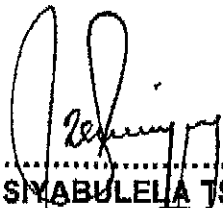


## **REPORT NO. 266**

**REVIEW OF THE TARIFF STRUCTURE  
FOR SALMON CLASSIFIABLE UNDER  
TARIFF SUBHEADINGS 0302.12,  
0303.11, 0303.19, 0303.22, 0304.19.90,  
0304.21.90, 0304.22.90, 0304.29.90,  
0304.91.90, 0304.92.90, 0304.99.90,  
0305.41, 0305.59.90 AND 0305.69**

The International Trade Administration Commission of South Africa herewith presents its **Report No. 266: REVIEW OF THE TARIFF STRUCTURE FOR ALMON CLASSIFIABLE UNDER TARIFF SUBHEADINGS 0302.12, 0303.11, 0303.19, 0303.22, 0304.19.90, 0304.21.90, 0304.22.90, 0304.29.90, 0304.91.90, 0304.92.90, 0304.99.90, 0305.41, 0305.59.90 AND 0305.69**



.....  
**SNYABULELA TSENGIWE**  
**CHIEF COMMISSIONER**

**PRETORIA**

.....07 / 05 / .....2008

**REPUBLIC OF SOUTH AFRICA**

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH  
AFRICA**

**REPORT NO. 286**

**REVIEW OF THE TARIFF STRUCTURE FOR SALMON CLASSIFIABLE  
UNDER TARIFF SUBHEADINGS 0302.12, 0303.11, 0303.19, 0303.22,  
0304.19.90, 0304.21.90, 0304.22.90, 0304.29.90, 0304.91.90, 0304.92.90,  
0304.99.90, 0305.41, 0305.59.90 AND 0305.69**

**Synopsis**

The Commission undertook a review of the customs duty on salmon classifiable under tariff subheadings 0302.12, 0303.11, 0303.19, 0303.22, 0304.19.90, 0304.21.90, 0304.22.90, 0304.29.90, 0304.91.90, 0304.92.90, 0304.99.90, 0305.41, 0305.59.90 and 0305.69. The review emanated from the Commission's recommendations as set out in its Report No. 122, where it was recommended that the duties imposed on salmon be reviewed two years from the date of Report No. 122, after having reviewed the performance and growth of the trout farming industry in the Southern African Customs Union (SACU). The duties on salmon (a substitute for trout) were introduced to protect the trout farming industry in SACU.

Salmon is not farmed in the SACU. However, trout, which is farmed in Mpumalanga, Kwa-Zulu Natal, Western Cape and Lesotho, is processed, packaged and marketed in the same manner as imported salmon and is very similar in appearance and in other qualities.

The Commission found that salmon and trout are similar or substitute products and that a reduction in the duty on salmon could have an adverse impact on the growth potential of the infant SACU trout producing industry. As this review only pertains to the duty structure of salmon and not to that of trout, the Commission found that a highly differentiated duty structure for salmon and trout could lead to possible abuse of the tariff. However, the SACU producers of trout are not in a position to supply the total demand for salmon and trout, which negatively impacts on the downstream salmon processing industry as well as limiting the growth of the salmon and trout market.

The Commission is therefore in favour of the creation of a rebate provision for salmon used for further downstream processing subject to a permit issued by ITAC. Permits will be issued to processors of imported salmon, subject to the confirmation from the Trout Associations that they are not in a position to supply the smoke houses with trout.

In view of the above, the Commission decided to recommend:

- Maintaining the customs duty on salmon classifiable under tariff subheadings 0302.12, 0303.11, 0303.19, 0303.22, 0304.19.90, 0304.21.90, 0304.22.90, 0304.29.90, 0304.91.90, 0304.92.90, 0304.99.90, 0305.41, 0305.59.90 and 0305.69 for a period of three years after which it is to be reviewed in conjunction with the customs duties on trout.
- b) Creating a temporary rebate provision in the 4<sup>th</sup> Schedule for:  
"Salmonidae (excluding livers and roes), fresh or chilled of subheading 0302.1 [excluding trout (*salmo trutta*, *oncorhynchus mykiss*, *oncorhynchus clarki*, *oncorhynchus aguabonita*, *oncorhynchus gilae*, *oncorhynchus apache* and *oncorhynchus chrysogaster*)], for further processing by means of smoking, under such conditions, at such times and in such quantities as the International Trade Administration Commission may allow by specific permit."; and  
"Salmonidae (excluding livers and roes), frozen of tariff subheadings 0303.1 and 0303.2 [excluding trout (*salmo trutta*, *oncorhynchus mykiss*, *oncorhynchus clarki*, *oncorhynchus aguabonita*, *oncorhynchus gilae*, *oncorhynchus apache* and *oncorhynchus chrysogaster*)], for further processing by means of smoking, under such conditions, at such times and in such quantities as the International Trade Administration Commission may allow by specific permit."

### Introduction

The Commission undertook a review of the customs duty on salmon classifiable under tariff subheadings 0302.12, 0303.11, 0303.19, 0303.22, 0304.19.90, 0304.21.90, 0304.22.90, 0304.29.90, 0304.91.90, 0304.92.90, 0304.99.90, 0305.41, 0305.59.90 and 0305.69. The review emanated from the Commission's recommendations as set out in its Report No. 122, where it was recommended that the duties imposed on salmon be reviewed two years from the date of Report No. 122, after having reviewed the performance and growth of the trout farming industry in the Southern African Customs Union (SACU). The duties on salmon (a substitute for trout) were introduced to protect the trout farming industry in SACU.

On the 4<sup>th</sup> September 2007, the review of duty on salmon was published in Government Gazette No. 30286, for interested parties to comment.

## Tariff structure for salmon

The tariff structure for salmon is contained in Table 1 below:

**Table 1: Tariff position for salmon**

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty			
				General	EFTA	EU	SADC
03.02		<b>Fish, fresh or chilled</b>					
	0302.12	Pacific, Atlantic and Danube salmon	Kg	25%	25%	25%	free
03.03		<b>Fish frozen</b>					
	0303.11	Red salmon	Kg	25%	25%	25%	free
	0303.19	Other	Kg	25%	25%	25%	free
	0303.22	Atlantic and Danube salmon	Kg	25%	25%	25%	free
03.04		<b>Fish fillets and other fish meat</b>					
	0304.19.90	Other	Kg	25%	25%	25%	free
	0304.21.90	Other	Kg	25%	25%	25%	free
	0304.22.90	Other	Kg	25%	25%	25%	free
	0304.29.90	Other	Kg	25%	25%	25%	free
	0304.91.90	Other	Kg	25%	25%	25%	free
	0304.92.90	Other	Kg	25%	25%	25%	free
	0304.99.90	Other	Kg	25%	25%	25%	free
03.05		<b>Fish, dried, salted or in brine</b>					
	0305.41	Pacific, Atlantic and Danube salmon	Kg	25%	25%	25%	free
	0305.59.90	Other	Kg	25%	25%	25%	free
	0305.69	Other	Kg	25%	25%	25%	free

(Source: SARS)

## Tariff structure for trout

Although not part of this review, the tariff structure for trout is as follows:

**Table 2: Tariff position for trout**

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty			
				General	EFTA	EU	SADC
03.02		<b>Fish, fresh or chilled</b>					
	0302.11	Trout	Kg	25%	25%	25%	free
03.03		<b>Fish frozen</b>					
	0303.21	Trout	Kg	25%	25%	25%	free
	0303.19	Other	Kg	25%	25%	25%	free
03.04		<b>Fish fillets and other fish meat</b>					
	0304.10.90	Other	Kg	25%	25%	25%	free
	0304.20.90	Other	Kg	25%	25%	25%	free
	0304.90.90	Other	Kg	25%	25%	25%	free
03.05		<b>Fish, dried, salted or in brine</b>					
	0305.30.90	Other	Kg	25%	25%	25%	free
	0305.49.90	Other	Kg	25%	25%	25%	free
	0305.59.90	Other	Kg	25%	25%	25%	free

(Source: SARS)

### The industry and the market

Trout is farmed in Mpumalanga, Kwa-Zulu Natal, the Western Cape and Lesotho.

In Lesotho, a commercial aquaculture project has been initiated in Katse dam, the main Lesotho Highlands Water Projects (LHWP) reservoir. The project produces rainbow trout in a cage culture system and will undertake primary processing of fish as well as establish a small trout hatchery.

Salmon is not caught or farmed in SACU and therefore has to be imported. Salmon is imported from Scotland, Norway, Canada and Chile.

The Aquaculture Sector has been identified as a focus point for growth and the Departments of Science and Technology, Water Affairs and Forestry and the National Department of Agriculture have embarked on a National Aquaculture Development Plan.

Internationally, the Aquaculture industry has been one of the fastest growing sectors with the biggest growth evidenced in developing countries.

According to information at the Commission's disposal, the domestically produced products such as cold smoked trout and fresh fillets are not easily distinguishable from the imported products other than by name. Both imported salmon and trout, whether imported or locally farmed, can be used in any of the other products such as pate, terrines, pies and pastries, and quiches. In the light of the available information, the Commission considered trout and salmon to be substitute products, hence the similar duty structure for trout and salmon, both attracting a duty of 25% ad valorem.

The SACU trout producers' production capacity for 2007 represents approximately 40 per cent of the SACU demand for salmon and trout, a market share that is estimated by the producers to grow substantially over the next five years.

Despite the increase in duty from 6c/kg to 25% ad valorem, the official import statistics indicated an increase in the volume of imports of fresh, frozen and smoked salmon in 2006 and 2007.

According to price information at the Commission's disposal, trout producers are experiencing only a marginal price disadvantage against imported salmon.

### Comments on the application

Three associations representing the local trout farmers strongly objected to a reduction in the rates of duties on salmon. The Department of Environmental Affairs and Tourism and the Department of Trade and Industry supported the retention of the current duty structure. However, Three Streams Smoke House, one of the major smoke houses of salmon and trout in the SACU, which was instrumental in the Katse Dam project in Lesotho, confirmed the limited availability of trout in the SACU market and requested the Commission to consider reducing the rates of duties on salmon.

### Findings

As mentioned, the Commission found that salmon and trout are similar or substitute products and that a reduction in the duty on salmon could have an adverse impact on the growth potential of the infant SACU trout producing industry. As this review only pertains to the duty structure for salmon and not to that of trout, the Commission found that a highly differentiated duty structure for salmon and trout could lead to possible abuse of the tariff. However, the SACU producers of trout are not in a position to supply the total demand for salmon and trout, which negatively impacts on the downstream salmon processing industry as well as limiting the growth of the salmon and trout market.

The Commission decided to recommend the retention of the duty on salmon for the next three years after which it is to be reviewed in conjunction with the customs duties on trout. In order to meet the current 60% shortfall in domestic supply, the Commission is in favour of the creation of a rebate provision for salmon used for further downstream processing subject to a permit issued by ITAC. Permits will be issued to processors of imported salmon, subject to the confirmation from the Trout Associations that they are not in a position to supply the smoke houses with trout.

## Recommendation

In view of the above the Commission decided to recommend:

- a) Maintaining the customs duty on salmon classifiable under tariff subheadings 0302.12, 0303.11, 0303.19, 0303.22, 0304.19.90, 0304.21.90, 0304.22.90, 0304.29.90, 0304.91.90, 0304.92.90, 0304.99.90, 0305.41, 0305.59.90 and 0305.69 for a period of three years after which it is to be reviewed in conjunction with the customs duties on trout.
- b) Creating a temporary rebate provision in the 4<sup>th</sup> Schedule for:  
"Salmonidae (excluding livers and roes), fresh or chilled of subheading 0302.1 [excluding trout (*salmo trutta*, *oncorhynchus mykiss*, *oncorhynchus clarki*, *oncorhynchus aguabonita*, *oncorhynchus gilae*, *oncorhynchus apache* and *oncorhynchus chrysogaster*)], for further processing by means of smoking, under such conditions, at such times and in such quantities as the International Trade Administration Commission may allow by specific permit."; and

"Salmonidae (excluding livers and roes), frozen of tariff subheadings 0303.1 and 0303.2 [excluding trout (*salmo trutta*, *oncorhynchus mykiss*, *oncorhynchus clarki*, *oncorhynchus aguabonita*, *oncorhynchus gilae*, *oncorhynchus apache* and *oncorhynchus chrysogaster*)], for further processing by means of smoking, under such conditions, at such times and in such quantities as the International Trade Administration Commission may allow by specific permit."

[33/2007]