

REPORT NO. 373

**Withdrawal of the temporary rebate provision
for canned pineapples**

The International Trade Administration Commission of South Africa herewith presents Report No. 373: **Withdrawal of the temporary rebate provision for canned pineapples**



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CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 373

WITHDRAWAL OF THE TEMPORARY REBATE PROVISION FOR CANNED PINEAPPLES

Synopsis

The South African Fruit & Vegetable Canners' Association (SAFVCA) applied for the removal of rebate provision 460.04/2008.20/02.06 providing for rebate of the full duty less 20% on canned pineapples. The reasons for the application were that, as a result of continuing adverse effects of cadmium contamination due to the fertilisers supplied to the South African pineapple growers during the latter part of 2006, the growers were unable to supply the domestic pineapple canners with fresh pineapples suitable for canning.

The Commission found that sufficient quantities of pineapples are now available for further processing. It also found that the SACU pineapple canners, especially the South African producers situated in the Eastern Cape are experiencing significant price disadvantages. The removal of the rebate facility would improve the competitive position of the canners vis-à-vis foreign producers, enabling the domestic industry to meet the challenges of foreign competition. The withdrawal of the rebate provision would assist in creating further investment and employment opportunities in this industry.

In light of the foregoing, the Commission recommended that rebate provision 460.04/2008.20/02.06 providing for partial rebate of the duty on canned pineapples be withdrawn.

THE APPLICATION AND TARIFF POSITION

The SA Fruit & Vegetable Canners' Association (SAFVCA) applied for the removal of rebate provision 460.04/2008.20/02.06. The provision reads as follows:

"Rebate of the full duty less 20 per cent on canned pineapples, in such quantities, at such times and under such conditions as the International Trade Administration Commission may allow by specific permit, provided that the Commission is satisfied that pineapples suitable for canning are not available in sufficient quantities in the SACU area".

The tariff position for canned pineapples is as follows:

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty			
				General	EU	EFTA	SADC
20.08		Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included.					
	2008.20	Pineapples	kg	55%	free	55%	free

The tariff position for fresh pineapples is as follows:

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty			
				General	EU	EFTA	SADC
08.04		Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried					
	0804.30	Pineapples	kg	15%	free	15%	free

In May 2008, SAFVCA applied for the creation of the temporary rebate provisions for canned pineapples.

The reasons for the application were that, as a result of continuing adverse effects of cadmium contamination due to the fertilisers supplied to the South African pineapple growers during the latter part of 2006, the growers were unable to supply the domestic pineapple canners with fresh pineapples suitable for canning.

The Commission, in its Report No. 291, supported the application and recommended the creation of the rebate provisions. The Commission found that pineapples suitable for canning were not available domestically and that the duty had an unnecessary cost-raising impact. The Commission noted that the applicant intended to apply for the withdrawal of the rebate provision once the cadmium in the soil had dissipated. The following rebate provisions were introduced:

Rebate item 460.04/2008.20/01.06: Rebate of the full duty on canned pineapples in containers holding 3 kg or more in such quantities, at such times

and under such conditions as the International Trade Administration Commission may allow by specific permit for further processing, provided that the Commission is satisfied that pineapples suitable for canning are not available in sufficient quantities in the SACU area.

Rebate item 460.04/2008.20/02.06: Rebate of the full duty less 20 per cent on canned pineapples, in such quantities, at such times and under such conditions as the International Trade Administration Commission may allow by specific permit, provided that the Commission is satisfied that pineapples suitable for canning are not available in sufficient quantities in the SACU area.

The motivation behind the current application to withdraw rebate item 460.04/2008.20/02.06 is that the cadmium contamination has now been contained and that the industry is experiencing substantive price disadvantages against low-priced competition from abroad.

The applicant maintained that the provision providing for rebate of the full duty on canned pineapple imports in containers holding 3 kg or more and intended for further processing into products such as canned mixed fruits, should be retained for the time being. The reason for this is that, although the cadmium contamination is working its way out of the pineapple plantations and reasonable tonnages are now available for processing, it will take some time before the new and additional pineapple plantings have the effect of producing sufficient pineapples to meet the requirements of the domestic fruit canners.

The application was published in the Government Gazette for interested parties to comment.

INDUSTRY AND MARKET

Summerpride Foods, situated in the Eastern Cape and since recently the sole supplier of processed pineapples in South Africa, discontinued the production of canned pineapples when the cadmium contamination was identified. As a result, the company sold certain equipment and retrenched employees in order to reduce costs. The company has since rented out their factory space to other industries.

The cadmium contamination is now working itself out of the pineapple fields and there are reasonable quantities of pineapples suitable for canning. However, Summerpride Foods is unlikely to resume canning as it is unable to can pineapples at a profit. It is currently using its stock of pineapples solely for the production of pineapple juice.

Nokland Foods cc bought some of Summerpride's canning facilities and started pineapple canning in 2007. Nokland Foods has the capacity to produce approximately 2 400 000 kg of canned pineapples per annum. However, it currently is producing 1 320 000 kg per annum due to the shortage of fresh pineapples.

The other SACU pineapple canner, Swaziland Fruit Cannery (Swazican), is part of the Rhodes Fruit Group and has a citrus and pineapple processing factory in Swaziland. The cannery is in the process of acquiring more agricultural land for cultivation of pineapples to meet the SACU demand.

The SACU market for canned pineapples is estimated at 6 200 000 kg per annum. Prior to 2006, eighty per cent of SACU production was exported and the remaining quantity was sold locally. Subsequent to the contamination, Swazican which produces approximately 7 200 000 kg of canned pineapples per annum, became the main domestic supplier of canned pineapples and continued to export a smaller percentage of their production.

In the table below, the import statistics for canned pineapples are presented:

Year	Quantity imported (kg)	Value imported (R)
2006	2 289 207	8 377 742
2007	2 666 135	17 428 248
2008	5 109 146	35 380 656
2009	5 386 591	50 764 304
2010	3 966 517	21 762 884

The import data shows that, since the discovery of the cadmium contamination in 2006, the volume of imports of canned pineapples increased substantially.

COMPETITIVE POSITION

According to information at the Commission's disposal the domestic industry is experiencing appreciable price disadvantages against foreign producers of canned pineapples that export their products to SACU.

COMMENTS ON THE APPLICATION

Swazican and Nokland Foods supported the withdrawal of the rebate facility as they are experiencing low-priced competition from foreign producers.

An importer of canned pineapples objected to the application.

FINDINGS

The Commission found that sufficient quantities of pineapples are now available for further processing. It also found that the SACU pineapple canners especially the South African producers situated in the Eastern Cape are experiencing significant price disadvantages. The removal of the rebate facility would improve the competitive position of the canners vis-à-vis foreign producers, enabling the domestic industry to meet the challenges of foreign competition. The withdrawal of the rebate provision would assist in creating further investment and employment opportunities in this industry.

RECOMMENDATION

In light of the foregoing, the Commission recommends that rebate provision 460.04/2008.20/02.06, providing for a partial rebate of the duty on canned pineapples, be withdrawn.

(27/2010)