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POLICY

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U.S. Beef, Pork, and Poultry Exports to South Africa Remain Blocked

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Report Highlights:

At present, South Africa is one of a few nations in the globe that restricts U.S. beef, pork, and poultry. Conservative estimates indicate that the United States' beef, poultry and pork industries (including pet food) are currently losing out on annual trade to South Africa worth about US\$175 million, which is just over half the value of existing U.S. agricultural exports to South Africa. The market to South Africa is limited for these industries due to anti-dumping duties and technical trade barriers. Annually, South Africa imports beef, poultry and pork products worth about US\$630 million, largely from Europe, Brazil, and Canada. South African livestock product imports would not increase dollar for dollar with U.S. access, but exporters would have the opportunity to compete for supply with the EU, Brazil, and Canada. While USDA/Pretoria expects technical sanitary discussions to resolve some issues for beef and poultry, South Africa is resistant to taking action on pork.

General Information:

Executive Summary:

USDA and APHIS/Pretoria met with the South African Department of Agriculture, Forestry, and Fisheries (DAFF) Directorate for Veterinary Import and Export Unit on April 3, for discussions on outstanding market access barriers affecting U.S. beef, pork and poultry. At present, South Africa is one of a few nations in the globe that restricts U.S. beef, pork, and poultry. During the meeting, some progress was achieved on fresh poultry meat and beef, but DAFF's position on pork appears nearly intractable. Conservative estimates indicate that the United States' beef, poultry and pork industries (including pet food) are currently losing out on annual trade to South Africa worth about US\$175 million, which is just over half the value of existing U.S. agricultural exports to South Africa. The market to South Africa is limited for these industries due to anti-dumping duties and technical trade barriers. Annually, South Africa imports beef, poultry and pork products worth about US\$630 million, largely from Europe, Brazil, and Canada.

USDA Seeks Progress on U.S. Beef to South African Officials

During the April 3 meeting, USDA noted we still await a reply from DAFF to our November 4 letter requesting DAFF recognize the OIE BSE "negligible risk" determination for the U.S., and conclude any outstanding beef negotiations. DAFF replied that a response may be forthcoming by late-April, and that their veterinary staff was working on a beef proposal for USDA, in tandem with the response to our request. South Africa already imports beef from other negligible risk countries, and USDA emphasized the need to be consistent with OIE guidelines, just as South Africa is currently seeking other countries to recognize their recent OIE Foot and Mouth Disease free region

South Africa has maintained a ban on the import of all U.S. ruminant products, following the detection of a Bovine spongiform encephalopathy (BSE) positive animal in Washington State in 2003. The ban also affects pet food, by requiring U.S. pet food manufacturers to set up dedicated lines for reformulated pet food to South Africa. Prior to the BSE detection, the U.S. supplied up to half of the pet food market in South Africa. Under current restrictions, the U.S. only supplies six percent of a \$50 million local pet food market.

Restrictions on U.S. Pork Remain in Place

Pork remains highly sensitive with South Africa, as the country indicates it is free of Porcine Reproductive and Respiratory Syndrome (PRRS). South Africa believes it must maintain its PRRS-free status, and so notified the WTO of a new class restriction with the disease, which stopped U.S. pork exports to South Africa in June 2013. DAFF has created a nation-wide disease surveillance program, which includes monitoring for PRRS, and is likely to insist that all pork imports comply with the current PRRS regulation. Their status as PRRS-free, or whether PRRS is a legitimate reason to prohibit trade is not scientifically proven, as the OIE has not produced trade guidelines for PRRS. The USDA team requested DAFF Veterinary Services go back to the USDA pork proposal of late 2013, and reconsider some of the technical language DAFF originally refuted. After some discussion, DAFF would not allow pork imports from the U.S. without compliance with their PRRS requirements.

Poultry Meat Nears Conclusion, Yet Anti-Dumping Duties Remain

Much progress was made in discussing USDA's counter-proposal for South Africa's importation of fresh poultry meat. The tone and lack of technical questions on the proposal indicated this is close to a positive resolution. USDA/Pretoria remains optimistic that the issue requires only a few more technical clarifications prior to being finalized.

South Africa imports more than \$300 million in poultry products, primarily bone-in products from the EU and Brazil. The South African poultry industry is straddled with long-standing production inefficiencies that make the country deficient in meeting domestic demand. Being deficient in supply has also negatively impacted the industry's ability to appropriately market their cuts. Traders report that South African broiler wings receive the greatest premium. However, these supply deficiencies have created opportunities for U.S. mechanically deboned meat (MDM), and poultry offals, especially chicken livers. In 2013, the U.S. exported \$3 million in MDM and liver, less than one percent of the total import market. This small amount of product is entering the country by exports meeting the requirements of the pre-existing health certificate.

South Africa's long-standing (since 2000) poultry anti-dumping duties (ADDs) against U.S. bone-in chicken keep the U.S. as a supplier of only these niche products, like MDM. During the recent Annual Bilateral Forum with the South African Government, USDA/Pretoria approached the Department of Trade and Industry (DTI) about the ADDs and DTI was disinterested in taking any unilateral action to remove the ADDs, and suggested the U.S. poultry industry put forth a legal challenge during the next sunset review in 2017. Although the U.S. is the 9th largest supplier of poultry to South Africa, the \$3 million in imports is less than one percent of the total import market. In 2013, South Africa imported over \$300 million in poultry, which were primarily bone-in cuts from Europe and Brazil. These two South African trading partners have successfully avoided punitive measures against their poultry products, while U.S. products face discriminatory ADDs.