Challenging Anti-dumping Duties: Supporting Food Security in South Africa

Report for AMIE SA

TUTWA CONSULTING GROUP

AMIE ASSOCIATION OF MEAT IMPORTERS & EXPORTERS
fair trade | global access | industry voice

Contents

Chapter 1: Background and context of the study

1. Introduction

Despite the significance of chicken meat in South African consumer preferences and the domestic industry's inability to satisfy the demand, the government implemented anti-dumping duties (ADDs) on key import partners, which include Brazil, Denmark, Ireland, Poland, and Spain. The purpose of this report is to furnish the Association of Meat Importers and Exporters South Africa (AMIE SA) with an evidence foundation to enable them to challenge these restrictive measures.

With the ADDs on the above countries currently suspended, and facing reinstatement in August 2023, the primary objective of this report is to present a well-substantiated case against the reinstatement of existing suspended ADDs on bone-in chicken imports from the above countries. It also aims to provide evidence-based arguments that challenge the rationale for the continuation of ADDs imposed on other countries over the years.

2. Report outline

The report comprises three core chapters, each highlighting the necessity of continued imports to ensure food security. Chapter 2 thoroughly examines the domestic poultry industry, encompassing production, consumption, imports, and prices. It concludes that South African producers are incapable of meeting the demand, thus emphasizing the reliance on imports to ensure food security. Additionally, the chapter reveals a notable escalation in chicken meat prices in recent years, underscoring the need for government intervention to mitigate price increases.

In Chapter 3, the focus shifts to an analysis of government plans and policies, the challenges encountered by domestic producers and exporters, and the impact of ADDs on the domestic industry. The chapter demonstrates that the attainment of South Africa's primary objectives necessitates imports and emphasizes that prohibiting chicken meat imports, a vital dietary staple, could have severe repercussions for food security within the country. Furthermore, Chapter 3 details that constraints extend well beyond the presence of imports. Finally, it presents evidence indicating that the imposition of ADDs has not resulted in a significant improvement in the performance of the domestic industry.

In Chapter 4, the focus is on evaluating the impact of duties on imports, prices, and consumer welfare for the case of Brazil. The chapter highlights that the imposition of ADDs did lead to a reduction in imports. However, it also reveals that this reduction occurs at the expense of increased prices. This section of the report also demonstrates the impact of tariffs on the consumer – showing a substantial decrease in consumer welfare.

In Chapter 5, the report delves into the potential consequences that may arise if prohibitive tariffs continue. It explores the depth of trade relations with the countries subjected to ADDs and hypothesize potential outcomes, i.e., opportunities lost, should these countries retaliate with their own restrictive measures. This section also addresses the possibility of South Africa's exclusion from the African Growth and Opportunity Act (AGOA) and outlines the potential ramifications associated with such an exclusion. These issues are considered within the context of South Africa’s currently precarious relations with key trade and development partners. It demonstrates that South Africa would be better-off if it maintained good relations with the countries subjected to ADDs.

3. South Africa's precarious macroeconomy

This report acknowledges the challenging state of South Africa's economy, which is burdened by significant obstacles impeding its growth. Despite a modest 0.4% increase in gross domestic product (GDP) during the first quarter of 2023, this growth remains inadequate to meet the demands of a rapidly expanding population.[1]

Furthermore, the weakened economy has had an adverse impact on the unemployment rate. Despite 258 000 individuals finding employment in the first quarter of 2023, the official unemployment rate has risen by 0.2 percentage points, reaching 32.9%.[2] This concerning trend can be attributed to various factors, including load-shedding, which inflicted a R300 billion cost on the economy in 2022.[3]

In addition, consumer inflation in South Africa remains elevated, with a rate of 6.8% in April 2023, while food price inflation stands at 13.9%.[4] Considering the country's ailing economy and the difficult situation for consumers, the report underscores the importance of collective efforts to ensure food security, urging measures that support food security rather than undermining it.

Given the prevailing challenges in South Africa's struggling economy, with insufficient economic growth, high unemployment rates, and elevated consumer inflation, the report highlights the need for a concerted effort to prioritize food security and the stability of poultry value-chains which play a significant role in supporting employment throughout the economy. In this context, the report argues against the implementation of measures that reduce the availability of affordable chicken meat and increase domestic prices in the South African market. Instead, it emphasizes the importance of removing such measures to safeguard food security and mitigate the adverse effects on consumers.

[1] Stats SA, South African economy expands by 0.4%, 4 June 2023, https://www.statssa.gov.za/?p=16379#:~:text=After%20the%20sharp%20downturn%20in,GDP%20remains%20below%20this%20peak; Stats SA, The World at 8 billion, 15 November 2022, https://www.statssa.gov.za/?p=15918.

[2] Stats SA, Quarterly Labour Force Survey Q1:2023, Media Release, https://www.statssa.gov.za/publications/P0211/Media%20release%20QLFS%20Q1%202023.pdf.

[3] Patrick Lawlor, SA's load shedding constraint and its impact on different economic sectors, Investec, 2 March 2023, https://www.investec.com/en_za/focus/economy/sa-s-load-shedding-how-the-sectors-are-being-affected.html.

[4] Stats SA, Inflation eases to 11-month low, 24 May 2023, https://www.statssa.gov.za/?p=16337.

Chapter 2: Overview of the domestic industry

1. Introduction

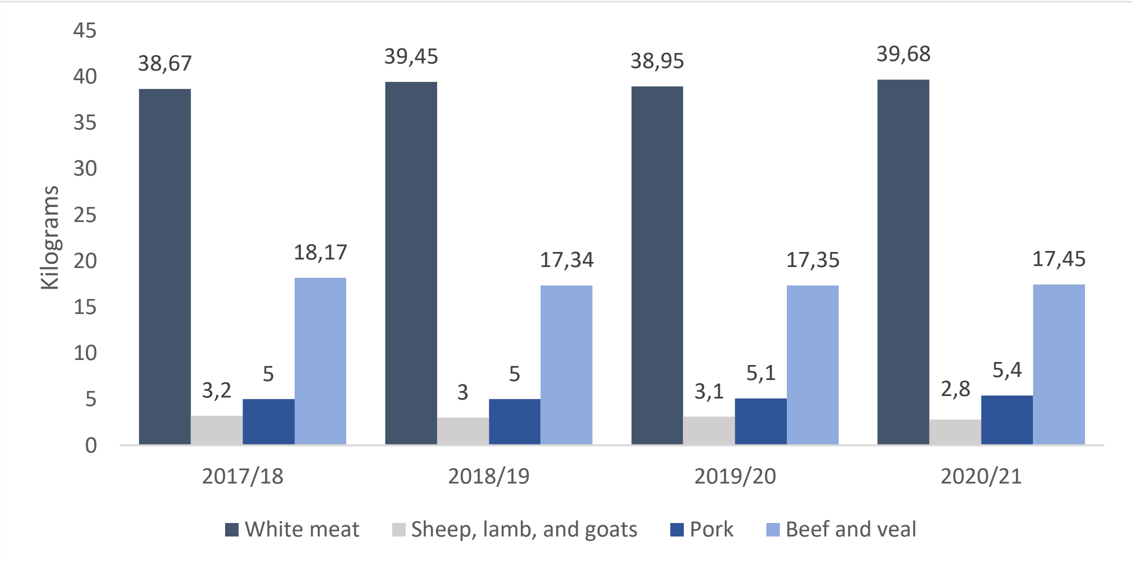
This section of the report examines the dynamics of the local poultry industry, focusing on consumption, production, imports, exports and prices. It emphasizes the significance of chicken meat in South African consumer preferences and underscores the pivotal role of affordability in meeting dietary needs. Additionally, it addresses the pressing domestic poultry production deficit and highlights the vital role of imports in filling the gap. Comprehensive data and analysis emphasize the importance of poultry imports for a stable and sufficient supply of poultry products in South Africa.

2. Importance of poultry in South Africa

According to data from the OECD, South Africa ranked 9th globally in terms of poultry meat consumption in 2022.[5] On a per capita basis, South Africans demonstrate a substantial preference for poultry over other meat categories, as evidenced by **Figure 1**. During the 2020/21 period, the average individual in South Africa consumed 39.68kg of poultry, more than double the per capita consumption of the second most popular meat category, namely beef and veal, which stood at 17.45kg.

This consistent pattern of significantly higher per capita poultry consumption, relative to other meat types, underscores the enduring popularity of poultry as the preferred meat of choice among South African consumers.

Figure 1. Per capita consumption of various categories of meat in South Africa



Source: Consultant's computation using data from the Department of Agriculture, Land Reform, and Rural Development.

Chicken meat plays a critical role in the lives of low-income groups, as it constitutes the largest portion of their food expenses across three out of the four socio-economic subgroups in South Africa. Notably, it is one of the two primary sources of meat protein that feature among the top 10 food expenditure items for the lowest income group, as indicated in **Table 1**. Therefore, it is imperative to prioritize the

[5] OECD Data, Meat consumption, https://data.oecd.org/agroutput/meat-consumption.htm.

affordability of chicken meat, as it directly impacts food security, particularly for those vulnerable groups whose socio-economic well-being is already precarious.

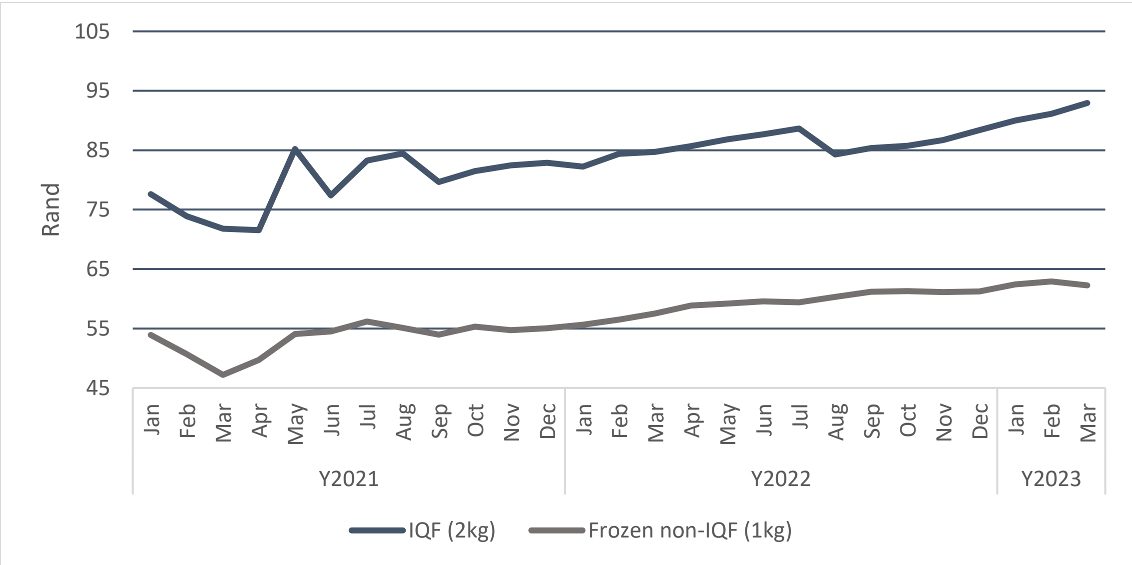
Table 1. Top food expenditure items for the main socio-economic groups in South Africa

Low-income households	Lower middle-income households	Upper middle-income households	Affluent households
Chicken (13%)	**Chicken (14%)**	**Chicken (12%)**	Beef (11%)
Maize meal (12%)	Maize meal (9%)	Beef (9%)	**Chicken (9%)**
Brown bread (8%)	Brown bread (7%)	Brown bread (6%)	Milk (5%)
Rice (5%)	Beef (6%)	Maize meal (5%)	Mutton, lamb (3%)
Granular sugar (4%)	Rice (4%)	White bread (4%)	High-sugar foods (3%)
Beef (4%)	Granular sugar (4%)	Milk (4%)	Brown bread (3%)
Edible oil (4%)	White bread (4%)	Rice (3%)	Fish (3%)
White bread (3%)	Milk (3%)	Granular sugar (3%)	White bread (3%)
Potato (3%)	Edible oil (3%)	Eggs (2%)	Eggs (2%)
Milk (3%)	Fish (2%)	Fish (2%)	Maize meal (2%)

Note: The value in brackets represents the proportion of food expenditure that is accounted for by the corresponding item.
Source: Living Conditions Survey by Stats SA, cited in BFAP COVID-19 Brief 2 – How South Africans spend their food budgets.

Despite its importance for South African consumers, the price of chicken has escalated substantially, in recent years. **Figure 2** shows the average urban price of individual quick frozen (IQF) and frozen non-IQF chicken in South Africa. From January 2021 to March 2023, the price of 2kg IQF chicken rose from R77.61 to R92.94 – a 19.75% increase over the period. Similarly, 1kg of frozen non-IQF chicken rose from R53.89 to R62.27 over the same period, representing a 15.55% increase in prices.

Figure 2. Average prices of IQF and frozen non-IQF chicken (urban)



Source: Consultant's computation using data from Stats SA.

The escalating cost of chicken meat is of great concern, especially considering its vital significance in the South African diet. This concern is amplified by high food price inflation, further straining the ability to afford essential protein.[6] Contributing to the increase in domestic prices is the implementation of ADDs. While the imposition of tariffs typically contributes to increased prices paid by importers, higher

[6] *Op. Cit.* Stats SA, Inflation eases.

prices are passed on to the consumer.[7] In addition, the presence of preventative tariffs allows domestic suppliers to hike their prices, knowing that cheaper alternatives cannot enter the market. The escalation in the price of frozen chicken has placed an additional financial burden on consumers.

In addition to impacts felt by the consumer, heightened prices are also causing adverse impacts for producers. As per the Absa Agri Trends Livestock report, the surge in chicken prices coincides with a shift away from chicken meat consumption, towards pork, which is currently witnessing a downward price trend.[8] If prices were to remain elevated, or continue to escalate, it is likely that there would be a mass migration from the consumption of poultry meat to other sources (which may include non-meat sources).

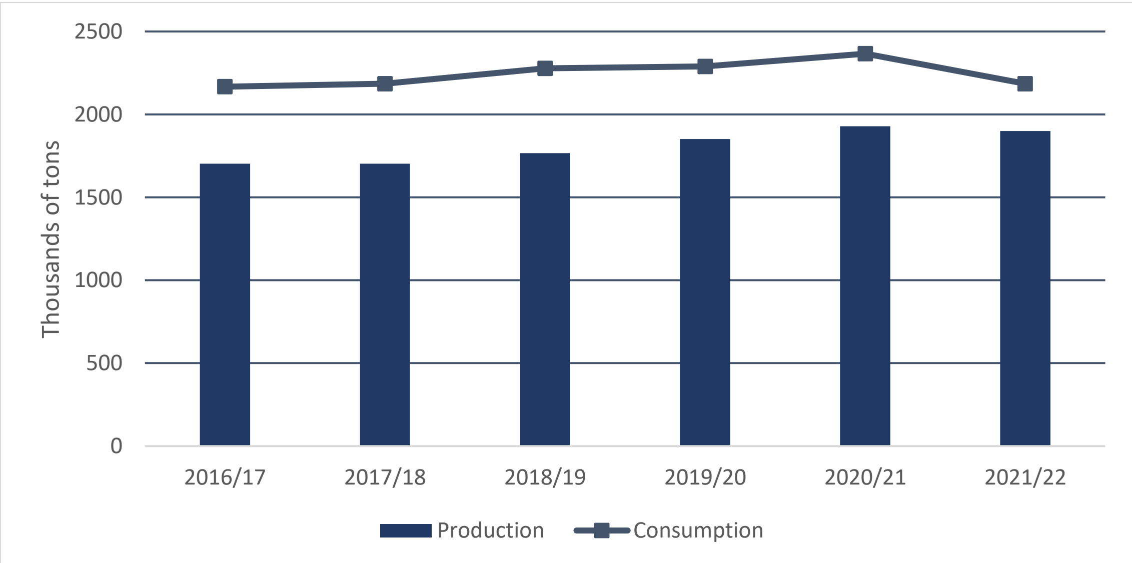
To safeguard the domestic industry from implosion, government intervention is required. While there are myriad of constraints facing the domestic industry – as detailed in **Chapter 3** – the imposition of ADDs is one which is in government's control. It is therefore recommended that government take action to allow ease of access for chicken meat imports, as this will prevent the collapse of the domestic industry, enhance competition within the domestic market, and ensure that consumers have access to this essential dietary component.

3. Production, consumption, and the significance of imports

It is clear that poultry meat is important in South Africa; however, there is a consistent disparity between production and consumption levels, as depicted in **Figure 3**. From the period of 2016/17 to 2021/22, the average production of white meat (poultry) in South Africa amounted to approximately 1 809 megatons, whereas the average consumption stood at around 2 245 megatons. This is an average deficit of approximately 436 megatons.

These figures provide evidence that local poultry producers in South Africa are unable to meet the high demand for white meat within the country. Consequently, imports fill the production deficit and ensure the country's food security in terms of poultry supply.

Figure 3. Production vs. consumption of white meat, by year



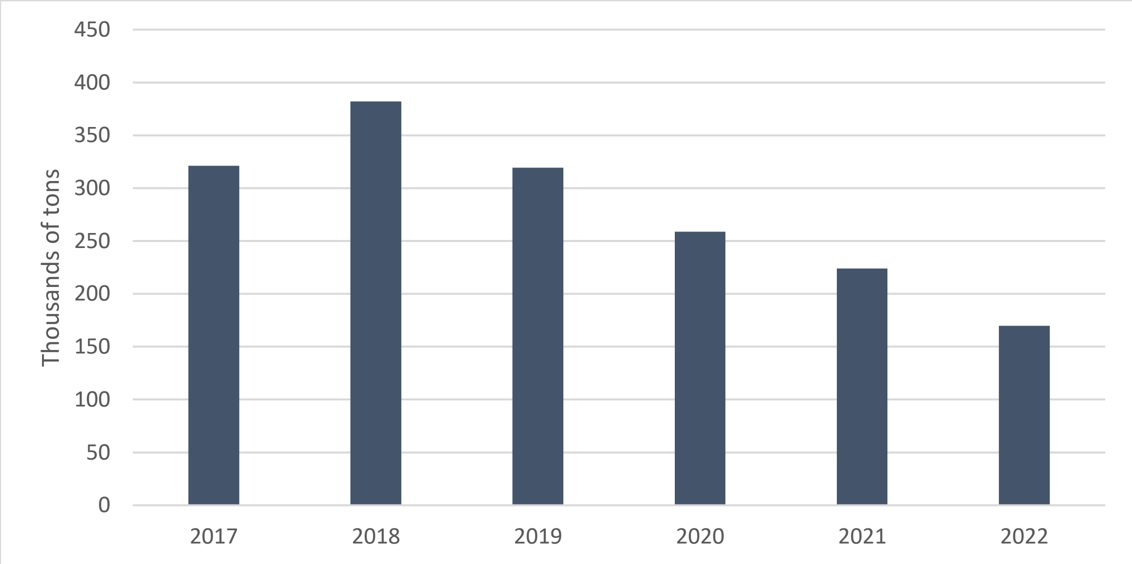
[7] Andrew Chatzky and Anshu Siripurapu, The Truth About Tariffs, Council on Foreign Relations, 8 October 2021, https://www.cfr.org/backgrounder/truth-about-tariffs.

[8] Absa, Agri Trends Livestock report, 28 June 2023, https://www.absa.co.za/content/dam/south-africa/absa/pdf/business/sector-focus/Agri/2023-06-28-Agitrends-Livestock.pdf.

Source: Consultant's computation using data from the Department of Agriculture, Land Reform, and Rural Development.
Note: The values for 2021/22 are preliminary estimates by the Department of Agriculture, Land Reform, and Rural Development.

To make matters worse, projections from the Bureau for Food and Agricultural Policy (BFAP) indicate an increasing disparity between the growth rates of domestic production and consumption.[9] This underscores the urgent need to bridge the gap between supply and demand. Imposing prohibitive measures on imports would further jeopardize the accessibility and availability of chicken meat for consumers.

Figure 4.4. Total imports from the heading 0207.1 (excluding MDM), by year.

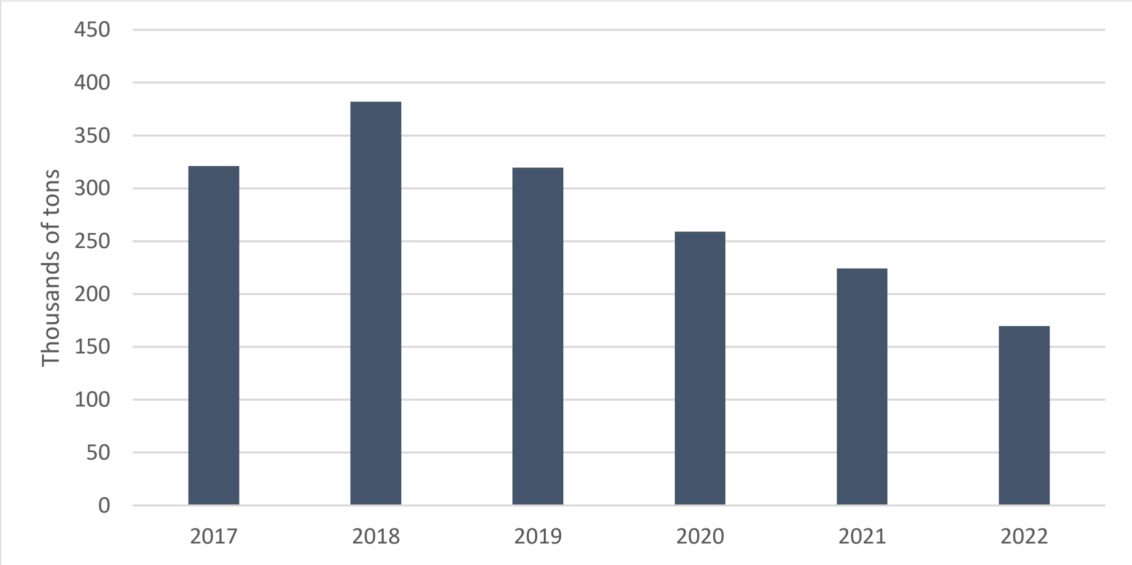


Source: Consultant's computation using data from SARS.

Figure 4 illustrates the total imported volume of products under the heading 0207.1) serve as a crucial pillar in supplying the substantial domestic consumption requirements in South Africa, as depicted in **Figure 4**. Over the period spanning 2017 to 2022, an average of 465.67 megatons of these essential products were imported into the country. . The exclusion of MDM imports from the analysis has a notable impact on the quantity of chicken meat imports. Over the period of 2017 to 2022, South Africa imported an average of 279.23 megatons of chicken meat from category 0207.1, without considering MDM imports. While the total import value is reduced when MDM is excluded, it still underscores the significance of imports in this context, highlighting their importance in meeting the country's chicken meat demands.

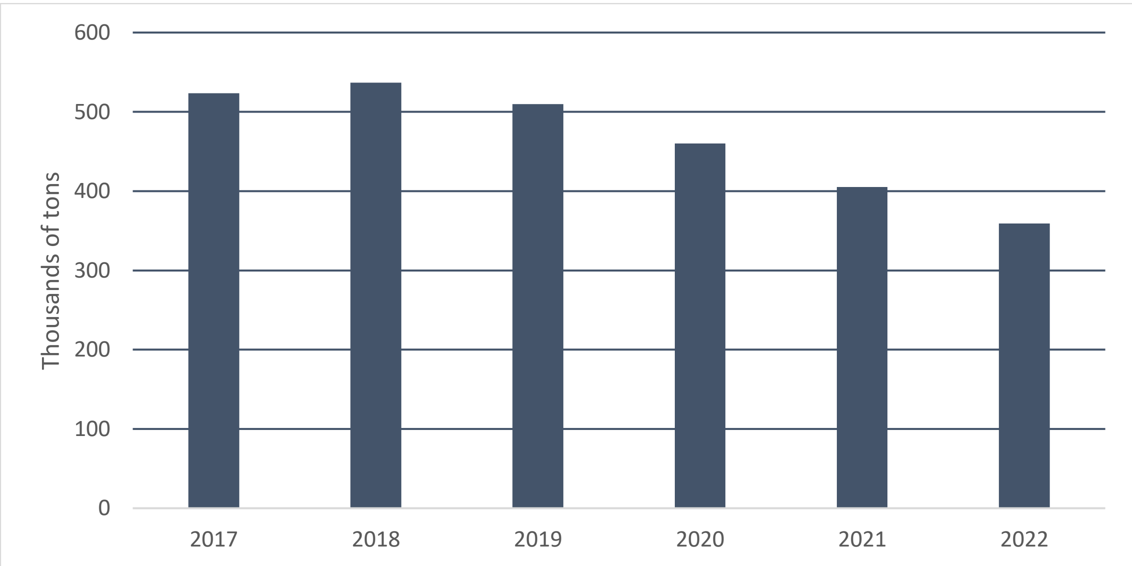
[9] BFAP, BFAP Baseline: Agricultural Outlook (2022-2031), https://baseline.bfap.co.za/wp-content/uploads/2022/08/BFAP-BASELINE-2022-ONLINE-Final.pdf.

Over the period spanning 2017 to 2022, when we include imported MDM, an average of 465.67 megatons of chicken products were imported into the country. *Figure 5. Total imports from the heading 0207.1 (excluding MDM), by year.*



This quantity slightly surpasses the average production deficit highlighted in **Figure 3**. These statistics compellingly illustrate the need for imports to safeguard South Africa's food security and meet the dietary needs of its population. Also, a substantial proportion of these imports are accounted for by MDM – which is not produced in any significant volume in South Africa and is primarily used in manufacturing processed meat products like braai wors, polony, viennas and russians.

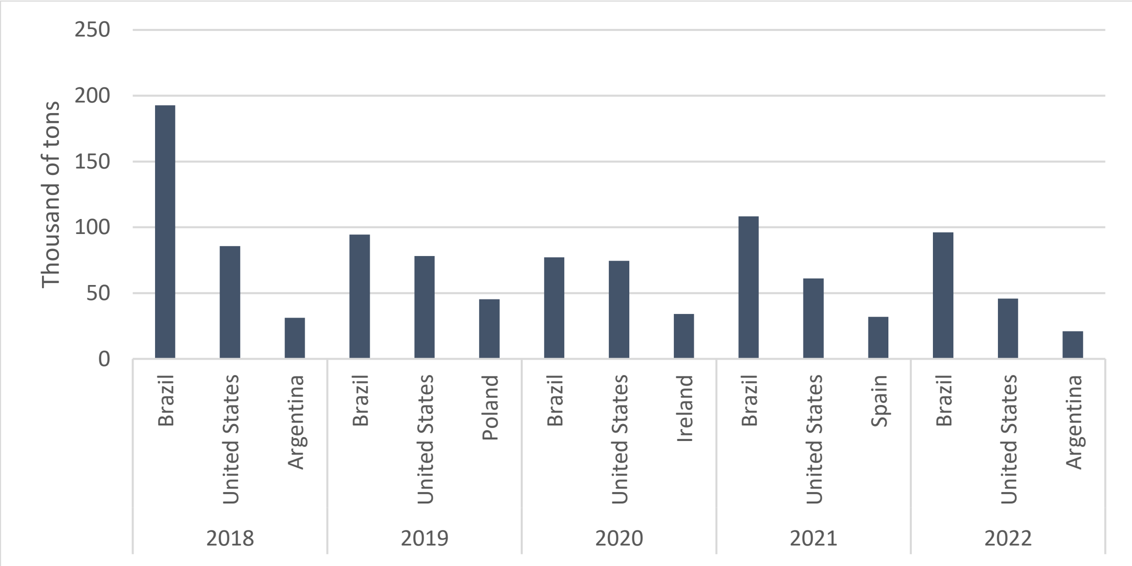
Figure 5. Total imports from the heading 0207.1 (including MDM), by year.



Source: Consultant's computation using data from SARS.

Figure 6 demonstrates that imports of edible chicken meat (excluding MDM) are primarily sourced from countries targeted by South African authorities' ADDs, despite these countries playing a crucial role in ensuring food security. While the ADDs have been specifically applied to bone-in imports, imposing restrictive measures could adversely impact trade relations and potentially jeopardize all imports. Considering South Africa's inability to meet domestic demand adequately, retaliatory actions of this nature could have severe implications for food security within the country.

Figure 6. Top 3 import partners of poultry products of the heading 0207.1 (excluding MDM), by year.



Source: Consultant's computation using data from SARS.

The imposition of ADDs on these countries is a protective measure taken by South African authorities to safeguard the domestic chicken meat industry. However, it is important to recognize that this action can have implications for the availability and affordability of chicken meat, which can affect consumers. The ADDs will likely lead to further increases in price and will restrict options for consumers, as imports from these countries become subject to additional duties.

In addition to the impact on consumers, the imposition of ADDs can also have a knock-on effect on the entire value chain of the poultry industry. This includes the feed, hatchery, and processing sectors, as well as the retail and restaurant industries. Limiting imports can lead to job losses in these sectors, as well as a decline in investment and innovation.

While ADDs and other taxes may protect domestic producers in the short term, it can also stifle innovation and competition in the industry. A robust and competitive industry needs access to a variety of suppliers, and limiting imports can restrict the availability of new products and technologies. This can lead to higher prices for consumers and a decline in the quality of chicken meat.

Balancing the need to protect domestic producers with the importance of maintaining access to affordable and diverse chicken meat sources remains a challenge for South Africa.

4. Conclusion and recommendations

This section of the report has highlighted the paramount importance of poultry, particularly chicken meat, in South Africa's food consumption landscape. With significantly higher per capita consumption compared to other meat categories, poultry holds a central position in meeting the dietary preferences and protein needs of the South African population, especially among low-income groups. However, the domestic poultry industry faces challenges in meeting the demand, leading to a production deficit that necessitates reliance on imports to bridge the gap.

While imports play a crucial role in ensuring a stable and adequate supply of poultry products, the imposition of ADDs on countries such as Brazil and the United States, among others, pose challenges. While protecting domestic producers is a valid concern, these duties can lead to increased prices and limited options for consumers, compromising their access to affordable and diverse chicken meat sources.

ADDs can also catalyse negative knock-on effects through the whole value chain, with stifled competition potentially leading to job losses and reduced investment, undermining South Africa's broader economic development prospects. <u>Striking a balance between protecting and capacitating local producers and maintaining affordability for consumers remains a key challenge for South Africa.</u>

To address these issues, it is crucial to explore alternative solutions that prioritize affordability and ensure a stable supply of broiler poultry products.

Chapter 3: Can the domestic industry step up?

1. Introduction

This section of the report aims to assess the capacity of the domestic industry to address the potential gap that could result from prohibiting imports. It examines initiatives aimed at achieving food security, evaluating their prospects for success within the context of ADDs. The section also investigates the challenges faced by local industries, highlighting that hurdles faced by domestic producers extend beyond the presence of imports. Moreover, it scrutinizes non-tariff barriers encountered by domestic exporters and examines how the local industry responded to the imposition of ADDs.

2. Initiatives aimed at food security

Several government intiatives aim to ensure food security and boost the agricultural sector. The most prominent of these initiatives are the New Development Plan (NDP) 2030, the Economic Reconstruction and Recovery Plan (ERRP), the Agriculture and Agro-processing Master Plan (AAMP), and the Poultry Sector Master Plan.

The NDP is South Africa's long-term strategic plan that aims to provide a decent living standard through eliminating poverty and reducing inequality. Key elements of a decent living standard include, among others, housing, infrastructure, social services, and **adequate nutrition**.[10] The ERRP, developed following the economic devastation of the pandemic, aims to get the country back onto a path that allows for the achievement of the NDP's objectives. Among the priority interventions of the ERRP are infrastructure investment, green economy interventions, macroeconomic interventions, and **strengthening food security.** [11]

The AAMP is a vital part of South Africa's economic recovery and reconstruction. It aims to develop a sustainable agriculture and agro-processing sector that is fair, inclusive, competitive, and environmentally friendly. This collaborative initiative involves all stakeholders dedicated to building a globally competitive industry that promotes market-oriented production, drives rural economic development, **ensures food security**, and creates employment and entrepreneurship opportunities across agricultural value chains.[12]

4. 2.1. The role of imports

While ensuring food security and adequate nutrition are key goals of the above initatives, imposing restrictive measure on the import of chicken meat presents a significant hurdle to achieving these objectives. These measures would raise domestic prices and worsen existing shortages in an industry that is faced with a myriad of constraints and struggling to meet demand. This of particular concern due to the importance of poultry to South Africans – as outlined in **Chapter 2**. Implementing policies that increase prices and limit supply would undermine food security, especially for the most vulnerable South Africans.

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[10] Parliament of South Africa, The National Development Plan unpacked, https://www.parliament.gov.za/storage/app/media/Pages/2023/27-02-2023_NCOP_2023_Committees_Strategic_Planning_Session/Resource_Documents/The_National_Development_Plan_Simplified.pdf.
[11] The Economic Reconstruction and Recovery Plan, https://www.gov.za/sites/default/files/gcis_document/202010/south-african-economic-reconstruction-and-recovery-plan.pdf.
[12] The Agriculture and Agro-processing Master Plan, 2022.

Imports are acknowledged as significant even in the Poultry Sector Master Plan. This framework outlines a strategic approach to increase output and employment within the industry through planned measures over several years.[13] Key objectives include increasing the consumption of domestically produced poultry products and expanding exports of cooked and raw poultry to the Southern African Development Community (SADC), other African Continental Free Trade Area (AfCFTA) countries, the European Union (EU), and the Middle East.

The Poultry Master Plan emphasizes the importance of both protecting and growing the domestic poultry industry while acknowledging the significance of imports in maintaining a balanced sector. Imports are recognized as essential for price control, meeting demand for non-domestic poultry products, and addressing local supply shortages. Imposing restrictions on imports would contradict the plan's objectives and jeopardize current and future consumption.

3. Constraints on domestic producers

The disparity between poultry production and consumption, and the presence of imports can be attributed to a myriad of constraints that plague the South African industry. The Poultry Sector Master Plan sheds light on these challenges.[14] These include:

a) **High feed expenses** pose a significant challenge for South African poultry producers.[15] During drought periods, international prices of maize and soya increase, further burdening local producers. Although this has been cited in the Poultry Sector Master Plan as an impediment to domestic production, chicken feed prices have deescalated in recent months. The price of yellow maize fell from R5 200 per ton in November 2022 to R3 593 in May 2023 (**Appendix A1**). Despite the reduction in these input costs, there has been no reduction in retail chicken prices. This indicates additional drivers of price increases and the inability of the domestic industry to provide affordable chicken.

b) Due to its relatively **small-scale production**, South Africa is susceptible to competition from exporting nations that benefit from economies of scale. Furthermore, South Africa typically slaughters broilers at lower weights compared to its competitors, which puts the country at a disadvantage in certain markets.

c) In recent years, significant poultry-exporting nations have focused on **gaining a foothold in South Africa's market for bone-in chicken portions**.[16] These countries supply "white meat" to premium markets like Europe and the United States (US), where higher prices are obtained for breast meat, and subsequently export the leftover brown portions to South Africa at lower prices. While this is argued to be a constraint for domestic producers, it is an optimal approach as it involves extracting the best value by parts for the carcass. Furthermore, this scenario of exporting high value "white meat" to higher paying markets is exactly what was envisaged in the Poultry Sector Master Plan.

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[13] *Op. Cit.* Poultry Sector Master Plan.

[14] *Ibid.*

[15] Portfolio Committee on Trade and Industry Engagement with stakeholders, Implementation of the South African Poultry Master Plan, 29 November 2022, http://www.thedtic.gov.za/wp-content/uploads/Poultry-Master-Plan.pdf.

[16] It is noted that bone-in portions are the preferred cuts of poultry amongst the average consumer in South Africa.

d) South Africa's inability to meet **sanitary and phytosanitary** (SPS) requirements has prevented poultry exports to Europe, despite tariff-free access. This hampers its competitiveness and industry expansion.

e) Despite some advancements, achieving adequate **black ownership** across the poultry value chain continues to be a challenge in South Africa. Although efforts have been concentrated on contract poultry producers, there is still room for improvement in increasing the participation of black South Africans in various aspects of the industry, such as feed production, hatcheries, and slaughterhouses.[17]

In addition to those listed in the Poultry Sector Master Plan, the poultry industry faces constraints from outbreaks of avian influenza, high energy costs, loadshedding, the Ukraine war, and brining restrictions.

a) The **avian influenza outbreak** has had substantial effects on the broiler poultry sector. Measures like culling, quarantines, and restrictions on poultry movement to control the disease have disrupted the supply chain and caused reduced production levels. Consequently, the reduced supply leads to price increases. As of May 2023, avian influenza was identified on five poultry farms in the Western Cape, resulting in the culling of 420 000 chicken.[18] By June, reports stated that the virus spread to commercial farms in Mpumalanga, killing 9 500 chicken.[19] There have also been subsequent infections in wild birds in the Southern and Eastern Cape and in broiler Breeder Flocks in Kwa-Zulu Natal subsequent to the above published infections. This will further impact national food security concerns through reduced supply of table eggs and broiler chicken.[20]

b) **High energy prices** and **load shedding** in South Africa have boosted broiler poultry production costs. Power outages disrupt farm operations, affecting bird growth, reducing slaughter rates, and increasing production expenses. These costs are passed on to consumers. Industry operators report that load shedding increases the need for chicken feed and adds to production costs due to running generators.[21] Load shedding has also led to the deaths of many farmed animals. In January 2023, it was reported that 10 million chicks were culled due

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[17] *Ibid.*

[18] Nicole McCain, Avian flu detected at five Western Cape poultry farms, News24, 31 May 2023, https://www.news24.com/news24/southafrica/news/avian-flu-detected-at-five-western-cape-poultry-arms-20230531; Karl Gernetzky, Quantum had to kill 420 000 chickens due to bird flu, warns of egg crunch in WCape, News24, 9 May 2023, https://www.news24.com/fin24/companies/quantum-had-to-kill-420-000-chickens-due-to-bird-flu-warns-of-egg-crunch-20230509.

[19] Akona Matshoba, Bird flu creeps inland, with virus mutation reported in Mpumalanga, Moneyweb, 30 June 2023, https://www.moneyweb.co.za/news/south-africa/bird-flu-creeps-inland-with-virus-mutation-reported-in-mpumalanga/#:~:text=The%20local%20poultry%20industry%20is,that%20killed%209%20500%20birds..

[20] As of July 2023, stakeholders from the South African Poultry Association (SAPA) have indicated that Highly Pathogenic Avian Influenza A (H5N1) has been detected in Kwa-Zulu Natal, although an official notice has yet to be issued by the Department of Agriculture, Land Reform and Rural Development (DALRRD).

[21] Given Majola, This is how fat chickens and load shedding is putting SA's poultry value chain under pressure, IOL, 17 March 2023, https://www.iol.co.za/business-report/economy/this-is-how-fat-chickens-and-load-shedding-is-putting-sas-poultry-value-chain-under-pressure-4f205feb-12cd-42de-b1ab-20e21189c7e4#:~:text=%E2%80%9CLoad%20shedding%20is%20a%20factor,and%20not%20in%20the%20marketplace.

to load-shedding, with another 40 000 birds dying due to the same problem.[22] By June, a further 5 000 chicken were, reportedly, culled, with another 35 000 dying due to load-shedding.[23] The strain put on supply leads to higher prices, and, ultimately, threatens food security.

c) The **conflict in Ukraine**, a major global exporter of animal feed inputs, has affected the international poultry market. Disruptions in Ukraine's production and exports have led to supply chain disruptions, and higher transportation costs, impacting the availability and affordability of broiler poultry globally. Higher input costs, such as the price of maize and soybeans, have been passed on to consumers, resulting in higher chicken product prices.[24] As shown previously, despite the reduction in the price of yellow maize, lower prices have not been passed onto consumers.

d) **Brining regulations** are also perceived as detrimental to the domestic industry. In 2016, the Department of Agriculture, Forestry, and Fisheries (now Agriculture, Land Reform and Rural Development) imposed limits on brining for IQF and fresh chicken portions (15%) and whole chicken (10%). Industry participants argued that these regulations would increase chicken prices, diminish the size of the domestic industry, reduce employment, and negatively affect the poultry industry's value chain, including maize production and soya bean processing.[25] While augmented brining regulations clearly represent an additional constraint to the poultry industry, it is important to note that could arguably lead to producers increasing chicken production to compensate for the loss in weight due to brining. This would result in an increased demand for feed, including soya and maize, as more chickens would be raised to achieve the desired output.

The poultry industry in South Africa clearly faces various obstacles. To foster growth and competitiveness, a comprehensive approach is needed, including policy adjustments, infrastructure investments, and targeted initiatives. Resolving these constraints should take priority to expand the industry. It is especially important to avoid restrictive import conditions as they could compromise food security.

4. Non-tariff barriers faced by domestic exporters

Even expanding production for export is constained by a myriad of issues.[26] South Africa cannot access significant and profitable markets, such as the EU, due to its non-compliance with the health and safety

[22] Noxolo Majavu, Ten million chicks culled due to load shedding – animal protection society warns, News24/City Press, 24 January 2023, https://www.news24.com/citypress/news/ten-million-chicks-culled-due-to-load-shedding-animal-protection-society-warns-20230124.

[23] Faizel Patel, Over 35 000 chickens die in Gauteng due to load shedding, The Citizen, 28 June 2023, https://www.citizen.co.za/news/35-000-chickens-die-gauteng-load-shedding/.

[24] Yogashen Pillay, Global affairs affect prices of poultry products in South Africa, IOL, 4 March 2022, https://www.iol.co.za/mercury/news/global-affairs-affect-prices-of-poultry-products-in-south-africa-dd74705b-f040-4212-adad-662e2009e468#:~:text=DURBAN%20%2D%20THE%20SA%20Poultry%20Association,higher%20prices%20for%20poultry%20products.

[25] News24, Chicken brining rules will devastate SA, poultry body warns, 4 May 2016, https://www.news24.com/fin24/chicken-brining-rules-will-devastate-sa-poultry-body-warns-20160504.

[26] Bhekani Zondo, Non-Tariff Measures Impact on South Africa's Agricultural Export Performance: A Case of Wool Export, NAMC, Trade Probe Issue 91, November 2022, https://www.namc.co.za/wp-content/uploads/2023/02/Trade-Probe_Issue-91.pdf.

standards set by the EU, specifically SPS measures. Consequently, most South African poultry exports are directed towards African nations.[27]

Despite the strategic redirection of exports towards the rest of Africa, the persistent proliferation of Non-Tariff Barriers (NTBs) continues to be a major source of frustration for exporters. These barriers not only erode their competitiveness but also impose exorbitant costs when it comes to entering and establishing a strong foothold in these markets.[28]

In most African markets, the prevailing standards regimes are characterized by an overreliance on mandatory inspections and certifications, the presence of distinct national standards and testing procedures, overlapping regulatory responsibilities, and the discriminatory enforcement of technical regulations and standards specifically targeting imported goods. Notably, some of the most formidable NTBs that pose challenges for South African agricultural and food product exports to African markets include:

- The requirement for **pre-export verification** of conformity to standards for various products to Botswana, Kenya, Uganda, Tanzania, Mozambique, Zimbabwe, and Zambia introduces a delay of three to seven days, along with additional costs.
- The **lack of standardized requirements** for food labels and packaging materials poses a challenge as different countries have varying criteria for size, content, placement, and warning indicators.
- Small-scale producers are disadvantaged by **stringent testing** requirements, as they lack the capacity to handle the additional costs. While many have shifted their focus to exporting to African countries due to the high costs and standards of markets like the EU and the US, they now face challenges with stricter SPS measures and testing requirements in several African nations.
- **Seasonal quotas and bans** are imposed based on domestic production levels, affecting the export of various products such as vegetables, milk and cream, whey, and cheese to countries including Namibia, Swaziland, Tanzania, and Rwanda.
- **Licensing and registration** requirements create additional challenges, such as in Nigeria where the entry of food products into the market involves a costly and time-consuming registration process that can take six to eight months to complete.

The constraints faced by the domestic industry and its export capabilities go beyond alleged dumping. Protectionist measures such as ADDs are severely restrictive. The government could focus on addressing the outlined challenges, including harmonizing standards; streamlining inspection and certification processes; promoting collaboration among regulatory bodies; and supporting small-scale and larger producers to meet requirements. By adopting a proactive and supportive approach, the government can facilitate the growth of South Africa's agricultural and food product exports,

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[27] Thabile Nkunjana, Phathisisa Thobindlala and Khodani Madula, Exploring opportunities of various agricultural commodities in the recently signed African Continental Free Trade Area (AfCFTA) agreement: *An Analysis of South Africa's poultry export market,* NAMC, Trade Probe Issue 90, August 2022, https://www.namc.co.za/wp-content/uploads/2022/11/Trade-Probe-Issue-90.pdf.

[28] Willemien Viljoen**,** Non-tariff barriers frustrating South African agricultural exports, TRALAC, 2015, https://www.tralac.org/discussions/article/8224-non-tariff-barriers-frustrating-south-african-agricultural-exports.html.

enhancing competitiveness and expanding its presence in international markets for sustained industry development and economic prosperity.

5. Domestic industries' response to ADDs

By analyzing the export of edible chicken meat, as a proxy for the performance of the domestic industry, it becomes evident that imposing ADDs did not improve its short-term performance. **Figure 7** reveals that in 2022, there was an increase of approximately 5.5 megatons in the export of edible chicken meat compared to 2021. Although exports did increase, this increase was unremarkable when compared to domestic production.

Also, the highest monthly exports in 2022 occurred after the ADDs were suspended in August – further highlighting the insignificance of imports in hindering exports. Even the Department of Agriculture, Land Reform, and Rural Development had projected a decrease in white meat production for the 2021/22 period compared to the previous period (**Figure 3**).

Figure 7. South African exports of the heading 0207.1, by year and month.

Source: Consultant's computation using data from SARS.

The findings presented in this section reveal that the imposition of ADDs has failed in their intention to enhance the short-term performance of the domestic poultry industry. These findings underscore the necessity of addressing additional factors – beyond antidumping – to stimulate growth and improve the overall performance of the industry. It is imperative to explore various aspects such as government infrastructure failure, production methods, market competitiveness, supply chain management, and consumer demand, among others, to develop comprehensive strategies that foster sustainable growth and enhance the industry's performance.

6. Conclusion and recommendations.

In conclusion, the poultry industry in South Africa faces multifaceted challenges that hinder its growth and competitiveness. These challenges extend beyond the scope of imports and include structural factors, as well as issues such as feed costs, production scale, market segmentation, export limitations, and NTBs. It is essential for policymakers to prioritize overcoming these constraints through comprehensive strategies, investments in infrastructure and technology, and supportive measures for small-scale producers. By adopting a proactive and collaborative approach, South Africa can strengthen its poultry industry, ensure food security, promote exports, and foster sustainable economic development.

Chapter 4: The impact of tariffs on quantities, prices, and the consumer

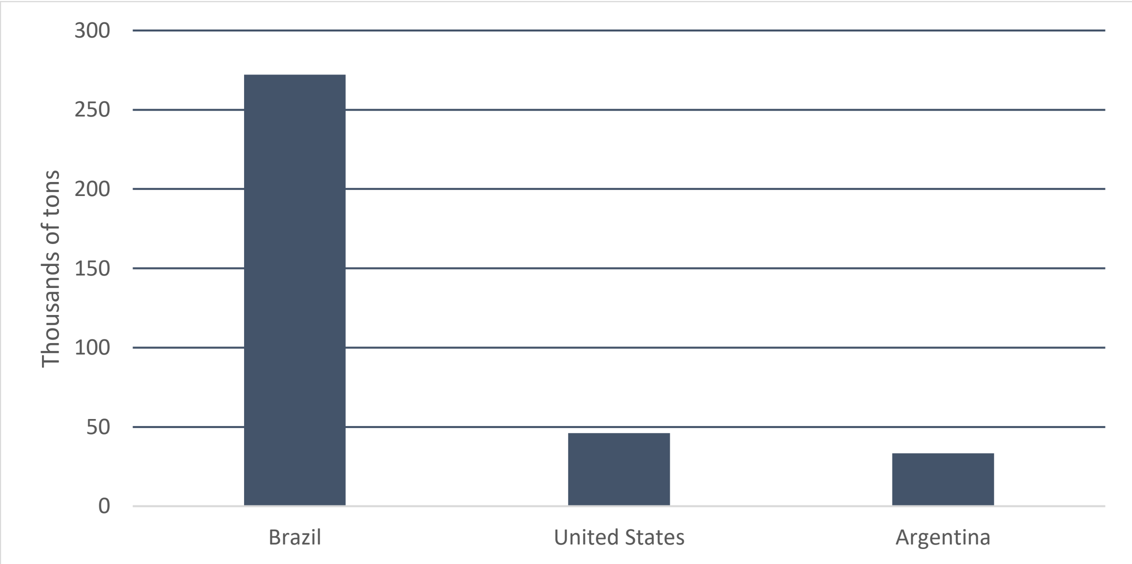
1. Introduction

This section of the report aims to provide AMIE SA with a comprehensive evidence base to substantiate their advocacy against the imposition of ADDs on imports of bone-in chicken pieces.[29] It examines the response of Brazil bone-in chicken imports to the implementation of ADDs, as well as the response of prices. Furthermore, by conducting a Partial Equilibrium analysis, it examines the impact of tariffs on consumer welfare. By furnishing data-driven evidence, this section seeks to fortify the case for reevaluation and potential elimination of both the ADDs and the Most Favoured Nation (MFN) tariff rate.

2. Brazilian imports, and its response to ADDs

Based on the data presented in **Figure 8**, it is evident that Brazil held the prominent position as South Africa's primary import partner for poultry products in 2022, significantly surpassing other nations. Notably, Brazil maintained its status as the foremost exporter of various poultry products, consistently ranking as the second-largest import partner specifically for bone-in chicken portions during the period 2020 to 2023, as illustrated in **Figure 9**. These findings underscore the pivotal role assumed by Brazil in safeguarding food security within the nation.

Figure 8. Top import partners for chicken meat products under the heading 0207.1, for 2022.



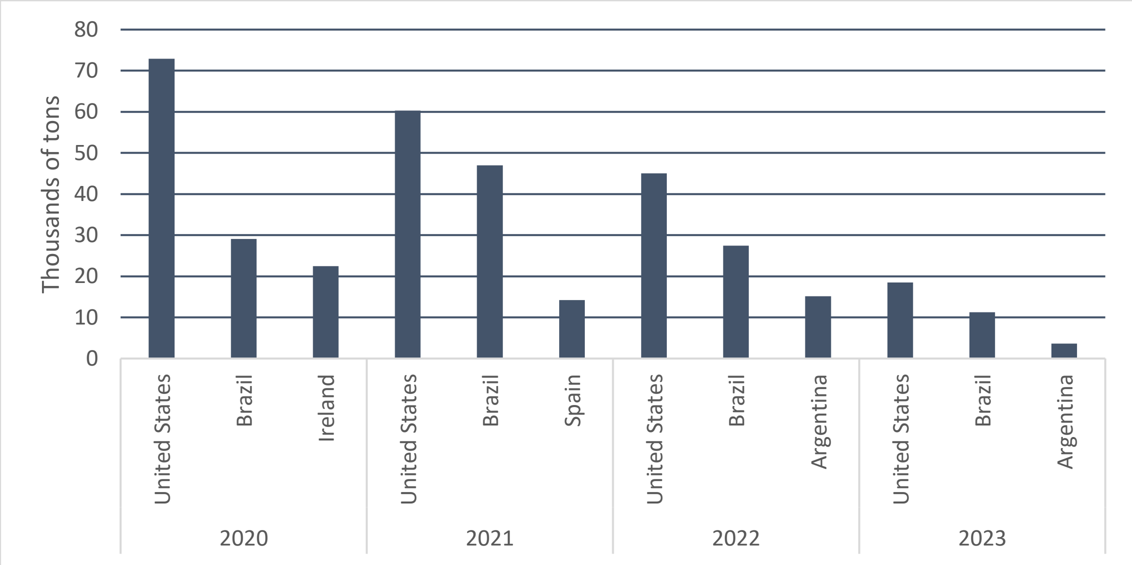
Source: Consultant's computation using data from SARS.

Despite the pivotal role of poultry imports from Brazil, specifically chicken meat, in upholding food security in South Africa, the government implemented ADDs in December 2021. These duties ranged up to 265.1% and were specifically imposed on selected bone-in chicken portions. Although the ADDs are presently subject to a 12-month suspension, they may be reinstated in August 2023. While the

[29] The analysis presented in this section pertains only to the case of Brazil as bone-in chicken was not imported from Denmark, Poland, and Ireland in 2022, and imports from Spain fell significantly – to less than a megaton, compared to over 14 megatons in 2021.

underlying motivations for implementing tariffs and ADDs have been extensively documented, it is crucial to acknowledge that the detrimental consequences are often borne by the consumers.

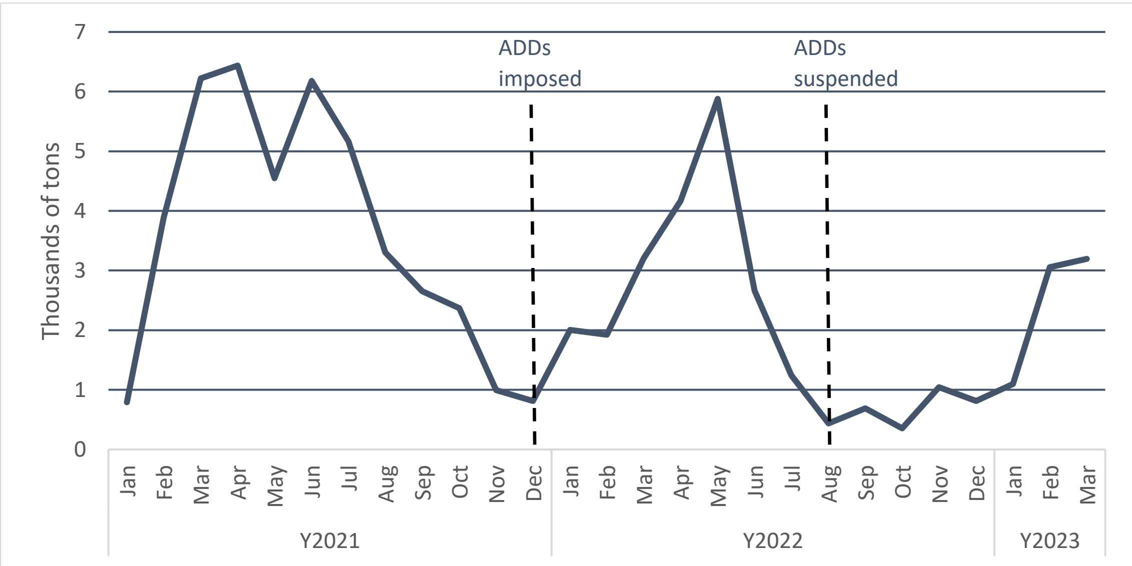
Figure 9. Top 3 import partners of bone-in chicken portions, by year



Source: Consultant's computation using data from SARS.
Note: Data for 2023 is January to March.

As shown in **Figure 10**, the imposition of ADDs did, indeed, serve to reduce imports of those products subjected to the additional duties**.** In 2021, 43.3 megatons of these products were imported into South Africa from Brazil. In 2022, only 24.4 megatons were imported – a 43.7% reduction following the imposition of the ADD. While the ADDs achieved their intended goal of reducing imports, it is important to consider the mechanism by which imports are reduced and the consequences they have on the availability and affordability of a crucial source of protein.

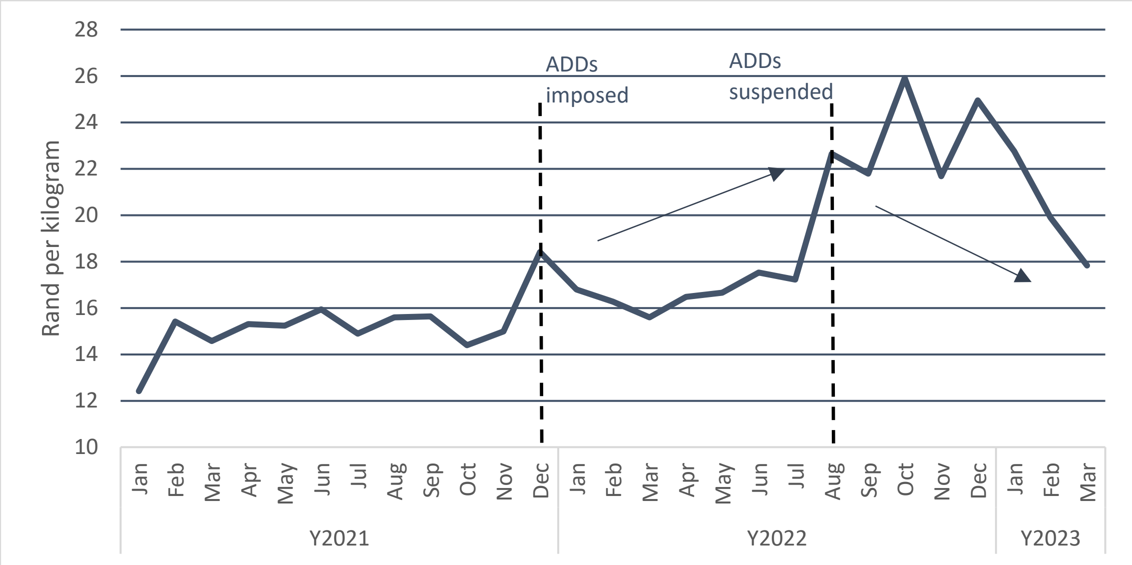
Figure 10. Imports of Brazilian bone-in chicken pieces subjected to the ADD measures.



Source: Consultant's computation using data from SARS.

Figure 11 illustrates the mechanism via which the ADD drove the reduction in imports. In December 2021 (when the ADD was imposed), the average price per kg for chicken products subjected to ADDs was R18.41. By August 2022 (when these ADDs were suspended), the price per unit had risen to R22.65 – a 23% jump since the ADDs were imposed. Although the impact of this price increase is, at first, felt by the importer, increased prices are ultimately passed down to the consumer, contributing to the price increase illustrated in **Figure 2**.

Figure 11. Price per unit of Brazilian bone-in chicken imports on which ADDs have been imposed.



Source: Consultant's computation using data from SARS.

The rise in prices raises concerns about the impact on consumers, especially during a period characterised by substantial economic pressures. This prompts a critical examination of the approach taken in determining the imposition of ADDs and the extent to which the appropriate level of holistic consideration was given to the potential negative externalities imposed on South African consumers. It is vital to assess whether the measures were thoroughly evaluated in light of the current economic landscape of high unemployment, and food-price inflation.

It is also important to recognise the existing Most Favoured Nation (MFN) duty rate on bone-in chicken portions, which currently stands at a high 62%. This already substantial rate was increased from 37% in March 2020, and the proposed reinstatement of ADDs would compound the burden on consumers. It is suggested that the South African government consider revising the MFN duty rate downwards, alongside the long-term suspension (or elimination) of ADDs. Such measures would contribute to a more balanced and consumer-friendly trade environment.

3. Impact of ADDs on consumer welfare.

This section conducts a Partial Equilibrium analysis using SMART by the World Integrated Trade Solutions (WITS). The WITS SMART[30] simulation was conducted to estimate the impact of two tariff change scenarios in 2021[31] on the HS code 0207.14 for five countries: Brazil, Denmark, Ireland, Poland, and Spain. The two scenarios considered were Scenario 1, where South Africa increases tariffs to 50% for all these countries, and Scenario 2, where a linear cut of 25% is imposed on the same products for these countries.[32] The results obtained from the simulation are presented in **Table 2**.[33]

[30] World Bank, World Integrated Trade Solution (WITS) - SMART tool, https://wits.worldbank.org/SMART/
[31] This simulation uses 2021 as the most recently available year for analysis using WITS SMART.
[32] This does not perfectly exemplify the ADDs situation currently experienced. However, it serves as an archetypal case study to demonstrate the impacts of a tariff changes.
[33] A detailed methodology is presented in Appendix A2.

Table 2. SMART Analysis of Tariff Changes applied to Brazil, Denmark, Ireland, Poland, and Spain for all products under HS 0207.14 in 2021

	Scenario 1 *(New applied rate of 50%)*	**Scenario 2** *(Linear cut of 25%)*
Old Weighted Rate	30.44	30.44
New Weighted Rate	46.24	27.58
Trade Total Effect	-29287.795	3916.068
Imports Before	177704.234	177704.234
Import Change	-29287.795	3916.068
Tariff Revenue	54084.4	54084.4
Tariff New Revenue	68623.916	50092.653
Tariff Change in Revenue	14539.518	-3991.745
Consumer Surplus	-11227.838	1135.974

Source: Consultant's computation using the WITS-SMART tool.
Note: From "Trade Total Effect" to "Consumer Surplus" (down the list), the values are in as US dollars.

In Scenario 1, where the applied tariff rate is increased to 50% for all five countries, the weighted rate of the tariff rises significantly. This increase in the tariff rate has a significant impact on trade flows, resulting in a reduction in trade and imports. The tariff revenue increases, but it is not sufficient to compensate for the negative effects on trade and consumer surplus.

Moving on to Scenario 2, where a linear cut of 25% is imposed on the same products for the five countries, the weighted rate of the tariff decreases. This leads to a small increase in trade, primarily driven by higher imports. However, there is a decrease in tariff revenue. Consumer surplus, representing the welfare of consumers, exhibits a notable improvement in Scenario 2. This suggests that the decrease in tariffs leads to a gain in consumer welfare.

Overall, the results indicate that Scenario 1, with a significant increase in tariffs, has a detrimental impact on trade, imports, and consumer welfare. While it generates higher tariff revenue, it does not fully compensate for the negative effects. On the other hand, Scenario 2, with a linear cut in tariffs, shows a modest positive effect on trade and consumer surplus, albeit with a decrease in tariff revenue.

The findings from the WITS SMART simulation highlight the trade-offs associated with tariff changes. Policy decisions on tariff adjustments should carefully consider the potential consequences on trade flows, revenue, and consumer welfare. Interpreting a decrease in consumer welfare resulting from a tariff increase involves understanding the implications for consumers' purchasing power, choices, and overall well-being.

- **Higher prices for imported goods:** When a tariff is increased, it leads to higher prices for imported goods. As a result, consumers who rely on these imported goods will face an immediate increase in their cost of living. They will have to allocate more of their budget to purchasing the same quantity of goods, reducing their purchasing power.
- **Reduced consumer choices:** A tariff increase can also limit consumer choices by making imported goods relatively more expensive compared to domestic alternatives. Consumers may have to settle for lower-quality or less-preferred domestic products due to the higher prices of imported goods. This reduction in options can lead to a decline in consumer satisfaction and welfare.

- **Inefficiency and market distortions:** Tariffs create inefficiencies and distortions in the market by protecting domestic industries from foreign competition. This protectionist measure can lead to a decrease in overall market efficiency, resulting in higher prices, reduced product variety, and lower overall consumer welfare.
- **Negative impact on lower-income households:** Tariff increases can disproportionately affect lower-income households, as they tend to allocate a larger portion of their income to essential goods and services. Higher prices due to tariffs can pose a greater burden on these households, potentially pushing them into a situation of reduced affordability and diminished welfare.
- **Loss of economic gains from trade:** Tariffs hinder international trade by creating barriers and reducing the potential gains from globalization. As a result, consumers are deprived of access to a wider range of competitively priced goods and miss out on the potential benefits of increased competition, innovation, and economies of scale.

In summary, a decrease in consumer welfare resulting from a tariff increase signifies negative consequences for consumers in terms of increased prices, limited choices, reduced purchasing power, and potential inequalities. Tariffs, while intended to protect domestic industries, often come at the expense of consumer welfare, leading to higher costs and diminished well-being for consumers.

4. Conclusion and recommendations

This report supports opposition to ADDs on bone-in chicken imports, highlighting their negative impact on consumer welfare. It emphasizes Brazil's role in ensuring food security in South Africa as the primary import partner for poultry products. The ADDs led to reduced imports and higher prices for consumers. Recommendations include reevaluating and potentially eliminating the ADDs, fostering dialogue among stakeholders, conducting comprehensive impact assessments, diversifying trade partnerships, investing in the domestic poultry sector, and reducing market distortions, and reviewing the excessively high MFN tariff rate which has already resulted in a drastic decrease in imports and significant increase in poultry prices. Implementing these recommendations will create a balanced trade environment that protects domestic industries while promoting consumer welfare.

Chapter 5: Consequences of retaliation

1. Introduction

This section of the report speculates on potential consequences of tariffs on poultry imports. It explores the depth of trade relations between South Africa and the countries subjected to ADDs and hypothesizes potential outcomes should these countries retaliate with their own restrictive measures. Additionally, it looks at the possibility of South Africa's exclusion from AGOA and outlines the potential ramifications of such exclusion. This section of the report also highlights that South Africa's relations with its key trading partners are precariously perched, noting that the country needs to maintain cordial and reciprocal trade relations.

2. What does SA stand to lose?

In addition to the negative consequences discussed earlier, the imposition of ADDs can cause additional harm to South Africa's economy if the targeted countries respond by implementing their own restrictive measures.[34] The prospect of retaliation becomes particularly concerning when considering that four of the five countries that form the focus of this report are members of the **EU**. It also concerning that ADDs have been imposed on imports of bone-in chicken from Germany, Netherlands, UK, and the US, which are, or belong to, groups of key international partners.[35]

South Africa is currently grappling with significant challenges in its international relations with the EU and US, particularly on its claim of neutrality in the Russia-Ukraine conflict. Despite asserting its neutral stance, doubts have arisen due to the country's engagement with Russia through diplomatic and military channels. This has raised questions about the consistency of South Africa's position.[36]

The potential consequences of such actions are deeply concerning. Estimates indicate that South Africa could lose export revenue of approximately US$32 billion, if its major trading partners choose to retaliate by denying access to markets.[37]

Given the erosion of trust in South Africa's neutrality claim and the persistent decline in investor confidence, South Africa must prioritize maintaining strong relationships with countries that have established mutually beneficial ties. One crucial step South African authorities can take to ensure the preservation of these relationships is by facilitating easy access to the domestic market, which includes refraining from imposing restrictive measures on imports.

2.1. Significance of the EU for South Africa

South Africa is the EU's most important trade partner on the continent. Since the implementation of the Trade, Development, and Cooperation Agreement (TDCA), relations between South Africa and the EU strengthened immensely. Under the SADC-EU Economic Partnership Agreement, 98.7% of South African products enjoy preferential access, with key exports being fuels, mining products, and

[34] World Trade Organisation, Anti-dumping, subsidies, safeguards: Contingencies, https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm8_e.htm#:~:text=They%20allow%20countries%20to%20act,bring%20its%20price%20closer%20to.

[35] U.S. Department of Agriculture, South Africa: Anti-Dumping Duties Suspended for Competitors but Remain for U.S. Poultry, 5 August 2022, https://www.fas.usda.gov/data/south-africa-anti-dumping-duties-suspended-competitors-remain-united-states-poultry; Germany, Netherlands, and the US are not the focus of this report, as these ADDs were not suspended and, hence, are not facing reinstatement in August 2023.

[36] Bloomberg, South Africa risks losing $32bn on Russia stance, Stanlib says, Daily Maverick, 12 June 2023, https://www.dailymaverick.co.za/article/2023-06-12-south-africa-risks-losing-32-billion-on-russia-stance-stanlib/.

[37] *Ibid.*

machinery and transport equipment. In 2022, the EU imported over €29 billion in goods from South Africa.[38]

The EU also holds a critical position as South Africa's most significant development partner, providing substantial external assistance.[39] In 2021, the EU, in collaboration with the International Partners Group (IPG), pledged a substantial amount of $8.5 billion to support the transformation of South Africa's energy sector.[40] This assistance is of paramount importance, particularly in light of the severe impact that load-shedding has had on the South African economy. **Table 3** presents the macroeconomic impact of load-shedding in South Africa, highlighting the substantial costs and losses incurred by the economy.

Table 3. Macroeconomic impact of load-shedding in South Africa.

Macroeconomic impact load-shedding	
R300bn Cost to SA economy in 2022	**5%** SA's GDP lost in 2022

Source: Investec, SA's load shedding constraint and its impact of different economic sectors, 2023.

South Africa has recently collaborated with **Denmark** and the **Netherlands** on a groundbreaking agreement to advance its green hydrogen industry. This collaboration holds substantial promise for the country's economic development. According to reports, the establishment of a hydrogen economy could contribute from US$3.9 billion to US$8.8 billion to South Africa's GDP by 2050. Moreover, this initiative could generate an estimated 14 000 to 30 000 job opportunities annually across the hydrogen value chain.[41]

To fully realize the benefits of this collaboration, it is crucial for South Africa to maintain positive and strong relations with these countries. However, the imposition of ADDs goes against this imperative. Such actions may hinder progress and cooperation, potentially damaging the benefits and opportunities that could arise. Therefore, it is essential for South Africa to carefully consider the potential consequences of any actions that could strain its relations with EU countries, as they are key partners in South Africa's economic development.

2.2. Significance of the US for South Africa

The imposition of ADDs on bone-in chicken imports from the US also raises concerns – particularly, around South Africa's continued participation in AGOA. **Table 4** presents US imports of South African products from 2019 to 2022. In 2022, imports from South Africa to the US amounted to over US$14.5 billion, with AGOA-related imports surpassing $3 billion.[42] This underscores the substantial benefits that South Africa has derived from its participation in AGOA.

[38] European Commission, South Africa: EU trade relations with South Africa. Facts, figures, and latest developments, https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/south-africa_en.
[39] *Ibid.*
[40] The Presidency, South Africa's Just Energy Transition Investment Plan (JET-IP) 2023-2027; The United States is also part of the IPG.
[41] Mariam Isa and Chris Yelland, Green hydrogen provides answer to many of South Africa's decarbonisation prayers, studies show, Daily Maverick, 19 January 2022, https://www.dailymaverick.co.za/article/2022-01-19-green-hydrogen-provides-answer-to-many-of-south-africas-decarbonisation-prayers-studies-show/.
[42] Tralac, Bilateral Trade by Sector: United States – South Africa, https://agoa.info/profiles/south-africa.html.

Table 4. US imports from South Africa, 2019-2022 YTD December (Thousands of Dollars).

All sectors	2019	2020	2021	2022
Imports by US	7 794 518	11 361 006	15 725 971	14 573 647
AGOA (including GSP provisions) imports by US	1 981 377	1 892 488	2 697 492	3 613 159
GSP imports by US	756 815	714 265	625 197	597 868
AGOA imports by US	1 224 562	1 178 223	2 072 296	3 015 291

Source: Tralac, Bilateral trade by sector: United States – South Africa.

Studies have demonstrated the positive outcomes of AGOA in South Africa, including the creation of more than 62 000 jobs.[43] Success stories have emerged from various sectors, such as motor vehicles and parts, citrus fruit, and wine.[44] Given the significant economic advantages South Africa has gained from AGOA, it is crucial to carefully consider the potential consequences of any actions that could jeopardize its participation or strain trade relations with the US.

Continuing with a trade position that harms US market participants, such as the continuation of ADDs, could mean in retaliation South Africa's exclusion from AGOA in 2025. This outcome could have far-reaching and detrimental economic repercussions for the country. Should South Africa be excluded from AGOA, reports have indicated that the automotive and citrus industries will be hit hard.[45]

The US has emerged as a crucial market for South African vehicle exports, ranking as the fifth-largest export destination, and the second-largest market for original auto components. Losing access to the US market would have profound implications, disrupting investment and export allocations within the automotive industry, leading to job losses and reduced industry stability. Similarly, the citrus industry, already facing challenges in the EU market, relies on access to the US market to sustain approximately 35 000 jobs throughout the supply chain. The potential exclusion from AGOA would intensify the risks, further jeopardizing the industry's stability, jobs, and livelihoods.[46]

It is thus imperative for South Africa to prioritize maintaining its participation in AGOA and sustaining positive trade relations with the US. With the imminent review of the AGOA in 2025 and the present uncertain status of South Africa's inclusion, it is imperative for the country to exert utmost diligence in its endeavours. This includes making concerted efforts to alleviate trade restrictions, with the hope of reciprocal measures, to safeguard its position within this crucial agreement. Within this context, it is important to note that, in the past, South Africa was threatened with AGOA exclusion if ADDs on chicken imports from the US were not revoked.[47] Thus, the continuation of ADDs poses a true threat to South Africa's AGOA status.

2.3. Significance of Brazil relations

In light of the potential deterioration of relations with Western countries, it is crucial for South Africa to preserve its partnership with Brazil, a key ally in the global South. Not only are Brazil and South Africa part of the BRICS bloc – a group of emerging markets with growing economic and political ties

[43] https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fstatic.pmg.org.za%2F160224AGOA.pptx&wdOrigin=BROWSELINK.

[44] AGOA: South Africa, https://agoa.info/images/documents/15718/southafricaagoanaumann112019.pdf.

[45] Claire Bisseker, What South Africa stands to lose if Agoa goes south, Financial Mail, 22 June 2023, https://www.businesslive.co.za/fm/features/cover-story/2023-06-22-what-south-africa-stands-to-lose-if-agoa-goes-south/.

[46] *Ibid*; Nelson Banya, South African citrus growers say EU pest rules putting squeeze on exports, Moneyweb, 28 June 2023, https://www.moneyweb.co.za/news/south-africa/south-african-citrus-growers-say-eu-pest-rules-putting-squeeze-on-exports/.

[47] Charlotte Rowney, No AGOA for South Africa if Dumping Issue Persists, The Poultry Site, 11 December 2014, https://www.thepoultrysite.com/news/2014/12/no-agoa-for-south-africa-if-dumping-issue-persists.

– and the India, Brazil, South Africa Forum (IBSA), but exporters also enjoy preferential access on 1 052 tariff lines under the MERCOSUR-SACU Preferential Trade Agreement (PTA).[48]

Reports indicate that the implementation of the PTA has yielded positive outcomes for South Africa. Within two years of entering into force, the trade deficit with Brazil decreased from $1.2 billion in 2017 to $700 million in 2018. Additionally, exports from South Africa to Brazil showed growth during the same period, increasing from $483 million to $663 million.[49] These figures highlight the economic benefits and potential that the Brazilian market holds for South Africa.

To safeguard and strengthen this vital relationship, which will contribute to its economic growth and resilience in the face of potential challenges from other regions, South Africa must refrain from imposing prohibitive measures on Brazil.

3. Conclusion and recommendations

Continuing prohibitive tariffs, specifically ADDs, can have severe consequences for South Africa's economy and international relations. Potential retaliation from key trading partners like the EU and the US could jeopardize key sectors. South Africa should carefully consider the consequences of alienating the EU, a major BRICS partner and the US, as they are crucial partners for its economic development. It is also important for South Africa to prioritize its partnership with Brazil, a key ally in the global South.

[48] South African Government, Trade and Industry on implementation of SACU and MERCOSUR Preferential Trade Agreement, 27 October 2016, https://www.gov.za/speeches/trade-and-industry-implementation-sacu-and-mercosur-preferential-trade-agreement-27-oct.

[49] African News Agency, Sacu/Mercosur agreement is paying off, IOL, 8 April 2019, https://www.iol.co.za/business-report/economy/sacumercosur-agreement-is-paying-off-20782182.

Chapter 6: Conclusion and recommendations

This report has provided a comprehensive analysis of the importance of allowing imports of chicken meat from key partners. The findings clearly demonstrate the necessity of continued imports to ensure food security in the country. The domestic poultry industry is unable to meet the growing demand, and reliance on imports is crucial to fill the supply gap. Additionally, the report highlights the significant increase in chicken meat prices in recent years, emphasizing the need for government intervention to stem or reverse price hikes.

The analysis of government plans and policies, as well as the challenges faced by domestic producers and exporters, reveals that import restrictions alone cannot solve the underlying issues in the industry. Prohibiting chicken meat imports, a vital dietary staple, could have severe repercussions for food security within the country. Furthermore, the imposition of ADDs has not resulted in a substantial improvement in the performance of the domestic industry. In addition to the impact on consumers, limiting imports can also have a knock-on effect on the entire value chain of the industry, including the feed, hatchery, and processing sectors, as well as the retail and restaurant industries. This can lead to job losses, a decline in investment and innovation, and higher prices for consumers. The report also evaluates the impact of duties on imports, prices, and consumer welfare. It demonstrates that while increased tariffs may lead to a reduction in imports, this reduction comes at the expense of increased prices and a significant decrease in consumer welfare. Such consequences undermine the affordability and accessibility of chicken meat for the South African population. Likewise, the evidence[50] is inconclusive as to whether the imposition of ADDs has historically had the effect of reducing bone-in imports from countries like Brazil. This raises the question of what re-imposing ADDs in August 2023 would achieve, except for protecting the profits of local chicken producers and driving up the price of chicken, which would further burden already cash-strapped consumers.

Considering the potential consequences of continuing prohibitive tariffs, including retaliatory measures from affected countries and the possibility of South Africa's exclusion from trade agreements such as AGOA, the report highlights the need for a careful reconsideration of such measures. The potential loss of trade opportunities and strained relations with key trade and development partners could further harm the already struggling South African economy.

Given the challenging state of the economy, characterized by inadequate economic growth, high unemployment rates, and elevated consumer inflation, the report emphasizes the importance of collective efforts to prioritize food security. It recommends against the implementation of measures that reduce the availability of affordable chicken meat and increase domestic prices. Instead, it urges the removal of existing import restrictions and the adoption of policies that support food security and mitigate the adverse effects on consumers.

Based on the findings of this report, the following recommendations are proposed:

1. Suspend the reinstatement of ADDs on bone-in chicken imports from Brazil, Denmark, Ireland, Poland, and Spain, or abolish these, and others, entirely. Continuation of these duties would

[50] In May 2022, South Africa imported 6,537 metric tons (mt) of bone-in chicken from Brazil while provisional ADDs were in place. In May 2023, when the ADDs were suspended, Brazil exported only 1,720 mt of bone-in chicken to South Africa – a 74% decrease (SARS data).

limit the availability of affordable chicken meat and exacerbate the challenges faced by consumers and the economy.

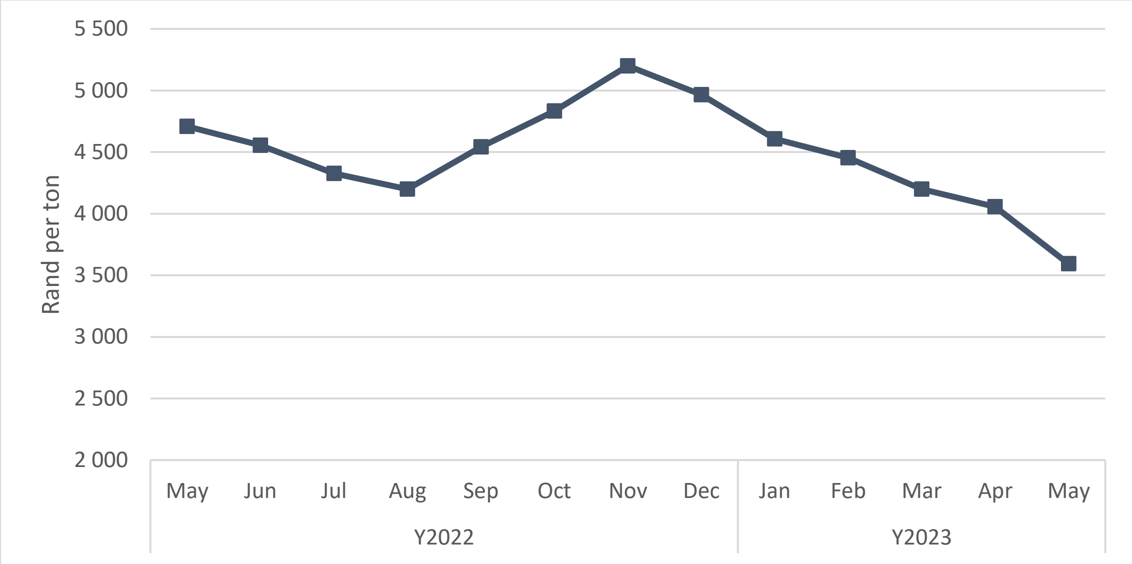
2. Review a downward movement in the steep MFN duty rate of 62% (which was increased from 37% in March 2020).
3. Introduce government policies to solve the underlying problems in the domestic poultry industry. This should include measures to improve the productivity and competitiveness of local producers, while recognizing the importance of continued imports to ensure food security.
4. Government assistance in supporting and compensating local producers who have been negatively affected by poor infrastructure of basic services such as water, electricity and logistical infrastructure.
5. Encourage dialogue and cooperation between industry stakeholders, including domestic producers and importers, to develop strategies that foster a sustainable and inclusive poultry industry. This could involve initiatives such as knowledge-sharing, technology transfer, and capacity-building programs.
6. Strengthen trade relations with key import partners by engaging in diplomatic negotiations to resolve disputes related to the poultry industry. This can help maintain mutually beneficial trade relationships and prevent the imposition of retaliatory measures.
7. Invest in research and development to improve the efficiency, productivity, and sustainability of the domestic poultry industry. This can include advancements in breeding techniques, feed formulations, and disease control measures to augment the industry's capacity to meet the growing demand.
8. Develop consumer education and awareness campaigns to promote healthy and balanced diets, emphasizing the nutritional benefits of chicken meat and the importance of food security. This can help mitigate potential resistance to imports and foster support for policies that prioritize the well-being of consumers.

By implementing these recommendations, South Africa can work towards a more robust and sustainable poultry industry while ensuring food security, benefiting consumers, and fostering a conducive environment for economic growth and development.

Appendices

Appendix A1

Figure A1. SAFEX yellow maize price, by month.



Source: Consultants computation using SAFEX data from the South African Grain Information Service (SAGIS).
Note: The values depicted in the above diagram correspond to the first day of available data for each month.

Appendix A2

- The SMART (World Integrated Trade Solution - Simulation Module for Applied Regional Trade) analysis is a valuable tool for understanding how changes in tariffs can impact trade and welfare.
- Different scenarios are created to explore the impact of altering tariffs. For example, examining the consequences of a country increasing its tariff rate to 50% or decreasing it by 25%.
- The SMART model runs simulations based on the selected tariff scenarios, evaluating how the changes in tariffs affect trade, revenue, and other important indicators. It considers factors such as changes in prices, competition, and consumer behaviour.
- The model generates various outputs that help in understanding the effects of the tariff changes. These outputs may include changes in imports, exports, production, prices, consumer welfare, tariff revenue, and trade balance.
- Sensitivity analysis can also be conducted to explore the impact of different factors on the results. This involves testing how changes in variables like demand or exchange rates influence the outcomes. It assists in understanding the uncertainties and factors that influence the results. For this simulation, the model parameters of 1.5 substitution elasticity and 99 supply elasticity were selected. Further research could involve sensitivity analysis to compare these results against alternative scenarios.
- The final step involves interpreting the results and understanding their implications for policymakers and the economy. The analysis investigates how the tariff changes can affect different groups, such as producers and consumers. This information enables policymakers to make informed decisions about trade policies and their potential impacts.