



## ***Customs Duty and Market Access***

(PRJ-0285-2021)

### ***South African Milk Processors Organisation (SAMPRO)***

***Quarter 4 2021/2021*** (October 2021 till December 2021)

#### **Project goals**

##### **Goal 1 - Bilateral and multilateral trade agreements**

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

###### **BILATERAL AND MULTILATERAL TRADE AGREEMENTS**

Two Multilateral agreements were implemented in January 2021, namely:

The African Continental Free Trade Area (AfCFTA) which includes 54 African Countries; and

Southern African Customs Union and Mozambique Economic Partnership Agreement with the United Kingdom (SACUM/UK EPA).

The following market access aspects are of importance regarding the AfCFTA agreement: 90% of the tariff headings will scale down immediately after the implementation;

The remaining 10% (i.e., the 7% Sensitive and 3% Exclusion products), will be phased out after five years of the implementation of the agreement; and  
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 Sensitive product list.

###### **Outstanding AfCFTA Rules of Origin (agriculture)**

**SACU** has adopted the "wholly obtained" rule of origin on all agricultural products. However, Mauritius and Namibia have adopted a different stance on the dairy subheadings described in the next paragraphs.

The table below is the summary of the outstanding rules and options proposed by Member States. Government is requesting industries to consider the matrix below and indicate areas where they can be flexible to agree to the **compromise rule of Value of Non-originating Materials (VNOM) as a transitional rule** in areas where the proposed rule is wholly obtained, and others proposed Change of Tariff Heading (CTH). In the case of CTH the two countries will be allowed to import all the materials from all over the world and manufacture yoghurt and processed cheese for a period of 10 years. After the 10 years the rule will be wholly obtained again. The VNOM is seen as a middle ground between the options of wholly obtained and CTH and allow minimum value addition in the Continent.

**CTH- Change in Tariff Heading:** this is a very flexible rule of origin that is the exact opposite of the wholly obtained rule. It simply allows for the unrestricted sourcing of inputs from the global market in the production of any product. It undermines the sourcing of critical inputs from within the Continent.

The government is proposing the VNoM rule (as a middle ground) tied up to the transitional period after which we would revert to wholly-obtained rule.

CHAPTER	HEADINGS/SUB-Headings	PROPOSED OPTIONS
04 (Dairy Products)	0403 (Yogurt)  0406 (Cheese) 0406.30 ( processed Cheese)	On 0403- 1. CTH (Namibia, Mauritius (CTH for a period of 5 – 10 years)  On 0406.30- Mauritius prefer a VNOM at 40%, but Namibia prefers a CTH

7. It is proposed that the rule of **Value of Non-originating Materials (VNOM)** is accepted for a period of five years which allow the Namibia and Mauritius to import 40% of non-originating materials. After the 5 years the rule will be wholly obtained again.

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

### **Goal 2 - Trade protection and tariff dispensation**

#### ***Achievements***

#### **TRADE PROTECTION AND TARIFF DISPENSATION**

##### **Protection against the import of UHT milk**

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.

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 the International Trade Administration Commission of South Africa (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 and draft guidelines for the implementation of Article 35 of the EPA agreement were published in the Government Gazette.

The Customs Duty and Market Access Project of Milk SA commented on the guidelines and the comments were submitted to ITAC.

The South African negotiators (DTI and DALRRD) are busy negotiating the guidelines with the EU and we hope to have a conclusion in 2021. In the last meeting in October 2021, of the Agricultural Trade Forum at DALRRD trade negotiators from the DTI were of the opinion that the guidelines will be finalised by the end of 2021.

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 up to 2020. From January to September 2021, 18 761 tons of UHT was imported. 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	2020	Jan -Sep 2021
<b>Tons</b>					
0401.10.07	3	25	20	43	8 724
0401.20.07	38 801	17 145	17 992	5 392	10 037
<b>Total mass</b>	<b>38 803</b>	<b>17 170</b>	<b>18 012</b>	<b>5 435</b>	<b>18 761</b>

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

### **Goal 3 - Export certification**

#### ***Achievements***

#### **EXPORT CERTIFICATION**

##### **Foot and Mouth Disease outbreak**

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.

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 be destroyed.

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.

In the interim, 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.

While DALRRD was waiting on the approval of a disease containment zone and the re-establishment of the previous FMD-free zone without vaccination status (excluding the FMD control zone and the disease containment zone), the FMD-virus spread to the Molemole area during the first week in November 2019. A third outbreak occurred during June 2021 at Mthubatuba. At this stage except for Botswana, no other trading partners have placed any trade restrictions.

The two-year window of opportunity to apply for the reopening of the free states FMD has elapsed and DALRRD indicated that it will have to restart the whole process of applying to the OIE. This could take as long as two years to regain our free FMD status.

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

### **Goal 4 - Import and export monitoring**

#### ***Achievements***

## **IMPORT AND EXPORT MONITORING**

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

**Monthly**     January to September 2021

**Quarterly**   January to September 2021

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

## **Goal 5 - Participation on the National Animal Health Forum i.r.o. trade related issues**

### ***Achievements***

#### **PARTICIPATION IN THE NATIONAL ANIMAL HEALTH FORUM (NAHF)**

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

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).

The Project of Milk SA and the Import-Export Unit of the Directorate Animal Health met on a number of occasions to share information and discuss the status of the outbreak and further actions needed.

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

A decision was taken by Milk SA that, as from 2021, 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	<a href="#">Customs Duty (Jan -Des 21).pdf</a> <a href="#">CORFIN151 Std Qtr (4) Fin report - Project Advances.xlsx</a>
Unnecessary spending during period	No

## **Popular Report**

[Customs 4th Qtr Pop Report 2021 \(F\).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