

Report No. 122

Application for rebate of the duty on salmon for the processing thereof

**The International Trade Administration Commission herewith presents
its Report No. 122: APPLICATION FOR REBATE OF THE DUTY ON
SALMON FOR THE PROCESSING THEREOF**


.....
Ms N P MAIMELA
CHIEF COMMISSIONER

PRETORIA

.....
10 June.....**2005**

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION

REPORT NO. 122

**APPLICATION FOR REBATE OF THE DUTY ON SALMON FOR THE
PROCESSING THEREOF**

Synopsis

The Commission considered an application for rebate of the duty on salmon for the processing thereof. The reason for the application was that the applicant indicated that the increased duty on salmon could have a detrimental effect on the South African fish processing industry, which could lead to job losses. Local producers of salmon trout objected to the application for a rebate of the duty on salmon for the processing thereof, stating that the duty on salmon was introduced to foster and encourage the development of aquaculture in the SACU as the aquaculture industry is still in its infant stage. The Commission took into consideration the development of the salmon trout industry after the introduction of the increased duty on salmon as well as the trend in imports where volumes of fresh and frozen salmon increased significantly while the import values decreased. The volume of imported dried and smoked salmon decreased significantly. The Commission could therefore not find justification for the creation of a rebate provision. The Commission recommended that the application be rejected and that the tariff structure for salmon be reviewed two years from the date of this report, in order to determine the sustainability of the SACU salmon trout industry.

Application and tariff position

Blue Atlantic Trading (Pty) Ltd, Breco (Pty) Ltd, Diamant Quality Products cc, Greys Marine cc, Lusitania Food Products (Pty) Ltd, Salmo Smoke House, Scansa Trade (Pty) Ltd, Three Stream Smoke House (Pty) Ltd and Woolworths (Pty) Ltd, applied for rebate of the duty on salmon classifiable under tariff subheadings 0302.12, 0303.11, 0303.19 and 0303.22 for the further processing thereof.

The application was published in the Government Gazette dated 18 February 2005 for comment.

As reasons for the application, the applicants stated that the application was lodged to avoid the massive impact, which the recent increase in the duty on salmon could have on employment at South Africa's fish processing establishments. They further stated that the application seeks to avert the loss of a significant number of jobs in the fish processing industry.

The tariff position for salmon is as follows:

Tariff subheading	Description	Rate of duty	
03.02	Fish, fresh or chilled		
0302.12	Pacific Salmon, Atlantic Salmon and Danube Salmon	General EU SADC	25% 25% free
03.03	Fish frozen		
0303.11	Red Salmon	General EU SADC	25% 25% free
0303.19	Other	General EU SADC	25% 25% free
0303.22	Atlantic Salmon and Danube Salmon	General EU SADC	25% 25% free
03.05	Fish, dried, salted or in brine; Smoked fish		
0305.41	Pacific Salmon, Atlantic Salmon and Danube Salmon	General EU SADC	25% 25% free
0305.59.90	Other	General EU SADC	25% 25% free
0305.69	Other	General EU SADC	25% 25% free

Industry and Market

Salmon is not caught or farmed in the SACU and therefore has to be imported. However, trout or specifically termed salmon trout is farmed in South Africa. Salmon trout is classifiable under tariff subheading 0302.11 at a rate of duty of 25 per cent ad valorem. Salmon and salmon trout are sold into the same niche market.

Import statistics indicated that the increase in the rate of duty on salmon had no effect on local processors as imports of fresh and frozen salmon increased by more than 415 tons from 2003 to 2004. It further showed that the import of processed, dried and smoked salmon, which competes with the finished product of local processors, decreased by 70 per cent over the same period.

Comments

The Commission requested comments from local trout producers on the development on the industry since the introduction of the 25 per cent ad valorem duty on salmon.

The trout fishing industry highlighted the following aspects:

- The duty has only just been introduced (early 2004).
- Several trout producers have initiated large-scale investment programs to boost production, something that can take up to 4 years to fully develop and implement.
- Customs officers have difficulty in distinguishing salmon from trout and a rebate on salmon alone would open the door to potential abuse.
- Upgrading and expansion projects of production facilities are in process.
- One breeding cycle takes 3 years to maturity and the process of expansion only started in 2004. As part of this expansion they have advised their feed suppliers that they will be requiring nearly double their current usage and the feed suppliers are planning to increase production accordingly.
- The Mpumalanga Trout Forum, who consists of 13 producers and 3 processors, indicated that their area needs sustainable development and job creation. The creation of a rebate provision for salmon would have a detrimental effect on the development of a sustainable salmon trout industry.
- One company reported that they have a number of potential community based aquaculture projects that they would like to implement within the next few years. Aquaculture has been identified as one of the potential pillars for growth in many agricultural areas. The threat of cheap imported salmon would seriously undermine the viability of these projects.

Consideration

The Commission took into consideration:

- The impact of the increased duty on salmon on the development of the salmon trout industry;
- The trend in imports where volumes of fresh and frozen salmon increased significantly while the import values decreased; and
- The significant decrease of 70 per cent of imports of dried and smoked salmon, for the period 2003 to 2004, which competes with the finished product of local processors.

Recommendation

The Commission recommended that the application for a rebate be rejected and that the tariff structure for salmon be reviewed two years from the date of this report, in order to determine the sustainability of the SACU salmon trout industry.