



International Trade Administration Commission of South Africa

Report No. 9

**Application for an increase in the rate of duty on
UHT milk**

**The International Trade Administration Commission herewith presents its
Report No. 9: APPLICATION FOR AN INCREASE IN THE RATE OF DUTY
ON UHT MILK**


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**Ms. N P Maimela
CHIEF COMMISSIONER**

PRETORIA

...16/...10/.....2003

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION

REPORT NO. 9

APPLICATION FOR AN INCREASE IN THE RATE OF DUTY ON UHT MILK

Synopsis

The Commission considered an increase in the rate of duty on Ultra High Temperature (UHT) milk, classifiable under tariff subheadings 0401.10, 0401.20 and 0401.30 from free of duty to a level of duty that would effectively protect the industry against low-priced imports. The reason for the application was that the Board on Tariffs and Trade decided, as one of its recommendations pertaining to the application for a revision of the customs tariff dispensation with respect to dairy products, that an application should be published for an investigation into a separate tariff dispensation for UHT milk. The Commissioner for Customs and Excise indicated that it would be in a position to administer a separate tariff dispensation for UHT milk.

The Commission took into account that major investments were made in South Africa and Namibia but during the investigation it became evident that the SACU producers of UHT milk were not experiencing price competition from similar imported end products. When the import volume of UHT milk, for the period 2001 and 2002, is expressed as a percentage of domestic consumption, it constitutes 0.05% and 0.06% respectively.

The Commission decided not to recommend an increase in the rate of duty on UHT milk but that a separate tariff line for UHT milk be created in order to monitor imports of UHT milk.

The application and the tariff position

The Board on Tariffs and Trade decided, as one of its recommendations pertaining to the application for a revision of the customs tariff dispensation with respect to dairy products, that an application should be published for an investigation into a separate tariff dispensation for UHT milk classifiable under tariff heading 04.01 at free of duty. The application was published in the Government Gazette on 13 September 2002.

2. The reason for the application was that major investments were made in the SACU, in Namibia and South Africa, for the production of UHT milk and that the industry was experiencing competition from similar imported products.

Tariff dispensation

3. The current tariff structure of the products concerned is as follows:

Tariff subheading	Description	Rate of duty	
04.01	Milk and cream, not concentrated nor containing added sugar or other sweetening matter:		
0401.10	Of a fat content, by mass, not exceeding 1 per cent	General EU SADC	free free free
0401.20	Of a fat content, by mass, exceeding 1 per cent but not exceeding 6 per cent	General EU SADC	free free free
0401.30	Of a fat content, by mass, exceeding 6 per cent	General EU SADC	free free free

4. The bound rates for tariff heading 04.01 are as follows:

Tariff subheading	Bound rate
0401.10	96%
0401.20	96%
0401.30	96%

Consideration

5. The Commissioner for Customs and Excise indicated that it would be in a position to administer a separate tariff dispensation for UHT milk as follows:

Tariff subheading	Description	Rate of duty	
04.02	Milk and cream, not concentrated nor containing added sugar or other sweetening matter:		
0401.10	Of a fat content, by mass, not exceeding 1 per cent	General EU SADC	free free free
0401.10.10	Sterilised	General EU SADC	free free free
0401.20	Of a fat content, by mass, exceeding 1 per cent but not exceeding 6 per cent	General EU SADC	free free free
0401.20.10	Sterilised	General EU SADC	free free free

0401.30	Of a fat content, by mass, exceeding 6 per cent	General EU SADC	free free free
0401.30.10	Sterilised	General EU SADC	free free free

6. Information indicates that the consumption of UHT milk in 2001, within SACU, was 359 400 000 liters.
7. The import volume of UHT milk, for the period 2001 and 2002, when expressed as a percentage of domestic consumption, constitutes 0.05% and 0.06% respectively.
8. Information at the Commission's disposal indicated that major investments were made in South Africa and Namibia for the production of UHT milk.
9. SACU producers of UHT milk currently have a significant price advantage against imported UHT milk.
10. Although a duty on UHT milk is currently not justifiable, it is proposed that a separate 8-digit tariff subheading be created for UHT milk in order to monitor imports of UHT milk. Should there be justification for the introduction of a duty, the tariff structure would then be in place.

Recommendation

11. The Commission decided to recommend that:
 1. The application for an increase in the rate of duty on UHT milk be rejected. The SACU producers are currently experiencing a price advantage against similar imported end products and when the import of UHT milk, for the period 2001 and 2002, is expressed as a percentage of domestic consumption it constitutes 0.05% and 0.06% respectively.
 2. A separate 8-digit tariff subheading be created for UHT milk in order to monitor the imports of the product, as follows:

Tariff subheading	Description	Rate of duty	
04.02	Milk and cream, not concentrated nor containing added sugar or other sweetening matter:		
0401.10	Of a fat content, by mass, not exceeding 1 per cent	General EU SADC	free free free
0401.10.10	Of a fat content, by mass, not exceeding 1 per cent, sterilized or pasteurized aseptically packaged in containers of 1 litre or less	General EU SADC	free free free

0401.20	Of a fat content, by mass, exceeding 1 per cent but not exceeding 6 per cent	General EU SADC	free free free
0401.20.10	Of a fat content, by mass, exceeding 1 per cent but not exceeding 6 per cent, sterilized or pasteurized and aseptically packaged in containers of 1 litre or less	General EU SADC	free free free
0401.30	Of a fat content, by mass, exceeding 6 per cent	General EU SADC	free free free
0401.30.10	Of a fat content, by mass, exceeding 6 per cent, sterilized or pasteurized and aseptically packaged in containers of 1 litre or less	General EU SADC	free free free

[T5/2/4/2/1 (020065)]