



***Customs Duty and Market Access***  
(PRJ-0383-2024)  
***South African Milk Processors' Organisation***  
***Quarter 4 2024*** (October 2024 till December 2024)

## **Project goals**

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

#### ***Achievements***

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 \(au-afcfta.org\)](http://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 \(sars.gov.za\)](#)

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.

On 2 September 2024, the Department of Agriculture of the Republic of South Africa and the General Administration of the Customs of the People's Republic of China on Inspection, Quarantine and Sanitary requirements (GACC) signed a protocol for the exportation of dairy products.

The signing of this protocol is good news. Such a protocol typically contains 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. The health certificate is also in the process to be finalised.

China is requesting list of the South African establishments that are in compliance with the protocol. Only South African dairy processing facilities that is ZA approved for exports to China can submit applications for registration in China through the "Registration and Management Systems for Overseas Imported Food Manufacturers" (CIFER system).

## ***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 exceeding 6 percent (tariff subheading 0401.20.07)**

TONS						
UHT Milk	2019	2020	2021	2022	2023	Jan to Sep 2024
0401.10.07	20	43	8 724	356	39	25
0401.20.07	17 992	5 392	13 767	3 257	5 518	130
<b>Total mass</b>	<b>18 012</b>	<b>5 435</b>	<b>22 491</b>	<b>3 613</b>	<b>5 557</b>	<b>155</b>

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

From January to December 2022, 3 613 tons of UHT were imported and in 2023, a mass of 5 557 tons of UHT milk was imported. For the period January to September 2024, only a mass of 155 kilograms of UHT was imported at very high prices.

The estimated size of the South African demand for unflavoured and unsweetened milk in 2021, 2022 and 2023, was respectively 1 487.1, 1 425.5 and 1 482.9 million litres. UHT milk, classifiable under tariff subheadings **0401.10.07** and **0401.20.07**, represented 1.51 percent of the total demand for unflavoured and unsweetened milk in 2021, 0.25 percent in 2022 and 0.37 percent in 2023.

The years indicated in red, are the years when the imported mass of imports were more than the agreed trigger levels under the Agricultural safeguard levels.

South Africa will unfortunately not be able to use of a safeguard duty because our normal rate of duty on imports from all over the world is at a zero rate of duty.

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

### **Goal 3 - Import and export monitoring**

#### **Achievements**

The Customs Duty and Market Access Project submitted the following monthly import and export tables and quarterly report to Milk SA:

**Monthly** January to September 2024

**Quarterly** January to September 2024

In Table 7, the mass of total sales of the different dairy products to the Southern African Customs Union (SACU) member states, namely Botswana, eSwatini, Lesotho and Namibia (BeLN countries) in the period 2024 (January to September), is compared to the mass of the exports in 2024 (January to September) by South Africa to other countries. Sales by South Africa to the other members of SACU, are not classified by SARS as exports.

**Table 7: Mass of sales to the BeLN countries compared to exports outside of SACU in 2024 (January to September)**

Heading	Description	(A)	(B)	(A+B)=(C)	A
		Sales To BeLN	Exports to Countries Outside SACU	Sales to BeLN plus exports outside SACU	as % of C
		Kilogram			%
04.01	Milk and cream, unsweetened	49 506 977	14 913 237	64 420 214	76.9
04.02	Milk, concentrated	20 042 948	7 369 130	27 412 078	73.1
04.03	Buttermilk powder, yogurt	15 449 263	7 469 621	22 918 884	67.4
04.04	Whey, whey powder, etc	2 671 712	1 171 040	3 842 752	69.5
04.05	Butter, butter spreads and butter oil	1 116 023	844 284	1 960 307	56.9
04.06	Cheese and curd	5 117 350	5 958 165	11 075 515	46.2
<b>Total</b>		<b>93 904 273</b>	<b>37 725 477</b>	<b>131 629 750</b>	<b>71.3</b>

Table 7 indicates that the mass of the total sales of dairy products by South Africa to the BeLN countries in 2024 (January to September), exceeds the mass of exports. (Exports are sales to destinations outside SACU).

The mass of the sales by South Africa to members of SACU, five of the six categories of dairy products in 2024 (January to September), 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**

Mr Fanie Ferreira (Representative of Milk SA and CEO of MPO) served in 2023 on the NAHF as a council member while Mr De Wet Jonker (Manager of the Customs and Market Access Project of Milk SA) focussed on international market access issues. Dr Chimes as a representative from Milk SA, is also available to the Forum, as a dairy health expert.

In 2024, Mr Ferreira wrote a letter to Milk SA indicating that he would not represent Milk SA any longer on the NAHF and would no longer serve as Council member on the Board of NAHF. Dr M Chimes was nominated as the representative of Milk SA on the council of

NAHF.

Milk SA is responsible for the membership fees of the NAHF.

### Foot and Mouth Disease outbreak

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 WOAHP 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.

The Directorate of Animal Health reported that negotiations with eSwatini have been finalised and that dairy products that originate from FMD free areas in KZN will be able to export dairy products to eSwatini if all requirements are at here too.

Table 8, provides a summary of the open and closed outbreaks per Province, as well as the date of the last reported outbreak. There are currently 178 open outbreaks reported to the World Organisation for Animal Health (WOAH) and 113 outbreaks (38.8%) have been resolved and closed with the WOAHP.

**Table 8: Summary of open and closed outbreaks per province**

Province	Number of open outbreaks	Number of closed outbreaks	Total number of outbreaks	Date on which all outbreaks were resolved	Start date of last reported outbreak
Eastern Cape	38	1	39	-	05 Sep 2024
KwaZulu Natal	140	17	157	-	08 Nov 2024
Free State	0	41	41	18 Oct 2024	07 Feb 2024
Gauteng	0	7	7	13 Mar 2024	30 Aug 2022
Limpopo	0	8	8	29 Aug 2023	25 Apr 2022
Mpumalanga	0	21	21	26 Jun 2023	2 Aug 2022
Northwest	0	18	18	5 Mar 2024	22 Nov 2022
<b>Totals</b>	<b>178</b>	<b>113</b>	<b>291</b>		

Source: DALRRD, Directorate Animal Health, 30 November 2024

The Zimbabwean Veterinary Services Directorate stated in a letter on 7 January 2025, that the import ban of cloven-hoofed animals and their products from the following provinces of South Africa has been lifted until further notice:

Gauteng;  
Northwest;  
Northern Cape; and  
Western Cape.

Other provinces not mentioned in the notification, remain banned until further notice.

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	<a href="#">CORFIN151 Std Qtr (3) Fin report - Project Advances.xlsx</a> <a href="#">Customs Duty 3 Qtr fin.pdf</a>
Unnecessary spending during period	No

## Popular Report

[Customs 4 th Qtr Pop Report 2024.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	No
The information provided in the report is correct	Yes