



BRIEFING BY ITAC TO THE PORTFOLIO COMMITTEE ON AGRICULTURE, FORESTRY AND FISHERIES ON GRAINS & POULTRY IMPORT TARIFFS

DATE: 16 September 2016

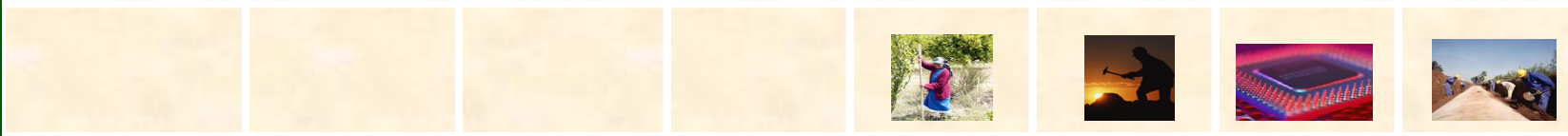
**Siyabulela Tsengiwe
Chief Commissioner**





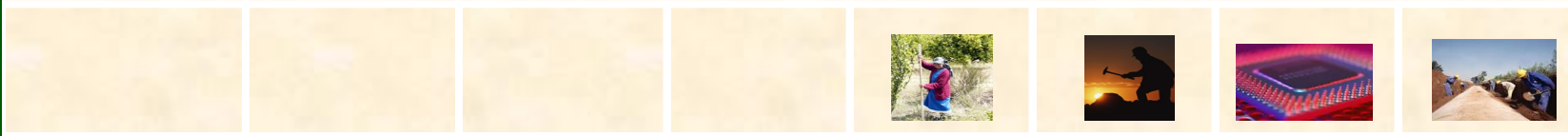
1. Policy – Variable Tariff Formulae (VTF) for wheat, maize & sugar.
2. Operation of the VTF
3. Wheat triggers since April 2013
4. Sugar triggers since April 2014
4. Trend Analysis of import data for wheat, maize and sugar from 2013 to 2016 (Jan – July).
5. Current reviews of the domestic reference price for wheat, maize and sugar
6. Tariff regime for poultry.
7. Trade Remedies





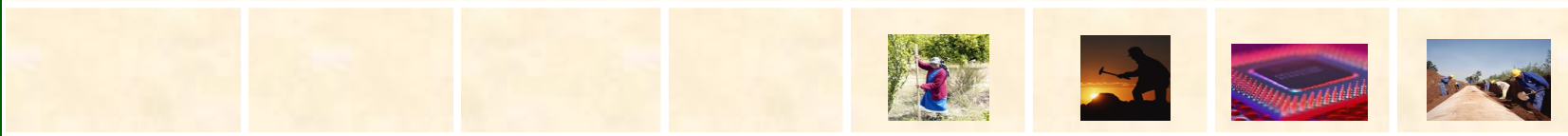
- The tariff regime for wheat, maize and sugar known as the VTF is government policy for these grains, which is different from all other agricultural products.
- It was first introduced in 1999 by the then Board on Tariffs and Trade. The purpose was to give price support to farmers who were now exposed to the volatility of the global markets as a result of trade reforms. In the global market, prices fluctuate from top to bottom. A floor price (Domestic reference price: DRP) was determined to cushion domestic producers when the global prices were at the bottom.
- This was meant to bring stability in the domestic market, which also gives farmers certainty about the prices they will obtain in the market. Prices that were profitable, which then had influence on production. Thus supporting domestic production.





- This policy would also serve to protect local producers against subsidised international producers and to sustain the local production of these commodities by an inclusion of a distortion factor.
- If global prices were low and fell below the floor price, therefore imports relatively cheap, an import duty would be levied in order to bring the import price to the same level as the floor price at which the local producers can compete and be economically viable and sustainable.





Simple Example:

- Let us say that the floor price (DRP) is US\$300/ton. If the import price of wheat (global price) is low, say at US\$200/ton, then the import duty will be the difference between the two amounts, which is US\$100. If the import price increases above the DRP, say to US\$350/ ton then there is no duty.
- The floor price (DRP) would have been determined by ITAC through a rigorous investigation that entails an examination of production, trade and financial data for a specified period of time. ITAC would then recommend to the Minister of Trade and Industry an appropriate floor price that will contribute to food security, in other words taking into account both the need for food availability and affordability.

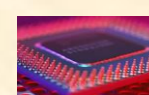




Reviews of the floor price(DRP) for maize, sugar and wheat since 1999 are as follows:

- Maize has never been amended since 1999.
- Sugar has been amended two times: US\$330/ton in 2009 and US\$566/ton in 2014.
- Wheat has been amended two times: US\$ 215/ton in 2010 and US\$294/ton in 2013



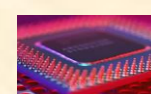


The level of duty on wheat, since the implementation of the last increase in the Dollar-based reference price, remained zero for more than a year but subsequently triggered seven times, as shown below:

Table 1: Variable tariff formula triggers for wheat since 25 April 2013

Date of trigger	Three week moving average world price at the time of trigger	Upward or downward trigger	<u>Ad valorem</u> equivalent
09/09/2014	US\$279.69	Upward Free – 15.70c/kg	5%
03/02/2015	US\$254.00	Upward 15.70c/kg – 46.10c/kg	16%
25/05/2015	US\$227.67	Upward 46.10c/kg – 80.01c/kg	29%
14/07/2015	US\$253.00	Downward 80.01c/kg – 51.06c/kg	16%
04/08/2015	US\$222.00	Upward 51.06c/kg – 91.12c/kg	32%
01/12/2015	US\$209.00	Upward 91.12c/kg – 122.43c/kg	41%
24/05/2016	US\$193.33	Upward 122.43c/kg – 159.14c/kg	52% (implemented on 22 August 2016)





The level of duty on sugar, since the implementation of the last increase in the Dollar-based reference price, was 132c/kg when the recommendations were implemented. Subsequently, the duty triggered eight times, as shown below:

Table 2: Variable tariff formula triggers for sugar since 4 April 2014

Date of trigger	Three week moving average world price at the time of trigger	Upward or downward trigger	<u>Ad valorem</u> equivalent
27/05/2014	US\$476.18	Downwards 132c/kg – 92.6c/kg	19%
25/08/2014	US\$432.92	Upward 92.6c/kg – 142.5c/kg	31%
06/01/2015	US\$389.46	Upward 142.5c/kg – 207.1c/kg	45%
21/04/2015	US\$365.37	Upward 207.1c/kg – 242.6c/kg	55%
23/09/2015	US\$344.05	Upward 242.6c/kg – 304c/kg	65%
09/11/2015	US\$391.70	Downward 304c/kg – 245.4c/kg	44%
04/02/2016	US\$417.70	Downward 245.4c/kg – 239.5c/kg	56%
27/05/2016	US\$473.33	Downward 239.5c/kg – 144.33c/kg	20%

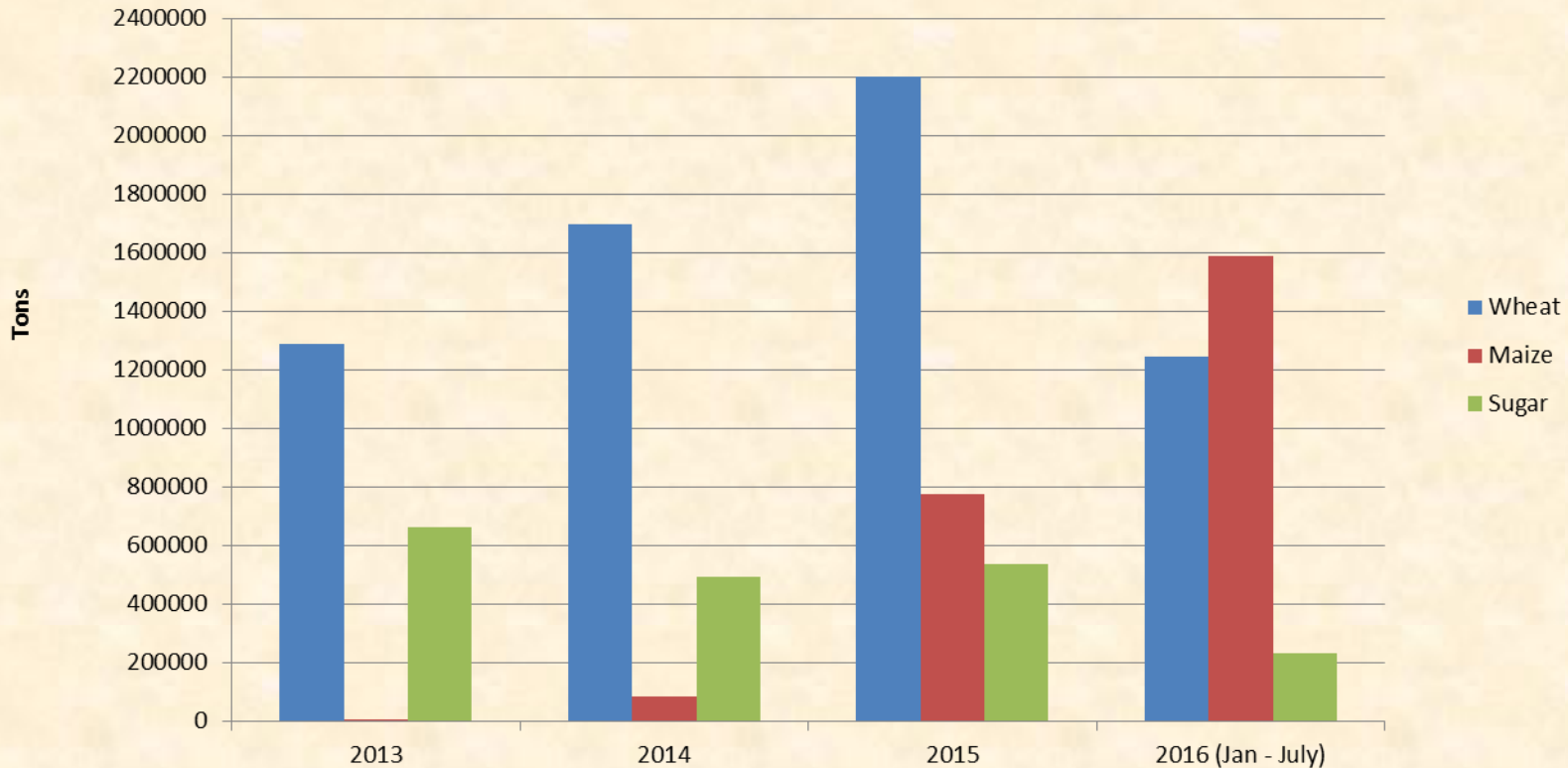


Trend Analysis of import data for wheat, maize and sugar from 2013 to 2016 (Jan – July)



Import trends for wheat, maize and sugar from 2013 – 2016 Jan - July

Import trends for Wheat, Maize and Sugar (2013 - 2016 Jan - July)





- The Minister of Economic Development in May 2016 directed ITAC to evaluate and investigate reviews of the Dollar-based domestic reference price and variable tariff formulae for wheat, maize and sugar.
- The reasons for these reviews are changed circumstances. There is a shortage of the grains due to drought, which necessitates imports. The Exchange Rate fluctuations that have seen the Rand depreciate significantly in the past 3years. Food inflation.
- Published the initiation of the investigation in the Government Gazette for comment by stakeholders on 22 July 2016.
- The Commission considered the first submission on Wheat in 13 September 2016.
- The first submissions on sugar and maize submissions will serve before the Commission on 11 October 2016.
- The aim is to complete the reviews before the end of 2016.





- Import Tariffs on poultry meat were increased towards the end of 2013.
- The increases were based on an application brought by SAPA on behalf of: Rainbow Farms Ltd; Astral Operations Ltd; Sovereign Food Investments Ltd; AFGRI Poultry Ltd; and Supreme Poultry Ltd (Country Bird Holdings).
- The justification to increase tariffs included the rising levels of imports and loss of market share by domestic producers; Decreasing profitability in the face of low priced imports; price disadvantages; and input cost pressures.



Table 3: Requested rates of duty

Tariff subheading	Product description	Current duty	Proposed duty	Ad valorem equivalent	Type of duty requested
0207.12.20	Carcasses (excl. necks and offal) with all cuts (e.g. thighs, wings, legs and breasts) removed.	27%	991c/kg with a maximum of 82%	213%	Specific duty capped with the bound rate
0207.12.90*	Whole bird	27%	1111c/kg with a maximum of 82%	146%	Specific duty capped with the bound rate
0207.14.10	Boneless cuts	5%	12% or 220c/kg with a maximum of 82%	12%	Combination duty capped with the bound rate
0207.14.20	Offal	27%	67% or 335c/kg with a maximum of 82%	67%	Combination duty capped with the bound rate
0207.14.90**	Bone-in portions	220c/kg	56% or 653c/kg with a maximum of 82%	56%	Combination duty capped with the bound rate

*Classification of Other (which includes whole bird)
 **Classification of Other (which includes bone-in portion)



Approved Tariff regime for poultry meat



enabling
FAIR TRADE



Tariff Subheading	Product	Approved Tariff Regime
0207.12.90	Whole bird	82% bound rate
0207.14.10	Boneless cuts	12%
0207.14.90	Bone-in portions	37%
0207.14.20	Offal	30%
0207.12.20	Carcasses	31%





- There are anti-dumping duties on bone-in chicken meat portions originating from the USA that were imposed in 2000.
- These anti-dumping duties have been maintained through sunset reviews in 2006 and 2012.
- In December 2015 a temporary rebate was created to allow for a free anti-dumping duty importation of 65 000 tons of US bone-in chicken portions annually. This was done in the context of SA's continued participation under AGOA.
- There are also anti-dumping duties on bone-in chicken portions against imports from Germany, Netherlands and the UK that were imposed in February 2015.
- ITAC is currently in the final stages of an investigation for a safeguard measure in terms of Article 16 of the TDCA on frozen bone-in portions of chicken originating from the EU.



Thank You

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