

Voluntary Report – Voluntary - Public Distribution

Date: April 30,2020

Report Number: SF2020-0024

Report Name: United States Poultry Exports to South Africa Continue Steady Increase

Country: South Africa - Republic of

Post: Pretoria

Report Category: Poultry and Products

Prepared By: Makoma Makgopa

Approved By: Kyle Bonsu

Report Highlights:

The United States exports bone-in chicken meat to South Africa under a Tariff Rate Quota (TRQ) arrangement, which was set at 68,590 tons to be imported quarterly for the April 2019 - March 2020 quota year. The TRQ provides a key market access opportunity for U.S. poultry exports to South Africa, as it exempts bone-in chicken imports from a prohibitively high anti-dumping duty. Since 2017, imports of U.S. bone-in chicken have performed well as the quota was utilized fully during the years 2017/2018, 2018/2019 and again in 2019/2020. Although the United States is one of the leading poultry exporters to South Africa, it is joined by Brazil and the European Union whom enjoy significant market share as well.

Background

The United States exports bone-in chicken meat to South Africa under a Tariff Rate Quota (TRQ) arrangement, which was set at 68,590 tons to be imported quarterly for the April 2019 - March 2020 quota year. The TRQ provides a key market access opportunity for U.S. poultry exports to South Africa, as it exempts bone-in chicken imports from a prohibitively high antidumping duty. When the TRQ is filled, the bone-in chicken meat is subject to the antidumping duty. On March 12, 2020, the South African Ministry of Finance announced an increase in the import duty applied to boneless chicken meat from 12 percent to 42 percent and from 37 percent to 62 percent for bone-in chicken meat. This decision came after the South African Poultry Association (SAPA) petitioned the International Trade Administration Commission (ITAC) in 2018 for an increase in both boneless and bone-in chicken meat import duties to 82 percent. The suggested 82 percent is South Africa's bound rate for chicken imports bound rate under its World Trade Organization commitments.

U.S. Bone-in Chicken Imports into South Africa: Allocations and Utilization

Since 2017, imports of U.S. bone-in chicken performed well as the quota was utilized fully during the years 2017/2018 and 2018/2019. Table 1 below shows imports of U.S. bone-in chicken and the annual allocations in tons. During the year 2016/2017, 72 percent of the quota allocated was utilized, likely because that was the first year and the traders needed to adjust to the system.

Table 1: U.S. Bone-in Chicken Imports into South Africa – Annual Allocation (tons) and Utilization

Quota Year	Quota Allocated	Total Imported	% of Quota Utilized
2016/2017	65,000	46,623	72%
2017/2018	65,000	69,280	107%
2018/2019	65,417	73,539	112%

Source: Trade Data Monitoring (TDM)

Table 2 below shows the U.S. bone-in chicken imports into South Africa so far for the quota year April 2019 – March 2020. The total quota allocated for the year 2019/2020 was 68,590 tons, and as of February 2020, the total bone-in chicken imports exceeded the allocation and reached 71,112 tons. This indicates that the quota is 103 percent utilized with one month of trade data yet to be reported for the quota year.

Table 2: U.S. Bone-in Chicken Imports into South Africa per Quota Year (2019/2020) • April 2019 – February 2020 (tons)

April	May	June	July	August	September	October	November	December	January	February	Total
5,570	6,504	8,807	4,585	7,042	4,039	3,933	7,011	8,658	5,775	9,188	71,112

Source: TDM (Year-to-date Imports)

Table 3 below shows the percentage of quota filled per year from 2016/2017 to 2019/2020, reflecting the annual quota utilization from April to February for the years listed. Over the first 11 months during each of the past three quota years, the quota was utilized below 100 percent, while 103 percent was utilized during the 2019/2020 quota year. Post believes that the advanced pace of the quota fill may be due to traders fears of the import duty increase.

Table 3: Percentage of Quota Filled Year to Date • April 2019 – February 2020 (tons)

Quota Year	Total Allocated	Total Filled	% of Total Quota
2016/2017	65,000	22,112	34%
2017/2018	65,000	57,436	88%
2018/2019	65,417	62,723	90%
2019/2020	68,590	71,112	103%

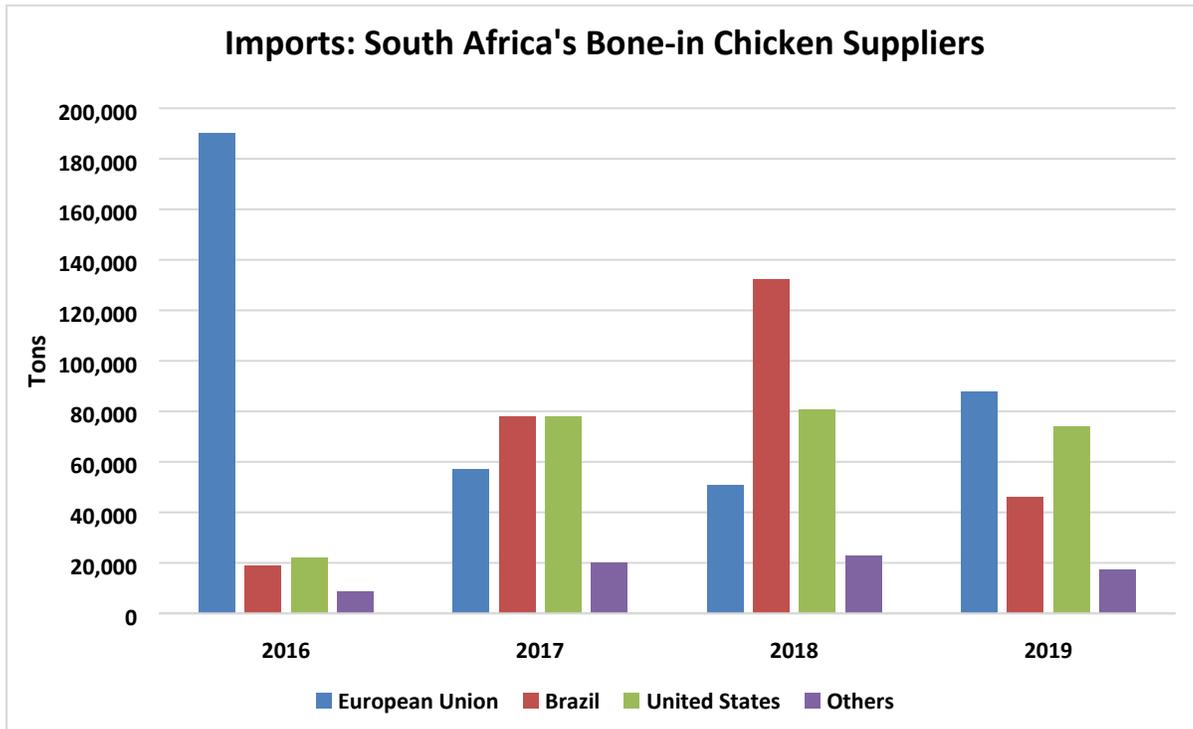
Source: TDM

South Africa s’ Top Suppliers of Bone-in Chicken from the years 2016 to 2019

While the United States is one of the leading poultry exporters to South Africa, it is joined by a few other trading partners that enjoy significant market share as well. Figure one below shows the top exporters of bone-in chicken to South Africa from the years 2016 to 2019. These countries include Brazil, the United States and the European Union. The European Union enjoys duty free market access as a result of the Southern African Development Community - European Union Economic Partnership Agreement, while the United States and Brazil trade with South Africa under the general *Most Favoured Nation* regime. Thus, boneless and bone-in chicken imports from the European Union are not subject to the recent tariff increases.

Although Brazil, the United States and the European Union alternate when it comes to leading exports per year from the year 2016 to 2019, the European Union exported a total of 385,884 tons followed by Brazil with 275,336 tons and the United States with 254,658 tons. In 2016, the European Union was the top exporter of bone-in chicken to South Africa with a total of 190,043 tons, followed by Brazil and then the United States. However, from the year 2017 to 2018, imports of bone-in chicken from the European Union to South Africa declined as a result of the Highly Pathogenic Avian Influenza (HPAI) outbreak that many EU countries experienced in 2017. Consequently, South Africa banned imports from several EU countries. In addition, antidumping duties and safeguard measures were instituted against companies and countries from the EU that export bone-in chicken to South Africa. Brazil was the leading exporter in 2018 with 132,461 tons followed by the United States with 80,696 tons and the EU with 50,946 tons. The EU regained the first position in 2019 followed by the United States and Brazil.

Figure 1: Leading Exporters of Bone-in Chicken to South Africa



Source: TDM; South African Reserve Bank

The increased import duty on the bone-in chicken imports by the South African authorities, the signing of the Poultry Master plan by different stakeholders in the industry and the bumper maize harvest in the country will have a positive impact on the productivity of the poultry industry in the country. Post forecasts that more local companies will invest more and more poultry products will be produced.

Attachments:

No Attachments.