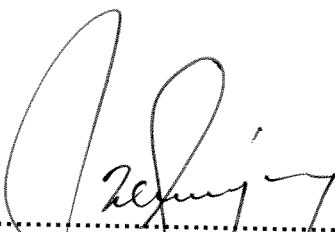


**REPORT NO: 380**

**REDUCTION IN THE CUSTOMS DUTIES ON LYSINE  
AND ITS ESTERS; AND FEED SUPPLEMENTS  
CONTAINING BY MASS 40 PER CENT OR MORE  
LYSINE, WHETHER OR NOT CONTAINING ADDED  
ANTIBIOTICS OR ADDED MELENGESTROL  
ACETATE**

The International Trade Administration Commission of South Africa herewith presents its Report No. 380: **Reduction in the customs duties on lysine and its esters; and feed supplements containing by mass 40 per cent or more lysine, whether or not containing added antibiotics or added melengestrol acetate**



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**Siyabulela Tsengiwe**

**CHIEF COMMISSIONER**

**PRETORIA**

**02.1.09.2011**

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 380

**REDUCTION IN THE CUSTOMS DUTIES ON LYSINE AND ITS ESTERS; AND FEED SUPPLEMENTS CONTAINING BY MASS 40 PER CENT OR MORE LYSINE, WHETHER OR NOT CONTAINING ADDED ANTIBIOTICS OR ADDED MELENGESTROL ACETATE**

**Synopsis**

ITAC initiated an investigation of the duty structure for lysine and its esters; and feed supplements containing by mass 40 per cent or more lysine, whether or not containing added antibiotics or added melengestrol acetate, classifiable under tariff subheadings 2922.41 and 2309.90.65 respectively, with a view to a reduction in the duty from 10 per cent ad valorem to free of duty.

The Commission found that lysine is no longer manufactured in the SACU and that the existing customs duties on lysine and feed supplements containing lysine have an unnecessary cost-raising impact on downstream industries such as the animal feed manufacturing industry.

The Commission recommended that the general rate of customs duties on lysine and its esters; and feed supplements containing by mass 40 per cent or more lysine, whether or not containing added antibiotics or added melengestrol acetate, classifiable under tariff subheadings 2922.41 and 2309.90.65, respectively, be reduced from 10% ad valorem to free of duty.

**THE APPLICATION AND TARIFF POSITION**

ITAC initiated an investigation of the duty structure for lysine and its esters; and feed supplements containing by mass 40 per cent or more lysine, whether or not containing added antibiotics or added melengestrol acetate, classifiable under tariff subheadings 2922.41 and 2309.90.65 respectively, with a view to a reduction in the duty from 10 per cent ad valorem to free of duty.

The application was published in the Government Gazette of 22 July 2011 for comment by interested parties.

The existing tariff position for the products under investigation is shown in Tables 1 and 2 below:

**Table 1: Tariff position of feed supplements containing by mass 40 per cent or more lysine**

Tariff heading	Tariff subheading	Description	Stats unit	Rate of duty			
				General	EU	EFTA	SADC
23.09	2309.90 2309.90.65	Preparations of a kind used in animal feeding:  Other:  Feed supplements, containing, by mass, 40 per cent or more lysine, whether or not containing added antibiotics or added melengestrol acetate	Kg	10%	free	free	free

**Table 2: Tariff position of lysine and its esters**

Tariff heading	Tariff subheading	Description	Stats unit	Rate of duty			
				General	EU	EFTA	SADC
29.22	2922.4 2922.41	Oxygen-function amino-compounds:  Amino-acids (excluding those containing more than one kind of oxygen function), and their esters; salts thereof:  Lysine and its esters; salts thereof	Kg	10%	free	free	free

## **INDUSTRY AND MARKET**

Lysine is an amino acid that is used in its pure form by animal feed manufacturers to “top up” the lysine present from the bulk proteins that make up the basic ingredients of the feed (such as soya meal, fishmeal, etc.) to formulate feeds for poultry and pigs that contain the optimum amino acid content for health and growth.

Lysine was previously manufactured domestically by SA Bioproducts (Pty) Ltd situated at Umbogintwini in KwaZulu Natal. The firm was established in 1993 as a joint venture between AECI Ltd and the IDC.

SA Bioproducts obtained sugar, the raw material used in the domestic production of lysine, at beneficial concessionary prices from the domestic sugar producer situated in close proximity to the lysine plant.

However, as a result of the non-renewal of the supply contract between SA Bioproducts and the South African Sugar Association (SASA) for the delivery of sugar at competitive prices and the inability to negotiate an alternative supply contract, SA Bioproducts decided to terminate the production of lysine in April 2011. The new pricing structure set by SASA would have resulted in SA Bioproducts being uncompetitive due to the high cost of domestic feedstock. SA Bioproducts continues to produce yeast in the same plant where lysine was produced previously.

The annual SACU market of lysine and feed supplements containing lysine was estimated in 2009 at R150 million, with SA Bioproducts holding a significant share of the market. The combined imports of lysine and feed supplement containing lysine increased significantly since 2009 to an amount of approximately R70 million in 2010.

## **COMMENTS ON THE APPLICATION**

SA Bioproducts (Pty) Ltd supported the reduction of customs duties on lysine and feed supplements containing lysine, as did the Department of Agriculture, Forestry and Fisheries, and the Animal Feed Manufacturers' Association.

## **FINDINGS**

The Commission found that lysine is no longer manufactured in the SACU and that the existing customs duties on lysine and feed supplements containing lysine have an unnecessary cost-raising impact on downstream industries such as the animal feed manufacturing industry.

## **RECOMMENDATION**

The Commission therefore recommends that the general rate of customs duties on lysine and its esters; and feed supplements containing by mass 40 per cent or more lysine, whether or not containing added antibiotics or added melengestrol acetate, classifiable under tariff subheadings 2922.41 and 2309.90.65, respectively, be reduced from 10% ad valorem to free of duty.

**(04/2011)**

**NOTES REGARDING AMENDMENTS TO THE SCHEDULES  
TO THE CUSTOMS AND EXCISE ACT, 1964**

**14 OCTOBER 2011**

These notes are issued merely as a guide and both the old and new provisions should be studied in order to determine what the amendment actually entails.  
These notes have no legal status.

<i>Provision</i>	<i>Note</i>
2309.90.65	The effect of this amendment is that the general rate of duties on lysine and its esters; and feed supplements, containing by mass, 40 per cent or more lysine, whether or not containing added antibiotics or added melengestrol acetate, is reduced to free of duty, in accordance with the recommendations contained in ITAC's Report No. 380.
2922.41	

**Government Gazette No. 34671  
No. R.845**

**2011-10-14**

**CUSTOMS AND EXCISE ACT, 1964.  
AMENDMENT OF SCHEDULE NO. 1 (NO. 1/1/1430)**

In terms of section 48 of the Customs and Excise Act, 1964, Part I of Schedule No. 1 to the said Act is hereby amended to the extent set out in the Schedule hereto.

**N NENE  
DEPUTY MINISTER OF FINANCE**

**SCHEDULE**

**By the substitution for subheadings 2309.90.65 and 2922.41 of the following:**

Heading	Subheading	C	D	Description	Statistical Unit	Rate of Duty			
						General	EU	EFTA	SADC
23.09	2309.90.65	0	0	-- Feed supplements, containing, by mass, 40 per cent or more lysine, whether or not containing added antibiotics or added melengestrol acetate	kg	free	free	free	free
29.22	2922.41	0	0	-- Lysine and its esters; salts thereof	kg	free	free	free	free