

REF. NO: 14/3/2

Mr. Ebrahim Patel, MP
Minister of Trade and Industry
Private Bag X84
PRETORIA
0001

Dear Minister

MINUTE M08/2019: INCREASE IN THE RATE OF CUSTOMS DUTY ON SUGAR IN TERMS OF THE APPROVED VARIABLE TARIFF FORMULA

In terms of the recently reviewed and approved variable tariff formula for sugar, the customs duty on sugar is calculated as the difference between the 20 trading day moving average London No. 5 settlement price and the established domestic reference price for sugar. Adjustments to the level of protection granted are made when the 20 trading day moving average of the London No. 5 settlement price shows a variance of more than US\$20/ton from the previous trigger level for 20 consecutive trading days. The resulting Dollar duty will be converted to Rand, based on the Rand/Dollar exchange rate prevailing on the day that the adjustment is triggered and subsequently adjusted with the latest available Real Effective Exchange Rate (REER) as published by the South African Reserve Bank (SARB).

The International Trade Administration Commission of South Africa (ITAC) considers adjustments in the customs duty on sugar, once the conditions for adjustment are met.

In terms of the recently reviewed and approved variable tariff formula for sugar, conditions for an upward adjustment in the tariff were met and the South African Sugar Association (SASA) forwarded a letter of confirmation to this effect.

The 20 trading day moving average of the London No. 5 settlement price of sugar triggered an adjustment at US\$315.73/ton on 12 August 2019. The corresponding Rand/US Dollar (R/US\$) exchange rate was R15.2441 to US\$1.00. If the domestic reference price, the 20 trading day moving average of the London No. 5 settlement price, the R/US\$ exchange rate on 12 August 2019 and the latest available Real Effective Exchange Rate (REER)¹, are applied to the formula, the customs duty on sugar needs to be adjusted upwards from 401.79c/kg to 476.61c/kg.

The Commission recommends that the rate of customs duty on sugar, classifiable under tariff heading 17.01, be increased from 401.79c/kg to 476.61c/kg.

Yours sincerely



Meluleki Nzimande

Chief Commissioner

13/08/.....2019

¹ The REER is a lagging indicator, currently being 0.8583 for May 2019, as published by the South African Reserve Bank on 29 July 2019.