


**REPORT NO. 387**

**Revised tariff structure for the industry producing  
canned tomatoes and tomato paste, puree, and  
concentrates in powder form**

The International Trade Administration Commission of South Africa herewith presents  
Report No.387: **Revised tariff structure for the industry producing canned  
tomatoes and tomato paste, puree, and concentrates in powder form**



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REPUBLIC OF SOUTH AFRICA  
INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF  
SOUTH AFRICA

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Revised tariff structure for the industry producing canned tomatoes and tomato paste, puree, and concentrates in powder form

Synopsis

Norjax Canning (Pty) Ltd applied for an increase in the rate of customs duty on canned tomatoes classifiable under tariff subheading 2002.10.80 and tomato puree, pastes and concentrates in powder form classifiable under tariff subheading 2002.90. Tariff subheadings 2002.10.80 and 2002.90 are subject to customs duties of 30 per cent *ad valorem* and 15 per cent *ad valorem*, respectively.

The Commission found adequate justification for an increase in duty on tomato paste, puree and concentrates in powder form classifiable under tariff subheading 2002.90. Additional tariff support to the WTO-bound rate of 37% *ad valorem* would enhance the price competitive position of the industry in the face of fierce low-priced competition from abroad. The support will enable the domestic producers to utilize existing production capacity and achieve economies of scale.

The duty structure for tomato paste and other products classifiable under tariff subheading 2002.90 will be monitored over a period of three years, after which the duty structure will be reviewed by the Commission, taking into consideration among others, aspects relating to the growth and development and the competitiveness of the domestic tomato canning industry.

The Commission found that, from time to time, supply shortages of tomato paste for further processing are experienced, adversely affecting the downstream producers of certain food preparations. It is recommended below that a rebate facility be created for bulk tomato paste used in the manufacture of food preparations classifiable in Chapters 16 to 21.

The rebate will be administered via a rebate permit system by ITAC, and would allow downstream manufacturers of tomato-based products, to import bulk tomato paste at free of duty should the domestic tomato processors be unable to meet requirements.

Based on the information as its disposal, the Commission could not find justification for an increase in the general rate of duty on canned tomatoes currently classifiable under tariff subheading 2001.10.80 at 30% *ad valorem*, especially as the vast majority of imported canned tomatoes are imported from the EU at free of duty in terms of the SA-EU Agreement. The Commission found that the existing general rate of customs duty offers adequate support to the industry producing canned tomatoes, whole or in pieces.

In the light of the foregoing, the Commission recommends that:

- The general rate of customs duty on processed tomato products classifiable under tariff subheading 2002.90 be increased from 15 per cent *ad valorem* to 37 per cent *ad valorem*.
- A rebate of the full duty provision be created as follows:  
“Bulk tomato paste (200 li. or more) used in the manufacture of food preparations classifiable in Chapters 16 to 21 in such quantities, at such times and subject to such conditions as the International Trade Administration Commission of South Africa may allow by specific permit.”
- The general rate of customs duty on canned tomatoes, whole or in pieces, classifiable under tariff subheading 2001.10.80, be maintained at 30% *ad valorem*.

## 1. THE APPLICATION AND TARIFF POSITION

- 1.1. Norjax Canning (Pty) Ltd applied for an increase in the rate of customs duty on canned tomatoes classifiable under tariff subheading 2002.10.80 and tomato puree, pastes and concentrates in powder form classifiable under tariff subheading 2002.90. Tariff subheadings 2002.10.80 and 2002.90 are subject to customs duties of 30 per cent *ad valorem* and 15 per cent *ad valorem*, respectively.
- 1.2. The applicant requested an increase in the applicable customs duties to the bound rate of 37 per cent *ad valorem*.
- 1.3. As reasons for the application, the applicant stated that it experienced a decline in demand and orders from customers that it attributes to a shift by customers to low-priced imports from China. In October 2010, the tomato canning production line for canned tomatoes and tomato paste at Norjax Canning (Pty) Ltd was closed down and as a result 110 workers had to be retrenched.

- 1.4. The tariff structure for canned tomatoes classifiable under tariff subheading 2002.10.80 and tomato puree, pastes and concentrates in powder form classifiable under tariff subheading 2002.90 reads as follows:

Tariff Heading	Tariff Sub Heading	Description	Stat Unit	Rate of duty			
				General	EU	EFTA	SADC
20.02		Tomatoes prepared or preserved otherwise than by vinegar or acetic acid:					
	2002.10	- Tomatoes, whole or in pieces:					
	2002.10.80	--- Other, in airtight metal containers	kg	30%	Free	30%	free
	2002.90	Other	kg	15%	Free	5.7%	free

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

## 2. INDUSTRY AND MARKET

- 2.1. SACU produces roughly 400 000 tons of tomatoes annually (1% of global production), mainly in the Limpopo province of South Africa. Major tomato producers are ZZ2 (constituting 60% of total production), Members of the Limpopo Tomato Growers Association (LTGA), Montina Boerdery and Sandquest. All of the above growers are involved in supplying fresh tomatoes to the applicant for further processing into products subject to this application.
- 2.2. The Applicant acquires tomatoes from the farmers and processes them into products such as canned tomatoes, tomato paste, tomato puree and tomato powder.
- 2.3. The applicant's production of the above products has been rapidly declining since 2009 due to fierce competition experienced against low priced imported products. The tomato canning production line for canned tomatoes and tomato paste at Norjax Canning (Pty) Ltd's factory has been lying idle. As a result, Norjax Canning (Pty) Ltd is currently not processing any canned tomatoes and tomato paste, only focusing on tomato puree and powder.
- 2.4. Norjax Canning (Pty) Ltd has a maximum annual production capacity for processing canned tomatoes, tomato paste, tomato puree and tomato powder of approximately 2 900 metric tons, 8 500 metric tons, 9 200 metric tons and 450 metric tons respectively. The applicant currently produces only 157 metric tons of tomato powder. It is the only processor of tomato powder in SACU.

- 2.5. The SACU demand for whole canned tomatoes and tomato paste is estimated at approximately 8 000 metric tons and 20 000 metric tons respectively. The downstream fish canning industry utilizes a significant portion of produced tomato paste in the fish canning process.
- 2.6. No quantified estimate exists for the SACU demand for tomato puree and powder, but the demand is not regarded as significant compared to that for canned tomatoes and tomato paste.
- 2.7. The other established SACU processors of tomatoes into tomato paste and tomato puree are Tiger Brands and Rhodes Food Group.
- 2.8. Imports from the EU of canned tomatoes, comprising roughly 99% of total imports in 2011, increased from 6 076 metric tons in 2009 to 7 824 metric tons in 2011. Imports from other countries decreased from 500 metric tons in 2009 to 101 metric tons in 2011.
- 2.9. Imports of tomato paste puree and concentrate in powder from the EU, comprising 12% of total imports in 2011, increased from 1 497 metric tons in 2009 to 1 609 metric tons in 2011. Imports from other countries increased from 8 835 metric tons in 2009 to 11 346 metric tons in 2011.
- 2.10. According to the tomato canning industry, South Africa has the opportunity to meet an emerging gap in the global market for tomato paste created by a gradual deterioration in the EU industry due to a reduction in agricultural subsidies to tomato growers in that region. Currently, China is the leading producer of processed tomatoes. Most of the Chinese crop is processed into paste.
- 2.11. A recent entrant in the tomato canning industry is Cape Concentrate CC, based in the Coega IDZ. Cape Concentrate was established in 2008 to produce 4800 metric tons of tomato paste for domestic and export markets, to be ramped up to full production in 2013.

### 3. COMPETITIVE POSITION

- 3.1. Information at the Commission's disposal indicates that the domestic tomato canning industry, in the circumstances, and especially in the case of tomato paste, experiences significant price disadvantages vis-à-vis foreign processors.

#### 4. COMMENTS ON THE APPLICATION

- 4.1. A number of downstream food canners and importers objected to the application. In the main, the objections centred on the cost-raising impact of higher duties and on local supply shortages of tomato products, especially bulk tomato paste, for further processing into products such as tomato sauce, canned baked beans in tomato sauce, canned pilchards in tomato sauce and canned spaghetti in tomato sauce.
- 4.2. It is argued that the local supply of tomato paste is insufficient to meet the growth in demand for canned food in tomato sauce.
- 4.3. The Department of Agriculture, Forestry and Fisheries (DAFF), the Republic of Botswana, the National Agricultural Marketing Council, the Limpopo Provincial Department of Agriculture and the Limpopo Provincial Department of Economic Development, Environment and Tourism, supported the application as did Cape Concentrate CC.

#### 5. FINDINGS

- 5.1. The Commission found adequate justification for an increase in duty on tomato paste, puree and concentrates in powder form classifiable under tariff subheading 2002.90. Additional tariff support to the WTO-bound rate of 37% *ad valorem* would enhance the price competitive position of the industry in the face of fierce low-priced competition from abroad. The support will enable the domestic producers to utilize existing production capacity and achieve economies of scale.
- 5.2. The duty structure for tomato paste and other products classifiable under tariff subheading 2002.90 will be monitored over a period of three years, after which the duty structure will be reviewed by the Commission, taking into consideration among others, aspects relating to the growth and development and the competitiveness of the domestic tomato canning industry.
- 5.3. The Commission found that, from time to time, supply shortages of tomato paste for further processing are experienced, adversely affecting the downstream producers of certain food preparations. It is recommended below that a rebate facility be created for bulk tomato paste used in the manufacture of food preparations classifiable in Chapters 16 to 21.

- 5.4. The rebate will be administered via a rebate permit system by ITAC, and would allow downstream manufacturers of tomato-based products, to import bulk tomato paste at free of duty should the domestic tomato processors be unable to meet requirements.
- 5.5. In terms of the guidelines governing the recommended creation of the rebate facility, canned food producers utilising this rebate provision would be required, among others, to first consult with domestic producers of tomato paste, for confirmation of the ability to supply tomato paste. If such confirmation is not forthcoming, a permit will be issued for the quantity needed by the downstream canning industry.
- 5.6. Based on the information as its disposal, the Commission could not find justification for an increase in the general rate of duty on canned tomatoes currently classifiable under tariff subheading 2001.10.80 at 30% *ad valorem*, especially as the vast majority of imported canned tomatoes are imported from the EU at free of duty in terms of the SA-EU Agreement. The Commission found that the existing general rate of customs duty offers adequate support to the industry producing canned tomatoes, whole or in pieces.

## 6. **RECOMMENDATION**

- 6.1. In the light of the foregoing, the Commission recommends that:
- The general rate of customs duty on processed tomato products classifiable under tariff subheading 2002.90 be increased from 15 per cent *ad valorem* to 37 per cent *ad valorem*.
  - A rebate of the full duty provision be created as follows:  
"Bulk tomato paste (200 li. or more) used in the manufacture of food preparations classifiable in Chapters 16 to 21 in such quantities, at such times and subject to such conditions as the International Trade Administration Commission of South Africa may allow by specific permit."
  - The general rate of customs duty on canned tomatoes, whole or in pieces, classifiable under tariff subheading 2001.10.80, be maintained at 30% *ad valorem*.