

**Voluntary Report** – Voluntary - Public Distribution

**Date:** April 22, 2021

**Report Number:** SF2021-0026

**Report Name:** South Africa Initiates Review of Poultry Tariff Structure

**Country:** South Africa - Republic of

**Post:** Pretoria

**Report Category:** Poultry and Products

**Prepared By:** Makoma Makgopa

**Approved By:** Kyle Bonsu

**Report Highlights:**

On March 16, 2021, the International Trade Administration Commission (ITAC) announced plans to review the tariff structure of poultry (fowls of the species Gallus Domesticus). ITAC will undertake this tariff investigation, which stems from the Poultry Sector Master Plan that was agreed to and signed by government and the poultry industry stakeholders in November 2019. In 2018, South Africa imported 566,208 tons of poultry products; however, there was a decline over the following two years with total poultry imports dropping to 485,542 tons in 2020. The total poultry imports declined by 11 percent from 2020 to 2019. Post forecasts a 15 percent decrease in imports for the year 2021.

## **Background**

On March 16, 2021, the International Trade Administration Commission (ITAC) announced plans to review the tariff structure of poultry (fowls of the species *Gallus Domesticus*). ITAC will undertake this tariff investigation, which stems from the Poultry Sector Master Plan that was agreed to and signed by government and the poultry industry stakeholders in November 2019. The Master Plan was established to revitalize the South African poultry industry, including by reducing imports. Therefore, the Minister of Trade and Industry and Competition directed ITAC to conduct the review and submit recommendations to the Minister.

The Minister directed ITAC to focus its review on the following items:

- a) “Considering the introduction of specific rather than ad valorem duties;
- b) Considering simplifying the tariff structure by reducing the number of tariff lines for poultry in Schedule 1 to the Customs and Excise Act, Act 91 of 1964, by operating at a 6-digit, 7-digit or 8-digit level;
- c) Considering specific anti-dumping measures where appropriate and consider how these impact on the level of the ad valorem tariffs;
- d) Considering the introduction of an appropriate system of rebates whereby tariff levels on certain imports can be reduced where parties are achieving exports; and
- e) Considering the possibility of other measures such as an entry price system.”

## **Poultry Sector Master Plan**

The Poultry Sector Master Plan was signed on November 7, 2019 by the South African government and various stakeholders in the poultry industry, including poultry producers and traders. The Master Plan is meant to grow output and jobs in the industry through various measures that will be implemented over a number of years. The plan is based on five pillars that will be used as a guide towards implementation of the plan. One of the plan’s fundamental objectives is to contain imports.

The recent review and investigation of the entire poultry tariff structure falls under Pillar five of the Master Plan. Pillar Five speaks about implementing trade measures to support local industry, and the trade measures are the focal elements of the current investigation.

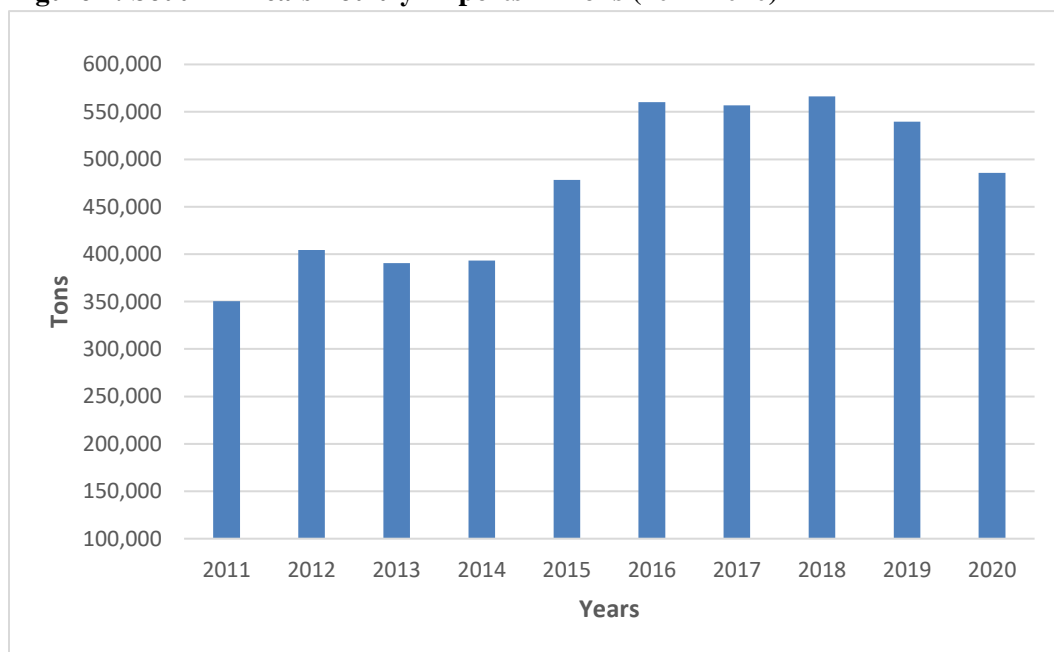
Although the industry and government have rallied support towards the Master Plan, some stakeholders are concerned the suggested measures will not achieve complete success in reviving the local poultry industry. In a recent radio interview, an official of the National Agriculture Marketing Council stated that trade policy alone will not help in solving the problems of the poultry industry because the issues are structural. South Africa has increased the import duties on poultry products, applied anti-dumping duties on multiple trading partners (including the United States) and also applied safeguard duties on the European Union countries that were the primary poultry exporters to South Africa. Notwithstanding all of these protective measures, the local poultry

producers haven't been able to produce enough poultry that will be sufficient to supplement imports and meet all the domestic demand.

### South Africa Poultry Imports

Figure 1 below shows South Africa's poultry imports from the world during the years 2011 to 2020. The figure reflects chicken, turkey, duck's meat products. Chicken cuts and edible offal dominated the poultry imports contributing 48 percent towards the total SA poultry imports in 2020. The graph shows that the imports have been increasing steadily from 2011 and reached a peak of 566,208 tons in 2018. After the peak the imports started declining. The decline is caused by the numerous trade remedies measures that were implemented, the Covid-19 lockdown as there was less demand for meat because of lack of economic activity. In 2018 the total poultry products imported were 566, 208 tons while in 2020 the total poultry imports were 485, 542 tons. The total 2020 imports decreased by 11 percent as compared to 2019. Post forecasts that for the year 2021, the chicken imports will decrease by 15 percent as a result of the tariff measures imposed by the South African government.

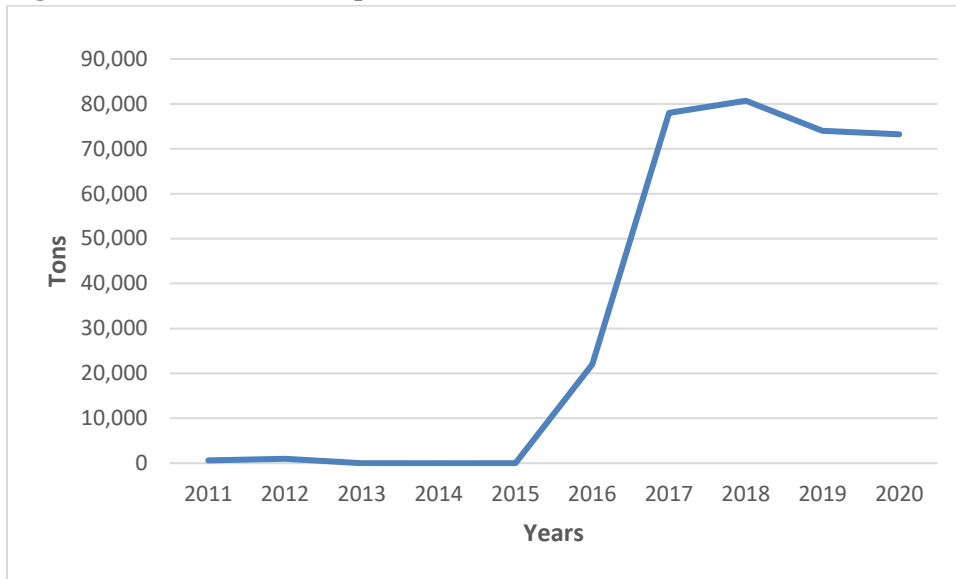
**Figure 1: South Africa's Poultry Imports in Tons (2011-2020)**



**Source: South African Revenue Services (SARS)**

Figure 2 below shows U.S. bone-in chicken meat imports into South Africa for the years 2011 to 2020. Between the year 2011 and 2015 the imports were less than 1000 tons; this was as a result of the anti-dumping duty that South Africa imposed against the U.S bone-in imports. The U.S started exporting significant bone-in chicken meat to South Africa after the year 2015 when the two countries agreed on a Tariff rate quota. Bone-in chicken meat imports have shown a decreasing trend for the past three years due to the increase in tariffs and the Covid-19 lockdown that led to decrease in economic activity.

**Figure 2: South Africa's Imports of U.S. Bone-In Chicken Meat in Tons (2011-2020)**



**Source: SARS**

### **South Africa Must Consider Impacts on Market Supply and Consumer Prices**

In 2020, South Africa's poultry imports declined and its bone-in chicken imports from the United States also decreased due in large part to the effects of the COVID-19 pandemic. Since March 2020, South Africa has been through various iterations of national lockdowns, which disrupted trade and led to declines in demand.

Nonetheless, there is still a need for imports to supplement local production. On average, poultry imports often account for roughly one-third of total supplies needed to meet domestic demand. 40 percent of South Africa's population cannot afford a basic food basket and chicken is considered a cheaper protein alternative because the price of beef and mutton are high. Imposing more tariffs will increase the price of chicken which will put more pressure on the disadvantaged people in the country. This evidences the need for South Africa to carefully balance the objectives of growing the domestic output and decreasing imports with the need to ensure sufficient supplies are available and that local prices do not rise exponentially.

**Attachments:**

[Ministerial Directive to Review the Tariff Structure for Poultry, Classifiable under Tariff Heading 0207.1.pdf](#)