

REF. NO: 14/3/2

Dr Rob Davies, MP
Minister of Trade and Industry
Private Bag X84
PRETORIA
0001

Dear Minister

MINUTE M03/2015: REDUCTION IN THE RATE OF CUSTOMS DUTY ON WHEAT AND WHEATEN FLOUR IN TERMS OF THE EXISTING VARIABLE TARIFF FORMULA

In terms of the variable tariff formula for wheat, the customs duty on wheat is calculated as the difference between the domestic reference price for wheat of US\$294.00/ton and the current 3-week moving average US No. 2 HRW (ord) Gulf settlement price for wheat. Adjustments to the level of protection are effected when the difference between the current 3-week moving average price and the 3-week moving average price on which the previous duty was based (base price) amounts to more than US\$10/ton for 3 consecutive weeks.

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

Wheat pricing information, confirmed by the South African Grain Information Service (SAGIS), indicated that conditions for an downwards adjustment in the customs duty were met on 14 July 2015, when the 3-week moving average of the US No. 2 HRW (ord) Gulf settlement price for wheat triggered an adjustment at US\$253/ton. The corresponding R/\$ exchange rate was 12.4530. If the domestic reference price, the 3-week moving average price and the exchange rate on 14 July 2015, are applied to the formula, the customs duty on wheat needs to be adjusted downward from 80.01c/kg to 51.06c/kg.

As the customs duty on wheaten flour is set in the form of a specific duty at the level of 150% of the rate applicable to wheat, the customs duty on wheaten flour also needs to be reduced from 120.02c/kg to 76.59c/kg.

In light of the above, the Commission recommends that the rate of customs duty on wheat and wheaten flour, classifiable under tariff headings 1001.90 and 1101.00, be reduced from 80.01c/kg and 120.02c/kg to 51.06c/kg and 76.59c/kg, respectively.

Yours sincerely



Siyabulela Tsenglwe
Chief Commissioner
Date: 17/07/2015