# *Customs Duty and Market Access*

**(PRJ-0254-2020)**

***SAMPRO***

## *Quarter 3 2020/2020* (July 2020 till September 2020)

## Project goals

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

#### *Achievements*

1. In 2019 and 2020, the focus on trade negotiations shifted from negotiations with first world countries to trade within the Africa continent. The focus is on the following agreements:
The African Continental Free Trade Area (AfCFTA) which includes 54 African Countries; and
The Tripartite Free Trade Agreement (T– FTA) which includes some trade blocks within Africa.

2. Timelines on the AfCFTA

The following timelines have been adopted by the Trade Ministers:
At the end of September 2019, the member states submitted their Schedules of Tariff Concessions covering 90% of the tariff headings and they agreed to scale tariffs down immediately;
The remaining 10% (i.e. the 7% Sensitive and 3% Exclusion products), was finalised by the end of 2019;
Tariff headings (0402.10) skimmed milk powder, (0402.20) full cream milk powder, and (0405.10) butter are the dairy products which fall under the Exclusion product list;
That by January 2020, all the schedules were finalized and submitted; and
The agreement should have been implemented by June 2020, but due to the Covid-19 pandemic, the implementation date has been postponed until 1 January 2021.

3. 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. The project commented on rules of origin and a report was submitted to the Agricultural Trade Forum.

4. The general objectives of the agreement are to:
Establish a liberalised market through multiple rounds of negotiations;
Create a single market, deepening the economic integration of the continent;
Move towards the establishment of a future continental customs union;
Achieve sustainable and inclusive socio-economic development and structural transformations within member states;
Enhance competitiveness of member states within Africa and in the global market;
Encourage industrial development through diversification and regional value chain development, agricultural development and food security; and
Resolve challenges of multiple and overlapping memberships.

5. The full article on the AfCFTA is also available in the July – August Milk Essay publication and the Dairy Mail of October 2020.

**AFRICA COUNTRY RESEARCH**

6. The Research and Development Project of Milk SA embarked on a desktop study to investigate specific aspects of dairy industries in twenty selected African countries. The project manager is assisting the appointed contractor (Dr Andre Louw) and has spent numerous effort

and time evaluating and gathering information as required by the project.

**Utilisation, reallocation and allocation of EU's and BREXIT TRQs into the SACU market (See annexures 1 to 3 of the Popular Report)**

7. A table showing the reallocations for September 2020 as well as allocation for 2021, is attached as Annexures 1 and 2. Implementation of the reallocated volumes will apply retrospectively from 1 September 2020. Annexure 3, indicates the Brexit quotas that will be applicable as from 1 January 2021.

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

## Goal 2 - Interaction with International Trade Administration Commission (ITAC)

### *Achievements*

**Protection against the import of UHT milk**

8. The preliminary evaluation was done and captured in a non-confidential report for the consideration by the UHT Milk Work Group. The report was discussed with UHT milk manufactures during a meeting that was held in March 2019.

9. The work shop took notice of the following:
That no imports of full cream UHT milk (0401.20.07) took place between August 2018 to March 2019; and
Concluded that the International Trade Administration Commission of South Africa (ITAC) should be requested to provide information regarding the process to be followed in respect of an application for Safeguard Duties in respect of Article 35 of the EPA agreement; as well as Whether any criteria other than the criteria mentioned in Article 35 of the EPA agreement, will be used.

10. Informal discussions about Article 35 took place and a formal letter was forwarded to ITAC to get clarity if there are any guidelines for the implementation of Article 35 of the EPA Agreement once the import trigger levels for full cream UHT milk are exceeded in a particular year.

11. Subsequent to this development, the Department of Agriculture, Land Reform and Rural Development (DALRRD) held several interdepartmental meetings with the Department of Trade and Industry (DTI), SARS and ITAC on this matter during which implementation guidelines were developed and agreed upon at national level. The proposed guidelines were shared with its SACU partners during the SACU internal technical meeting whereby SACU Member States committed to provide comments by 27 September 2019. Draft guidelines for the implementation of Article 35 of the EPA agreement were published in the Government Gazette and comments were submitted to ITAC.

12. The South African negotiators (DTI and DALRRD) are busy negotiating the guidelines with the EU and we hope to have a conclusion by the end of 2020.

13. The mass (kg) of imports of UHT milk with a fat content not exceeding 1 percent (tariff subheading 0401.10.07) and UHT milk with a fat content exceeding 1 percent but not exceeding 6 percent (tariff subheading 0401.20.07) have decreased considerably over the last view years. See Table 1.

**Table 1: The mass of imports of UHT milk with a fat content not exceeding 1 percent (tariff subheading 0401.10.07) and that of UHT milk with a fat content exceeding 1 percent but not exceeding 6 percent (tariff subheading 0401.20.07)**

| UHT Milk | 2017 | 2018 | 2019 | Jan - Aug 2020 |
|---|---|---|---|---|
| Tons | | | | |
| 0401.10.07 | 3 | 25 | 20 | 1 |
| 0401.20.07 | 38 801 | 17 145 | 17 992 | 6 836 |
| Total mass | 38 803 | 17 170 | 18 012 | 6 837 |

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

## Goal 3 - Export Certification

### *Achievements*

14. With the outbreak of Foot and Mouth disease (FMD) early in January 2019, most of South Africa's trading partners have introduced an interim ban on importation of all animal and animal products. All import permits and Veterinary Health Certificates had to be renegotiated.

15. The continuation of trade in safe commodities has been prioritised. Safe commodities include any product that has been processed in such a way that the FMD virus, should it be present, will have been destroyed.

16. However, each importing country retains the right to determine its appropriate level of protection and exporters are urged to obtain import requirements via their contact points in the importing countries.

17. In the interim, the DALRRD has successfully negotiated the revision of Veterinary Health Certificates for processed dairy exports and 90% of South Africa's historical export market has been re-opened.

18. While DALRRD was waiting on the approval of the disease containment zone and the re-establishment of the previous FMD- free zone without vaccination status (excluding the FMD control zone and the disease zone) the FMD-virus spread to the Molemole area during the first week in November 2019.

19. This new outbreak will definitely hamper trade in dairy products and some of the trading partner countries have already placed an embargo on trade in animals and animal products. DALRRD has already started renegotiations with the trading countries.

20. DALRRD indicated in September 2020, that it is ready to resubmit their report to the OIE for evaluation.

21. No exports took place since the implementations of the Covid-19 lockdown in the middle of March 2020. Export certification only resumed again in Phase 3 of the lockdown.

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

## Goal 4 - Import Monitoring

### *Achievements*

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

| | |
|---|---|
| **Monthly** | January to December 2019 |
| | January to August 2020 |
| **Quarterly** | January to March 2020 |
| | January to June 2020 |

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

## Goal 5 - Membership of and participation in the National Animal Health Forum (NAHF)

### *Achievements*

23. The project manager participates in the meeting of the forum and focuses on trade related issues.

24. Since the announcement of the FMD-outbreak, the Customs and Market Access Project of Milk SA has been in continuous contact with the Animal Health Directorate of the Department of Agriculture Land Reform and Rural Development (DALRRD) and the National Animal Health Forum (NAHF). On 23 January 2019, a meeting took place between the Project of Milk SA and the Import-Export Unit of the Directorate Animal Health to share information and discuss the status of the outbreak and further actions needed.

25. The NAHF, of which Milk SA is a member, immediately after the announcement of the FMD-outbreak, contacted the Government and three task teams have been set up to address the outbreak, namely:
FMD Technical Task Team (The CEO of the MPO is a member of the task team);
FMD Trade Task Team (Undersigned is a member of this task team); and
Communications Task Team.

26. All the media briefs and press releases were forwarded to the industry by Milk SA and we will continue to do this.

27. Dr Chris van Dijk together with Mr Gerhard Schutte of the Red Meat Producers' Organisation (RPO) were elected as Chairpersons of the NAHF on the 31 September 2020.

28. The project manager has attended numerous meetings with the veterinary officials and the meetings of the FMD Trade Task team.

29. A decision was taken by Milk SA that, as from 2020, the membership fees for the NAHF will be split 50/50 between the Research and Development Project and the Customs and Market Access Projects of Milk SA.

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

## Income and expenditure statement

| | |
|---|---|
| Income and expenditure statement | CORFIN151 Std Qtr (3) Fin report - Project Advances.xlsx<br>Customs Duty 3Q Fin.pdf |
| Unnecessary spending during period | No |

## Popular Report

Customs 3rd qtr pop report 2020 (F).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 |