

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **The SA Poultry Association mounts press offense against the U.S.**

### **Report Categories:**

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### **Report Highlights:**

In an extensive round of media and press interviews, South African Poultry Association Executive Director Kevin Lovell has taken his trade protectionist rhetoric to the people of South Africa by implying that U.S. poultry producers' access to the South African chicken market would destroy the local industry and cost thousands of jobs.

## **Executive Summary**

In an extensive round of media and press interviews, South African Poultry Association (SAPA) Executive Director Kevin Lovell has resorted to trade protectionist rhetoric to try to convince the people of South Africa that continued imposition of punitive antidumping duties against U.S. poultry products are somehow good for South Africa. Lovell has demonized the U.S. poultry industry, and recently has even begun to disparage U.S. provision of preferential duties to South African goods under the African Growth Opportunity Act (AGOA) pursuant to which South Africa sells several billion dollars in good annually to the U.S. market. The South African government has urged to negotiate a settlement to the longstanding antidumping case. However, it appears that in place of negotiating with the U.S. poultry industry, Mr. Lovell is attempting to insulate his industry from having to make any concessions in the discussions surrounding renewal of AGOA. Recently, Mr. Lovell has begun calling the United States a “bully” because it wants fair access to the South African market for U.S. poultry products. Mr. Lovell’s name-calling is particularly inappropriate given the fact that the United States permits 40 percent of the products it imports from South Africa to enter duty free under AGOA and GSP.

### **South African Poultry Association mounts press offense against the United States**

The United States Congress passed AGOA in 2000 allowing preferential duty free access for many goods produced in South Africa and neighboring countries. AGOA is now up for renewal before the U.S Congress, and South African treatment of U.S. poultry imports has become an issue in the congressional debate over renewal. One of the conditions for a country to remain eligible for preferential duties under AGOA is that the country work towards eliminating barriers to U.S. trade and investment and resolving bilateral trade and investment disputes. Congressional critics are now asking whether South Africa meets this basic criteria since South Africa has been imposing antidumping duties on U.S. poultry since 2001 preventing most imports from the United States. Both the U.S. poultry industry and the United States government have questioned whether the basis for those antidumping duties – South Africa’s use of the so-called “weight average cost of production” methodology – is consistent with international law. The United States successfully challenged China before the WTO in a case where China attempted to employ the same type of methodology.

Mr. Lovell argues in his media interviews that giving U.S. poultry exporters access to the South African chicken market would destroy the South African domestic poultry industry and cost thousands of jobs. In reality, demand for chicken in the South African market has been steadily increasing and is greater than the South African domestic industry can supply. In 2000 when South Africa first began imposing antidumping duties on U.S. poultry, South Africa imported approximately 70,000 tons of chicken; last year, South Africa imported more than 400,000 tons. The reality is that the South African domestic industry hasn’t been able to keep up with increases in consumer demand and foreign imports are already an integral part of the market. The South African industry’s attempt to exclude imported chicken by manipulating the antidumping laws has not worked. Demand in the South African market has been increasing so fast that other suppliers have entered the market. Attempting to exclude U.S. imports under these conditions does not serve South African consumers. Local producers and importers should be working together to supply the market place with the poultry meat it requires. In 2014, South Africans consumed about 1.8 million tons of broiler chickens. Local producers supplied 1.4 million tons while the rest (about 400,000 tons) was made up by imports from overseas. That means South Africa imports about \$350 million worth of foreign chicken each year. If the United States poultry

industry were permitted to compete fairly with other poultry exporting countries for the export share of the market, the price that South Africans pay for chicken would also be reduced because of healthy competition. Mr. Lovell contends that U.S. chicken imports would negatively impact South African producers. But the truth is that the United States is merely seeking to be able to compete against the other foreign exporters of chicken already in the market.

South Africa imposes a normal duty of 37 percent ad valorem on imported chicken. The U.S. industry could compete even paying that duty if South Africa would remove the very high additional anti-dumping duties it also imposes U.S. poultry imports. If South Africa were to do so, and if the U.S. exported just \$55 million in chicken to South Africa (roughly the value of poultry that was being imported into South Africa in 1999 before restrictions were imposed), it would be worth over \$20 million (or more than 210 million rand at current exchange rates) in tax revenue to the South African Revenue Service. Poultry imports from the United States thus benefit South Africans in two ways: greater competition in the market will result in a greater supply of imported products at lower prices; and imports will mean increased tax revenues.

Mr. Lovell's arguments that the South African industry will be irrevocably injured by imports from the United States assume, incorrectly, that the market for chicken products is static. In Mr. Lovell's world, the size of the pie is fixed and, if one supplier can sell in the market, it must necessarily mean that all other suppliers lose. In the real world, this is simply not true. South African demand for chicken has been increasing for some time, and continues to increase at a steady rate. Since 2000 both South African domestic production of poultry products and foreign imports of poultry products into South Africa have been growing. Instead of insisting on keeping foreign competitors out of market, SAPA should be working with other parts of the industry – importers and foreign exporters -- to ensure that there is an ample supply of product in the market at affordable prices for all South Africans.

Contrary to Mr. Lovell's arguments, South Africa will not lose jobs if it opens its markets and becomes a vibrant trading partner. The United States' commitment to South Africa, as evidenced by the preferential access it affords South African products, has resulted in jobs in many sectors. South Africa now exports several hundred millions of dollars in automobiles to the United States under AGOA and that has created many jobs in the automotive industry. In the agricultural sector, it is predicted that exports of South African citrus, avocados, lamb, and other products will soon reach \$175 million in annual sales under AGOA, and these exports will also create jobs in South Africa. Citrus exports from the Western Cape to the United States support 22,000 jobs by estimates of the Western Citrus Growers. Given the \$50 million in exports, a simple extrapolation of the data would indicate that new trade from increased citrus, avocado, and lamb exports could add 75,000 jobs to the SA economy. South Africa has much more to gain from being an active and open trading partner, than from resorting to protectionism.

Below is a list of Mr. Lovell's interviews.

- "Q&A: SA poultry responds to US senator"  
<http://www.fin24.com/Economy/QA-SA-poultry-responds-to-US-senator-20150327>,

- “AGOA: A Dangerous Game of Chicken”  
<http://www.psira.co.za/psira/dmdocuments/2014%20PSIRA%20ACT.pdf>,
- “Poultry fails to feather US farmers’ nests,”  
<http://www.bdlive.co.za/business/agriculture/2015/03/11/poultry-offer-fails-to-feather-us-farmers-nests>,
- “Chicken caucus miffed as SA spurns birds from America,”  
<http://www.bdlive.co.za/world/americas/2015/02/24/chicken-caucus-miffed-as-sa-spurns-birds-from-america>, and a think piece by Minister Davies,
- “Renewal of AGOA a benefit to both the US and Africa,”  
<http://www.bdlive.co.za/opinion/2014/08/13/renewal-of-agoa-a-benefit-to-both-us-and-africa>.
- “SA poultry is not holding Agoa renewal hostage”  
<http://www.iol.co.za/business/opinion/letters/sa-poultry-is-not-holding-agoa-renewal-hostage-1.1836593>

Here is the electronic version of the letter from 13 U.S. Senators to Trade Minister Rob Davies March 30, 2015, regarding the anti-dumping duty.

- <http://www.coons.senate.gov/newsroom/releases/release/thirteen-us-senators-voice-concern-over-lack-of-progress-in-south-african-poultry-negotiations>