

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

Dear Minister

MINUTE M13/2019: REDUCTION IN THE RATE OF CUSTOMS DUTY ON WHEAT AND WHEATEN FLOUR IN TERMS OF THE EXISTING VARIABLE TARIFF FORMULA

In terms of the recently reviewed variable tariff formula for wheat, the customs duty on wheat is calculated as the difference between the domestic reference price for wheat of US\$279.00/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 last duty triggered was calculated, amounts to more than US\$10/ton for 3 consecutive weeks. 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 Index as published by the South African Reserve Bank.

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

In terms of the last reviewed and approved variable tariff formula for wheat, conditions for a downward adjustment in the tariff were met and the South African Grain Information Service (SAGIS) and the National Chamber of Milling (NCM) forwarded a letter of confirmation to this effect.

Wheat pricing information, confirmed by the SAGIS, indicated that conditions for a downward adjustment in the customs duty were met on 14 January 2020, when the 3-week moving average of the US No. 2 HRW (ord) Gulf settlement price for wheat triggered an adjustment at US\$236.67/ton. The corresponding Rand/US Dollar (R/US\$) exchange rate was R14.4688 to US\$1.00. If the domestic reference price, the 3-week moving average Gulf Settlement price, the R/US\$ exchange rate on 14 January 2020 and the latest available Real Effective Exchange Rate (REER)¹, are applied to the formula, the customs duty on wheat needs to be adjusted downwards from 77.62c/kg to 51.66c/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 116.44c/kg to 77.49c/kg.

In light of the above, the Commission recommends that the rate of customs duty on wheat and wheaten flour, classifiable under tariff headings 1001.9 and 1101.00, be reduced from 77.62c/kg and 116.44c/kg to 51.66c/kg and 77.49c/kg, respectively.

Yours sincerely



Mr Meluleki Nzimande
Chief Commissioner

Date: 17/01/2020

¹ The REER is a lagging indicator, currently being 0.8435 for October 2019, as published by the South African Reserve Bank on 08 January 2020.