poland (a member of the EU), it will be against all member countries of the EU at a level not higher than the level of the ordinary customs duty, which is at present zero, therefore further attention should be given to an application for increase in the ordinary customs duty on UHT milk and an application for the implementation of a safeguard duty in respect of the import of UHT milk from the EU.

Regarding the viability to submit the types of applications referred to in the previous paragraphs, different detailed issues should be considered. Also, such applications should be supported by confidential business information of individual producers of UHT milk and a process is required to deal in harmony with the Competition Act, with such information. In light of the above points, the workshop decided to request the Customs Duty and Market Access Project of Milk SA to facilitate the establishment of a work group consisting of representatives of the South African producers of UHT milk, to consider the viability of submitting to ITAC the type of applications mentioned. The Customs Duty and Market Access Project of Milk SA requests all UHT producers to nominate a representative to serve on the work group. All future communication regarding the latest available information was forwarded to the representatives.

The Manager of the Project, in consultation with the CEO of SAMPRO, have done a preliminary evaluation which was captured in a non-confidential report for consideration by the UHT Milk Work Group. This report doesn't contain any information regarding the individual UHT milk producers and it will be discussed during a meeting in March 2019. If the UHT Milk Work Group decides on the basis of the non-confidential report that a formal application should be submitted to ITAC, the Advisory Committee of the Customs Duty and Market Access Project of Milk SA, will propose to Milk SA that it should make funds available to finance the appointment of an independent consultant to compile and submit an application to ITAC.

In this report it is proposed that the UHT-milk work group meet in order to consider further action in light of this report. It is also proposed that a particular consultant, with considerable experience and knowledge in respect of the numerous relevant issues, including interaction with ITAC, participates in the proposed meeting in order to give expert advice regarding how to deal with the complex situation in respect of the protection of the South African UHT-milk industry against imports.

The following monthly import and export tables and quarterly reports were submitted:

(January to September 2018) Quarterly reports:

- January to December 2017 • January to March 2018 • January to June 2018 • January to September 2018

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

## Goal 7 - Actions relating to the Animal Health Forum

### **Achievements**

The project manager participates in the meeting of the Forum and focus on trade related issues. Dr Chris van Dijk was nominated by the Board of Directors of Milk SA to serve as Director on the NAHF.

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

## Income and expenditure statement

Income and expenditure statement	<a href="#">Customs Dec 18 statement.pdf</a> <a href="#">Financial Report for Customs Project Dec 18.xlsx</a>
Unnecessary spending during period	No

## Popular Report

[Customs Annual pop report.docx](#)

## 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