



Customs Duty and Market Access

(PRJ-0383-2024)

South African Milk Processors' Organisation

Quarter 3 2024/2024 (July 2024 till September 2024)

Project goals

Goal 1 - Bilateral and multilateral trade agreements

Achievements

BILATERAL AND MULTILATERAL TRADE AGREEMENTS

The Agricultural Trade Forum (ATF) of the Department of Agriculture, Land Reform and Rural Development (DALRRD) is the platform where all Agricultural trade negotiations are discussed and protocols developed. During the last two years there were mainly four Multilateral agreements that were of importance to the dairy industry, namely:

- i. Southern African Customs Union Agreement (SACU);
- ii. The African Continental Free Trade Area (AfCFTA) which includes 55 African Countries;
- iii. Economic Partnership Agreement with the EU (EPA) and United Kingdom (UK); and
- iv. The China agreement.

Southern African Customs Union Agreement (SACU)

The Customs Agreement remains the oldest functioning Customs Union. It was originally established by the British colonial power in the **1880s**.

Further political and economic developments of the early **1990s**, warranted a complete renegotiation of the Agreement of **1969**, in particular, Namibia's independence in **1990** and the dawn of democracy in South Africa in **1994**.

The SACU Agreement of 2002 was signed by the Republic of Botswana, the Kingdom of Lesotho, the Republic of Namibia, the Republic of South Africa and the Kingdom of Swaziland (now Eswatini) and came into force on the 15 July 2004.

This Agreement sets out a broad framework for enhanced integration with a new legal and institutional architecture, decision-making structures and revenue sharing formula. It outlines a clear mandate and the objectives of SACU. The SACU Agreement of 2002 was amended in 2013, to provide for the institutionalisation of the SACU Summit. The amendments entered into force on 16 September 2016.

Like other customs unions, a key feature of **SACU is the application of a single tariff regime – the Common External Tariff (CET)**. This means the Member States form a single customs territory which provides for a free movement of goods where tariffs and other barriers are eliminated on all trade between them. The CET applies to goods imported from all territories that are not members of SACU.

Article 31 of the Agreement stated that **no Member State shall negotiate and enter into new Preferential Trade Agreements with third parties or amend existing Agreements without the**

consent of the other Member States. The SACU Member States have established a Common Negotiation Mechanism through which a unified approach to negotiations with third parties is pursued.

The objectives of SACU as contained in Article 2 of the SACU Agreement, 2002, are to:

Facilitate the cross-border movement of goods between the territories of the Member States:

Create effective, transparent and democratic institutions which will ensure equitable trade benefits to Member States:

Promote conditions of fair competition in the Common Customs Area:

substantially increase investment opportunities in the Common Customs Area:

Enhance the economic development, diversification, industrialization and competitiveness of Member States:

Promote the integration of Member States into the global economy through enhanced trade and investment:

Facilitate the equitable sharing of revenue arising from customs, excise and additional duties levied by Member States: and

Facilitate the development of common policies and strategies.

However, some aspects of the new agreement such as **Infant Industry Protection** and **quantitative control** (closing the border for the importation of certain products) have been outstanding for quite some time and will again be in the spotlight and be placed on the agenda for discussion.

Although a detailed report was compiled in 2023, on all the outstanding issues by different interested agricultural industries, including the dairy industry, and submitted to the African desk responsible for the Africa trade related issues, no positive outcomes addressing the issues were forthcoming.

The African Continental Free Trade Area (AfCFTA)

The AfCFTA is the world's largest free trade area bringing together the 55 countries of the African Union (AU) and eight (8) Regional Economic Communities (RECs). The overall mandate of the AfCFTA is to create a single continental market.

The AfCFTA entered into force on 30 May 2019, after 24 Member States deposited their Instruments of Ratification. Although the AfCFTA agreement had already entered into force in 2019, none of the member countries could trade under the more favourable conditions of the Continental Free Trade Agreement. Members will only be allowed to start gaining from the lower tariffs once it reaches the stage when 90% of the tariff headings have been included in the list to be scaled down.

The Tariff Offer of 7111 tariff lines, which represents 90 percent of the SACU Tariff Book, was submitted to the AfCFTA Secretariat on 13 February 2023 for verification. The Republic of Botswana has also deposited their instruments for ratification of the AfCFTA Agreement. All SACU member States have now ratified the Agreement.

On 24 January 2024, the South African Government published the rules of origin as described in Government Gazette no. 50045 dated 24 January 2024 (R 4286) for the implementation of the AfCFTA.

As of August 2024, 48 of the 54 signatories (88.9% of State Parties) have deposited their instruments for ratification with the Africa Union Chairperson.

The Secretariat of the AfCFTA compiled an e-tariff book for all member states of the AfCFTA and can be viewed at: [AfCFTA e-Tariff Book \(au-afcfta.org\)](https://au-afcfta.org)

The first South African export shipment under the agreement was textile products which was exported out of Durban harbour in January 2024, on its way to Kenya.

Finalisation of the Economic Partnership Agreement with the EU (EPA) and United Kingdom (UK) on Market Access Quota's for 2022, 2023 and 2024

Certain products originating from the European Union (EU) are eligible for a preferential tariff-rate quota (TRQ). These TRQ's allow a specific mass of imports of a particular product that can enter a market at zero import duties. When this quota is fully allocated, the normal tariff will apply to further imports. The same also applies to the SADC -UK EPA.

These quotas for all agricultural products were not timeously implemented and gazetted in the last three years.

Kindly note that the long awaited TRQ gazettes for both the EU and the UK (six notices) for the years 2022, 2023 and 2024, were eventually published by SARS on 4 October 2024, through this link: [Tariff Amendments 2024 | South African Revenue Service \(sars.gov.za\)](https://www.sars.gov.za/Tariff-Amendments-2024)

The industry is also reminded of the fact that import duties will be refunded retrospectively on the basis of first-come first-served.

Trade agreements with the People’s Republic of China

In September 2024, South Africa signed trade agreements with China that could lead to an increase in the export of agricultural and manufactured products to the country. The new agreements, which include protocols for dairy and wool exports as well as a groundbreaking memorandum of understanding (MoU) on foot and mouth disease (FMD) are set to open opportunities for the exportation of agricultural products to China.

According to Minister of Agriculture, John Steenhuisen, the dairy and wool protocols will allow access to the Chinese market for South African dairy and wool products. The inclusion of compartmentalisation will ensure that those export operations in provinces not affected by FMD will continue to be able to export their produce to China.

The announcement of the Minister’s agreement regarding the memorandum of understanding with China is good news. Such agreements typically contain detailed information about requirements regarding matters such as food safety, product composition and which products can be exported in terms of the agreement. The detail of the requirements is not known yet and it means that South Africa must establish systems to meet the requirements set by China. Establishing such systems can take time. The Regulation and Dairy Standard Project of Milk SA has already done work in this regard.

No Non-achievements / underperformance has been reported

Goal 2 - Trade protection and tariff dispensation

Achievements

The EPA Trade Agreement between South Africa and the European Union makes provision under Article 35 of the agreement, that should a surge of imports of a particular agricultural product do occur within a specific calendar year, then an agricultural safeguard duty can be applied.

The agreed reference quantities for full cream UHT milk classified under tariff subheading 0401.20.07 were Gazetted on 11 October 2024, under Notice 51368. The levels are listed in Table 5.

Table 5: Agricultural safeguard trigger levels for full cream UHT milk

Year	Tons	Year	Tonnes
2016	6 353	2022	11
2017	6 986	2023	12
2018	7 701	2024	13
2019	8 457	2025	14
2020	9 315	2026	16
2021	10 234	2027	18

Source: Government Gazette Number 51368 dated 11 October 2024

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) decreased over the last few years up to 2023. See Table 6.

Table 6: 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

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	Countries	2020	2021	2022	2023	2024	Percentage
1	Botswana	83 522	77 878	70 733	68 626	31 001	36.8%
2	Mozambique	25 533	26 373	25 932	28 422	12 500	14.8%
3	Namibia	28 018	29 327	27 847	26 960	12 171	14.5%
4	Eswatini	26 500	23 748	25 001	22 875	8 572	10.2%
5	Lesotho	19 517	16 224	14 578	15 153	7 333	8.7%
6	Zambia	4 778	5 214	5 781	8 621	3 765	6.1%
7	Zimbabwe	2 481	3 736	4 403	3 756	1 528	0.6%
8	Mauritius	1 133	1 488	1 808	2 192	1 273	6.9%
9	Malawi	2 110	1 840	1 759	1 838	898	1.1%
10	Angola	2 267	2 431	2 732	2 305	734	0.0%
11	Tanzania	1 436	1 130	1 428	1 124	652	0.0%
12	Other	19 658	8 169	1 803	7 818	3 787	4.5%
	Total	216 953	197 558	183 805	189 689	84 214	100.0%
	Sales of dairy products to BeLN countries 72.6%		74.5%	75.2%	70.4%		70.2%

- 1) The BeLN countries are Botswana, Lesotho, Namibia and Eswatini
 - 2) Members of SACU are South-Africa, Botswana, Lesotho, Namibia and Eswatini
- Table prepared by the Office of SAMPRO based on information obtained from SARS

04.03	Buttermilk powder, yogurt	10 481 838	5 170 033	15 651 871	67.0
04.04	Whey, whey powder, etc	1 447 372	775 214	2 222 586	65.1
04.05	Butter, butter spreads and butter oil	740 235	513 271	1 253 507	59.1
04.06	Cheese and curd	3 233 455	3 761 508	6 994 963	46.2
	Total	59 077 862	25 136 432	84 214 294	70.2

Source: Table prepared by SAMPRO bases on information obtained from SARS

Table 8, indicates that the mass of the total sales of dairy products by South Africa to the other SACU-members in 2024 (January to June), exceeds the mass of exports. (Exports are sales to destinations outside SACU).

The mass of the sales from January to June 2024, to the other SACU-member countries, of five of the six categories of dairy products exceeds the mass of exports by South Africa.

No Non-achievements / underperformance has been reported

Goal 4 - Participation in the Animal Health Forum i.r.o. trade related issues

Achievements

South Africa had a Foot and Mouth Disease (FMD) free zone without vaccination prior to January 2019. Since January 2019, ten outbreak events were reported in South Africa that compromised the status of the FMD free zone without vaccination.

Currently, there are two Provinces with ongoing outbreaks, while all other outbreaks in the previous FMD free zone have been resolved and closed with the WOHAI or are in the process of being resolved.

The details of the different strains, according to the DALRRD report, are as follows:

SAT3 FMD multi-province outbreak event, which involved Northwest, Free State, Gauteng and Mpumalanga Provinces.

SAT2 FMD outbreak event in KwaZulu Natal Province, with limited spread to the Free State Province.

SAT3 FMD outbreak event in the Eastern Cape Province.

SAT2 FMD outbreak event in the Eastern Cape Province.

Table 9, provides a summary of the open and closed outbreaks per Province, as well as the date of the last reported outbreak. There are currently 181 open outbreaks reported to the World Organisation for Animal Health (WOAH) and 100 outbreaks (35.6%) have been resolved and closed with the WOAH.

Table 9: Summary of open and closed outbreaks per province in the previous FMD free zone without vaccination since 2021

Province	Number of open outbreaks	Number of resolved outbreaks	Total number of outbreaks	Start date of last reported outbreak
Free State	12	29	41	7 Feb 2024
Gauteng	0	7	7	30 Aug 2022
KwaZulu Natal	137	17	154	04 July 2024
Limpopo	0	8	8	25 Apr 2022
Mpumalanga	0	21	21	2 Aug 2022
North-West	0	18	18	22 Nov 2022
Eastern Cape	32	0	32	9 July 2024
Totals	181	100	281	

Source: DALRRD, Directorate Animal Health, 30 September 2024

On 12 July 2024, the Director-General of the Department of Agriculture (DALRRD) and the industry had a stakeholder meeting and the meeting resolved that:

- a. A more structured and re-organised Joint Operation Centre (JOC) has been established; and
- b. The JOC will be supported by three work teams:
 - Disease work team;
 - Trade and Market Access work team; and
 - Communication work team.

All the media briefs and press releases were forwarded to Milk SA and future publications will also be forwarded to 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 Customs Duty 3 Qtr fin.pdf
Unnecessary spending during period	No

Popular Report

[Customs 3 rd Qtr Pop Report 2024 \(F\).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