



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

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## **MEDIA STATEMENT**

### **ADJUSTMENT OF THE IMPORT DUTY (TARIFF) ON WHEAT AND PROPOSED REVIEW OF THE VARIABLE IMPORT DUTY (TARIFF) FORMULA ON WHEAT**

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After careful consideration, the Ministry of Finance has decided to approve the implementation of an amendment to the import duty (tariff) on wheat, in accordance with the current variable import duty formula. At the same time the Ministry of Finance has proposed to the Minister of Trade and Industry that he consider instituting a request for an urgent and accelerated review of the variable tariff formula by the International Trade Administration Commission of South Africa.

The Ministry of Finance is particularly concerned about the impact of the higher import duty on wheat on the price of bread and other staple food, but also mindful of the need to ensure policy certainty, food security and the financial health of the farming industry. The Ministry of Finance also proposes that the review also be extended thereafter to the formulae for sugar and maize, as similar concerns apply.

#### **Background to the wheat import duty formula**

In 1999, the Minister of Trade and Industry and the Minister of Finance took a policy decision to adopt a tariff setting process for selected agricultural products, including wheat. It was agreed that a variation in the customs duty (increase or decrease) on wheat, sugar and maize would be regulated and governed by formulae, also known as variable import duty formulae, based on a reference price system.

The decision to adopt these formulae was taken after consideration of the unique circumstances surrounding the production of these agricultural products and the nature of the international market to which SA producers are exposed, *inter alia*, to afford protection and provide certainty for domestic producers against international price volatility.

In December 2015, the Minister of Finance received a recommendation from the Minister of Trade and Industry for an increase in the rate of import duty on wheat and wheaten flour from R911.20 per ton to R1224.31 per ton, i.e. in terms of the existing variable import duty formula. The National Treasury consulted with relevant stakeholders with a view to assess the impact on food prices, on upstream and downstream industries of the proposed increase in the import duty on wheat and wheaten flour as well as the appropriateness of the current formula.

After careful consideration, the Ministry of Finance decided to approve the implementation of the amendment of the tariff on wheat, in accordance with the current formula, from R911.20 per ton to R1 224.31 per ton. This decision is subject to a review of the current variable import duty formula on wheat, the timelines and process of which will be announced formally by ITAC. The current variable formula will however continue to be applicable for the remainder of 2016.





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