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Agricultural Policies in Emerging Economies 2009
Monitoring and Evaluation

Chapter 7

South Africa

Evaluation of policy developments

- *Current policies in South African agriculture are the result of substantial reforms implemented from the mid-1990s. Policy changes that impacted on agriculture resulted in deregulation of the marketing of agricultural products, liberalisation of domestic markets, and reduced barriers to agricultural trade. The main developments in trade policy included the replacement of direct controls over imports by tariffs, removal of state controls over exports and elimination of export subsidies. These reforms reduced market price support and budgetary support to commercial farming. In contrast, increased budgetary spending went to finance the land reform process.*
- *The average level of producer support in South Africa, as measured by the %PSE, indicates a relatively low degree of policy intervention. The overall trend shows a reduction in support from 1994 up to 2001 followed by an increase in 2002 and then a stabilisation around 7% in 2003-06. Around three-quarters of producer support in South Africa is delivered in the form of Market Price Support transfers, which causes fluctuations in the annual level of support. Budgetary transfers increased in the current decade due to the introduction of a fuel tax rebate and increasing budgetary spending on land reform and related programmes.*
- *The main agricultural policy development in South Africa, in the most recent years, is related to the implementation of land reform. A significant share of agriculture-related public financial resources is devoted to the implementation of land reform and especially land redistribution. To support this policy, Land Redistribution and Agricultural Development (LRAD) grants are given to the black disadvantaged population to acquire land or engage in other forms of on-farm participation. These grants enable farmers who can provide personal contributions (financial and/or own labour) to acquire more land than otherwise would be the case.*
- *During 2006/07, new policies were implemented to enhance the pace of land redistribution on the one hand and ensure the viability of the emerging farms on the other hand. These new policies include the Land and Agrarian Reform Project, the Pro-Active Land Acquisition Strategy, and a new focus on bringing strategic partners from private stakeholders to assist in the capacity building process.*
- *The black population in rural areas is the target of land reform policies, but it is clear that adequate supporting infrastructure and human capital formation must also be in place if these new entrepreneurs are to survive economically. The new entrants into commercial agriculture are at a considerable disadvantage relative to more experienced operators, facing both production and marketing challenges. The government is striving to address these issues by implementing well targeted support programmes and services (including research and development) tailored to the needs of the emerging farms. In this regard, the involvement of private stakeholders in the land reform process may be an efficient way to engage resources, and address weaknesses in supporting programmes and services from public authorities.*

Summary of policy developments

In recent years, the main agricultural policy development in South Africa (SA) is related to the implementation of land reform. To enhance land redistribution, three strategic interventions have been developed and implemented since 2006/07. The development of the Land and Agrarian Reform Programme (LARP) is designed to better exploit synergies between land redistribution, agricultural production and agri-business development, and align comprehensive support packages. The Pro-Active Land Acquisition Strategy (PLAS) is designed to accelerate land delivery. The association of strategic partners from the private sector with land reform projects is expected to strengthen the economic viability of farms and the projects delivered.

- Support to producers (%PSE) followed a downward trend from 1995 to 2001, when it reached its lowest level. In 2002, support increased and then stabilised around 7%. In 2005-07, support to producers was 6%, *i.e.* much lower than in 1995-97. This is less than a quarter of the OECD average of 26% in 2005-07.
- The overwhelming share of producer support is delivered in the form of Market Price Support (MPS), although it declined from 96% of total PSE in 1995-97 to 76% in 2005-07.
- The producer Nominal Protection Coefficient (NPC) indicates that prices received by domestic producers were on average 5% higher than world market prices in 2005-07. Prices received by producers were on average 13% higher in 1995-97.
- However, the %SCT for individual commodities indicates some variation in price support. It is around 15% for sheep meat and sugar; between 5 to 10% for milk, wheat and maize; and negligible for other commodities. The share of SCT in the total PSE was 75%.
- The cost to consumers (%CSE) has reduced from an implicit tax of 14% in 1995-97 to 5% in 2005-07.
- The value of support for general services provided to agriculture (GSSE) has increased, as well as its share in the Total Support Estimate (TSE), which has increased from 35% in 1995-97 to 54% in 2005-07. This is mainly due to an increase in general services linked with the implementation of land reform.
- The total cost to the economy of agricultural support as a share of GDP declined from 1% in 1995-97 to 0.59% in 2005-07, which is much less than the OECD average (0.97%).

Source: OECD, *PSE/CSE Database*, 2008.

Figure 7.1. **South Africa: PSE level and composition over time**

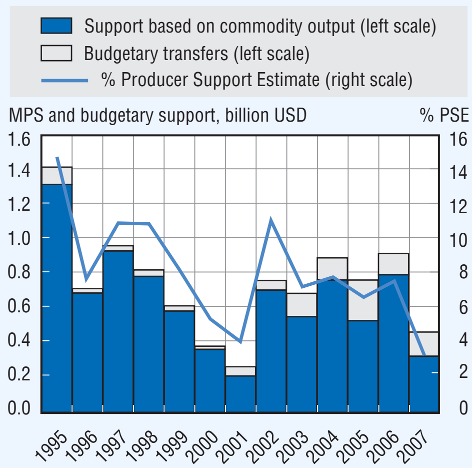

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Figure 7.2. **South Africa: Producer SCT by commodity, 2005-07**

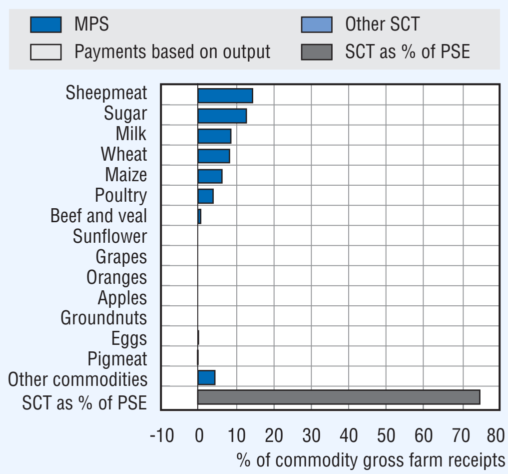

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Table 7.1. **South Africa: Estimates of support to agriculture**

ZAR million

	1995-97	2005-07	2005	2006	2007
Total value of production (at farm gate)	**36 911**	**84 340**	**72 972**	**81 771**	**98 276**
of which share of MPS commodities (%)	*74*	*73*	*70*	*73*	*77*
Total value of consumption (at farm gate)	**34 402**	**86 369**	**69 998**	**85 204**	**103 906**
Producer Support Estimate (PSE)	**3 991**	**4 742**	**4 829**	**6 163**	**3 232**
Support based on commodity output	3 833	3 631	3 321	5 345	2 226
Market Price Support	*3 833*	*3 631*	*3 321*	*5 345*	*2 226*
Payments based on output	*0*	*0*	*0*	*0*	*0*
Payments based on input use	62	919	978	772	1 007
Based on variable input use	*30*	*616*	*695*	*563*	*590*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on fixed capital formation	*30*	*285*	*266*	*197*	*392*
with input constraints	*3*	*0*	*0*	*0*	*0*
Based on on-farm services	*1*	*18*	*17*	*12*	*24*
with input constraints	*0*	*0*	*0*	*0*	*0*
Payments based on current A/An/R/I[1], production required	97	192	530	45	0
Based on Receipts / Income	*87*	*192*	*530*	*45*	*0*
Based on Area planted / Animal numbers	*10*	*0*	*0*	*0*	*0*
with input constraints	*0*	*0*	*0*	*0*	*0*
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0
With variable payment rates	*0*	*0*	*0*	*0*	*0*
With fixed payment rates	*0*	*0*	*0*	*0*	*0*
Payments based on non-commodity criteria	0	0	0	0	0
Based on long-term resource retirement	*0*	*0*	*0*	*0*	*0*
Based on a specific non-commodity output	*0*	*0*	*0*	*0*	*0*
Based on other non-commodity criteria	*0*	*0*	*0*	*0*	*0*
Miscellaneous payments	0	0	0	0	0
Percentage PSE	**11**	**6**	**6**	**7**	**3**
Producer NPC	**1.13**	**1.05**	**1.05**	**1.07**	**1.02**
Producer NAC	**1.13**	**1.06**	**1.07**	**1.08**	**1.03**
General Services Support Estimate (GSSE)	**2 170**	**5 609**	**5 302**	**5 784**	**5 741**
Research and development	1 797	3 228	3 059	3 312	3 312
Agricultural schools	0	0	0	0	0
Inspection services	146	677	664	684	684
Infrastructure	141	1 348	1 300	1 443	1 301
Marketing and promotion	3	13	12	14	14
Public stockholding	0	0	0	0	0
Miscellaneous	82	343	267	331	430
GSSE as a share of TSE (%)	**35.2**	**54.2**	**52.3**	**48.4**	**64.0**
Consumer Support Estimate (CSE)	**–3 962**	**–3 727**	**–2 999**	**–6 300**	**–1 882**
Transfers to producers from consumers	–3 692	–3 323	–2 590	–5 523	–1 856
Other transfers from consumers	–411	–470	–430	–955	–26
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	141	66	21	178	0
Percentage CSE	**–12**	**–4**	**–4**	**–7**	**–2**
Consumer NPC	**1.14**	**1.05**	**1.05**	**1.08**	**1.02**
Consumer NAC	**1.13**	**1.05**	**1.04**	**1.08**	**1.02**
Total Support Estimate (TSE)	**6 161**	**10 351**	**10 131**	**11 948**	**8 973**
Transfers from consumers	4 103	3 794	3 020	6 478	1 882
Transfers from taxpayers	2 470	7 028	7 541	6 425	7 117
Budget revenues	–411	–470	–430	–955	–26
Percentage TSE (expressed as share of GDP)	1.00	0.59	0.66	0.69	0.46
GDP deflator 1995-97 = 100	100	201	187	200	216

NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

1. A (area planted) / An (animal numbers) / R (receipts) / I (income).

For the definition of OECD indicators of support to agriculture, see Annex A.1. Market price support is net of producer levies and excess feed cost. MPS commodities for South Africa are: wheat, maize, sunflower, groundnuts, sugar, table grapes, oranges, apples, milk, beef and veal, pigmeat, sheepmeat, poultry, eggs.

Source: OECD, *PSE/CSE Database*, 2008.

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Policy context: South Africa's agriculture at a glance

Agriculture's share in the GDP was around 3% in 2005-07. The officially reported employment in primary agriculture (mainly employment on commercial farms) represents around 8% of total employment. The increase in Gross Agricultural Output (GAO) was small in 2006 and negative in 2007. This was mainly due to the sharp reduction in grain production associated with adverse climatic conditions. The share of agro-food trade in total exports declined from 9.5% in 2005 to 7% in 2007, while its share in total imports increased from 4.9% to 5.7%. This development was also due to the relatively high economic growth over the period under review and increasing domestic consumption of agro-food products.

Table 7.2. **South Africa: Basic economic and agricultural indicators, 2005-07**

	2005	2006	2007
Basic economic indicators			
GDP (USD billions)	242	255	278
GDP growth (%)	4.9	5.4	5.1
GDP per capita, PPP (USD)	8 478	9 087	9 736
Inflation (annual average, %)	3.4	4.7	7.1
Exchange rate (annual average, local currency per USD)	6.4	6.8	7.1
Population (million)	47	47	48
Population in rural areas (%)	40.7	40.2	39.7
Share in GDP (%)			
Agriculture	2.7	2.8	3.2
Industry	28.4	28.6	28.3
Services	66.4	66.0	65.5
Share in employment (%)			
Agriculture	7.5	8.5	8.8
Industry	18.0	17.6	17.9
Services	66.6	65.6	64.9
Average share of income spent on food (%)	n.a.	n.a.	14.4
Basic agricultural indicators			
Agro-food exports (% of total exports)	9.5	7.9	7.0
Agro-food imports (% of total imports)	4.9	4.7	5.7
Agro-food trade balance (USD million)	1 773	964	–97
GAO (% change from previous year)	2.0	0.9	–0.6
Total cereal production (million tonnes)	14.2	9.5	9.6
Total meat production (million tonnes)	2.0	2.1	2.1
Natural resources and farm structure			
Average farm size (ha)	n.a.	n.a.	n.a.
Agricultural land (million ha)	99.6	n.a.	n.a.
Arable land per capita (ha)	0.3	n.a.	n.a.
Land sown to crops (million ha)	5.7	n.a.	n.a.

n.a.: not available.

StatLink http://dx.doi.org/10.1787/532332024270

Source: FAO, *FAOSTAT Database*, 2008; IMF, *International Financial Statistics*, 2008; NDA Abstracts, 2008; SARB, 2008; UN, *UN Comtrade Database*, 2008; World Bank, *World Development Indicators*, 2008.

Figure 7.3. **South Africa: Evolution and annual changes of agricultural output, 1995-2007**

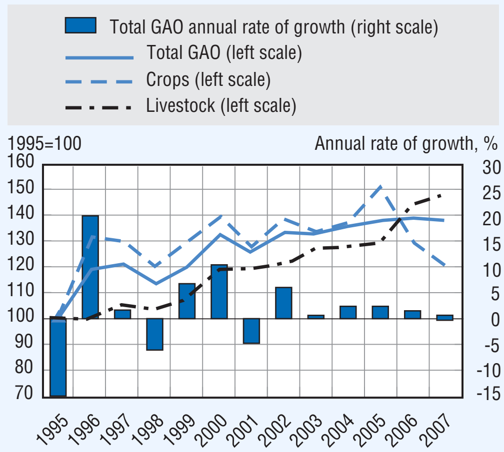

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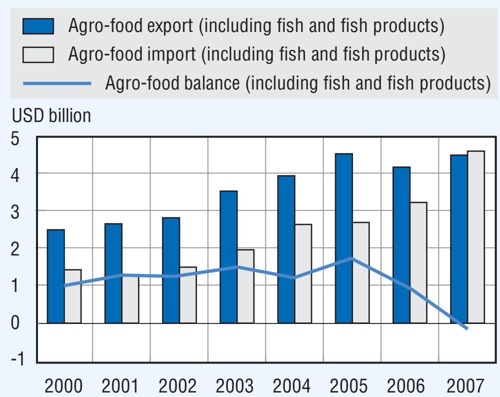
Figure 7.4. **South Africa: Agro-food trade, 2000-07**



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Policy developments

Main policy objectives and instruments

During the 1990s, a wide range of policy reforms was directed at achieving a stronger market orientation in agriculture and agro-food. The new **Marketing of Agricultural Products Act** (1996) substantially reduced state intervention in agricultural marketing and product prices. The main objectives of the new Marketing Act were to provide free market access for all market participants; promote efficiency of the marketing of agricultural products; improve opportunities for export earnings; and enhance the viability of the agricultural sector. Under the Act, the National Agricultural Marketing Council (NAMC) is the main government body intervening in marketing of agricultural products. The main objective of the trade policy reform in agriculture was to promote the integration of the sector into the global economy in order to encourage competition and greater access to markets, technology and capital.

The main objectives of land reform, which began in 1994, are to redress past injustices, foster reconciliation and stability, support economic growth, improve household welfare and alleviate poverty in the rural areas. Land restitution, land redistribution and land tenure reform are the main elements of the land reform. A broad based **Black Economic Empowerment Framework for Agriculture (AgriBEE)** was introduced in 2006. The objective of AgriBEE is to eliminate racial discrimination in the agro-food sector through implementing initiatives that mainstream participation of black South Africans at all levels of agricultural activity and along the entire value chain. The main implementation mechanism is the setting of codes of good practice and monitoring in the course of their implementation.

Domestic agricultural policies

Price and income support policies

The new Marketing Act applied from 1997 involved much less interference, regulation and state involvement in agricultural marketing and product prices than was previously the case. Currently all sectors of agro-food production are deregulated, and price and income support measures are not applied via domestic markets. To some extent sugar cane and the sugar market is an exception, although not due to direct state intervention. The Sugar Agreement of 2000 (between different agents in the sugar production chain) still permits raw sugar to be exported only through a single-channel industry arrangement, and allocates quotas to individual producers for sugar sold on the domestic market.

Input subsidies

Under a diesel refund system, introduced in 2000, farmers receive a refund on the tax and road accident fund levies paid on diesel fuel. The refund is applied to 80% of the total eligible purchases used in primary production.

A limited range of subsidies is also provided to assist the transportation of water to areas suffering from drought and assistance is provided to build water extraction facilities (boreholes).

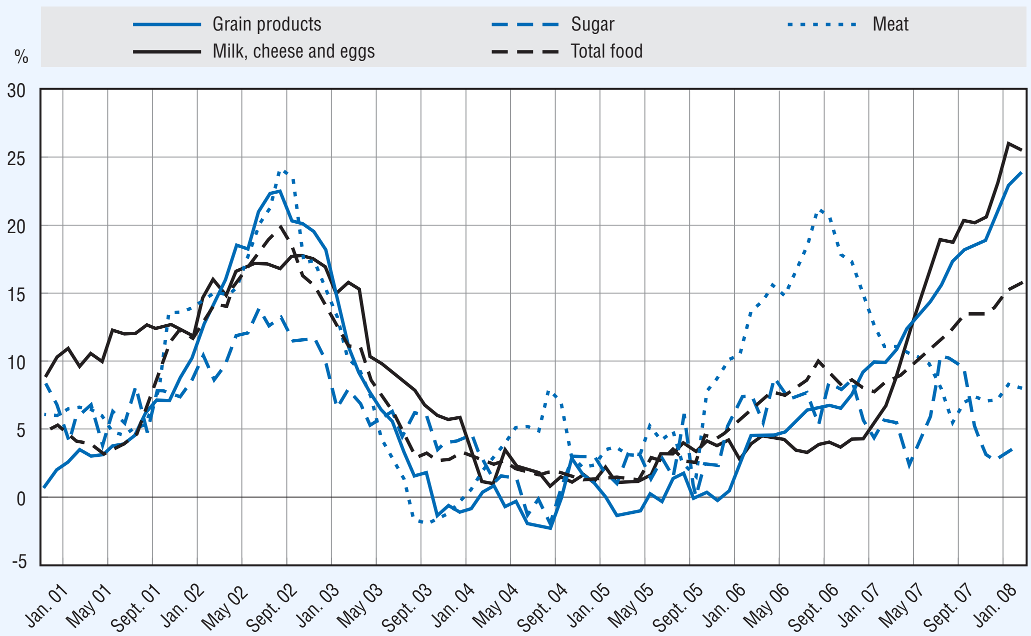
Box 7.1. **Food price inflation in South Africa**

Situation

Food inflation – Food price inflation peaked in late 2002, and then slowed to a more modest pace before accelerating again in the first quarter of 2007. The 2002 peak was mainly associated with the significant depreciation of the South African Rand against major international currencies. More recently, food price inflation is associated with the global rise in prices for agricultural products. In 2008, inflation approached levels last experienced in 2002 (situation in April 2008). Most food product categories have experienced increasing inflation except sugar, fruit and nuts and meat products. For dairy and egg products, food price inflation was even above the peak of 2002 (Figure 7.5).

High food price inflation in South Africa reflects global market developments, as the country has been closely integrated with global markets, domestic prices are to a large extend guided by those on international markets. For grains (wheat and maize) the price rise was further accelerated by the bad harvests in 2006 and 2007 due to adverse conditions.

Figure 7.5. **South Africa: Consumer Price Indexes for food and selected food products**



Source: Historical indicators: CPI, Statistics South Africa, 2008.

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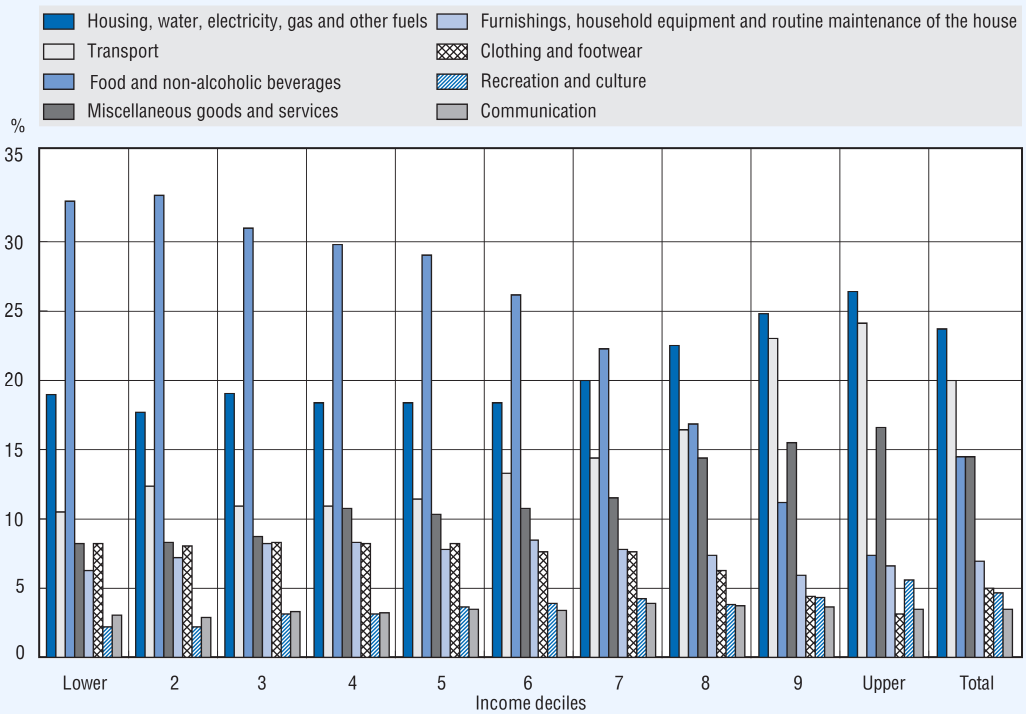
Structure of spending – Household spending patterns for food have important implications for how the government responds to recent trends in food prices. The lowest income groups in South Africa spend between 30% and 35% of their income on food. Small increases in price therefore have a profound impact on how such households maintain food security. Figure 7.6 shows the percentage distribution of annual household consumption expenditure by main expenditure group and income deciles. When looking at the breakdown of spending patterns by the different income groups, it is clear that the lower 3 deciles (30%) spend more than 30% of their income on food and non-alcoholic beverages; the next 4 deciles spend more than 20%; and the top 3 deciles spend less than 20% on food and non-alcoholic beverages. There is also a difference in the structure of household spending in rural and urban areas. In 2005/06, households in rural areas spent on average 25% of their income on food and non-alcoholic beverages, whereas people living in urban areas spent only 12.5% of their household income on these items.

Box 7.1. **Food price inflation in South Africa** *(cont.)*

Figure 7.6. **South Africa: Percentage distribution of annual household consumption expenditure by expenditure group and income deciles**



Source: Income and Expenditure – 2005-06, Statistics South Africa, 2008.

StatLink http://dx.doi.org/10.1787/531400030124

Distribution of poverty – There is also a wide regional difference in the distribution of poverty. Poverty rates in the nine South African provinces differ significantly, as do those of urban and rural areas. In 2005/06, poverty rates in the various provinces ranged from 24.9% in Gauteng (province including Johannesburg and Pretoria) and 28.8% in Western Cape (Cape Town area), to 57.6% in Eastern Cape and 64.6% in Limpopo (Armstrong *et al.*, 2008). The three provinces with the highest poverty rates (KwaZulu-Natal, Eastern Cape and Limpopo) are also relatively populous and hence it should come as no surprise that 60% of the poor lived in these three provinces. The incidence of poverty is also much higher in the rural areas of South Africa. An income-expenditure survey conducted in 2005 (Armstrong *et al.*, 2008) indicates that the poverty rates for households and individuals in rural areas were 54.2% and 67.7% respectively – more than double the corresponding rates for urban areas (21.9% and 32.7%).

Policy response

Although many proposals were made to intervene in the markets to address the issue of high food prices, the South African government has not introduced new specific policies and measures. Rather, South Africa is using current policy instruments to address the effects of high food prices.

One trade measure affects maize, which is the main staple food for rural and poor populations. In cases where the world price for maize remains above USD 110 per tonne for more than two weeks, maize is then granted duty-free import treatment. Duty free imports of maize were actually granted for all of 2007.

A second measure is a food package programme (donation of food) targeted to the poor population. This programme has already been in place for several years, but the government has reacted to the higher food prices by increasing budgetary spending in support of it.

Land reform

Land restitution and land redistribution attempts to rectify the racially skewed access to land and land ownership in South Africa. This process is supported by the Provision of Land and Assistance Act (No. 126 of 1993) as amended, which addresses land restitution, land tenure reform and land redistribution. By the end of the 2006/07 financial year, some 4.7 million hectares were transferred under the various land reform programmes (redistribution 2.61 million hectares; restitution 1.97 million hectares; tenure reform 0.1 million hectares; and transfer of state land 0.05 million hectares). The land restitution process is well advanced; 74 805 restitution claims were settled by the end of 2007. However the 4 891 outstanding restitution claims are the hardest to finalise.

Land redistribution is the main driver to reach the politically set objective to transfer 30% of white-owned agricultural land (around 25 million hectares) by 2014. This objective cannot be reached without substantially increased budgetary spending to finance land reform in the coming years (in order to buy the appropriate amount of land from white-owned farmers under the willing buyer, willing seller scheme).

In the previous years, several programmes were implemented to support the beneficiaries of land reform, in order to assist them to develop commercially viable businesses.

Post-settlement support is provided to targeted beneficiaries of land reform and other black farmers who have acquired land through private means via the **Comprehensive Agricultural Support Programme (CASP)**. The implementation of CASP started in 2004/05, focusing mainly on providing on and off-farm infrastructure. The implementation of this programme experienced several problems (DoA, 2007). These include a lack of capacity, such as a shortage of agricultural economists and engineers, a lack of timely and proper planning, long procurement procedures and a lack of alignment with other government programmes. Some of these problems were addressed by increasing the efficiency of service delivery by provincial departments of agriculture during the second half of 2005/06 and in 2006/07. CASP has reached 53 709 beneficiaries, including 19 518 participating in the land reform project (DoA, 2008b).

The focus of CASP was expanded in 2006/07, with a decision that 70% of its expenditure should be on land reform projects, 10% on food security projects, 10% on training, 5% on animal health services, and 5% on marketing. Since 2004/05, ZAR 750 million has been spent through CASP supporting investment on emerging farms, *e.g.* boreholes, animal handling facilities, poultry houses, shearing sheds and irrigation equipment. Benefits from the programme have come, for example, in the form of improved control of animal diseases among emerging farmers through the provision of infrastructure, such as dipping tanks. Other improvements include better *veld* management and proper breeding practices as a result of subdividing animal camps.

Micro-agricultural Financial Scheme of South Africa (MAFISA) is a microcredit scheme providing access to finance for farmers, especially beneficiaries of the land restitution, redistribution and land tenure reform programmes. The Land Bank administers MAFISA on behalf of the National Department of Agriculture. Provincial Departments of Agriculture also play a role by assisting potential clients to complete application forms and by disseminating information. Credit evaluation committees assess applications before submission to relevant development finance institutions.

Challenges experienced in the implementation of the scheme have included a lack of accountability in the evaluation and administration processes, and shortfalls in the economic or financial experience among extension officers and credit evaluation committees at provincial level. Under the MAFISA programme, a total of 5 109 farmers have been awarded loans so far, and by the end of January 2007, ZAR 41 million had been spent to finance this scheme. However, the viability of this scheme has been compromised by problems being currently experienced at the Land Bank.

A government review of its performance in implementing its policies in the land, agriculture and rural sector has revealed that while visible gains have been made in some areas, considerably more still needs to be done by the government with its sector partners to ensure a vibrant agricultural and rural sector. In terms of mechanisms for accelerating the pace of redistribution applied from 2006/07, three strategic interventions have been developed and are being implemented.

The **Land and Agrarian Reform Project (LARP)**, implemented in 2006/07, provides a new framework for delivery and collaboration on land reform and agricultural support. It intends to accelerate the rate and sustainability of transformation through aligned and joint action by all involved stakeholders. It creates a delivery paradigm for agricultural and other support services based upon the concept of "One-Stop Shop" service centres located close to farming and rural beneficiaries.

The second strategic intervention, **Pro-Active Land Acquisition Strategy (PLAS)** is a new instrument designed to accelerate land delivery. In contrast to the previous application-driven approach, the Department of Agriculture now proactively identifies and purchases land, and distributes this land in terms of established needs. Prior to purchasing of any land, the land needs of a specific area are first identified based on an integrated Development Plan. The state then purchases the land, makes the land farmable, selects lessees (beneficiaries) and then disposes of the land after an agreed lease period.

The third intervention focuses on **sourcing strategic partners** (key non-governmental stakeholders) with the intention to speed up land delivery, and more importantly, ensure stability of the farms and projects delivered. This involves the formation of partnership at local, provincial and national level, where stakeholders such as business, labour, commodity groups and organised agriculture will be given clear roles and responsibility. Memorandums of Agreement, Service Level Agreements and Agency Agreements will be signed with the targeted and identified agricultural businesses and organisations. These public-private partnerships contribute to increasing the pool of skills and expertise that is currently lacking in the public service. Contracts will be signed with targeted technical experts, companies and businesses.

These three strategies are based on a number of key principles to fast-track land and agrarian reform while also strengthening the viability of emerging farms and businesses. These principles are:

- The use of focus areas to concentrate service delivery in order to better exploit synergies between land redistribution, agricultural production and agri-business development.
- An aligned comprehensive support package to cater for the inherently multisectoral requirements to make sustainable agricultural production and agri-business development a success (will also encompass social and other economic services).
- The application of co-operative government by establishing joint planning, budgeting, approval and implementation procedures between various government departments and programmes.
- The full utilisation of partnerships in order to exploit the relative strengths and capacities of the key non-governmental stakeholders.
- Subsidiarity: the decentralisation of decision-making and implementation at the lowest practical level depending on the specific activity.

Agro-food trade policies

Import measures

Specific and *ad valorem* tariffs are the main policy measures applied in South Africa's import protection for agricultural and food products. While the average level of tariff protection for agro-food products is low compared with the overall average for all products, tariff escalation is applied in the agro-food sector, whereby tariffs are in general lower for primary products than for processed products. As a member of **South African Customs Union** (SACU), South Africa applies the common external tariffs established for all members (other SACU members are Botswana, Lesotho, Namibia and Swaziland). For most agro-food products, ad valorem tariffs or specific duties (or a combination of both) are applied. For some products the rate of protection is linked to the development of world market prices. For maize specific import duties are applied in function of the development of world market prices. In 2007, there were no duties applied for maize imports. For sugar, an additional duty level adjustment (ZAR/tonne) is applied based on a trigger price system.

Tariff quotas exist for a range of agricultural products under the minimum market access commitments established in the Uruguay Round Agreement on Agriculture, with in-quota tariffs set at 20% of the bound rates. For some products, *e.g.* oilseeds, preferential tariffs are granted to imports from the EU as per the Trade and Development Cooperation Agreement (TDCA), while imports from Southern Africa Development Community (SADC) countries outside the SACU are duty free as per the SADC FTA. The characteristics of the border measures applied to the main agro-food products are described in Table 7.3.

Table 7.3. **South African Customs Union tariff schedule, August 2007**

Tariff line	Product description	Bound rate %	IQTR (20% of Bound rate)	MFN applied rate	Preferential tariffs for EU products
0202	Bovine meat	69	13.8	40% or 240c/kg	40% or 240c/kg
0203	Pork meat	37	7.4	15% or 130c/kg	15% or 130c/kg
0204	Lamb	95	19	40% or 200c/kg	40% or 200c/kg
0204.50	Meat of goats	82	16.4	40% or 200c/kg	40% or 200c/kg
0207	Poultry meat	37	7.4	220c/kg	220c/kg
0401	UHT milk in containers holding 1 litre or less	96	19.2	free	free
0403	Yogurt	96	19.2	free	free
0405	Butter and dairy spreads	79	15.8	500c/kg with a max of 79%	500c/kg with a max of 79%
0406	Cheese	95	19	500c/kg with a max of 95%	500c/kg with a max of 95%
1001.10	Durum wheat	21	4.2	free	free
1001.90	Wheat and meslin	72	14.4	2%	2%
1003.00	Barley	41	8.2	free	free
1004.00	Oats	33	6.6	free	free
1007.00	Grain sorghum	33	6.6	3%	free
1101.00	Wheat or meslin flour	99	19.8	2%	2%
1102.20	Maize (corn) flour	99	19.8	3.437c/kg	3.437c/kg
1201.00	Soya beans, whether or not broken	40	8	8%	free
1206.00	Sunflower seeds, whether or not broken	47	9.4	9.4%	free
1207.20	Cotton seeds	47		9.4%	free
5203.00	Cotton, carded or combed	60		15%	11.25%

IQTR: in quota tariff rate.
Source: National Department of Agriculture.

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Import measures also consist in the possibility to apply anti-dumping and countervailing duties. However, those duties were not applied during 2006 and 2007.

Export measures

Since July 1997, when the General Export Incentive Scheme (GEIS) was abolished, no export subsidies are applied for agro-food products. However, the price pooling regime for sugar applied by the South African Sugar Association (SASA) is effectively subsidising sugar exports, while the costs are born by local sugar consumers.

Export permits: For those products that need to comply with certain EU or US quota arrangements, the South African government introduced an export permit system to use these quotas; the goal is to ensure that small and medium enterprises, as well as disadvantaged communities get a chance to export under certain quota windows.

Box 7.2. **Trade agreements involving South Africa**

South Africa is a founding member of the Southern African Customs Union (SACU). This is a full customs union, with a common external tariff. It is the oldest existing customs union in the world. The earlier versions of this agreement (1910 and 1969) provided for duty free and quota free movement of goods between member states while maintaining a common external tariff for non-member states. However, the agreements also provided for restrictions on imports and exports within the customs union, as well as the imposition of duties to protect infant industries. These exceptional measures are provided to enable member states, the BLNS in particular, to develop their domestic economies. These have been continued in the new agreement, which was signed in 2002 and has been in force since 2004. The new agreement set in place a new institutional framework for SACU, although not all the elements of this have been activated yet. A SACU Tariff Board and Tribunal are planned to be operational by 2009. Under Article 31 of the new agreement, dealing with trade relations with third parties, all SACU member states must approve of any new agreements. All bilateral agreements the SACU countries negotiated prior to the 2002 Agreement can remain in place, but consent must be sought and granted by all member states.

In 1994, South Africa became a member of the **Southern African Development Community (SADC)**.[1] The SADC free trade agreement is being implemented between 2000 and 2012. A very important feature of the SADC was the Trade Protocol intended to stimulate trade between member countries through the reduction of tariffs, with a view to the launch of a Free Trade Area (FTA). SADC incorporated the principle of asymmetry: a phase-down of SACU tariffs in five years (by 2005); and those of other SADC countries in 12 years by 2012. By August 2008, all member states implementing the trade protocol are expected to have zero tariffs on 85% of their products. The remaining 15% have to be eliminated by 2012. SACU has completed its tariff phase-out commitments. The FTA was expected to *front-load* (2006) its phase-down commitments due to South Africa's economic size. Other member states were provided with a longer grace period to *back-load* (2008) their phase-down commitments. The SADC Free Trade Area was launched in August 2008.

The SADC – EC EPA negotiations – One of the aim of Economic Partnership Agreements (EPA) negotiations is essentially to replace the non-reciprocal trading preferences that African, Caribbean and Pacific (ACP) countries have been receiving from the EU (under the **Lomé Agreement**) with WTO compatible reciprocal free trade arrangements. The SADC EPA Group currently consists of 7 countries: all the members of SACU, plus Angola and Mozambique. For South Africa, the EPA negotiations effectively constitute the review of the Trade Chapter of the SA/EU Trade Development and Cooperation Agreement (TDCA).[2] The implementation of EPAs between the EU together with the ACP countries was envisaged as from 1 January 2008; this however did not happen for the SADC and many other ACP countries. The EC and SADC EPA members subsequently agreed on a two-stage approach to the conclusion of EPAs; *i.e.* the first stage was to conclude an interim agreement, and thereafter the conclusion of a final agreement at a later stage. This was agreed to ensure that the SADC EPA members did not lose preferential access to the EU market after expiry of the **Cotonou Agreement** on 31 December 2007. The Interim SADC-EC Economic Partnership Agreement (IEPA) was initialled by Botswana,

Box 7.2. **Trade agreements involving South Africa** *(cont.)*

Lesotho, Swaziland, Namibia and Mozambique towards the end of 2007. South Africa and Angola have not yet initialled the agreement due to concerns with the Interim agreement text. Namibia has signed, but with an understanding that it would not commit to any free trade in services in a final agreement. In addition, SACU members have expressed their opposition to clauses dealing with export taxes,[3] circulation of goods, Most Favoured Nation status[4] and standstill provisions.[5]

The implementation of EPAs between the EU together with the ACP countries was envisaged as from 1 January 2008. The EC side took the necessary measures as of 1 January 2008 in order to avoid any trade disruption. The process, which will lead to the signature and WTO notification of the Interim SADC EPA, is ongoing in parallel with the negotiations to conclude a region-wide comprehensive SADC EPA, that would eventually include South Africa. The TDCA remains the legal framework for South Africa's trade with the EU. It is expected that negotiations towards a final EC and SADC EPA agreement will be concluded in the coming months.

SACU-EFTA Free Trade Agreement: SACU and EFTA concluded a Free Trade Agreement in August 2005. As a member of SACU, South Africa is party to this agreement. To cover agriculture and ensure WTO compatibility, three bilateral agreements on basic agricultural products (within chapters 1 to 24, excluding processed agricultural products) were negotiated with each individual EFTA Member State (Switzerland also covers Liechtenstein). The agreements will be implemented over a period of ten years after entry into force. In terms of the main agreement, SACU will enjoy immediate duty-free access into EFTA for all products covered by this agreement, with the exception of processed agricultural products. In return, SACU will gradually eliminate import duties over a period not exceeding nine years, with different phase-down modalities for different products. SACU did negotiate the right to exclude certain sensitive products and to introduce a clause that would prevent processed agricultural products that qualify for export subsidies from benefiting from preferences under this agreement (these would have to trade under Most-Favoured-Nation [MFN] conditions).

SACU-Mercosur Preferential Trade Agreement: A Preferential Trade Agreement (PTA) was signed between the Mercado Común del Sur (Mercosur)[6] and SACU in December 2004, as a first step towards the creation of a free trade area. The negotiations took into account the principle of special and differential treatment for small and lesser-developed economies in Mercosur and SACU. The agreement covered only a narrow range of agricultural and industrial goods.

The Africa Growth and Opportunity Act (AGOA) is a non-reciprocal programme implemented by the United States (US) that provides duty-free and quota-free market access to qualifying sub-Sahara African countries. Negotiations towards a comprehensive FTA with the USA started in 2003, but were suspended in 2006. The process is not likely to be achieved in the near future as both parties, while confirming their commitment to achieve a mutually beneficial FTA, recognised that a range of substantive issues have arisen in the negotiations that will require detailed examination over the longer term. Following these developments, the two parties agreed in November 2006 to pursue a Trade and Investment Cooperation Agreement (TICA) that could possibly lead to a FTA in the longer term.

1. The SADC member countries include: Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.
2. The Trade, Development and Cooperation Agreement (TDCA) between South Africa and the European Union and its Member States was signed in October 1999 and implemented on 1 January 2000. Under this agreement, a free trade area between the two parties will be established by the end of the transition period in 2012. The area covers approximately 90% of total trade between the two parties (including an important segment of agro-food trade).
3. This provision states that no new export duties on EU goods shall be introduced, or existing export duties increased. Within SACU, Namibia has expressed concerns about the constraints this provision puts on its ability to use export taxes to promote domestic processing. The temporary introduction or increase of such duties is allowed in exceptional circumstances, *e.g.* for infant industry protection, however the EC needs to be consulted on a case-by-case basis.
4. This provision is not found in the TDCA or the EU's FTAs with Mexico and Chile for example. It requires EPA signatories to extend to the EU any trade concession that they grant in future to a third party as long as such third party is a developed country or has a one per cent share of world merchandise exports (this would include China, India and Brazil), or is a grouping with a minimum 1.5% share of such exports.

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Box 7.2. **Trade agreements involving South Africa** *(cont.)*

5. This provision freezes tariffs on all trade between the two parties. In the case of the SADC EPA it is limited to products that will be liberalised only. Thus, even if a product is on the 'exclusion list', the tariff cannot be raised after the EPA enters into force. In some other EPAs it applies to all products, whether or not products are subject to liberalisation.
6. Mercosur is a customs union comprising of Argentina, Brazil, Paraguay and Uruguay (with Bolivia, Chile, Colombia, Ecuador, Peru and Venezuela as associate members) that came into effect in December 1994.

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List of Acronyms and Abbreviations

AAY	Poorest-of-the-poor (*antyodaya ann yojana*; India)
ABC	Agricultural Bank of China
ACFTA	ASEAN-China Free Trade Agreement
ACP	African, Caribbean and Pacific
AEZ	Agri-Export Zone (India)
AFC	Family Agriculture (*Agricultura Familiar Campesina*; Chile)
AGOA	African Growth and Opportunity Act
AgriBEE	Black Economic Empowerment Framework for Agriculture
AMS	Aggregate Measurement of Support
APEDA	Agricultural and Processed Food Products Exports Development Authority (India)
APMC	Agricultural Produce Marketing Committee Act (India)
APTA	Asia-Pacific Trade Agreement
ASEAN	Association of South East Asian Nations
BAF	Financial Coordination Subsidy (*Bono de Articulación Financiera*; Chile)
BLNS	Botswana, Lesotho, Namibia and Swaziland
BNDES	National Bank for Economic and Social Development (Brazil)
CACP	Commission for Agricultural Costs & Prices (India)
CASP	Comprehensive Agricultural Support Programme (South Africa)
CBR	Central Bank of Russia
CES	Agreement on Common Economic Space (between Belarus, Kazakhstan, Russia and Ukraine)
CIP	Central Issue Price (India)
CIS	Commonwealth of Independent States
CNR	National Irrigation Commission (*Comisión Nacional de Riego*; Chile)
COMSA	Agricultural Insurance Programme (*Comité de Seguro Agrícola*; Chile)
CONAB	National Food Supply Agency (Brazil)
CONADI	National Service for Indigenous Development – MIDEPLAN, Chile (*Corporación Nacional de Desarrollo Indígena*)
CORFO	Economic Development Agency (*Corporación de Fomento a la Producción*; Chile)
COTRISA	Wheat Marketing Enterprise (*Comercializadora de Trigo*; Chile)
CPC	Communist Party of China
CPI	Consumer Price Index
CPI-IW	Consumer Price Index for Industrial Workers (India)
DIPRES	Budget Department (*Dirección de Presupuesto*), Chilean Ministry of Finance
DIRECON	Directorate for International Economic Relations – Chilean Ministry of Foreign Affairs (*Dirección de Relaciones Económicas Internacionales*)
DoA	Department of Agriculture (South Africa)
EC	European Commission
ECA	Economic Complementation Agreement (Chile)

ECA	Essential Commodity Act (India)
ECLAC	Economic Commission for Latin America and the Caribbean – United Nations (*Comisión Económica para América Latina y el Caribe* – CEPAL)
EFTA	European Free Trade Association
EPA	Economic Partnership Agreements
EU	European Union
FAD	Fund of Delegated Cash Management (*Fondo de Administración Delegada*; Chile)
FAO	Food and Agriculture Organization of the United Nations
FAP	Federal Agency for Regulation of Food Market (Russia)
FCI	Food Corporation of India
FDI	Foreign Direct Investment
FOSIS	Social and Solidarity Investment Fund (*Fondo de Solidaridad e Inversión Social*; Chile)
FSSS	Federal State Statistics Service (Russia)
FTA	Free Trade Agreement
GAO	Gross Agricultural Output
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GEIS	General Export Incentive Scheme (South Africa)
GMO	Genetically Modified Organism
GOI	Government of India
GRF	Government of the Russian Federation
HRB	Basic Irrigation Hectares (*Hectáreas de Riego Básico*; Chile)
IEPA	Interim Economic Partnership Agreement
IMF	International Monetary Fund
INDAP	National Institute for Agricultural Development (*Instituto Nacional de Desarrollo Agropecuario*; Chile)
INE	Chile's National Statistical Office (*Instituto Nacional de Estadisticas* de Chile)
KCC	Kisan (Farmer) Credit Card (India)
LARP	Land and Agrarian Reform Project (South Africa)
LRAD	Land Redistribution and Agricultural Development (South Africa)
MAFISA	Micro-Agricultural Finance Scheme of South Africa
MAPA	Ministry of Agriculture, Livestock and Food Supply (Brazil)
MDA	Ministry of Agrarian Development (Brazil)
MEP	Minimum Export Price (India)
MERCOSUR	Southern Common Market
MERT	Ministry of Economic Development and Trade (Russia)
MFN	Most Favoured Nation
MIDEPLAN	Chilean Ministry of Planning and Cooperation
MINAGRI	Chilean Ministry of Agriculture
MIP	Market Intervention Price (India)
MOP	Chilean Ministry of Public Works
MSP	Minimum Support Price (India)
NABARD	National Bank for Agriculture and Rural Development (India)
NAFED	National Agricultural Cooperative and Marketing Federation of India
NAIS	National Agricultural Insurance Scheme (India)
NAMC	National Agricultural Marketing Council (South Africa)
NAP	National Agriculture Policy (India)
NDRC	National Development and Reform Commission (China)

NPF	National Policy for Farmers (India)
NRA	Nominal Rate of Assistance
NREGP	National Rural Employment Guarantee Programme (India)
NYBOT	New York Board of Trade
ODEPA	Office of Agricultural Policies and Studies (*Oficina de Estudios y Políticas Agrarias*; Chile)
OECD	Organisation for Economic Co-operation and Development
PBS	Price Band System (Chile)
PLAS	Pro-Active Land Acquisition Strategy (South Africa)
PNRA II	Second National Plan for Agrarian Reform (Brazil)
PPP	Purchasing Power Parity
PROCHILE	DIRECON's Department, to promote Chilean exports
PRONAF	National Programme for the Strengthening of Family Agriculture (Brazil)
PRRS	Porcine Reproductive and Respiratory Syndrome
PSS	Price Support Scheme (India)
R&D	Research and Development
RBI	Reserve Bank of India
RRA	Relative Rate of Assistance
SACU	South African Customs Union
SADC	Southern African Development Community
SAFTA	South Asian Free Trade Area
SAG	Agriculture and Livestock Service (*Servicio Agrícola Ganadero*; Chile)
SARB	South African Reserve Bank
SASA	South African Sugar Association
SAT	Single Agricultural Tax (Russia)
SEZ	Special Economic Zone (India)
SINOGRAIN	China Grain Reserves Corporation
SNCR	National System of Rural Credit (Brazil)
SPS	Sanitary and Phytosanitary
SSG	Special Safeguard
STE	State Trading Enterprise
TBT	Technical Barriers to Trade
TDCA	Trade, Development and Cooperation Agreement (South Africa)
TPDS	Targeted Public Distribution System (India)
TICA	Trade and Investment Cooperation Agreement
TRQ	Tariff Rate Quota
UF	Chilean Unit of Account (Unidad de Fomento)
UN	United Nations
URAA	Uruguay Round Agreement on Agriculture
USA	United States of America
VAT	Value Added Tax
WB	World Bank
WBCIS	Weather-Based Crop Insurance Scheme (India)
WTO	World Trade Organization

OECD indicators of support

CSE	Consumer Support Estimate
GSSE	General Services Support Estimate
MPS	Market Price Support
NAC	Nominal Assistance Coefficient
NPC	Nominal Protection Coefficient
PSE	Producer Support Estimate
SCT	Single Commodity Transfers
TSE	Total Support Estimate

Currencies

BRL	Brazilian real
CLP	Chilean peso
CNY	Chinese yuan renminbi
EUR	Euro
INR	Indian rupee
RUB	Russian rouble
UAH	Ukrainian hryvnia
USD	United States dollar
ZAR	South African rand

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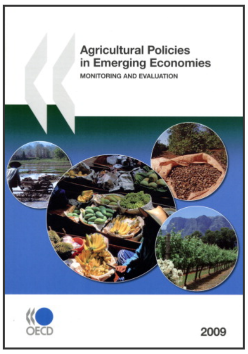

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