

Dr Rob Davies, MP
Minister of Trade and Industry
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Dear Minister

MINUTE M5/2010: 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\$215/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 a downward adjustment in the customs duty were met on 27 July 2010, when the 3-week moving average of the US No. 2 HRW (ord) Gulf settlement price for wheat triggered an adjustment at US\$218,33/ton. The corresponding R/\$ exchange rate was 7,3221. If the domestic reference price, the 3-week moving average price and the exchange rate on 27 July 2010, are applied to the formula, the customs duty on wheat needs to be adjusted downward from 26,09c/kg to free of duty.

As the customs duty on wheaten flour is set in the form of 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 the current applicable duty of 39,13c/kg to free of duty.

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 26,09c/kg and 39,13c/kg respectively, to free of duty.

Yours sincerely



Siyabulela Tsengile

Chief Commissioner

Date: 02/08/2010