

ANNEXURE A

Mr Ebrahim Patel

Minister of Trade, Industry and Competition

Private Bag X84

PRETORIA

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Dear Minister

MINUTE M04/2024: REDUCTION IN THE RATES OF CUSTOMS DUTY ON WHEAT AND WHEATEN FLOUR IN TERMS OF THE EXISTING VARIABLE TARIFF FORMULA.

In terms of the reviewed and approved 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, as described above, 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 28 May 2024, when the 3-week moving average of the US No. 2 HRW (ord) Gulf settlement price for wheat triggered an adjustment at US\$295.67/ton. The corresponding Rand/US Dollar (R/US\$) exchange rate was R18,3762 to US\$1.00. If the domestic reference price, the 3-week moving average Gulf Settlement price, the R/US\$ exchange rate on 28 May 2024 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 17.63c/kg to duty-free status.

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 26.45c/kg to duty-free status.

In light of the above, ITAC hereby recommends that the rate of customs duties on wheat and wheaten flour, classifiable under tariff headings 1001.9 and 1101.00, be reduced from 17.63c/kg and 26.45c/kg, respectively, to duty-free status.

Yours sincerely



Ayabonga Cawe
Chief Commissioner
Date: 10 June 2024

¹ The REER is a lagging indicator, currently being 104.82 for March 2024, as published by the South African Reserve Bank (<https://www.resbank.co.za/en/home/what-we-do/statistics/releases/selected-statistics>) .