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Report Name: South Africa Announces Chicken Rebates

Country: South Africa - Republic of

Post: Pretoria

Report Category: Poultry and Products

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Report Highlights:

On January 26, 2024, the Department of Trade, Industry and Competition (DTIC) together with the International Trade Administration (ITAC) announced the decision to implement a 25 percent rebate on bone-in cuts and 30 percent rebate on boneless chicken of imported chicken. This decision follows an announcement in October 2023 that ITAC would consider rebates to avoid poultry shortages after the country was affected by a Highly Pathogenic Avian Influenza (HPAI) outbreak. The rebates will be allocated by means of an annual quota that will be valid for 12 months and dependent on confirmation for the Department of Agriculture, Land Reform and Rural Development (DALRRD) that the current HPAI outbreak still has an impact on domestic production and supply. The volume of meat that is eligible for the rebate may not exceed a basic annual quota of 172,000 metric tons.

Background

On January 26, 2024, the Department of Trade, Industry and Competition together with the International Trade Administration announced the decision to implement rebates on boneless and bone-in chicken cuts. The decision will provide a 25 percent rebate on bone-in cuts and 30 percent rebate on boneless chicken of imported chicken. This decision came after a directive by the Minister to investigate a possible temporary customs rebate on imported and edible offal, fresh, chilled, or frozen chicken after the country was affected by the worst Highly Pathogenic Avian Influenza since 2017 (See : South Africa intensifying battle highly pathogenic avian influenza leads egg shortage and possible vaccination program) to prevent supply shortages and significant price increases.

According to the news outlets, the Association of Meat Importers and Exporters (AMIE) welcomed the decision by the minister and alluded that the decision demonstrates that the government notices the plight of the poor. However, the South African Poultry Association (SAPA) argues that there is no rational argument for a rebate on tariffs, adding that there was no poultry meat shortage over the festive season and that the supply chain is well stocked.

Post contacts have indicated that the Department was motivated to avoid further inflation of chicken meat costs and lessen the burden of expense to poor households. The cost of bone-in chicken meat in South Africa has increased by 28 percent over the past three years, and a report issued last year by the Competition Commission noted concerns around the potential for the domestic industry to achieve "anti-competitive prices," especially when protected from international competition through "high levels of trade protection." (See: South Africa Competition Commission report examines poultry.) South Africa is currently imposing duties on poultry imports from all major suppliers. In March 2020, South Africa increased the applied most favored nation (MFN) duties on imports of bone-in chicken from 37 percent to 62 percent, and from 12 percent to 42 percent for boneless portions. Furthermore, the United States, Brazil, Poland, Ireland, Denmark, and Spain are subjected to Anti-Dumping Duties on bone-in chicken meat.

Rebate Allocation and Process

The rebates will be allocated by means of an annual quota that will be valid for 12 months and dependent on confirmation for the Department of Agriculture, Land Reform and Rural Development (DALRRD) that the current HPAI outbreak still has an impact on domestic production and supply. The volume of meat that is eligible for the rebate may not exceed a basic annual quota of 172,000 metric tons or a volume that will be deemed appropriate by the Ministers of DALRRD and DTIC. The quota will be divided into four equal quarters (i.e. 43,000 tons) depending on the trajectory of the recovery of the domestic poultry industry. The allocation will be shared between Historically Disadvantaged Importers and Established Importers on a 50/50 basis, with all applicants allocated the same minimum quantity, with additional quantities allocated by ITAC across all applicants based on their market share. The rebate permit will be valid for a period of three months from the date of implementation, or for a period determined by ITAC.

The quarterly allocation process appears to closely mirror the Tariff Rate Quota process under which the United States is able to export a set volume of bone-in poultry fee of anti-dumping duties. It is unclear how the tariff rebate and the duty rebate under the TRQ may interact, and how much alignment can be expected between the processes and receipt of quota. FAS/Pretoria is seeking clarification on these issues.

Attachments:

International Trade Administration Commission of South Africa guidelines for the application of the tariff rate quota.pdf