

**REPORT NO. 189**

**APPLICATION FOR A REDUCTION IN  
THE RATE OF CUSTOMS DUTY ON  
SALMON FEED**

The International Trade Administration Commission herewith presents its  
**Report No. 189: APPLICATION FOR A REDUCTION IN THE RATE OF  
CUSTOMS DUTY ON SALMON FEED**



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**Mr. ITUMELENG MASEGE  
ACTING CHIEF COMMISSIONER**

**PRETORIA**

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 189

APPLICATION FOR A REDUCTION IN THE RATE OF CUSTOMS DUTY ON SALMON FEED

**Synopsis**

The Commission considered an application for a reduction in the rate of customs duty on salmon feed. Salmon Salar Sea Farming Pty Ltd (the applicant) imports the feed that is the subject of this application and uses it for the feeding of salmon at the applicant's farm in Gansbaai.

The applicant's farm is the first salmon farm in the SACU. The pilot project was approved by the Marine and Coastal Management (MCM) division of the Department of Environmental Affairs and Tourism (DEAT), in 2001 and started operating in 2005.

The Commission found that there were no local manufacturers of the appropriate salmon feed and that the existing duty merely serves to inflate costs.

The Commission decided that the rate of customs duty on salmon feed, classifiable under tariff subheading 2309.90.90, be reduced from 20 per cent ad valorem, to free of duty, by amending the scope of tariff subheading 2309.90.15, as follows:

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty		
				General	EU	SADC
23.09		Preparation of a kind used in animal Feeding				
	2309.90.15	Preparations put up as crustacean food; Preparations put up as salmon feed.	kg	free	Free	Free
	2309.90.90	Other	kg	20 %	17.6%	free

**Introduction**

Salmon Salar Sea Farming (Pty) Ltd, applied for a reduction in the rate of customs duty, from 20 per cent ad valorem to free of duty, on salmon feed classifiable under tariff subheading 2309.90.90. The applicant imports the feed that is the subject of this application and uses it for the feeding of salmon at the applicant's pilot salmon farm in Gansbaai.

As reasons for the application, the applicant advanced that the volume of feed required in the pilot stage is insufficient to justify local tooling by feed firms to produce the high quality feed required for salmon. An expensive plant is required which will only become viable when large-scale production of salmon can take place and the import duty of 20 per cent presents a serious economic constraint at a stage where limited investment capital has to be disbursed to the many innovation and monitoring demands during the pilot stage.

The application was published in the Government Gazette No. 28711 of 13 April 2006, for interested parties to comment.

### Tariff position

The applicable tariff structure for salmon feed is set out in Table 1 below:

**Table 1: Current tariff position for salmon feed**

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty		
				General	EU	SADC
<b>23.09</b>		<b>Preparation of a kind used in animal Feeding</b>				
	2309.90.15	Preparations put up as crustacean food	kg	free	Free	Free
	<b>2309.90.90</b>	<b>Other</b>	<b>kg</b>	<b>20 %</b>	<b>17.6%</b>	<b>free</b>

Customs indicated that rather than creating a new tariff subheading for the salmon feed, they can administer the importation of the product by making provision for the salmon feed in the existing subheading 2309.90.15, as shown in table 2 below:

**Table 2: Proposed amendment**

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty		
				General	EU	SADC
<b>23.09</b>		<b>Preparation of a kind used in animal Feeding</b>				
	<b>2309.90.15</b>	<b>Preparations put up as crustacean food; Preparations put up as salmon feed.</b>	<b>kg</b>	<b>free</b>	<b>Free</b>	<b>Free</b>
	2309.90.90	Other	kg	20 %	17.6%	free

### Production and sales

There has not been full-scale salmon production at Salmon Salar Sea Farming and there have also not been any sales revenue. The farm lost all of its fish during 2005 due to heavy storms. The applicant has since then invested in new cage technology and it is anticipated that production will successfully take place in 2006 and increase substantially in 2007.

The information supplied by the applicant shows that the applicant commenced with the importation of salmon feed in 2005 and estimates that they will be increasing their imports of the feed significantly in 2006 and 2007.

The applicant currently employs a limited number of persons on the farm but it is anticipated that more people would be employed as the salmon farm becomes established.

### **Industry and market**

Mariculture or the farming of marine fish for commercial purposes is in its infancy in South Africa and according to Marine and Coastal Management (MCM) of the Department of Environmental Affairs and Tourism (DEAT), only 1% of all fish sold commercially in the SACU is farmed domestically. Marine and Coastal Management, together with the Departments of Science and Technology, Agriculture, and Trade and Industry, support the development of a Mariculture Institute to support the development of mariculture and aquaculture (fresh water fish farming such as trout).

Mariculture has developed into a diverse global industry with over 64 countries participating in the production of more than 250 different species of fish, shellfish, crustaceans and aquatic plants.

According to the MCM, the principal benefits of mariculture are that it provides an opportunity for the socio-economic upliftment of coastal communities. There is a sector plan that provides a framework for the development of mariculture in the SACU and planned development will ensure integration with other sustainable coastal developments.

### **Comments on the publication**

No objections were received from the industry during the publication of the investigation in the Government Gazette.

The Trade and Investment South Africa (TISA) division of **the dti**, submitted that since the applicant's salmon farm is the first and only salmon farm in the SACU, it represents a milestone in the development of marine fisheries in the SACU although it faces many challenges.

TISA further motivated that the fact that there is currently no salmon feed presently manufactured in the SACU represents a challenge to the applicant who imports the feed. The high cost of imported salmon feed presents financial and economic constraints to the company at present.

TISA also argued that measures such as exemption from duty on goods not obtained locally is common policy applied to the aquaculture sector globally, particularly during the early stages of the project. TISA therefore submitted that a reduction in the rate of duty on salmon feed is justified to put the company in a better position, given that the project is still in its pilot stage and that the approval of this application will greatly contribute to its successful establishment.

## **Findings**

The findings revealed that the quantity of fish that can be fished from the ocean is being depleted and therefore there is a need to encourage the farming of fish such as Salmon farming.

The depletion of fish in the ocean is linked to the loss of employment for the coastal communities. It is estimated that, should salmon farming be successful, the industry could employ approximately 300 more people.

The Commission found that although there is an increase in demand for marine products such as salmon, marine culture is still in its infancy in SACU.

In an attempt to promote sustainable mariculture practices in SA and to develop this industry, the MCM issued a licence for a pilot salmon farming project to Salmon Salar Sea Farming. The project is also supported by DEAT for its potential to uplift the coastal communities.

Regular monitoring (on a six monthly basis) is conducted by the MCM of DEAT and according to these officials there is no adverse ecological impact due to the existence of the farm on the wild life in Gansbaai.

According to the MCM the successful conclusion of the pilot project could open up many opportunities through the expansion of the fish-farming sub-sector, by amongst others the transfer of technology, and the socio-economic upliftment of the coastal communities through the creation of employment opportunities.

The applicable rate of customs duty on the salmon feed, when expressed as a percentage of the applicant's ex-factory selling price is deemed by the Commission to be significant and adds to the applicant's production costs. The company is already burdened by the challenges in establishing the farm, among other things, loss due to unpredictable sea storms.

The Commission found that a reduction in the rate of duty on salmon feed would assist in reducing the cost of doing business for the particular industry.

## **Recommendation**

In view of the above the Commission decided that the rate of customs duty on salmon feed, classifiable under tariff subheading 2309.90.90, be reduced from 20 per cent ad valorem to free of duty, by amending the scope of tariff subheading 2309.90.15, as follows:

<b>Tariff heading</b>	<b>Tariff subheading</b>	<b>Description</b>	<b>Statistical unit</b>	<b>Rate of duty</b>		
				General	EU	SADC
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	2309.90.90	Other	kg	20 %	17.6%	free

[38/2005]