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What next for South Africa's poultry sector?

The chicken sector has struggled under the weight of increasing imports, particularly in the last three to five years. Overall chicken imports grew 7-fold over a 15 year period – from 63 722 tons in 2001 to 456 794 tons in 2015. The key drivers of South Africa's chicken imports, broadly, come from mechanically deboned chicken (classified under the product code:0207.12.10) and bone-in portions (0207.14.90) – the two product categories make up to 90% of the countries imports.

Between 2013-2015, mechanically deboned chicken made up an average of 40% of South Africa's poultry imports (see Table 1). A major share of mechanically deboned chicken imported by South Africa comes from Brazil, entering the market duty free. The motivation of the zero tariff was the desire by the government to ensure access to low-cost meat protein for low income households. In 2015, imports of mechanically deboned chicken into South Africa were just under 180,000 tons, which are a record high.

Table 1: Structure of South Africa's poultry imports, 2013-2015

HS Code	Product Description	Average composition RSA's chicken imports (2013-2015)		Major import sources (% share in brackets)
		Average import volume (tons)	Share of total chicken imports (%)	
0207.12.10	Mechanically deboned meat	156 351	40%	Brazil (85%)
0207.12.20	Frozen carcasses	18 150	5%	EU and Argentina
0207.12.90	Other: frozen whole birds	3 703	1%	
0207.14.10	Boneless cuts	13 440	3%	Brazil (90%)
0207.14.20	Offal	36 763	9%	EU (39%) Brazil (32%) Argentina (19%)
0207.14.90	Bone-in portions	164 838	42%	EU (87%)

Source: calculated on the basis of ITC (2017)

Bone-in portions (**0207.14.90**) which make up an average of 42% of total chicken imports into South Africa, and they are the most contentious product from a trade policy perspective. A significant share of South Africa's bone-in portions come from the EU (averaging 87% between 2013-2015), which entered South Africa duty free under the Trade and Development Cooperation (TDCA), and now duty free still, under the Economic Parternship Agreement (EPA). In 2015, South Africa imported 192 417 tons of bone-in portions. in 2016, this increased by 11% to 212 663 tons , with December 2016 figures still to be included. That means 2016 is set to be a record for imports of bone-in portions.

The US entered the bone-in portions South African market in January 2016 after a temporary rebate provision was implemented in December 2015 – to allow the US to export 65 000 tons of bone-in portions without an anti-dumping duty of R9.40/kg, but at an import duty of 37%. By November 2016, South Africa had imported 17 860 tons of bone-in portions 17 860 tons from the US. This is 8.4% of South Africa's total imports of bone-in portions for 2016 (Jan-Nov), and 27% of their allocated quota.

In December 2016, South Africa implemented a safeguard duty, of 13,9%, which was deemed well below expectation as producers sought at least a 37% duty. In addition to the safeguard, South Africa implemented anti-dumping duties against specific companies in the UK, Netherlands, and Germany which were deemed to be exporting bone-in portions to South Africa at prices below that which they sell in their home countries. These anti-dumping duties ranged between 3,86% to 73,33% (see Table 2).

Table 2: Anti-dumping duties on bone-in portions (0207.14.90) imports into South Africa

Producer	Country	Duty
Bogen, Holte, Lohne and Möckern plant which all export through Wiesenhof International	Germany	31.3%
All other producers	Germany	73.33%
Plukon Goor BV, Plukon Dedemsvaart BV, Plukon Blokker BV	Netherlands	3.86%
Pluimveeslachterij C van Miert BV, Pluimveeslachterij Mieki Hunsel BV, Frisia Foods BV	Netherlands	Exempt
All other producers	Netherlands	22.81%
Moy Park Ltd, 2 Sisters Food Group Ltd and Amber Foods Ltd	UK	12.07%
All other producers	UK	30.99%

Source: ITAC (2016)

These anti-dumping measures will be implimented over a six month period between January 2017 and June 2017. Meanwhile, a review discussion is underway to consider additional measures to address the unprecedented increase in poultry imports, as the industry battles to overcome the price-suppression effects of poultry imports from the EU. The hope is that, while policy fends of the negative impact of EU bone-in poultry portions, the industry will gain cost competitiveness from either incentives under the Industrial Policy Action Plan (IPAP), and/or managing the costs of inputs, such as animal feed, labour, electricity, among others.

From a domestic production perspective, a normal season will see South Africa's yellow maize prices declining to near-export parity levels that should bring some critical cost-reduction to the poultry sector. To add, the SACU-MERCOSUR agreement has reduced the duty for soybean cake – a critical feed input – from 6.6% to 4.95%, ensuring import cost reductions of about 1.65%. This should also see some degree of cost-reduction in feed, which should be a welcome development in the poultry sector. Meanwhile, a ban on poultry imports due to Highly Pathogenic Avian Influenza (HPAI) from 6 EU countries (Denmark, France, Germany, Hungary, the Netherlands and Poland) conviniently provides the South African poultry industry much-needed breathing space for recovery.

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