CHAPTER 7

SOUTH AFRICA

Evaluation of policy developments

- Current policies in South African agriculture are the result of substantial reforms implemented from the mid-1990s. Policy changes that impacted on agriculture resulted in deregulation of the marketing of agricultural products, liberalisation of domestic markets, and reduced barriers to agricultural trade. The main developments in trade policy included the replacement of direct controls over imports by tariffs, removal of state controls over exports and elimination of export subsidies. These reforms reduced market price support and budgetary support to commercial farming. In contrast, increased budgetary spending went to finance the land reform process.

- The average level of support in South Africa, as measured by the Producer Support Estimate (%PSE), indicates a relatively low degree of policy intervention. The overall trend shows some reduction of support from 1994 up to 2001 followed by an upward trend from 2002, although with some fluctuation due to Market Price Support variation. Around 80% of producer support in South Africa is delivered in the form of Market Price Support. Budgetary transfers increased in the current decade due to the introduction of the fuel tax rebate and increasing budgetary spending on land reform and related programmes.

- The main agricultural policy development in South Africa, in the most recent years, is related to the implementation of the Land reform. A significant share of agriculture-related public financial resources is devoted to the implementation of the land reform and especially land redistribution. To support this policy, Land Redistribution and Agricultural Development (LRAD) grants are given to the black disadvantaged population to acquire land or engage in other forms of on-farm participation. These grants enable farmers who can provide personal contributions (financial and/or own labour) to acquire more land than otherwise would be the case. During 2006/07, new policies were implemented to enhance the pace of land redistribution on the one hand and ensure the viability of the emerging farms on the other hand. These new policies include the Land and Agrarian Reform Programme, the Pro-Active Acquisition Strategy, and a new focus on bringing strategic partners from private stakeholders to assist in the capacity building process.

- The black population in rural areas is the target of land reform policies, but it is clear that adequate supporting infrastructure and human capital formation must also be in place if these new entrepreneurs are to survive. The new entrants into commercial agriculture are at a considerable disadvantage relative to more experienced operators in facing both production and marketing challenges. The government is striving to address these issues by implementing well targeted support programmes and services (including research and development) tailored to the needs of the emerging farms. In this regard, the involvement of private stakeholders in the process of the land reform may be an efficient way to engage resources and address weaknesses in supporting programmes and services from public authorities.

Summary of policy developments

1. In recent years, the main agricultural policy development in South Africa (SA) is related to the implementation of the Land reform. To enhance land redistribution, three strategic interventions have been developed and implemented since 2006/07. The development of the *Land and Agrarian Reform Programme* (LARP) is designed to better exploit synergies between land redistribution, agricultural production and agri-business development and align comprehensive support packages. The *Pro-Active Land Acquisition Strategy* (PLAS) is designed to accelerate land delivery. The association of strategic partners from private sector to the land reform projects will strengthen economical viability of the farms and projects delivered.

- Support to producers (%PSE) followed a downward trend from 1995 to 2001, when it reached its lowest level. From 2002, support was on an upward trend. In 2005-07, the support to producers was at 12%, *i.e.* one percentage point less than in 1995-97. This is less than a half of the OECD average of 26% in 2005-07.
- The overwhelming share of producer support is delivered in the form of Market Price Support (MPS), although it declined from 96% of total PSE in 1995-97 to 88% in 2005-07.
- The producer Nominal Protection Coefficient (NPC) indicates that on average the prices received by domestic producers were 14% higher than world market prices in 2005-07.
- However, the NPC for individual commodities indicates a wide variation in price support. It is relatively high (above 30%) for sheep meat, sugar and maize, around 20% for wheat and poultry and negligible for other commodities, including milk, beef and pig meat.
- The cost to consumers (%CSE) was reduced slightly from an implicit tax level of 14% in 1995-97 to a level of 12% in 2005-07.
- Support for general services provided to agriculture has increased, as well as its share in the Total Support Estimate (TSE). The latter share increased from 31% in 1995-97 to 36% in 2005-07. This is mainly due to the increase in general services linked with the implementation of land reform.
- The total cost to the economy of agricultural support as a share of GDP declined from 1.1% in 1995-97 to 0.89% in 2005-07, which is slightly less than the OECD average (0.97%).

Source: OECD, PSE/CSE database, 2008.

Figure 7.1. PSE level and composition over time

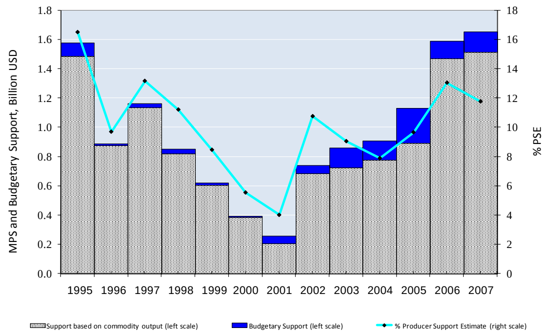


Figure 7.2. Producer SCT by commodity, 2005-07

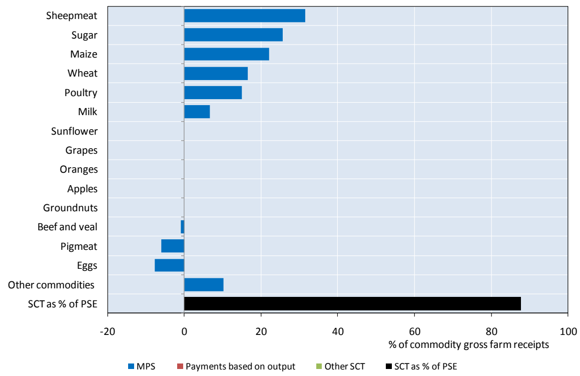


Figure 7.3. TSE composition over time

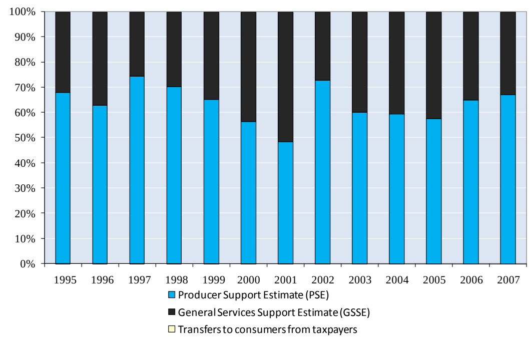


Table 7.1. South Africa: Estimates of support to agriculture

ZAR million

		1995-97	2005-07	2005	2006	2007p
	Total value of production (at farm gate)	**36,911**	**84,340**	**72,972**	**81,771**	**98,276**
	of which share of MPS commodities (%)	*74*	*73*	*70*	*73*	*77*
	Total value of consumption (at farm gate)	**34,402**	**86,369**	**69,998**	**85,204**	**103,906**
	Producer Support Estimate (PSE)	**4,781**	**9,903**	**7,210**	**10,792**	**11,708**
A.	Support based on commodity output	4,622	8,793	5,702	9,974	10,702
A.1.	*Market Price Support*	*4,622*	*8,793*	*5,702*	*9,974*	*10,702*
A.2.	*Payments based on output*	*0*	*0*	*0*	*0*	*0*
B.	Payments based on input use	62	919	978	772	1,007
B.1.	*Based on variable input use*	*30*	*616*	*695*	*563*	*590*
	with input constraints	*0*	*0*	*0*	*0*	*0*
B.2.	*Based on fixed capital formation*	*30*	*285*	*266*	*197*	*392*
	with input constraints	*3*	*0*	*0*	*0*	*0*
B.3.	*Based on on-farm services*	*1*	*18*	*17*	*12*	*24*
	with input constraints	*0*	*0*	*0*	*0*	*0*
C.	Payments based on current A/An/R/I[1], production required	97	192	530	45	0
C.1.	*Based on Receipts / Income*	*87*	*192*	*530*	*45*	*0*
C.2.	*Based on Area planted / Animal numbers*	*10*	*0*	*0*	*0*	*0*
	with input constraints	*0*	*0*	*0*	*0*	*0*
D.	Payments based on non-current A/An/R/I, production required	0	0	0	0	0
E.	Payments based on non-current A/An/R/I, production not required	0	0	0	0	0
E.1.	*With variable payment rates*	*0*	*0*	*0*	*0*	*0*
E.2.	*With fixed payment rates*	*0*	*0*	*0*	*0*	*0*
F.	Payments based on non-commodity criteria	0	0	0	0	0
F.1.	*Based on long-term resource retirement*	*0*	*0*	*0*	*0*	*0*
F.2.	*Based on a specific non-commodity output*	*0*	*0*	*0*	*0*	*0*
F.3.	*Based on other non-commodity criteria*	*0*	*0*	*0*	*0*	*0*
G.	Miscellaneous payments	0	0	0	0	0
	Percentage PSE	**13**	**12**	**10**	**13**	**12**
	Producer NPC	**1.16**	**1.14**	**1.09**	**1.16**	**1.16**
	Producer NAC	**1.15**	**1.13**	**1.11**	**1.15**	**1.13**
	General Services Support Estimate (GSSE)	**2,170**	**5,609**	**5,302**	**5,784**	**5,741**
H.	Research and development	1,797	3,228	3,059	3,312	3,312
I.	Agricultural schools	0	0	0	0	0
J.	Inspection services	146	677	664	684	684
K.	Infrastructure	141	1,348	1,300	1,443	1,301
L.	Marketing and promotion	3	13	12	14	14
M.	Public stockholding	0	0	0	0	0
N.	Miscellaneous	82	343	267	331	430
	GSSE as a share of TSE (%)	**31.2**	**36.2**	**42.4**	**34.9**	**32.9**
	Consumer Support Estimate (CSE)	**-4,837**	**-10,669**	**-5,834**	**-12,702**	**-13,470**
	Transfers to producers from consumers	-4,481	-9,648	-4,958	-11,209	-12,777
	Other transfers from consumers	-496	-1,954	-888	-2,407	-2,568
	Transfers to consumers from taxpayers	0	0	0	0	0
	Excess feed cost	141	934	12	914	1,875
	Percentage CSE	**-14**	**-12**	**-8**	**-15**	**-13**
	Consumer NPC	**1.17**	**1.15**	**1.09**	**1.19**	**1.17**
	Consumer NAC	**1.17**	**1.14**	**1.09**	**1.18**	**1.15**
	Total Support Estimate (TSE)	**6,951**	**15,512**	**12,512**	**16,577**	**17,449**
	Transfers from consumers	4,978	11,602	5,846	13,616	15,345
	Transfers from taxpayers	2,470	5,864	7,554	5,367	4,672
	Budget revenues	-496	-1,954	-888	-2,407	-2,568
	Percentage TSE (expressed as share of GDP)	1.13	0.89	0.82	0.96	0.89
	GDP deflator 1995-97 = 100	100	201	187	200	216

p: provisional. For the definition of OECD indicators of support to agriculture, see Annex A.1. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient. Market price support is net of producer levies and excess feed costs. MPS commodities for South Africa are: wheat, maize, sunflower, groundnuts, sugar, table grapes, oranges, apples, milk, beef and veal, pigmeat, sheepmeat, poultry, eggs.
Source: OECD, PSE/CSE database, 2008.

Policy context: South Africa's agriculture at a glance

2. Agriculture's share in the GDP has been less than 3% for the period 2005-07. This relatively low share is due mainly to the importance of sectors like trade, transport, finance and services in the South African economy (66% of GDP). The officially reported employment in primary agriculture (mainly employment on commercial farms) represents around 8% of total employment. The increase in Gross Agricultural Output (GAO) was small in 2006 and negative in 2007. This was mainly due to the sharp reduction in grain production associated with adverse climatic conditions. The share of agro-food trade in total exports declined from 9.5% to 7% in 2005-07, while its share in total imports increased from 4.9% to 5.7%, over the same period.

Table 7.2. South Africa: Basic economic and agricultural indicators, 2005-07

	2005	2006	2007
Basic economic indicators			
GDP (USD billions)	242	255	278
GDP growth (%)	4.9	5.4	5.1
GDP per capita, PPP (USD)	8 478	9 087	9 736
Inflation (annual average, %)	3.4	4.7	7.1
Exchange rate (annual average, local currency per USD)	6.4	6.8	7.1
Population (million)	47	47	48
Population in rural areas (%)	40.7	40.2	39.7
Share in GDP (%)			
Agriculture	2.7	2.7	2.7
Industry	30.7	30.9	30.9
Services	66.5	66.4	66.4
Share in employment (%)			
Agriculture	7.5	8.5	8.8
Industry	18.0	17.6	17.9
Services	66.6	65.6	64.9
Average share of income spent on food (%)	n.a.	n.a.	14.4
Basic agricultural indicators			
Agro-food exports (% of total exports)	9.5	7.9	7.0
Agro-food imports (% of total imports)	4.9	4.7	5.7
Agro-food trade balance (USD million)	1 773	964	-97
GAO (% change from previous year)	2.0	0.9	-0.6
Total cereal production (million tonnes)	14.2	9.5	9.6
Total meat production (million tonnes)	2.0	2.1	2.1
Natural resources and farm structure			
Average farm size (ha)	n.a.	n.a.	n.a.
Agricultural land (million ha)	99.6	n.a.	n.a.
Arable land per capita (ha)	0.3	n.a.	n.a.
Land sown to crops (million ha)	15.7	n.a.	n.a.

Source: OECD Secretariat, 2008; FAO, 2008; NDA Abstracts, 2008; IMF, International Financial Statistics, 2008; UN, UN Comtrade database, 2008; World Bank, World Development Indicators, 2008.

Figure 7.4. Shares of agriculture in GDP and employment in South Africa, 1995-2007

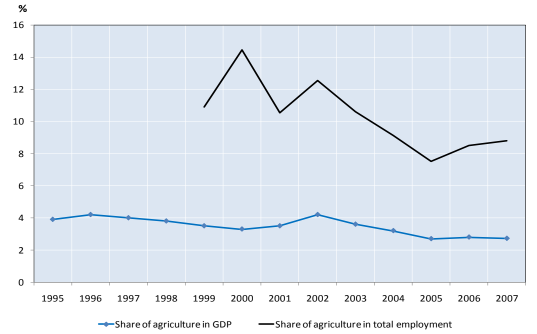


Figure 7.5. Evolution and annual changes of agricultural output in South Africa, 1995-2007

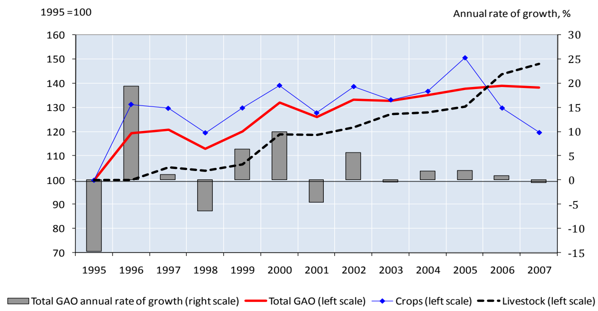
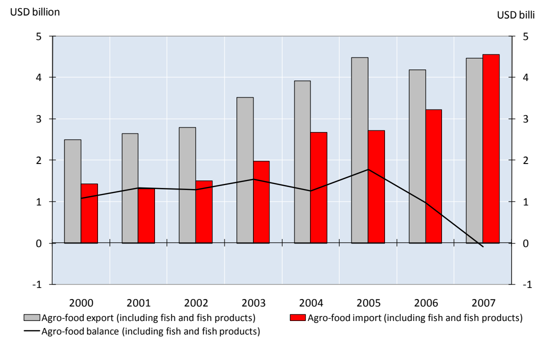


Figure 7.6. Agro-food trade in South Africa, 1995-2007



Policy developments

Main policy objectives and instruments

3. During the 1990s, a wide range of policy reforms was directed at achieving a stronger market orientation in agriculture and agro-food. The new Marketing of Agricultural Products Act (1996), substantially reduced state intervention in agricultural marketing and product prices. The main objectives of the new Marketing Act were to provide free market access for all market participants; promote efficiency of the marketing of agricultural products; improve opportunities for export earnings; and enhance the viability of the agricultural sector. Under the Act, the National Agricultural Marketing Council (NAMC) is the main government body intervening in marketing of agricultural products. The main objective of the *trade policy* reform in agriculture was to promote the integration of the sector into the global economy in order to encourage competition and greater access to markets, technology and capital.

4. The main objectives of the Land reform (started in 1994) are to redress past injustices, foster reconciliation and stability, support economic growth, improve household welfare and alleviate poverty in the rural areas. Land restitution, land redistribution and land tenure reform are the main elements of the land reform. A broad based *Black Economic Empowerment Framework for Agriculture* (AgriBEE) was introduced in 2006. The objective of AgriBEE is to eliminate racial discrimination in the agro-food sector through implementing initiatives that mainstream participation of black South Africans at all levels of agricultural activity and along the entire value chain. The main implementation mechanism is the setting of codes of good practice and monitoring in the course of their implementation.

Domestic agricultural policies

Price and income support policies

5. The new *Marketing Act* introduced in 1997, involved much less interference, regulation and state involvement in agricultural marketing and product prices than was previously the case. Currently all sectors of agro-food production are deregulated and price and income support measures are not applied via domestic markets. To some extent sugar cane and the sugar market is an exception, although not due to direct state intervention. The Sugar Agreement of 2000 (between different agents in the sugar production chain) still permits raw sugar to be exported only through a single-channel industry arrangement, and allocates quotas to individual producers for sugar sold on the domestic market.

Input subsidies

6. Under a diesel refund system, introduced in 2000, farmers receive a refund on the tax and road accident fund levies paid on diesel fuel. The refund is applied to 80% of the total eligible purchases used in primary production.

7. A limited range of subsidies is also provided to water transportation to areas suffering from drought and assistance is provided to build water extraction facilities (*boreholes*).

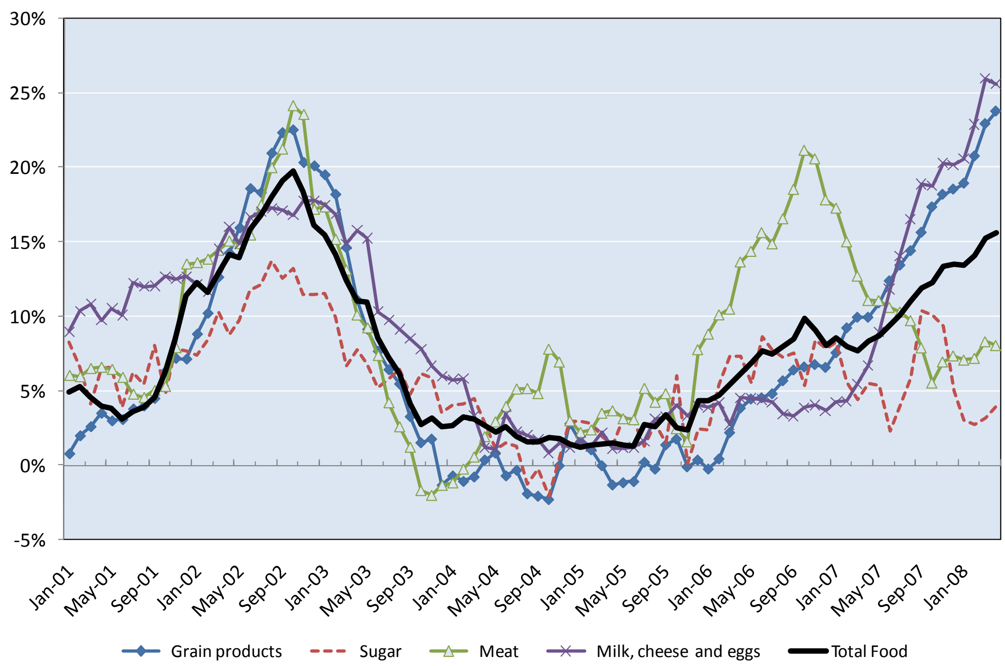
Box 7.1. Food price inflation in South Africa

Situation

Food inflation – Food price inflation peaked in late 2002, and then slowed to a more modest pace before accelerating again in the first quarter of 2007. The 2002 peak was mainly associated with the significant depreciation of the South African Rand against major international currencies. More recently, food price inflation is associated with the global rise in prices for agricultural products. In 2008, inflation approached levels last experienced in 2002 (situation in April 2008). Most food product categories have experienced increasing inflation except sugar, fruit and nuts and meat products. For dairy and egg products, food price inflation was even above the peak of 2002 (Figure 7.7).

High food price inflation in South Africa reflects global market developments, as the country has been closely integrated with global markets, domestic prices are to a large extend guided by those on international markets. For grains (wheat and maize) the price rise was further accelerated by the bad harvests in 2006 and 2007 due to adverse conditions.

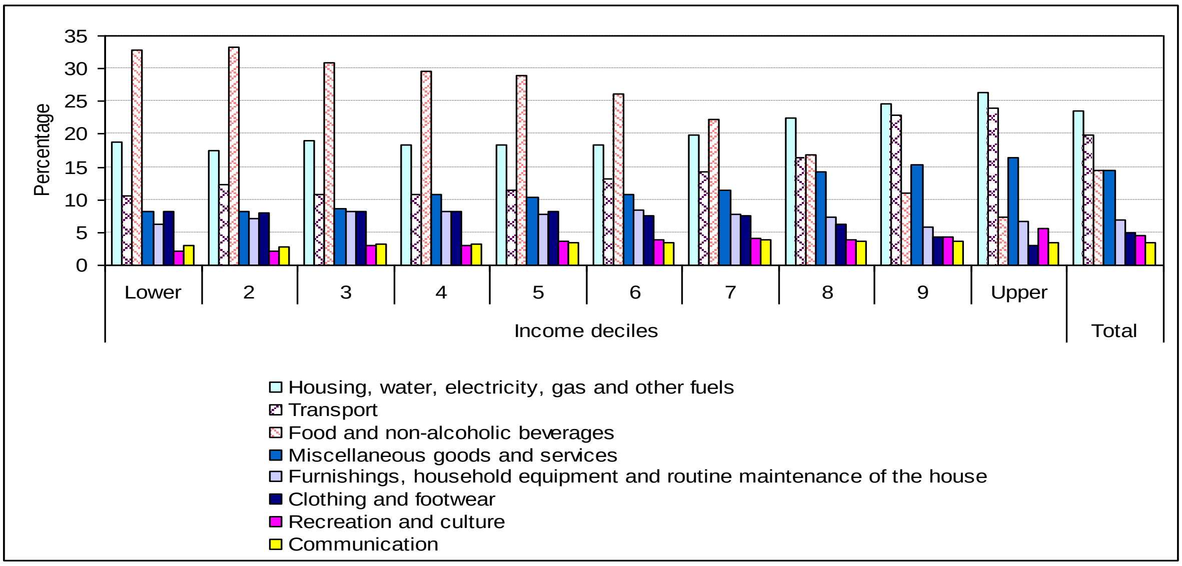
Figure 7.7. Consumer Price Indexes for food and selected food products



Source: Historical indicators: CPI, Statistics South Africa, 2008.

Structure of spending – Household spending patterns for food have important implications for how the government responds to recent trends in food prices. The lowest income groups in South Africa spent between 30% and 35% of their income on food. Small increases in price therefore have a profound impact on how such households maintain food security. Figure 7.8 shows the percentage distribution of annual household consumption expenditure by main expenditure group and income deciles. When looking at the breakdown of spending patterns by the different income groups, it is clear that the lower 3 deciles (30%) spent more than 30% of their income on food and non-alcoholic beverages; the next 4 deciles spent more than 20% and the top 3 deciles less than 20% on food and non-alcoholic beverages. There is also a difference in the structure of household spending in rural and urban areas. In 2005/06, households in rural areas spent on average 25% of their income on food and non-alcoholic beverages, whereas people living in urban areas spent only 12.5% of their household income on these items.

Figure 7.8. Percentage distribution of annual household consumption expenditure by expenditure group and income deciles



Source: Income and Expenditure – 2005/06, Statistics South Africa, 2008.

Distribution of poverty – There is also a wide regional difference in the distribution of poverty. Poverty rates in the nine South African provinces differ significantly, as do those of urban and rural areas. In 2005/06, the poverty rates in the various provinces ranged from 24.9% in Gauteng (province including Johannesburg and Pretoria) and 28.8% in the Western Cape (Cape Town area) to 57.6% in Eastern Cape and 64.6% in Limpopo (Armstrong *et al.,* 2008). The three provinces with the highest poverty rates (KwaZulu-Natal, the Eastern Cape and Limpopo) are also relatively populous and hence it should come as no surprise that 60% of the poor lived in these three provinces. The incidence of poverty is also much higher in the rural areas of South Africa. An income-expenditure survey conducted in 2005 (Armstrong *et al.,* 2008) indicates that the poverty rates for households and individuals in rural areas were 54.2% and 67.7% respectively – more than double the corresponding rates for urban areas (21.9% and 32.7%).

Policy response

Although many proposals were made to intervene in the markets to address the issue of high food prices, the South African government has not introduced new specific policies and measures. Rather, South Africa is using current policy instruments to address the effects of high food prices.

One trade measure affects maize, which is the main staple food for rural and poor populations. In cases where the world price for maize remains above USD 110 per tonne for more than two weeks, maize is then granted duty-free import treatment. A second measure is a food package programme (donation of food) targeted to the poor population. This programme has already been in place for several years, but the government has reacted to the higher food prices by increasing budgetary spending in support of it.

Land reform

8. **Land restitution and land redistribution** attempts to rectify the racially skewed access to land and land ownership in South Africa. This process is supported by the Provision of Land and Assistance Act (No. 126 of 1993) as amended, which addresses land restitution, land tenure reform and land redistribution. By the end of the 2006/07 financial year some 4.7 million hectares were transferred under the various land reform programmes (redistribution 2.61 million hectares; restitution 1.97 million hectares; tenure reform

0.1 million hectares; and transfer of state land 0.05 million hectares). The land restitution process is well advanced; by the end of 2007 74 805 restitution claims were settled. However the 4 891 outstanding restitution claims are the hardest to finalise.

9. Land redistribution is the main driver to reach the politically set objective to transfer 30% of white-owned agricultural land (around 25 million hectares) by 2014. This objective cannot be reached without substantially increased budgetary spending to finance the land reform in the coming years (in order to buy the appropriate amount of land from white-owned farmers under the *willing buyer, willing seller* scheme).

10. In the previous years, several programmes were implemented to support the beneficiaries of land reform, in order to assist them to develop commercially viable businesses.

11. Post-settlement support is provided to targeted beneficiaries of land reform and other black farmers who have acquired land through private means via the **Common Agricultural Support Programme (CASP)**. The implementation of *CASP* started in 2004/05, focusing mainly on providing on and off-farm infrastructure. The implementation of this programme experienced several problems (DoA, 2007). These include a lack of capacity, such as a shortage of agricultural economists and engineers, a lack of timely and proper planning, long procurement procedures and a lack of alignment with other government programmes. Some of these problems were addressed by increasing the efficiency of service delivery by provincial departments of agriculture during the second half of 2005/06 and in 2006/07. *CASP* has reached 53 709 beneficiaries, including 19 518 participating in the land reform project (NDA, 2008).

12. The focus of *CASP* was expanded (2006-07), with a decision that 70% of its expenditure should be on land reform projects, 10% on food security projects, 10% on training, 5% on animal health services, and 5% on marketing. Through CASP, since 2004/05, ZAR 750 million has been spent supporting investment on emerging farms (*i.e.* boreholes, animal handling facilities, poultry houses, shearing sheds and irrigation equipment). Benefits from the programme have come, for example, in the form of improved control of animal diseases among emerging farmers through the provision of infrastructure, such as dipping tanks. Other improvements were better veld management and proper breeding practices as a result of subdividing animal camps.

13. **Micro-agricultural Financial Institutions of South Africa (MAFISA)** is a microcredit scheme providing access to finance for farmers, especially beneficiaries of the land restitution, redistribution and land tenure reform programmes. The *Land Bank* administers MAFISA on behalf of the National Department of Agriculture. The provincial Departments of Agriculture also play a role by assisting potential clients to complete application forms and by disseminating information. Credit evaluation committees assess applications before submission to relevant development finance institutions.

14. Challenges experienced in the implementation of the scheme have included a lack of accountability in the evaluation and administration processes, and shortfalls in the economic or financial experience among extension officers and credit evaluation committees at provincial level. Under the MAFISA programme, a total of 5 109 farmers have been awarded loans so far, and by the end of January 2007 an amount of ZAR 41 million was spent to finance this scheme.

15. A Government review of its performance in implementing its policies in the land, agriculture and rural sector has revealed that whilst visible gains have been made in some areas, considerably more still needs to be done by Government with its sector partners to ensure a vibrant agricultural and rural sector. In terms of **mechanisms for accelerating the pace of redistribution applied from 2006/07**, three strategic interventions have been developed and are being implemented.

16. The *Land and Agrarian Reform Project* (LARP) implemented in 2006/07, provides a new framework for delivery and collaboration on land reform and agricultural support intended to accelerate the rate and sustainability of transformation through aligned and joint action by all involved stakeholders. It creates a delivery paradigm for agricultural and other support services based upon the concept of "One-Stop Shop" service centres located close to farming and rural beneficiaries.

17. The second strategic intervention, *Pro-Active Land Acquisition Strategy* (PLAS) is a new instrument designed to accelerate land delivery. In contrast to the previous application-driven approach, the Department now proactively identifies and purchases land and distributes this land in terms of established needs. Land needs of a specific area are first identified based on an integrated Development Plan, before the state can purchase the land. The state then purchases the land, makes the land farmable, selects lessees (beneficiaries) and then disposes of the land after an agreed lease period.

18. The third intervention focuses on *sourcing strategic partners* (key non-governmental stakeholders) with the intention to speed up land delivery, and more importantly, ensure stability of the farms and projects delivered. This involves the formation of partnership at local, provincial and national level, where stakeholders such as business, labour, commodity groups and organised agriculture will be given clear roles and responsibility. Memorandums of Agreement, Service Level Agreements and Agency Agreements will be signed with the targeted and identified agricultural businesses and organisations. These public-private partnerships contribute to increasing the pool of skills and expertise that is currently lacking in the public service. Contracts are signed with targeted technical experts, companies and businesses.

19. These three strategies are based on a number of key principles to fast-track land and agrarian reform while also strengthening the viability of emerging farms and businesses. These principles are:

- The use of *focus areas* to concentrate service delivery in order to better exploit synergies between land redistribution, agricultural production and agri-business development.

- An *aligned comprehensive support package* to cater for the inherently multisectoral requirements to make sustainable agricultural production and agri-business development a success (will also encompass social and other economic services).

- The application of *co-operative government* by establishing joint planning, budgeting, approval and implementation procedures between various government departments and programmes.

- The full *utilisation of partnerships* in order to exploit the relative strengths and capacities of the key non-governmental stakeholders.

- *Subsidiarity:* the decentralisation of decision-making and implementation at the lowest practical level depending on the specific activity.

Agro-food trade policies

Import measures

20. *Specific and ad valorem tariffs* are the main policy measures applied in South Africa's import protection for agricultural and food products. The average tariff protection of agro-food products is low compared with the overall average for all products. Tariff escalation is applied in the agro-food sector, whereby tariffs are in general lower for primary products than for processed products. As a member of South African Customs Union (SACU), South Africa applies the common external tariffs established for all members (other SACU members are Botswana, Lesotho, Namibia and Swaziland). For most agro-food

products, ad valorem tariffs or specific duties (or a combination of both) are applied. Tariff quotas exist for a range of agricultural products under the minimum market access commitments, under which tariffs are set at 20% of the bound rates. For some products, preferential tariffs are granted to imports from the EU, while imports from Southern Africa Development Community (SADC) countries outside the SACU are duty free. The characteristics of the border measures applied to main agro-food products are described in Table 7.3.

Table 7.3. SACU Tariff schedule (August 2007)

Tariff line	Product description	Bound rate %	IQTR (20% of Bound rate)	MFN applied rate	Preferential tariffs for EU products
0202	Bovine meat	69	13.8	40% or 240c/kg	40% or 240c/kg
0203	Pork meat	37	7.4	15% or 130c/kg	15% or 130c/kg
0203.1910	Pork rib	37	7.4	Free	free
0204	Lamb	95	19	40% or 200c/kg	40% or 200c/kg
0204.50	Meat of goats	82	16.4	40% or 200c/kg	40% or 200c/kg
0207	Poultry meat	37	7.4	free	free
0401	UHT milk in containers holding 1 litre or less	96	19.2	free	free
0403	Yogurt	96	19.2	free	free
0405	Butter and dairy spreads	79	15.8	500c/kg with a max of 79%	500c/kg with a max of 79%
0406	Cheese	95	19	500c/kg with a max of 95%	500c/kg with a max of 95%
1001.10	Durum wheat	21	4.2	free	free
1001.90	Wheat and meslin	72	14.4	2%	2%
1003.00	Barley	41	8.2	free	free
1004.00	Oats	33	6.6	free	free
1007.00	Grain sorghum	33	6.6	3%	free
1101.00	Wheat or meslin flour	99	19.8	2%	2%
1102.20	Maize (corn)flour	99	19.8	3.437c/kg	3.437c/kg
1201.00	Soya beans, whether or not broken	40	8	8%	free
1206.00	Sunflower seeds, whether or not broken	47	9.4	9.4%	free
1207.20	Cotton seeds	47		9.4%	free
5203.00	Cotton, carded or combed	60		15%	11.25%

IQTR = in quota tariff rate.
Source: National Department of Agriculture.

21. Import measures also consist of *tariff rate quotas*, which are country and product specific, as well as a possibility to apply *anti-dumping and countervailing duties*. However, those duties were not applied during 2006 and 2007.

Export measures

22. Since July 1997, when the General Export Incentive Scheme (GEIS) was abolished, no *export subsidies* are applied for agro-food products. However, the price pooling regime for sugar applied by the South African Sugar Association (SASA) is effectively subsidising sugar exports, while the costs are born by local sugar consumers.

23. *Export permits*: For those products that need to comply with certain EU or US quota arrangements, the South African government introduced an export permit system to use these quotas; the goal is to ensure that small and medium enterprises, as well as disadvantaged communities get a chance to export under certain quota windows.

Box 7.2. Trade agreements

In 1994, South Africa became a member of the *Southern African Development Community* (SADC).[1] The SADC free trade agreement is being implemented between 2000 and 2012. A very important feature of the SADC is the trade protocol intended to stimulate trade between member countries through the reduction of tariffs. SADC incorporated the principle of asymmetry: A phase-down of SACU tariffs in five years (by 2005); and those of other SADC countries in 12 years by 2012. By August 2008, all member states implementing the trade protocol are expected to have zero tariffs on 85% of their products. The remaining 15% have to be eliminated by 2012. SACU has completed its tariff phase-down commitments. The customs union was expected to *front-load* (2006) its phase-down commitments due to South Africa's economic size. Other member states were provided with a longer grace period to *back-load* (2008) their phase-down commitments.

The SADC – EC EPA negotiations - The aim of Economic Partnership Agreements (EPA) negotiations is essentially to replace the non-reciprocal trading preferences that African, Caribbean and Pacific (ACP) countries have been receiving from the EU (under the *Lomé* Agreement) with reciprocal free trade arrangements. The SADC EPA Group consists of 8 countries: all the members of SACU, plus Angola, Mozambique and Tanzania. For South Africa, the EPA negotiations effectively constitute the review of the Trade Chapter of the SA/EU Trade Development and Cooperation Agreement (TDCA).[2] The implementation of EPAs between the EU together with the ACP countries was envisaged as from 1 January 2008; this however did not happen for the SADC countries. The EC and SADC EPA member states subsequently agreed on a two-stage approach to the conclusion of EPAs; *i.e.* the first stage was to conclude an interim agreement, and thereafter the conclusion of a full agreement at a later stage. This was agreed to ensure that the SADC EPA member states did not lose preferential access to the EU market after expiry of the *Cotonou* agreement on 31 December 2007. The Interim SADC-EC Economic Partnership Agreement (IEPA) was initialled by Botswana, Lesotho, Swaziland, Namibia and Mozambique towards the end of 2007. South Africa and Angola have not yet initialled the agreement due to concerns with the Interim agreement text. For this reason the IEPA is not yet implemented by SADC. The TDCA remains the legal framework for South Africa's trade with the EU. It is expected that negotiations towards a full EC and SADC EPA agreement will be concluded in December 2008.

SACU-EFTA Free trade agreement: SACU and EFTA concluded a Free Trade Agreement in August 2005. To cover agriculture and ensure WTO compatibility, three bilateral agreements on basic agricultural products (within chapters 1 to 24, excluding processed agricultural products) were negotiated with each individual EFTA Member State (Switzerland also covers Liechtenstein). The agreements will be implemented over a period of ten years after entry into force. In terms of the main agreement, SACU will enjoy immediate duty-free access into EFTA for all products covered by this agreement, with the exception of processed agricultural products. In return, SACU will gradually eliminate import duties over a period not exceeding nine years, with different phase-down modalities for different products. SACU did negotiate the right to exclude certain sensitive products and to introduce a clause that would prevent processed agricultural products that qualify for export subsidies from benefiting from preferences under this agreement (these would have to trade under Most-Favoured-Nation [MFN] conditions].

The Africa Growth and Opportunity Act (AGOA) is a non-reciprocal programme implemented by the United States (US) that provides duty-free and quota-free market access to qualifying sub-Sahara African countries. Negotiations towards a comprehensive FTA with the USA started in 2003, and are still underway. The process is not likely to be achieved in the near future as both parties, while confirming their commitment to achieve a mutually beneficial FTA, recognised that a range of substantive issues have arisen in the negotiations that will require detailed examination over the longer term.

1. The SADC member countries include: Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Kingdom of Swaziland, Tanzania, Zambia and Zimbabwe.
2. The *Trade, Development and Cooperation Agreement* (TDCA) between South Africa and the European Union and its Member States was signed in October 1999 and implemented on 1 January 2000. Under this agreement, a free trade area between the two parties will be established by the end of the transition period in 2012. The area covers approximately 90% of total trade between the two parties (including an important segment of agro-food trade).

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