

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

Voluntary Public

Date: 11/26/2013

GAIN Report Number:

South Africa - Republic of

Post: Pretoria

U.S. Ag Products Face High Tariff Differential in Sub-Saharan Africa

Report Categories:

Agriculture in the Economy

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Report Highlights:

The United States faces stronger competition to market share in South Africa and the region due to increasing trade agreements between the European Union and Sub-Saharan Africa.

General Information:

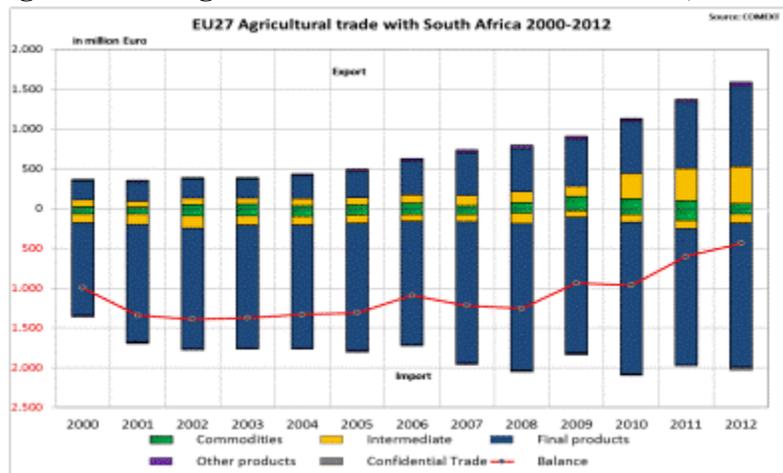
European Union Trade Relationship with Sub-Saharan Africa

As a result of negotiated preferential tariff rates and ongoing trade negotiations, bilateral agreements between the European Union (EU) [1] and countries in Sub-Saharan Africa (SSA) pose greater competition to market share for U.S. agricultural exports to the region. The United States is a supplier of agricultural goods to South Africa, the EU's strongest trading partner in SSA, including poultry and dairy products, cereals, and beverages. However, current EU tariff advantages are creating additional barriers for U.S. exports.

South Africa's existing trade relations with the EU are governed by the Trade Development and Cooperation Agreement (TDCA). The TDCA covers 90% of bilateral trade between the EU and South Africa. The TDCA's liberalization measures with South Africa were fully implemented in 2012. As a result, a large part of EU-South Africa trade is now subject to preferential rates.

Since going into effect in 2000, trade between the EU and South Africa has improved substantially as a result of TDCA. Between 2007 and 2012, EU agricultural exports to South Africa surged from \$990 million to just over \$2 billion. EU exports of poultry, also a major U.S. export to South Africa, have increased nearly six fold. Top EU exports in 2012 by HS chapter were beverages, animal/vegetable fats, and meat. Figure 1 below shows the growing exports from EU to South Africa since the signing of TDCA.

Figure 1: EU Agricultural Trade with South Africa, 2000-2012



Source: European Commission, "Bilateral agricultural trade relations," May 2013

Since 2007, the EU has also been negotiating an Economic Partnership Agreement (EPA) with the Southern African Development Community (SADC) [2]. These ongoing negotiations look to expand EU market access for pork, dairy, wheat, processed foods, and more. Just recently, the EU proposed that all SADC members must sign an EPA by October 2014 otherwise countries will lose the opportunity to have preferential access to the EU market; however, this will not affect South Africa as a result of TDCA.

Tariff Disadvantages for Top US Exports

Major U.S. agricultural exports facing tariff disadvantages in South Africa due to TDCA's preferential access are listed below. Among HS chapters, miscellaneous edible preparations (21), meat products (02), and prepared vegetables, fruit, nuts (20), face an average tariff differential of 10.6%, 7%, 18.4%, respectively. Competitive products from the United States such as prepared baking powders, frozen (cut pieces) poultry, and tomato pastes face tariffs of 37%, 82%, and 30%, respectively. Table 1 below shows tariff differentials (unweighted average) between the United States and the EU in the South African market by chapter. The analysis covers over 1,000 lines of agricultural products in chapters 1-24.

Table 1. US Average Tariff Differentials with the EU in South Africa by HS Chapter, 2012

HS Chapter	Ch. 20	Ch. 22	Ch. 21	Ch. 7	Ch. 2	Ch.12	Ch. 8	Ch. 4	Ch. 10
Description	Prep Vegetables, Fruit, Nuts Or Other Plant Parts	Beverages, Spirits And Vinegar	Miscellaneous Edible Preparations	Edible Vegetables & Certain Roots & Tubers	Meat And Edible Meat Offal	Oil Seeds Etc.; Misc Grain, Seed, Fruit, Plant Etc	Edible Fruit & Nuts; Citrus Fruit Or Melon Peel	Dairy Prods; Birds Eggs; Honey; Ed Animal Pr Nesoi	Cereals
Tariff % difference	18.4	16.8	10.6	9.9	7.0	6.9	5.8	4.1	1.2
Highest tariff differentials per Chapter	Pineapples 55% Tomato Paste 37% Mushrooms 37% Olives 25%	Wine, etc. 25% Alcohol with ABV of 80% or more 31% c/li aa	Prepared baking powders 30%	Garlic 325c/kg with max. of 37% Potato-es, 30%	Poultry, Not cut in pieces, frozen 82% Poultry, Cuts and offals, frozen 37%	Flours 20% Locust beans 20%	Guavas, mangoes, mangosteens 35% Fruit and nuts 20%	Flavored, buttermilk kephir, etc 450c/kg w/ max. of 96% Whey, 450c/kg w/ max. of 96% Honey 22%	Some millet 5% Grain sorghum 3%
Total U.S. Exports to SA (in millions)	\$9.2	\$29.3	\$33.4	\$6.5	\$31.1	\$10.6	\$15.2	\$29.3	\$31.4
Total EU Exports to SA (in millions)	\$71.2	\$452.0	\$152.7	\$19.0	\$265.0	\$29.7	\$20.0	\$106.5	\$41.4

Source: South Africa Customs and Excise Tariffs and Global Trade Atlas

In spite of the growing U.S. export opportunities in areas such as consumer-oriented products to South

Africa, the EU still has significantly more market share than the U.S. partly as a result of preferential access. For example, in 2012 for example, \$30 million of dairy products (04) were exported from the US to South Africa. A top U.S. export such as whey faces a tariff of 450c/kg (South African Rands [3]) with a maximum of 96%. The United States is South Africa's second largest supplier of whey (040410) after France.

The United States exported \$31 million of meat products to South Africa in 2012 compared to \$265 million from the EU. The overall tariff difference by HS chapter for meat is 7% between the US and the EU. In addition to these high tariff rates, South Africa has an anti-dumping duty of 940 c/kg on frozen chicken cuts. Table 2 below shows the significant differences on poultry certain products.

Table 2. Tariff Differentials on Poultry Between the US and the EU, 2013

HS Chapter	Description	General Tariff	EU Tariff	Tariff Diff.
0207.12.20	Carcasses	31%	Free	31%
0207.12.90	Other	82%	Free	82%
0207.14.10	Boneless cuts	12%	Free	12%
0207.14.20	Offal	30%	Free	30%
0207.14.90	Other	37%	Free	37%

Source: South Africa Customs and Excise Tariffs

The United States faces stronger competition to market share in South Africa and the region due to increasing trade agreements between the EU and SSA. As U.S. companies continue to look for opportunities in SSA, it is important to understand the trade competition in the region.

Further Information

SADC: <http://ec.europa.eu/trade/policy/countries-and-regions/regions/sadc/>

EPA Negotiations: http://trade.ec.europa.eu/doclib/docs/2009/september/tradoc_144912.pdf

SADC EPA Interim Agreement: http://trade.ec.europa.eu/doclib/docs/2009/july/tradoc_143981.pdf

TDCA: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/south-africa/>

2007-2013 Joint Country Strategy, EU and South Africa:

http://ec.europa.eu/development/icenter/repository/print_csp07_za_en.pdf

AGOA: <http://trade.gov/agoa/>

SA Tariff Data: <http://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-04%20-%20Schedule%20No%201%20Part%201%20Chapters%201%20to%2099.pdf>

Endnotes:

^[1] EU member countries include Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

^[2] SADC countries include Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland and South Africa, as well as the Democratic Republic of the Congo, Tanzania, Malawi, Mauritius, Zambia and Zimbabwe.

^[3] Exchange rate as November 26, 2013 is 10.08 Rands per U.S. Dollar.

