

Annexure 'A'

REPORT NO. 761

APPLICATION FOR AN INCREASE IN THE DOLLAR-BASED REFERENCE PRICE ("DBRP") OF WHEAT AND THE CONSIDERATION OF THE IMPLEMENTATION OF AN AUTOMATIC TRIGGER MECHANISM FOR THE WHEAT IMPORT TARIFF

The International Trade Administration Commission of South Africa (ITAC) herewith presents its Report No. 761: Application for an increase in the Dollar-Based Reference Price of wheat and consideration of the implementation of an automatic trigger mechanism for the wheat import tariff



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CHIEF COMMISSIONER

PRETORIA
26 January 2026

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

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APPLICATION FOR AN INCREASE IN THE DOLLAR-BASED REFERENCE PRICE (“DBRP”) OF WHEAT AND THE CONSIDERATION OF THE IMPLEMENTATION OF AN AUTOMATIC TRIGGER MECHANISM FOR THE WHEAT IMPORT TARIFF

Synopsis

The International Trade Administration Commission of South Africa (“ITAC” or “the Commission”) considered an application by Grain South Africa (“Grain SA”) and the South African Cereals and Oilseeds Trade Association (“SACOTA”) (collectively referred to as the Applicants). The application is for an increase in the DBRP from US\$279/ton to US\$289/ton. In addition, the Applicants requested that the Commission considers an alternative mechanism for the implementation of changes to the wheat import tariff in the form of an automatic trigger system. It was requested that the implementation and announcement of the tariff be changed so that it is akin to the monthly announcement of fuel prices by the Central Energy Fund (“CEF”).

During its deliberations and in arriving at its recommendation, the Commission considered the information at its disposal, including comments received during the investigation period.

The Commission found that:

- The total supply has increased steadily over the past decade, averaging 4 089 400 tons and growing 11.15% from 2014/15-2023/24.
- The total demand showed a gradual increase from 3 439 000 tons in 2014/15 to 3 813 000 tons in 2022/23, before slightly declining to 3 736 000 tons in 2023/24. Over this ten-year period, average total demand was approximately 3 509 700 tons, reflecting an overall growth of 8.64%.
- Information at the Commission’s disposal indicated that total domestic wheat production averaged 1 827 900 tons, with a 17.35% increase from 2014/15 to

2023/24 due to improved yields, boosting domestic output and reducing import dependence.

- Since the DBRP reduction from US\$294/ton to US\$279/ton in 2016, total domestic wheat production has fluctuated due to yield variations and market conditions rather than solely from policy changes. Despite increased planted area, production remained volatile, with higher yields correlating with increased production deliveries.
- The global wheat market is facing significant challenges due to rising consumption, climate-related disruptions, and geopolitical tensions. While demand is growing, the market remains susceptible to supply shocks particularly in emerging economies, where production has struggled to keep pace.
- International US Hard Red Winter (“HRW”) No. 2 wheat prices fluctuated from US\$251.49/ton (2014/15) to a low of US\$202.55/ton (2015/16), then increased during COVID-19 to US\$288.70/ton and the Russia-Ukraine conflict (US\$418.09/ton peak in 2021/22). Prices subsequently declined as global supply stabilised, reaching US\$373.94/ton (2022/23) and US\$277.96/ton (2023/24).
- South Africa's wheat import market is evolving, showing increased volumes. While Australia is major supplier, there is a notable shift toward Eastern European sources like Lithuania and Poland.
- US HRW No. 2 prices remain the most suitable benchmark for the DBRP, offering strong quality alignment, market transparency, historical continuity, and effective protection for domestic wheat producers, compared to other benchmarks considered such as those from Russia and the European Union.
- During the period under review, when averaged across all regions, net farm gate prices increased at a faster rate than total production costs, with prices growing by approximately 9% compared to a 7% rise in production costs, resulting in improvement in profitability. Overall profit per ton increased, with average growth of around 27%, while gross margin percentages across key producing regions exhibited a generally positive trend.
- It was found that over the period of the investigation the domestic industry had a price advantage of 16% over imports.

- The current DBRP of US\$279/ton provides coverage above average wheat production costs, offering meaningful protection to farmers. Relative to the five-year average production cost of US\$236/ton, the DBRP delivers an approximate 18% margin, allowing sufficient room for marketing costs and profit. This buffer indicates that the current tariff dispensation supports the domestic wheat industry on a sustainable basis.
- Moreover, even when measured against the 2024/25 budgeted production costs, the DBRP continues to provide adequate coverage, reinforcing the level of protection afforded to producers.
- The current DBRP level has been associated with a stabilisation in wheat planting areas, which have remained within the range of 500 000 to 550 000 hectares since the implementation of the current DBRP. This suggests that the prevailing level has supported domestic production and helped limit further declines in the area planted, while continuing to provide a reasonable degree of protection against import competition.
- The legal and policy arguments made in the Applicant's request for an automatic trigger mechanism were shown to be inconsistent. The Commission further found that an alternative accountability mechanism may address structural inefficiencies within the current trigger process at a governmental level. This mechanism would involve 'retrospective' application of duties as is made provision for in the Customs and Excise Act.

In light of the foregoing, the Commission decided to recommend that the DBRP remain at US\$279/ton, owing to the following factors:

- a) Wheat is a staple food product and a critical component of South Africa's food security. The DBRP must therefore strike an appropriate balance between supporting domestic wheat producers and ensuring the affordability of basic food products, particularly given that the Southern African Customs Union ("SACU") is a net importer of wheat.
- b) Information at the Commission's disposal confirms that the current DBRP level of US\$279/ton will provide adequate and proportionate tariff protection that will continue to support the domestic wheat industry, which remains profitable and held

an average price advantage, over the period of investigation. Whilst simultaneously being sensitive to food affordability as well as the downstream price impacts on millers, bakers and consumers.

- c) Maintaining the current DBRP level and current trigger calculation method, would also continue to place South African wheat producers and their foreign counterparts on an equal competitive footing while recovering the wheat producers' production costs.

Adjustments to the level of protection will continue to be based on quantum movements in the world reference price as follows:

The difference between the 3-week moving average of the US No. 2 HRW (ord) Gulf settlement price (world reference price) and the domestic Dollar-based reference price for wheat is calculated on a weekly basis. If the 3-week moving average of the US No. 2 HRW (ord) Gulf settlement price shows a variance of more than US\$10/ton from the previous trigger level for 3 consecutive weeks, an adjustment to the tariff is triggered and a new duty calculated. The resulting Dollar specific duty is converted to Rand according to 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 levels of duty should not exceed the bound rates of 72 per cent *ad valorem* for wheat and 99 per cent *ad valorem* for wheat flour.

Regarding the implementation of tariff adjustments, the Commission recognised that the current administration of the variable tariff formula is subject to material delays between the occurrence of a trigger event and the publication and implementation of the amended duty. These delays undermine the effectiveness of the tariff, resulting at times in under- or over-protection of domestic producers and unintended price distortions in the market. It is therefore recommended that an agreed, intergovernmental implementation process be adopted.

In this context, the Commission does not support the Applicants' request for the implementation of a fully automatic trigger mechanism akin to the Central Energy Fund

(“CEF”) fuel price model. Such a system is not compatible with the existing legislative framework, in particular Section 48 (1)(b) of the Customs and Excise Act, read together with the ITA Act and the Board on Tariffs and Trade Act, as it would effectively bypass the required ministerial request and approval process and thereby remove executive oversight.

However, as an alternative and legally defensible solution to address administrative delays, the Commission recommended that wheat import duties triggered under the variable tariff formula be applied retrospectively. Specifically, it is recommended that triggered duties take effect from the fourth day after the trigger event occurs, with retrospective implementation provided for under sections 48(1)(e), 48(2), and 48(5) of the Customs and Excise Act, supported by the refund and recovery mechanisms in section 76 of that Act. This approach preserves ministerial oversight while materially improving the timeliness and effectiveness of the tariff.

Accordingly, the Commission further recommended that the Minister of Trade, Industry and Competition engage with the Minister of Finance to establish the retrospective application of triggered wheat duties as a standing administrative arrangement under the current wheat tariff dispensation. This would enhance regulatory efficiency, reduce market uncertainty, and support the broader objective of building a capable and effective state, consistent with the priorities of the 7th Administration.

1. THE APPLICATION AND TARIFF POSITION

- 1.1. The Commission received an application from Grain SA and SACOTA (collectively referred to as the Applicants). The application is for an increase in the DBRP from US\$279/ton to US\$289/ton. In addition, the Applicants requested that the Commission considers an alternative mechanism for the implementation of changes to the wheat import tariff in the form of an automatic trigger system. It was requested that the implementation and announcement of the tariff be changed so that it is akin to the monthly announcement of fuel prices by the CEF.
- 1.2. Grain SA is an independent specialist and non-profit organisation that has 3 400 paid up commercial grain producers, as well as 8 000 – 12 000 developing producers. It is

estimated that Grain SA's members produce nearly 80% of the total wheat produced in South Africa.

- 1.3. SACOTA is an association representing companies involved in the trading of grains and oilseeds within the country and the Southern African Development Community ("SADC") region.
- 1.4. As motivation for the application, the Applicants submitted, *inter alia*, that:
 - a) The current tariff is insufficient to support local wheat production and self-sufficiency.
 - b) Increased production costs and competition from subsidised imports threaten local farmers.
 - c) Historical self-sufficiency in wheat has declined from 93% to 55%.
 - d) Current tariff structure favours imports, risking domestic food security; and
 - e) Requested tariff increase to achieve 85% self-sufficiency through tariff adjustments every two years.
- 1.5. Grain SA and SACOTA requested an adjustment to the domestic wheat reference price, arguing that the then-current level of US\$279/ton did not adequately reflect recent global economic and political developments. They proposed recalculating the domestic reference price using the five-year average (2018/19–2022/23) of the US HRW No. 2 wheat price, which resulted in an average FOB price of US\$306/ton. They further highlighted that South African wheat producers faced unfair competition from subsidised wheat imports and potential dumping from exporting countries. To account for these trade distortions, they recommended applying a distortion factor, calculated by weighing each country's Producer Support Estimate ("PSE") by its import volumes and subtracting South Africa's PSE, resulting in a 7.27% adjustment for the five-year period. They also suggested that more precise wheat-specific PSE data should be used if available, as support for wheat in exporting countries was often higher than the general agricultural PSE figures.
- 1.6. The Applicants emphasised the importance of deducting sea freight costs, which ITAC had previously recognised as a natural protection mechanism for domestic producers. Based on a five-year average of sea freight costs for major wheat-exporting regions,

they proposed deducting US\$39/ton from the recalculated FOB price. Applying the 7.27% distortion factor and subtracting the sea freight differential, Grain SA and SACOTA calculated a new domestic reference price of US\$289/ton and requested that ITAC amend the then-current reference price of US\$279/ton. The Applicants' calculation of the domestic reference price and the distortion factor is presented in Table 1 below:

Table 1: Determination of the domestic reference price level and distortion

Marketing year (Oct-Sep)	Year Ave. (US\$)	5 Year Ave. (US\$)	Plus 7.27% distortion factor (US\$)	FOB price plus distortion factor (US\$)	Minus average sea freight differential (US\$)	New protection level (US\$)	Current protection level (US\$)
2018/19	224	306	22.2	328.8	39	289	279
2019/20	225						
2020/21	291						
2021/22	419						
2022/23	372						

Source: USDA & Grain SA calculations

1.7. Subsequent to the initiation of the investigation, ITAC was informed of an error with the tariff heading included in the original Notice. Correction Notice No. 52717 was thereafter published on 22 May 2025 allowing for representation to be made within a 2-week period.

1.8. The current tariff structure for the subject product is as shown in Table 2 below:

Table 2: Current tariff position for wheat and wheat flour

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty					
				General	EU/UK	EFTA	SADC	MERCOSUR	A/CFTA
10.01		Wheat and Meslin							
	1001.9	Other:							
	1001.91	Seed	Kg	85,15c/kg	85,15c/kg	85,15c/kg	Free	85,15c/kg	85,15c/kg
	1001.99	Other	Kg	85,15c/kg	85,15c/kg	85,15c/kg	Free	85,15c/kg	85,15c/kg
1101.00		Wheat and Meslin Flour							
	1101.00.10	Brown wheaten meal produced by the milling of whole grains (the bran, germ and endosperm) (excluding separated wheat bran, separated wheat germ or separated wheat semolina or endosperm)	Kg	127,72c/kg	127,72c/kg	127,72c/kg	Free	127,72c/kg	127,72c/kg
	1101.00.20	Cake wheat flour as defined in Additional Note 1(a) to Chapter 11	Kg	127,72c/kg	127,72c/kg	127,72c/kg	Free	127,72c/kg	127,72c/kg
	1101.00.30	White bread wheat flour as defined in Additional Note 1(a) to Chapter 11	Kg	127,72c/kg	127,72c/kg	127,72c/kg	Free	127,72c/kg	127,72c/kg
	1101.00.90	Other	Kg	127,72c/kg	127,72c/kg	127,72c/kg	Free	127,72c/kg	127,72c/kg

Source: SARS

- 1.9. The World Trade Organisation (“WTO”) bound rate for wheat is 72% *ad valorem*.
- 1.10. A provision for rebate of the full duty in terms of Schedule No. 4 to the Customs and Excise Act, 1964 exists with respect to wheat imported by SACU countries. The rebate provision under item 460.02/1001.90/01.06 reads as follows:

“Wheat (excluding durum wheat), in such quantities and at such times as the Director-General: Agriculture may allow by a specific permit: provided that such permit shall be issued under such conditions as may be agreed upon by the Governments of the Republic of Botswana, the Kingdom of Lesotho, Kingdom of eSwatini and the Republic of Namibia: Provided that wheat and wheaten flour obtained from such wheat cleared in terms of this rebate item, shall not be removed to the area of Botswana, Lesotho, eSwatini or Namibia.”

- 1.11. According to the WTO’s Minimum Market Access (“MMA”) requirements, South Africa is currently obliged to allow importation of 108 279 tons of wheat at a rate of duty not above a maximum of 14,4% *ad valorem*.

2. DISCUSSION

International wheat market

- 2.1 The global wheat market is navigating a critical phase marked by rising consumption, constrained production, and declining stock levels, driving price volatility and supply chain challenges. Wheat consumption is growing due to population increases, dietary shifts, and higher demand for food and feed, particularly in emerging economies (FAO, 2023). However, production struggles to keep pace, hampered by adverse weather, high input costs, and geopolitical disruptions, notably the Russia-Ukraine conflict, which has strained fertiliser and wheat supplies.
- 2.2 Extreme weather events, such as droughts and excessive rainfall, have impacted major wheat-producing regions like North America, Europe, and the Black Sea, while fertiliser prices, though moderated since their 2022 peak, remain elevated, pressuring farmers, especially in developing regions. Global wheat stocks have been declining since 2019/20, increasing market tightness and susceptibility to supply shocks.

Despite marginal production growth, rising wheat exports reflect a growing reliance on trade to meet demand in import-dependent regions like North Africa, the Middle East, and Southeast Asia.

2.3 For South Africa, a net wheat importer, these global dynamics underscore the importance of aligning domestic pricing strategies, such as the DBRP, with international market realities to ensure competitiveness and sustainability amid ongoing uncertainties.

SADC Market

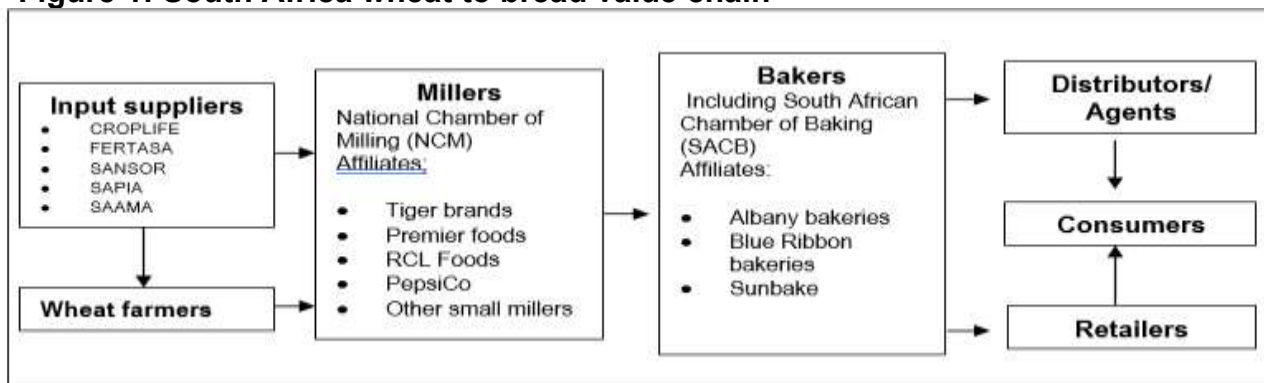
2.4 South Africa dominates wheat production in SADC, on average, contributing 79.39% of the region’s total, far surpassing Zimbabwe (7.95%) and Zambia (7.73%), making it critical to regional food security. From 2019/20 to 2023/24, SADC’s average annual wheat production was 2 547 320 tons, with South Africa accounting for nearly 80%, while the rest of the region produced 524 900 tons and relied heavily on imports, averaging 4 153 335 tons annually, or 67% of SADC’s total wheat imports.

Southern African Customs Union (“SACU”) Wheat Market

Wheat Industry Value Chain

2.5 The wheat value chain encompasses a series of interconnected activities from input supply to final consumption, involving both upstream and downstream processes. This sector plays a crucial role in adding value to raw wheat by transforming it into essential food products that meet consumer demand. Figure 1 below depicts South Africa’s wheat to bread value chain:

Figure 1: South Africa wheat to bread value chain



Source: Adapted from the Application / Desktop research

- 2.6 As can be seen in Figure 1 above, South Africa’s wheat milling industry, dominated by major players like PepsiCo¹, Tiger Food Brands, Premier FMCG, and RCL Foods, alongside smaller mills, produces 80% of the country’s wheat flour through affiliates of the National Chamber of Milling (“NCM”). Domestically produced bread is distributed to formal retailers (e.g., Pick n Pay), informal outlets (e.g., spaza shops), and independent distributors.
- 2.7 Key organisations in the wheat value chain, including the National Chamber of Milling, Grain Silo Industry, and South African Chamber of Baking, manage marketing, while input suppliers like CropLife South Africa (pesticides), SAAMA (machinery), and FERTASA (fertilisers) support production.
- 2.8 South Africa is the dominant wheat producer in the SACU, accounting for 98.8% to 99.8% of total SACU wheat production from 2020/21 to 2023/24, with other member states (Botswana, Lesotho, Namibia, and eSwatini) contributing negligible amounts. During this period, SACU wheat production ranged from 2 050 000 to 2 281 000 metric tons, while South Africa’s wheat demand constituted 94.9% to 96.1% of SACU’s total demand, which ranged from 3 680 000 to 3 852 000 metric tons. As demand consistently exceeds supply, South Africa remains a net wheat importer, underscoring its critical role as a wheat supplier to SACU countries, particularly Botswana, Lesotho, and Namibia.
- 2.9 The domestic supply and demand for wheat in South Africa is as shown in Table 3 below:

¹ In March 2020, PepsiCo completed the acquisition of Pioneer Foods’ portfolio including iconic brands such as Sasko, Weet-Bix, Liqui Fruit, Ceres, White Star, and Safari.

Table 3: Domestic supply and demand for wheat in South Africa

Marketing Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Area Planted (x 1000 ha)	477	482	508	492	503	540	510	524	567	538
Yield (ton/ha)	3,67	2,99	3,76	3,12	3,71	2,84	4,16	4,36	3,72	3,81
CEC (Crop Estimate) ('000 ton)	1 750	1 440	1 910	1 535	1 868	1 535	2 120	2 285	2 110	2 050
	('000 tons)									
SUPPLY										
Opening stock (1 Oct)	489	597	827	341	722	539	365	467	625	563
Production deliveries	1 700	1 407	1 871	1 547	1 847	1 513	2 077	2 263	2 060	1 995
Imports	1 832	2 063	935	2 174	1 368	1 890	1 517	1 601	1 684	1 928
Surplus	15	9	9	6	12	10	14	4	7	0
Total Supply	4 036	4 075	3 642	4 068	3 949	3 952	3 973	4 336	4 376	4 486
DEMAND										
Processed	3 113	3 144	3 163	3 230	3 255	3 438	3 356	3 384	3 492	3 440
-human	3 109	3 142	3 161	3 227	3 251	3 415	3 348	3 365	3 452	3 433
-animal	4	2	3	3	3	23	8	20	40	7
-gristing	0	0	0	0	0	0	0	0	0	0
-bio-fuel	0	0	0	0	0	0	0	0	0	0
Withdrawn by producers	1	2	2	1	1	2	4	7	6	3
Released to end-consumers	3	2	1	2	2	1	1	1	1	1
Seed for planting purposes	23	19	24	18	19	17	21	19	19	20
Net receipts(-)/disp(+)	7	12	5	5	4	4	6	2	4	6
Deficit	0	0	0	0	0	0	0	0	0	16
Exports	292	69	105	91	129	125	118	297	291	250
Total Demand	3 439	3 248	3 300	3 347	3 410	3 587	3 506	3 711	3 813	3 736
Ending Stock (30 Sep)	597	827	341	722	539	365	467	625 083	563 259	749 838
- processed p/month	259	262	264	269	271	286	280	282 037	290 992	286 635
- months' stock	1,8	3,2	1,3	2,7	2,0	1,3	1,7	2,2	1,9	2,6

Source: SAGIS

Total Supply and Demand

2.10 Over the ten-year period from 2014/15 to 2023/24, South Africa's wheat market maintained a stable total supply, ranging from 3.64 million tons in 2016/17 to 4.49 million tons in 2023/24, with an average of 4.09 million tons. This reflects an 11.15% growth, driven by rising domestic production and consistent imports, ensuring steady market availability. Total demand grew gradually from 3.44 million tons in 2014/15 to a peak of 3.81 million tons in 2022/23, before slightly declining to 3.74 million tons in 2023/24, averaging 3.51 million tons with an 8.64% annual growth rate. Supply consistently exceeded demand, creating a surplus that supported stock carryover and buffered against demand or production fluctuations.

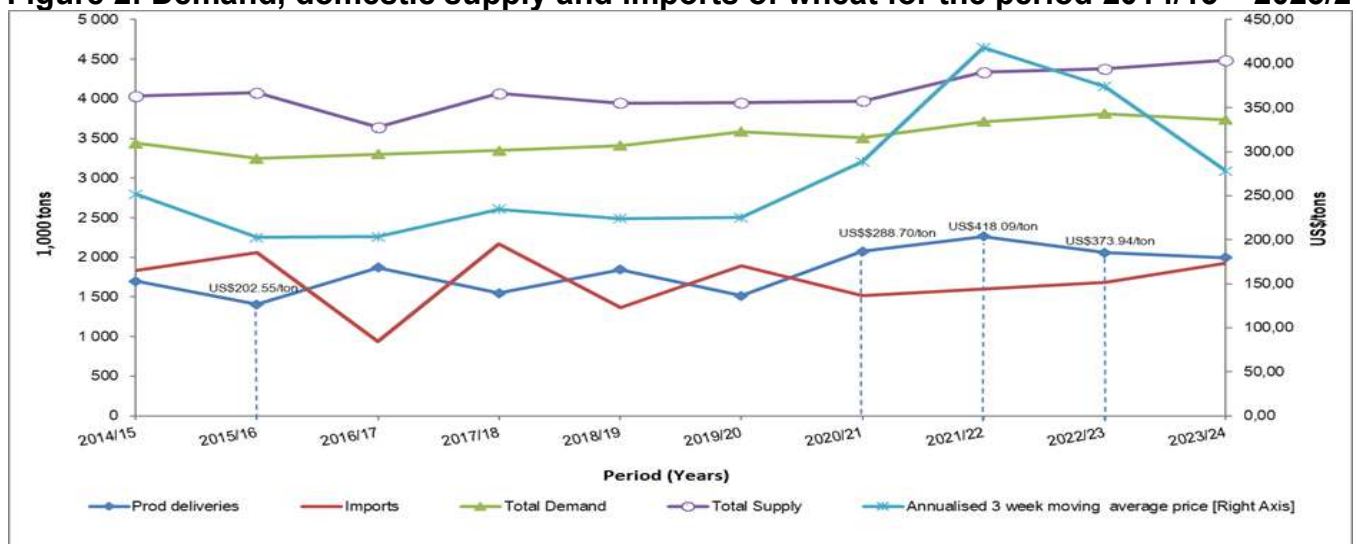
2.11 Domestic wheat production fluctuated significantly due to environmental and market factors. Starting at 1.70 million tons in 2014/15, production dropped to 1.41 million tons

in 2015/16 due to severe drought in the Western Cape. It rebounded to 1.87 million tons in 2016/17 with improved conditions but dipped again to 1.55 million tons in 2017/18. From 2018/19, production stabilised, peaking at 2.26 million tons in 2021/22, driven by high international wheat prices that encouraged increased plantings. A slight decline to 2.00 million tons in 2023/24 likely reflected falling global prices. Over the decade, production deliveries grew by 17.35%, averaging 1.83 million tons, supported by yield improvements, reducing reliance on imports.

2.12 The variable tariff formula aims to balance farmer incentives with affordability, encouraging wheat production to ensure food security while keeping bread, a staple for low-income households, affordable. Despite wheat’s economic challenges as a crop, this approach supports competitive domestic production against low-priced imports without significantly raising downstream prices.

2.13 Figure 2 below provides an overview of South Africa’s wheat market dynamics from 2014/15 to 2023/24, illustrating trends in domestic demand, supply, and imports. The figure highlights the interplay between local production, import dependency, and external factors such as global price fluctuations and climatic conditions.

Figure 2: Demand, domestic supply and imports of wheat for the period 2014/15 – 2023/24



Source: SAGIS and ITAC calculations

2.14 As shown in Figure 2 above, international wheat prices, represented by the annualised 3-week moving average, showed significant volatility over the decade. Prices dropped

sharply from US\$251.49/ton in 2014/15 to US\$202.55/ton in 2015/16, reflecting a global oversupply. This decline coincided with the 2016 reduction in the DBRP from US\$294/ton to US\$279/ton. It is important to note that the DBRP reduction occurred when global prices were well below the reference price (averaging US\$202-203/ton in 2015/16 and 2016/17).

- 2.15 In contrast, the subsequent price increase to US\$288.70/ton in 2020/21 and US\$418.09/ton in 2021/22 was driven by major global disruptions. COVID-19-related supply chain disruptions and the Russia-Ukraine conflict played a significant role in these sharp price increases. Moreover, these events underscore the extent to which global market shocks influence wheat price fluctuations.

Competitive Position

- 2.16 According to information at the Commission's disposal, from 2020/21 to 2024/25, wheat production costs and profitability across South Africa's major wheat-growing regions Swartland (42% of national output), Southern Cape, Northern Cape (irrigated, 17%), and Eastern Free State (Dryland and Irrigated, 21%) displayed significant regional variations, with 2024/25 data based on projections. The SAFEX price, a key market indicator, grew by 37% from 2020/21 to its peak in 2023/24, before a 4% contraction in 2024/25, averaging 9% annual growth. Net farm gate prices across regions mirrored this trend, also rising by 9% on average, while total production costs increased by 7%. Profitability improved markedly, with average profit per ton growing by 27%, driven by robust market prices that outpaced input cost. Gross margins across regions improved from 16% to 23%, reflecting stronger farm-level returns, though regional differences highlight the influence of production systems and scale.
- 2.17 In Swartland and Eastern Free State (both Dryland and Irrigated), profitability was particularly strong, with gross margins rising significantly. Swartland's gross margin increased from 23% to 36%, and Eastern Free State (irrigated) saw growth from 14% to 27%, driven by rising net farm gate prices and effective cost management. In contrast, the Southern Cape faced higher volatility, with production costs surging by 44% from 2021/22 to 2022/23, leading to a gross margin drop to 12% in 2022/23 before a modest recovery. Its average production cost was 19% higher than Swartland's, and profit growth lagged at 6%, likely due to region-specific input price shocks and

agronomic challenges. The Northern Cape (irrigated) showed resilience, with production costs peaking at a 7% average increase but declining by 13% in 2024/25, boosting profit growth to 27% and achieving a 22% gross margin, likely due to higher yields from efficient irrigation.

- 2.18 Regional disparities stem from differences in production systems and economies of scale. Irrigated regions like Northern Cape and Eastern Free State benefit from controlled water supplies, enabling higher yields (8.0 tons/ha and 6.5 tons/ha, respectively), while dryland regions like Swartland (3.0 tons/ha) and Southern Cape face greater variability due to rainfall dependence. Swartland and Eastern Free State leverage larger production scales to manage costs effectively, whereas the Southern Cape's smaller output results in higher per-ton costs.

South African Wheat Imports

- 2.19 Between 2020/21 and 2023/24, South Africa's wheat imports grew significantly, with volumes rising by an average of 11% annually, from a 16% jump in the first year to a 14% surge in the latest period, reaching over 38% growth overall. In value terms, imports increased by 22% per year, driven by a 28% rise in average free-on-board (FOB) prices, which peaked with a 45% spike in 2022/23 before moderating slightly. This price escalation, fuelled by global supply disruptions, currency fluctuations, and geopolitical tensions, particularly the Russia-Ukraine conflict, underscores South Africa's vulnerability as a net wheat importer. The Russian Federation emerged as the top supplier, increasing its share from 12% to 25% by volume, though its reliability is uncertain due to intermittent trade disruptions and sanctions.
- 2.20 South Africa's import market diversified notably, with Eastern European countries like Lithuania and Poland gaining prominence, collectively accounting for over half of imports by 2023/24. Lithuania's volumes soared by 91% in the final year to a 25% share, while Poland's grew 99% in one period, stabilising at 22% despite a recent 21% dip. Australia remained a key supplier, holding a steady 19% volume share and rebounding 63% in 2023/24 after a 51% decline, supported by premium pricing. In contrast, Argentina, Brazil, Canada, and the United States contributed marginally, with shares below 2% and erratic volumes. This shift toward Eastern Europe, alongside

reliance on stable but pricier sources like Australia, reflects a strategic balancing act to mitigate global risks, though ongoing geopolitical uncertainties may necessitate further sourcing adjustments.

Evaluation of Appropriate DBRP Benchmark Price

- 2.21 The Commission's evaluation of the US HRW No. 2 wheat prices as the DBRP benchmark for South Africa's wheat tariff system confirmed its alignment with domestic wheat quality and global market dynamics. South African wheat, with high milling (92) and baking (94) quality, closely matches US HRW No. 2 wheat prices and Australian APW in key parameters like protein (11–12%) and gluten strength, outperforming lower-quality imports from Eastern Europe (e.g., Russia, Poland, Lithuania), which dominate 63% of import volumes. Despite stakeholder concerns that only 1% of imports originate from the US compared to 22% from Australia, the DBRP's role is to protect local producers by benchmarking against comparable quality wheat, not mirroring import sources. US HRW No. 2 wheat prices' strong price correlation (0.91) with Australian APW and high liquidity on global futures markets ensure effective shielding from price distortions.
- 2.22 Alternative benchmarks, including Australian APW, Russian Milling, EU wheat prices, and a weighted import basket, were less viable. Australian APW, despite quality alignment, lacks the global liquidity of US HRW No. 2 wheat prices, while Russian and EU wheat prices face geopolitical risks and volatility. A weighted basket, though reflective of import patterns, introduces administrative complexity and price instability. The International Grains Council's data supports US HRW No. 2 wheat prices' reliability due to its low volatility and global coverage. Retaining US HRW No. 2 wheat prices the DBRP benchmark ensures transparency, consistency, and robust protection for South African producers, with no significant advantage in switching to alternatives.

Current DBRP Position and Protection Levels

- 2.23 Information at the Commission disposal indicated that the current DBRP of US\$279.03/ton provides coverage above average wheat production costs, offering meaningful protection to farmers. Relative to the five-year average production cost of US\$236.28/ton, the DBRP delivers an approximate 18% margin, allowing sufficient

room for marketing costs and profit. This buffer indicates that the current tariff dispensation supports the domestic wheat industry on a sustainable basis. Moreover, even when measured against the 2024/25 budgeted production costs, the DBRP continues to provide adequate coverage, reinforcing the level of protection afforded to producers.

- 2.24 The current DBRP level has been associated with a stabilisation in wheat planting areas, which have remained within the range of 500 000 to 550 000 hectares since the implementation of the current DBRP. This suggests that the prevailing level has supported domestic production and helped limit further declines in the area planted, while continuing to provide a reasonable degree of protection against import competition.

ASSESSMENT OF THE APPLICANTS' REQUEST FOR AN AUTOMATIC TRIGGER MECHANISM FOR WHEAT

- 2.25 The second part of the application by Grain SA and SACOTA involves the request for the implementation of an automatic trigger mechanism for the wheat import tariff.
- 2.26 According to the Applicants, the prevailing implementation mechanism of wheat triggers is known and accepted. However, the Applicants are proposed a new method of implementation and publication of an amended tariff.
- 2.27 The Applicants submitted that, historically, the number of working days between the trigger of the adjusted tariff to publishing in the Government Gazette have been extensive. The Applicants indicated that over the period 13 March 2015 to 2 July 2021, the average number of days between the trigger and announcement of a tariff were 43 working days, which creates uncertainty on tariff adjustments in the market.
- 2.28 In this regard, the Applicants requested the implementation and announcement of the tariff to be modified such that it is like the monthly announcement of the fuel prices by the CEF. The Applicants explained that the CEF is an appointed impartial body responsible for calculating the monthly fuel price. The CEF submits their calculated price to the relevant structures to be published in the Government Gazette on a

monthly basis. The fuel price is published in the Government Gazette to be effective on the first Wednesday of each month.

2.29 Applicants' proposed wheat tariff implementation procedure:

- Wheat tariff to be calculated monthly and published in the Government Gazette.
- Publication of the wheat tariff will be on the last Friday of each month, effective from the first day of the following month.
- The South African Grain Information Service (“SAGIS”) is nominated to calculate the tariff and submits the tariff information to the relevant reporting structure for publication in the Government Gazette.
- Example timeline: April 2024 tariff calculated on April 16, published on April 26, effective May 1-31, 2024.
- The implementation of this automatic trigger mechanism proposed will, according to the Applicants, allow market players to plan effectively, with a maximum of 28 days and a minimum of 8 days for tariff changes.

2.30 Grain SA and SACOTA provided further clarification on the legal, policy, and practical aspects of their proposed automatic trigger mechanism. The Applicants indicated that the system would operate within the existing legislative framework, drawing parallels to the fuel price determination methodology administered by the CEF. They then outlined the details of their proposed alternative mechanism as follows:

The Customs and Excise Act, 1964 (Act No. 91 of 1964):

- Section 48 of this Act empowers the Minister of Finance, at the request of the Minister of Trade, Industry and Competition, to amend customs duties through publication in the Government Gazette.
- It is the Applicant's interpretation that, the Act does not require each tariff adjustment to be discretionary. Once the methodology has been approved by the Minister of Trade, Industry and Competition, subsequent monthly adjustments would be purely administrative, ensuring consistency and predictability.

The Marketing of Agricultural Products Act, 1996 (Act No. 47 of 1996):

- Section 2 of the Act outlines objectives such as improving market access, enhancing efficiency, and ensuring equitable distribution in agricultural marketing.
- These objectives align closely with the proposed automated monthly implementation of the wheat tariff. Regular publication of the tariff would create a transparent and efficient system, improve price discovery and ensure all market participants are informed in a timely manner.
- Furthermore, SAGIS operates as a statutory body under this Act, mandated to collect and publish grain market information. This statutory role provides a strong foundation for SAGIS to serve as the impartial administrator responsible for calculating and publishing the wheat tariff.

2.31 The Applicants further explained the reporting structures for tariff publication, which would involve the following:

- Once the tariff is calculated by SAGIS, the calculation would first be submitted to the Chief Directorate: Multilateral Trade Relations, which would verify and confirm its accuracy. Secondly, the verified calculation would then be forwarded to National Treasury for final processing and publication in the Government Gazette.
- Under this framework, the Minister of Trade, Industry and Competition would sign off on the methodology of the tariff. Thereafter, tariff adjustments would follow automatically each month without requiring further ministerial approval, mirroring the efficiency of the fuel price determination model. To assure timelines are adhered to the model would have as little as possible ministerial interference.

2.32 The Application was published in the Government Gazette on 30 April 2025 in Notice No. 52579, to allow for interested parties to comment within a 4 week-period.

2.33 Grain SA and SACOTA requested the introduction of an automatic trigger mechanism for the wheat import tariff to ensure timely tariff adjustments when international wheat

prices fall below the set reference price of US\$279/ton. The Applicants indicated that the aim is to provide more predictable protection for the domestic wheat value chain.

2.34 The Commission considered the Applicants' request, along with its associated procedural elements aligned to the legislative framework. This assessment focused on the legal and policy rationale underpinning the current provisions governing amendments to ordinary customs duties. The key considerations are outlined below.

2.35 In terms of Section 48 (1)(b) of the Customs and Excise Act, the Minister of Finance may from time to time by notice in the Government Gazette amend the General Notes to Schedule 1, Part 1 of the said Schedule and Part 2 of the said Schedule in so far as it relates to imported goods -

(b.) in order to give effect to any request by the Minister of Trade and Industry and Economic Co-ordination."

2.36 The Applicant's proposed working of the automatic trigger system with SAGIS as the impartial administrative body, will in effect transfer the Ministers' ministerial oversight responsibilities to SAGIS, which is contrary to the above-mentioned Section which explicitly requires that any amendment of duties must be requested by the Minister.

2.37 In line with this provision, the Applicants interpret the role of the Minister when signing off on the relevant ITAC Report, which references the automatic trigger mechanism, as being sufficient grounds not to request the Minister of Finance to amend duties every time a different level of duty is triggered. However, the Applicants' interpretation is incorrect as amendments to the rate of ordinary customs duties, and by extension amendments to the relevant Schedules of the Customs and Excise Act, can only be approved by the Minister for implementation by the Minister of Finance. Thus, Section 48(1)(b) of that Act would have to be amended to accommodate an automatic trigger system.

2.38 The basis of Section 48(1)(b) is clearly set out in the BTT Act, which still finds application today, in section 4(1)(b) that the Board (Commission): *"report and make recommendations to the Minister and that the Minister, if "he accepts the Report and*

recommendation concerned, request the Minister of Finance to amend the relevant Schedule...

- 2.39 The above provision of the BTT Act should be read with the ITA Act, i.e. Section 16 (i), which states that: The Commission must investigate and evaluate: *“(c) applications in terms of section 26 with regard to amendment of customs in the Common Customs Area.”*
- 2.40 Furthermore, Section 26(2) provides for applications to be made to the Commission: *“The Commission must subject to section 30(1) and (3) evaluate the merits of every application received by it and dispose of each application.”*
- 2.41 The automatic trigger approach would bypass a legislatively mandated process, outlined in the sections cited above, whereas an approach which maintains the relevant Governmental administration process, would allow for the Commission to investigate and verify what may be necessary, evaluate the merits and enable the decision makers in the chain to apply their minds and make an informed decision, thus aligning with the above-mentioned process.
- 2.42 Given the legal and policy inconsistencies in the Applicants’ request for an automatic trigger mechanism, the Commission cannot support this proposal. Instead, the Commission recommended rejecting the request and exploring an alternative, accountable mechanism that addresses administrative inefficiencies within the current trigger process at the Governmental level. Delays in implementing wheat triggers continue to pose significant challenges to the wheat industry, making a more effective and transparent solution essential.
- 2.43 The wheat industry has submitted that it faces significant challenges due to implementation delays averaging 43 working days between trigger activation and gazette publication (2015-2021). The delays in implementation have resulted in:
- Opportunistic import windows at pre-adjusted rates.
 - Undermined the stabilisation and protective intent of the variable tariff formula.
 - Generated market uncertainty encouraging crop diversification away from

wheat.

- Misaligned protection levels - providing protection when unnecessary and exposing the market when protection is required.

2.44 The current method of the implementation of an adjusted wheat duty level, involves a three-step process:

- **Step 1:** ITAC receives information from SAGIS confirming that the trigger conditions to adjust a duty have been met. ITAC considers SAGIS' request and evaluates and analyses the information at its disposal through its own calculations to confirm the triggered duty level. Once ITAC completes its internal work processes, a Minute containing the Commission's recommendation to amend the current duty level according to what the reference price formula calculated, is forwarded to the Minister.
- **Step 2:** The Minister considers and applies its mind to ITAC's recommendation contained in its Minute exercising his ministerial oversight responsibility within the relevant policy framework for the wheat sector at a given point in time. The Minister then requests the Minister of Finance to implement the adjusted duty level.
- **Step 3:** The Minister of Finance considers and applies its mind to the Minister's request to implement the adjusted duties. The internal process at National Treasury includes, *inter alia*, consideration by the South African Revenue Service (SARS), relevant economic policy units of the National Treasury and the Tax Policy unit before a submission is sent to the Minister of Finance for his final decision. The Minister of Finance is then responsible for requesting SARS to implement the amended duties in Schedule 1, Part 1 of the Customs and Excise Act.
- Since the current tariff dispensation also covers downstream product in the form of wheaten flour, the conversion factor of 150 per cent is still considered when calculating the duty for wheaten flour. This assumption is based on the world average for conversion of wheat to wheaten flour of 1:1.5 (i.e. wheat flour is 1.5 times more expensive than wheat).

- 2.45 The Commission has drawn from the lessons learned in a court case lodged by the South African Sugar Association (“SASA”), that follows the same tariff dispensation as wheat. In the court judgement in the matter between SASA and the then Minister of Trade and Industry (First Respondent), the Minister of Finance (Second Respondent) and ITAC (Third Respondent), the issue on the administrative delays in the implementation of duties for the sugar industry was considered by the High Court (Gauteng Division) in August 2018. SASA argued that the three respondents failed to implement the customs duty regime relating to imported sugar in a procedurally fair and rational manner.
- 2.46 The court judgement emphasised that the course of trade, and particularly international trade, is influenced by the fluctuation both in the world price of certain commodities, usually expressed in US Dollars and the exchange rate of the South African Rand. The duties applicable to such commodities must therefore be amended from time to time, taking these factors into account, and cannot wait for the completion of a relatively slow process, by which parliamentary legislation is usually enacted and amended.
- 2.47 Whilst the court ruled in favour of the Minister of Finance in the matter, outlining that the Minister of Finance does indeed have the power to apply his mind to the request from the Minister of Trade and Industry to amend customs duties and that the Minister does not merely act as a registrar. The judge also acknowledged the following: “*there is no doubt that the delays in the amendment of the import duty applicable for sugar in the current economic climate is causing harm to the local sugar industry. Whilst the delays are not attributable to any constitutional breach on the part of the Minister of Finance. These are caused by the nature of the decision-making process...*”. The judge went on to suggest that the parties can collectively develop mechanisms to speed up the decision-making process in SARS and Treasury.
- 2.48 The above-mentioned legal judgement as well as the persistent delays in the current three-step implementation process provides the basis for the Commission to recommend that wheat import duties triggered under the variable tariff formula be applied retrospectively from the day following the date on which the trigger event occurs, with the retrospective effect implemented in terms of Sections 48(1)(e), 48(2),

and 48(5) of the Customs and Excise Act, supported by the refund and recovery mechanisms under Section 76. This approach maintains executive oversight while eliminating the market distortions caused by administrative delays that undermine the protective intent of the variable tariff formula.

2.49 The retrospective duty application mechanism represents an optimal balance between administrative efficiency and legislative compliance. By utilising existing retrospective powers under the Customs and Excise Act, the proposed retrospective mechanism aims to:

- a. Addresses industry concerns about implementation delays.
- b. Maintains constitutional separation of powers through preserved ministerial oversight.
- c. Operates within the current legislative framework, without requiring statutory amendments.
- d. Ensures that the protective and stabilising intent of the DBRP-based variable tariff system is fully realised.
- e. Promotes transparency, predictability, and fairness in the wheat value chain.
- f. Protects domestic producers and supports food security in South Africa.

2.50 It is therefore the Commission's recommendation that the Minister engages with the Minister of Finance to implement the retrospective application of triggered duties as a standing administrative process under the current wheat tariff dispensation.

2.51 The Customs and Excise Act contain several provisions that enable retrospective adjustment of duties, particularly where it is deemed expedient or in the public interest. The legal basis for the retrospective implementation is set out in further detail below:

Section 48(2): Retrospective Reduction of Duties

- The recommendation is anchored in Section 48(2) of the Customs and Excise Act, which provides the Minister of Finance with explicit retrospective powers:

"The Minister may... reduce any duty specified in the said Parts with retrospective effect from such date and to such extent as may be determined

by him in such notice."

- Although this explicitly refers to reductions, the authority demonstrates legislative acceptance of retrospective adjustment and provides a foundation for symmetrical treatment².

Section 48(5): Correction of Unforeseen or Unintended Effects

- If an amendment has an effect "*not foreseen or intended*", the Minister of Finance may, after consultation with the Minister, issue a further notice with effect from the date of the initial amendment or a later date.
- This section provides a legal pathway to:
 - i. Correct the unintended consequences of implementation delays.
 - ii. Align the effective date of the duty with the true economic trigger date, which the formula intended.

Section 48(1)(e): Public Interest

- Allows the Minister to amend duties, "*whenever he deems it expedient in the public interest.*"
- Ensuring the functioning of the wheat tariff system and safeguarding food security clearly meets the public interest test.

Section 76 [76(2)(g), 76(4)(c)]: Refunds and Recoveries

- Section 76(2)(g) and Section 76(4)(c) establish precedent for retrospective duty adjustments and corresponding refund mechanisms, confirming the legislative framework supports retrospective applications.

² While Section 48(2) specifically mentions duty reductions, the principle of retrospective application can be extended to duty increases through:

Section 48(1)(e) - "*whenever he deems it expedient in the public interest otherwise to do so...*"

Section 48(5)(a) - allowing adjustments: "*with effect from the date of such amendment or any later date...*"

- SARS administers refunds or recovers underpaid duties when retrospective adjustments occur.
- Section 76 provisions provide administrative workability and certainty.

Commission's Role Under the ITA Act

- Sections 16 and 26 of the ITA Act requires, *inter alia*, the evaluation of applications, verification of economic evidence and recommendations to the Minister.
- Retrospective application does not bypass the above-mentioned requirements and preserves the required chain of decision-making. Thus, enabling retrospective implementation does not require amendments to Section 48, and only requires a policy determination that retrospective adjustment is in the public interest and necessary to rectify the persistent structural problem.

2.52 The current three-step administrative process to be substituted by the retrospective duty mechanism, will follow the proposed Implementation Framework:

- **Phase 1: Trigger Activation**

Day 1 (Tuesday): International Price data confirms trigger conditions are met.

Day 3 (Thursday): SAGIS informs ITAC of trigger.

Day 4 (Friday): Retrospective duty application commences.

- **Phase 2: Administrative Process**

Current 3-step process continues (ITAC → Minister → Finance Minister).

- **Phase 3: Financial Reconciliation**

Upon Government Gazette publication:

Higher duties: Importers liable for accumulated differential from Day 4.

Lower duties: Refunds processed under Section 76 mechanisms.

3. COMMENTS ON THE APPLICATION

- 3.1. SANSOR, representing South Africa's seed industry, indicated that they support increasing the DBRP for wheat and revising the import tariff methodology to enhance the sustainability of the wheat sector. The organisation emphasizes that rising production costs and declining wheat production have strained research, development, and capacity-building efforts funded by industry levies. SANSOR argues that a long-term approach is essential to strengthen self-sufficiency, with seed companies playing a key role through improved wheat genetics and ongoing R&D. By stabilising the industry through a revised tariff structure, renewed investment could bolster food security and the overall resilience of South Africa's wheat production.
- 3.2. Similarly, wheat producers and related organisations argue that the current import tariff system, characterised by delays, outdated benchmarks, and a reliance on lower-quality wheat comparisons, undermines local competitiveness, profitability, and food security. They highlight that rising input costs and unprofitable price levels have caused production declines, farm closures, and increased reliance on imports. They supported Grain SA's proposed automated, monthly tariff adjustment based on a 5-year average of U.S. HRW wheat prices to ensure fairer protection. This approach, they assert, would reflect true market conditions, sustain high-quality local wheat production, safeguard rural livelihoods, and reduce exposure to volatile global markets.
- 3.3. Agbiz Grain maintains a relatively neutral stance, emphasising the need for a more accurate and representative wheat import tariff system rather than directly supporting or opposing the proposed application. The organisation argues that the current reference price, based on the U.S. No. 2 HRW wheat, does not reflect South Africa's actual import patterns, as only a small fraction of imports come from the U.S. while most originate from European countries such as Poland, Germany, and Lithuania. This mismatch, Agbiz Grain contends, distorts tariff effectiveness, leaving local producers vulnerable to cheaper imports that do not follow U.S. price trends. To improve the system's fairness and resilience, Agbiz Grain recommends adopting reference prices aligned with the primary import regions and encourages collaboration among key

industry stakeholders to reach a consensus on a more realistic and representative benchmark that supports both local production and national food security.

- 3.4. The South African Chamber of Baking (“SACB”) also adopts a balanced perspective, supporting local wheat farmers and food security initiatives while stressing the need to keep bread affordable for consumers. The Chamber advocates for an automated tariff adjustment mechanism similar to the fuel price model but raises concerns over proposed changes to wheat grading regulations that could compromise the quality standards required by industrial bakers. SACB questions the current reference price methodology, noting that U.S. wheat plays a minimal role in South Africa’s imports compared to European and Black Sea origins, and suggests reverting to a 10-year reference period to reduce volatility from recent global disruptions. However, the Chamber warns that higher reference prices could substantially raise bread costs for consumers, calling instead for a comprehensive review of the tariff system that balances the interests of producers, millers, bakers, and consumers to achieve sustainable food security.
- 3.5. The National Chamber of Milling (“NCM”), Premier Foods, the Animal Feed Manufacturers Association (“AFMA”), and RCL Foods all objected to the proposed increase in the DBRP for wheat. The NCM, representing the majority of South Africa’s wheat millers, opposes raising the DBRP from US\$279/ton to US\$289/ton, indicating that it would raise food prices and harm consumers. It argues that the current variable tariff system has become ineffective due to delays and distortions from recent geopolitical and pandemic-related price shocks. The NCM proposes using a long-term 10-year average reference price and alternative benchmarks like the Euronext MATIF to better reflect actual import patterns dominated by European wheat rather than U.S. sources. It recommends revising the DBRP downward to US\$252/ton and supports automating tariff adjustments to improve efficiency without burdening consumers.
- 3.6. Premier Foods also opposes the DBRP increase, asserting that higher tariffs would not improve wheat production or food security but would raise bread prices and strain low-income households. While supporting local agriculture, the company argues that tariffs have not strengthened the wheat sector and that recent world price declines make an increase unjustifiable. Instead, Premier calls for investment in breeding

programs, sustainable irrigation, and climate-resilient varieties. AFMA similarly rejects the five-year average proposal, viewing it as distorted by recent global crises, and urges retaining a 10-year world price average to prevent excessive protectionism. RCL Foods questions the link between tariffs and production growth, showing that profitability has improved without tariff hikes. It calls for a holistic review of the DBRP and tariff system, emphasising that competitiveness and innovation not higher import duties are the real drivers of sustainable wheat production in South Africa.

4. FINDINGS

4.1 During its deliberations and in arriving at its recommendation, the Commission considered the information at its disposal, including comments received during the investigation. The Commission found that:

- The total supply has increased steadily over the past decade, averaging 4 089 400 tons and growing 11.15% from 2014/15-2023/24.
- The total demand showed a gradual increase from 3 439 000 tons in 2014/15 to 3 813 000 tons in 2022/23, before slightly declining to 3 736 000 tons in 2023/24. Over this ten-year period, average total demand was approximately 3 509 700 tons, reflecting an overall growth of 8.64%.
- Information at the Commission's disposal indicated that total domestic wheat production averaged 1 827 900 tons, with a 17.35% increase from 2014/15 to 2023/24 due improved yields, boosting domestic output and reducing import dependence.
- Since the DBRP reduction from US\$294/ton to US\$279/ton in 2016, total domestic wheat production has fluctuated due to yield variations and market conditions rather than solely from policy changes. Despite increased planted area, production remained volatile, with higher yields correlating with increased production deliveries.
- The global wheat market is facing significant challenges due to rising consumption, climate-related disruptions, and geopolitical tensions. While demand is growing, the market remains susceptible to supply shocks particularly in emerging economies, where production has struggled to keep pace.

- International US HRW No. 2 wheat prices fluctuated from US\$251.49/ton (2014/15) to a low of US\$202.55/ton (2015/16), then increased during COVID-19 to US\$288.70/ton and the Russia-Ukraine conflict (US\$418.09/ton peak in 2021/22). Prices subsequently declined as global supply stabilised, reaching US\$373.94/ton (2022/23) and US\$277.96/ton (2023/24).
- South Africa's wheat import market is evolving, showing increased volumes. While Australia is major supplier, there is a notable shift toward Eastern European sources like Lithuania and Poland.
- US HRW No. 2 prices remain the most suitable benchmark for the DBRP, offering strong quality alignment, market transparency, historical continuity, and effective protection for domestic wheat producers, compared to other benchmarks considered such as those from Russia and the European Union.
- During the period under review, when averaged across all regions, net farm gate prices increased at a faster rate than total production costs, with prices growing by approximately 9% compared to a 7% rise in production costs, resulting in improvement in profitability. Overall profit per ton increased, with average growth of around 27%, while gross margin percentages across key producing regions exhibited a generally positive trend.
- It was found that over the period of the investigation the domestic industry had a price advantage of 16% over imports.
- The current DBRP of US\$279.03/ton provides coverage above average wheat production costs, offering meaningful protection to farmers. Relative to the five-year average production cost of US\$236.28/ton, the DBRP delivers an approximate 18% margin, allowing sufficient room for marketing costs and profit. This buffer indicates that the current tariff dispensation supports the domestic wheat industry on a sustainable basis.
- Moreover, even when measured against the 2024/25 budgeted production costs, the DBRP continues to provide adequate coverage, reinforcing the level of protection afforded to producers.
- The current DBRP level has been associated with a stabilisation in wheat planting areas, which have remained within the range of 500 000 to 550 000 hectares since the implementation of the current DBRP. This suggests that the prevailing level has

supported domestic production and helped limit further declines in the area planted, while continuing to provide a reasonable degree of protection against import competition.

- The legal and policy inconsistencies in the Applicant's request for an automatic trigger mechanism was shown to be inconsistent from a legal and policy perspective. The Commission further found that an alternative, accountable mechanism may address structural inefficiencies within the current trigger process at a governmental level.

5. RECOMMENDATION

5.1 In light of the foregoing, the Commission decided to recommend maintaining the current DBRP level at US\$279/ton, owing to the following factors:

- a) Wheat is a staple food product and a critical component of South Africa's food security. The DBRP must therefore strike an appropriate balance between supporting domestic wheat producers and ensuring the affordability of basic food products, particularly given that the Southern African Customs Union ("SACU") is a net importer of wheat.
- b) Information at the Commission's disposal confirms that the current DBRP level of US\$279/ton will provide adequate and proportionate tariff protection that will continue to support the domestic wheat industry, which remains profitable and held an average price advantage, over the period of investigation. Whilst simultaneously being sensitive to food affordability as well as the downstream price impacts on millers, bakers and consumers.
- c) Maintaining the current DBRP level and current trigger calculation method as set out in ITAC Report No. 538 would also continue to place South African wheat producers and their foreign counterparts on an equal competitive footing while covering the wheat producers' production costs.

5.2 Adjustments to the level of protection will continue to be based on quantum movements in the world reference price as follows:

The difference between the 3-week moving average of the US No. 2 HRW (ord) Gulf settlement price (world reference price) and the domestic Dollar-based reference price for wheat is calculated on a weekly basis. If the 3-week moving average of the US No. 2 HRW (ord) Gulf settlement price shows a variance of more than US\$10/ton from the previous trigger level for 3 consecutive weeks, an adjustment to the tariff is triggered and a new duty calculated. The resulting Dollar specific duty is converted to Rand according to 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.

- 5.3 The levels of duty should not exceed the bound rates of 72 per cent *ad valorem* for wheat and 99 per cent *ad valorem* for wheat flour.
- 5.4 Regarding the implementation of tariff adjustments, the Commission recognises that the current administration of the variable tariff formula is subject to material delays between the occurrence of a trigger event and the publication and implementation of the amended duty. These delays undermine the effectiveness of the tariff, resulting at times in under- or over-protection of domestic producers and unintended price distortions in the market. It is therefore recommended that an agreed, intergovernmental implementation process be adopted.
- 5.5 In this context, the Commission does not support the Applicants' request for the implementation of a fully automatic trigger mechanism akin to the CEF fuel price model. Such a system is not compatible with the existing legislative framework, in particular Section 48 (1)(b) of the Customs and Excise Act, read together with the ITA Act and the Board on Tariffs and Trade Act, as it would effectively bypass the required ministerial request and approval process and thereby remove executive oversight.
- 5.6 However, as an alternative and legally defensible solution to address administrative delays, the Commission recommended that wheat import duties triggered under the variable tariff formula be applied retrospectively. Specifically, it is recommended that triggered duties take effect from the fourth day after the trigger event occurs, with retrospective implementation provided for under sections 48(1)(e), 48(2), and 48(5) of

the Customs and Excise Act, supported by the refund and recovery mechanisms in section 76 of that Act. This approach preserves ministerial oversight while materially improving the timeliness and effectiveness of the tariff.

- 5.7 Accordingly, the Commission further recommended that the Minister of Trade, Industry and Competition engage with the Minister of Finance to establish the retrospective application of triggered wheat duties as a standing administrative arrangement under the current wheat tariff dispensation. This would enhance regulatory efficiency, reduce market uncertainty, and support the broader objective of building a capable and effective state, consistent with the priorities of the 7th Administration.