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**Date:** 3/12/2019

**GAIN Report Number:** SA1906

## **South Africa - Republic of**

**Post:** Pretoria

### **ITAC Considers a Sharp Increase in the Customs Duty on Chicken Meat**

**Report Categories:**

Poultry and Products

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**Report Highlights:**

On November 30, 2018, South Africa announced receipt of an application by the domestic poultry industry to increase the customs duty on frozen chicken meat imports. The application requests an exponential increase in the import duties applied on boneless chicken meat and bone-in chicken meat from 12 percent and 37 percent, respectively, to 82 percent. The Commission invited interested parties to comment by the end of December 2018, and received submissions from importers, trade associations, special interest organizations and governments, including the United States. The application is still under review and a final determination is not expected before South Africa's general elections on May 8, 2018. However, increasing the duties by such large increments would likely have a severe impact on U.S. chicken meat imports in South Africa.

### Application by SAPA

On November 30, 2018, the International Trade Administration Commission of South Africa (ITAC) published a [notice](#) in the government Gazette announcing receipt of the South African Poultry Association's (SAPA) application for an increase in the general rate of customs duty on frozen meat and edible offal of fowls *Gallus domesticus*. In its application, SAPA requested an increase in the general rate of customs duty on bone-in chicken portions (HS code: 0207.14.9) from 37 percent *ad valorem* to 82 percent. SAPA also applied for the current 12 percent *ad valorem* on boneless chicken cuts (HS code: 0207.14.1) to be increased to 82 percent as well, which is South Africa's bound duty rate under the World Trade Organization. **Table 1** shows South Africa's current import tariff structure.

**Table 1: South Africa's Import Tariffs for Specific Chicken Meat**

Tariff Heading	Product description	Rate of duty			
		General (including the United States)	EU	EFTA*	SADC**
<b>02.07</b>	<b>Meat of Poultry</b>				
0207.12.10	Mechanically deboned meat	Free	Free	Free	Free
0207.12.20	Carcasses (excluding necks and offal) with all cuts removed, frozen	31%	Free	31%	Free
0207.12.90	Other	82%	Free	82%	Free
0207.14.10	Boneless cuts	12%	Free	12%	Free
0207.14.20	Offal	30%	Free	30%	Free
0207.14.90	Bone-in portions	37% (Anti-dumping duty for the United States of R9.40/kg outside of the quota of 65,417 tons )	Free (Anti-dumping duties for Germany, the Netherlands and the United Kingdom ranging from 3.86% to 73.33%)	37%	Free

**Source:** The South African Revenue Service (SARS)

\*EFTA - European Free Trade Association

\*\* SADC – Southern Africa Development Community

### SAPA's Reasons for Increasing the Customs Duty

SAPA stated various [reasons](#) for its request for an increase in the customs duty on chicken meat. Some of the reasons include:

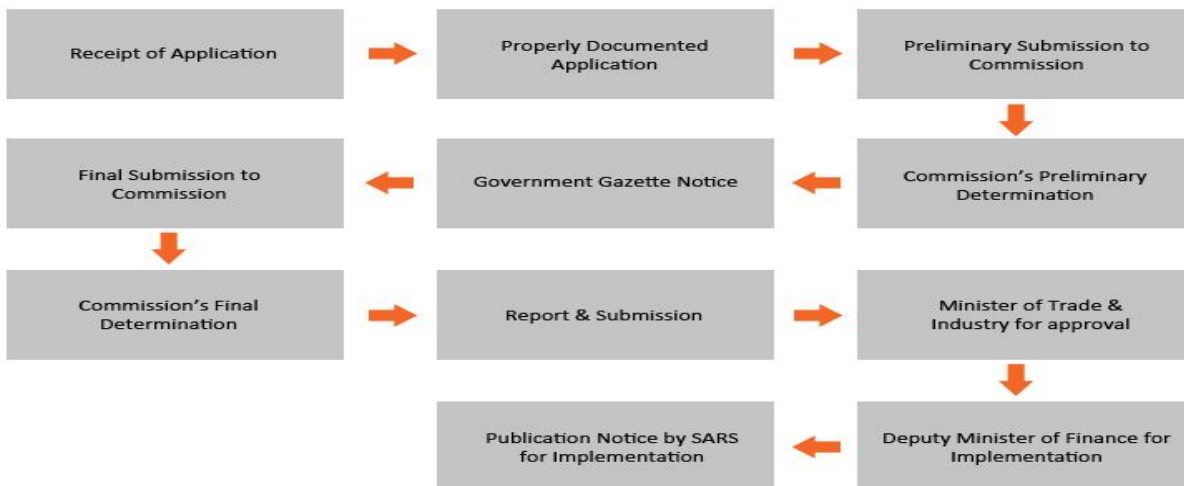
- *Southern African Customs Union (SACU) "is a globally efficient producer of chicken. Despite this, the SACU poultry industry has faced, and continues to face, enormous profitability challenges. These have resulted in downsizing in late 2016 and early 2017, resulting in job losses and a deterioration in SACU's food security position;*

- *The profitability challenges experienced by the SACU Industry are directly linked to increasing volumes of opportunistic imports of frozen chicken which significantly undercut the SACU industry;*
- *Dutiable imports of frozen chicken have increased drastically over the period 2015 to 2017. This has caused and threatens to cause the serious injury; and*
- *These low priced imports limit the SACU industry’s ability to increase prices in line with the increases in costs (price suppression) and also reduce sales volumes and market share (as there is a preference for the lower priced imports). The SACU industry has limited storage capacity and export opportunities. This means that when these opportunistic imports enter the SACU market, the SACU industry is forced to lower its prices in order to sell stock and create storage capacity”.*

ITAC invited interested parties to submit comments until end of December 2018. Importers, trade associations, special interest groups and governments, including the United States, made submissions. SAPA’s non-confidential version of the application and supplementary documents can be downloaded on the link:

<https://www.dropbox.com/sh/ba4qw6bejyffzs2/AACktW87itMnjHgiL3SCn8Npa?dl=0>

[Interested parties on both sides of the issue have made official submissions and others made public comments \(see, Hiking Import Tariffs will Hurt South Africa; Chicken Imports Hurting; FairPlay Movement Submission to ITAC; Import Tariffs Increase Encouraged To Protect SA Poultry Sector; ITAC Application on Customs Duties\).](#) Due to the potential impact on U.S. chicken meat imports, Post coordinated with FAS Washington, USTR and the Economic section to submit comments. The submission highlighted the fact that the application failed to address the potential negative impact on South African consumers, who would likely bear the cost of high domestic prices should the tariffs increase for imports. Post will continue to monitor the whole process until South Africa makes its final determination. **Figure 1** shows the process ITAC undertakes and the various steps leading up to the implementation.



**Figure 1 ITAC's Tariff Investigation Process**

Source: ITAC

## South African Chicken Meat Market

Though South Africa is the region's leading producer of chicken meat, imports are regularly required to supplement the demand unmet by local production. In 2018, South Africa imported about 521,500 tons of chicken meat, including 367,000 tons of broiler meat and 154,500 tons of mechanically deboned meat. Brazil was the leading exporter to South Africa in terms of chicken meat, with 62 percent share of the import market. The United States was the second largest, accounting for 16.5 percent of the import market in 2018. The United States exported 86,000 tons of chicken meat to South Africa, valued about \$70.1 million, mostly bone-in chicken meat. The European Union (EU) was the third largest exporter with 12 percent market share.

## Implications of Increasing Customs Duty

Upon completion of the review process, ITAC can either decline the request, increase the duty by a smaller increment or grant the full increase. It is still not clear which incremental increase in the customs duty will effectively knock out U.S. chicken meat imports. However, increasing the duty in any increment will likely have a negative effect on the competitiveness of the bone-in chicken meat from Brazil and the United States in the South African market. Due to the Economic Partnership Agreement with South Africa, chicken meat from the EU can be imported into South Africa free of the general customs duty. In fact, an increase in the general rate of the customs duty by South Africa could make EU bone-in chicken meat relatively competitive in the South African market. Even though South Africa recently [imposed](#) a safeguard duty of 35.3 percent on EU bone-in chicken, the duty will depreciate over four years to 15 percent (See, [South Africa Extends Safeguard Duty on EU Bone-in Broiler Meat](#)), lessening the negative impact of the safeguard duties on the competitiveness of the EU bone-in chicken meat.

Chicken meat is relatively affordable, and has grown to be the most important protein source in the diet of the majority of South Africans. Imports are an integral supplement in the South African market and account for about 30 percent of the total chicken meat consumption in South Africa (Table 2). Increasing the duty at the rates requested by SAPA could potentially result in price increases and make chicken meat imports expensive for many consumers.

**Table 2 South Africa's Chicken Meat Supply**

Attribute	2016	2017	2018
		tons	
<b>Production</b>	1,351,000	1,335,000	1,350,000*
<b>Total Imports</b>	504,000	508,000	521,000
<b>Total Exports</b>	74,000	65,000	51,000
<b>Consumption</b>	1,781,000	1,778,000	1,820,000

\*Estimate

## Attachment:

Customs Tariff Application



Notice 760 of  
2018.pdf

