International Dairy Arrangement

International Dairy Council

Reply to Questionnaire 5 Regarding Information on Domestic Policies and Trade Measures

SOUTH AFRICA

Addendum

South Africa's dairy policy constitutes part of the country's general policy of stabilization of prices of the major agricultural commodities and rationalization of the relevant industries, i.e. to reduce the spread between producer and consumer prices. The objectives are aimed at improving the productivity of the farming industry and the efficiency of the allied marketing and processing industries for the mutual benefit of producers and consumers.

Dairy production moreover forms an integral part of the farming structure and acts as a balancing factor in the farming systems practised in large parts of the country which are subject to variable and often very unfavourable weather conditions.

A. Production

1. (a) Instruments of stabilization

The dairy scheme in terms of which the Dairy Board:

(i) fixes producer prices for industrial milk and butterfat (with approval of the Minister);

(ii) fixes the price at which distributors purchase milk from producers (with ministerial approval);

(iii) regulates the number of processing plants; and

(iv) operates a stabilization fund.

(b) Levels of guaranteed or support prices

(i) Industrial milk - R 22.93 per 100 kg. (3.5 per cent butterfat) - plus or minus 34 cents per 100 kg. for each variation of 0.1 per cent butterfat above or below 3.5 per cent. It is also subject to deductions for transport costs.

83-0679
(ii) **Butterfat** (bulk)

first grade: R 3.41 per kg.
second grade: R 3.21 per kg.
third grade: R 3.01 per kg.

(c) **Producer subsidies**

No producer subsidies are normally or presently paid.

(d) **Average returns to producers**

Industrial milk: R 23.95 per 100 kg.
Butterfat: R 3.29 per kg.
Fresh (liquid): R 30.9 per 100 litres

(i) The industrial milk price, which is guaranteed, varies according to butterfat content.

(ii) Butterfat prices, which are also guaranteed, vary depending on hygienic standards.

(iii) Deliveries of fresh milk to distributors are taken up at a fixed price. Surplus fresh milk (excess over market requirements) is diverted to manufacturing outlets at the industrial price. The joint proceeds are pooled and the net average returns paid to producers of milk for fresh consumption.

(iv) The price for fresh milk is also influenced by the butterfat and protein contents thereof.

2. **Policies and measures of governments or other bodies likely to influence production**

The Dairy Board operates quality purchase funds for fresh and industrial milk towards which all producers contribute in the form of a levy. Premium payments are made to producers owning bulk milk facilities and supplying quality milk.

B. **Internal prices and consumption**

1. **Representative retail and wholesale prices**

<table>
<thead>
<tr>
<th></th>
<th>Wholesale</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Butter</strong></td>
<td>R 3.48/kg.(^1)</td>
<td>R 3.68/kg.</td>
</tr>
<tr>
<td><strong>Cheddar cheese</strong></td>
<td>R 3.93/kg.(^1)</td>
<td>R 4.24/kg.</td>
</tr>
</tbody>
</table>

\(^1\)From 1 July 1982 - maximum prices in case of retail
### Wholesale and Retail Prices

<table>
<thead>
<tr>
<th>Product</th>
<th>Wholesale</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gouda cheese</td>
<td>R 3.98/kg.</td>
<td>R 4.29/kg.</td>
</tr>
<tr>
<td>Skimmed milk powder</td>
<td>R 3.28/kg.</td>
<td>R 3.87/kg.</td>
</tr>
<tr>
<td>Whole milk powder</td>
<td>R 4.53/kg.</td>
<td>R 5.35/kg.</td>
</tr>
<tr>
<td>Fresh milk (cartons)</td>
<td>R 0.56/litre</td>
<td>R 0.62/litre</td>
</tr>
<tr>
<td>Fresh milk doorstep delivery</td>
<td></td>
<td>R 0.55/litre</td>
</tr>
<tr>
<td>(bottles)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Factors which influence internal consumption

1. **Availability and price levels of the various products:**
   - Conservative price policies are pursued and full availability at all times ensured. Shortages are not allowed to occur as supplies are timeously augmented through imports.

2. **Levels of wages and salaries:**
   - Income levels, generally, and those of the lower income groups in particular, are rising with prevailing buoyant economic conditions.

3. **Promotion of dairy products:**
   - Dairy Board expenditure on advertising amounts to approximately R 2 million per year.

4. **Availability and relative price levels of yellow margarine which have a direct effect on consumption of butter and an indirect effect on the availability of skimmed milk powder.**

### Policies and measures

1. **Distributors' (fresh milk) and manufacturers' (butter, Gouda and Cheddar cheese) margins are controlled.**

2. **Maximum retail prices apply in respect of fresh milk, butter, Gouda and Cheddar cheese.**

3. **Government subsidy R 1.098 million was earmarked during 1982/83 for periodic sales of butter at prices below normal trade prices.**

---

1. From 1 July 1982 - maximum prices in case of retail
2. Effective 1 January 1982
   - SMP for 5 kg. packings
   - WMP for 2 kg. packings
3. Effective 1 July 1982
(iv) Cheese sales are also periodically subsidized from the Dairy Board's stabilization fund which is financed through producer levies on milk and butterfat deliveries.

The above measures and consumer subsidies contribute towards increased consumption.

C. Measures at the frontier

1. Customs tariff

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>04.02.10</td>
<td>Whey</td>
<td>Free</td>
</tr>
<tr>
<td>02.13</td>
<td>Buttermilk</td>
<td>Free</td>
</tr>
<tr>
<td>02.15</td>
<td>Cream</td>
<td>R 5.50 per 100 kg.</td>
</tr>
<tr>
<td>02.40</td>
<td>Condensed milk -</td>
<td></td>
</tr>
<tr>
<td>.10</td>
<td>Sweetened</td>
<td>R 3.30 per 100 kg.</td>
</tr>
<tr>
<td>.20</td>
<td>Unsweetened</td>
<td>R 2.75 per 100 kg.</td>
</tr>
<tr>
<td>04.02.30</td>
<td>Milk powder (including</td>
<td>Free</td>
</tr>
<tr>
<td></td>
<td>skimmed milk powder)</td>
<td></td>
</tr>
<tr>
<td>04.03.15</td>
<td>Butter oil</td>
<td>Free</td>
</tr>
<tr>
<td>03.20</td>
<td>Butter</td>
<td>R 3.60 per 100 kg.</td>
</tr>
<tr>
<td>04.04.50</td>
<td>Cheese (exotic)</td>
<td>22 per cent</td>
</tr>
<tr>
<td>04.90</td>
<td>Cheese other - including</td>
<td>25 per cent</td>
</tr>
<tr>
<td></td>
<td>Gouda and Cheddar</td>
<td></td>
</tr>
</tbody>
</table>

2. Import measures

The Dairy Board itself effects the importation of butter, and Gouda and cheddar cheeses. Imports of condensed milk, whole milk powder and skimmed milk powder are subject to permits issued by the Board which may in certain circumstances itself undertake the importation of these products.

3. Export measures

Exports are not a regular feature of the industry. Fluctuations in export earnings in respect of occasional exports of butter, cheese and skimmed milk powder, are offset through the use of the stabilization fund. No government subsidies are involved.

4. None

5. In the absence of some form of control over, or regulatory measures in respect of imports, it would not be possible to effectively administer the dairy scheme. The measures were therefore introduced to facilitate the operation of the scheme and in the final analysis to reach the main objectives of a greater measure of price stabilization (with its concomitant beneficial effect on farm income) and the rationalization of the industry.

D. None