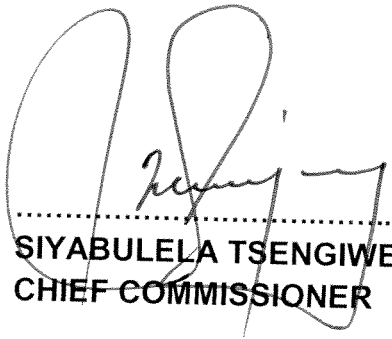


REPORT NO. 412

**REVIEW OF THE TARIFF STRUCTURE FOR SALMON AND
TROUT**

The International Trade Administration Commission of South Africa herewith presents
Report No.412: **Review of the tariff structure for salmon and trout.**



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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 412

REVIEW OF THE TARIFF STRUCTURE FOR SALMON AND TROUT

Synopsis

The Commission conducted a review of the duty structure for salmon and trout classifiable under tariff subheadings 0302.13, 0302.14, 0302.19, 0303.11, 0303.12, 0303.13, 0303.19, 0304.41, 0304.49.90, 0304.42, 0304.59.90, 0304.81.90, 0304.89.90, 0304.91.90, 0304.99.90, 0305.39.90, 0305.41, 0305.49.90, 0305.59.90, 0305.69, 0302.11, 0303.14, 0304.42, 0304.82.90 and 0305.43, as well as the temporary rebate provisions pertaining to salmon.

On balance, and taking into account the increased imports of salmon into a growing SACU market for salmon and trout, the Commission found adequate justification for maintaining the existing duty structure for salmon and trout.

Balancing the interests of the trout farmers and the smoke houses, the Commission further recommends that the rebate provision for salmon used for further downstream processing be maintained and that the permits be issued subject to confirmation from the Trout Associations that the trout farmers are not in a position to supply the smoke houses with trout.

In tandem with other proposed support measures, the recommended duty structure should enable the trout farming industry to maintain its current growth momentum and increase its market penetration.

In the light of the foregoing, the Commission recommends that the existing duty and rebate structure for salmon and trout be maintained. It is further recommended that the duty structure be reviewed after five years.

1. INTRODUCTION

- 1.1 In 2004, the Commission recommended an increase in the rate of duty on salmon. It found that domestic trout production had spearheaded the development of aquaculture in the SACU and, as aquaculture was still in its infancy, its potential was worth fostering and protecting. It was found that trout and salmon sold into the same niche market and that the same level of duty should apply to both, even though salmon is not caught domestically.
- 1.2 The Commission found that the possibility existed for the trout industry to increase production significantly, but that low-priced salmon imports hampered further development of the industry. The Commission therefore decided to recommend an increase in the rate of duty on salmon from 6c/kg to 25 per cent ad valorem.
- 1.3 The duty structure for salmon was reviewed in 2008. The Commission found that a reduction in the duty on salmon could have an adverse impact on the growth potential of the infant SACU trout producing industry and that a highly differentiated duty structure for salmon and trout could also lead to possible abuse of the tariff. However it was found that the SACU producers of trout were not in a position to supply the total demand for salmon and trout, negatively impacting the downstream salmon processing industry (smoke houses) and limiting the growth of the salmon and trout market.
- 1.4 Balancing the interests of the trout farmers and the smoke houses, the Commission recommended that a rebate provision be introduced for salmon used for further downstream processing and that permits be issued subject to confirmation from the Trout Associations that the trout farmers are not in a position to supply the smoke houses with trout.
- 1.5 The Commission recommended that the duty structure be instituted for a period of three years after which it was to be reviewed.
- 1.6 Consequently, on 25 May 2012, the investigation of the review of customs duties on salmon and trout and the rebate provision for salmon was published in the Government Gazette for comments by interested parties.

2. TARIFF STRUCTURE FOR SALMON AND TROUT

2.1 The existing tariff structure for salmon and trout is shown in Tables 1 and 2 below.

Table 1: Tariff position for salmon

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty			
				General	EFTA	EU	SADC
03.02		Fish, fresh or chilled					
	0302.13	Pacific salmon	Kg	25%	9.5%	25%	free
	0302.14	Atlantic salmon and Danube salmon	Kg	25%	9.5%	25%	free
	0302.19	Other salmonidae	Kg	25%	9.5%	25%	free
03.03		Fish frozen					
	0303.11	Sockeye salmon	Kg	25%	9.5%	25%	free
	0303.12	Other pacific salmon	Kg	25%	9.5%	25%	free
	0303.13	Atlantic salmon	Kg	25%	9.5%	25%	free
	0303.19	Other salmonidae	Kg	25%	9.5%	25%	free
03.04		Fish fillets and other fish meat, frozen,					
	0304.41	Pacific salmon, Atlantic salmon and Danube salmon	Kg	25%	9.5%	25%	free
	0304.49.90	Other	Kg	25%	9.5%	25%	free
	0304.42	Other salmonide	Kg	25%	9.5%	25%	free
	0304.59.90	Other	Kg	25%	9.5%	25%	free
	0304.81.90	Other, specific salmon, Atlantic salmon and Danube salmon	Kg	25%	9.5%	25%	free
	0304.89.90	Other	Kg	25%	9.5%	25%	free
	0304.91.90	Other	Kg	25%	9.5%	25%	free
	0304.99.90	Other	Kg	25%	9.5%	25%	free
03.05		Fish, dried, salted or in brine, smoked fish, whether or not cooked before or during the smoking process					
	0305.39.90	Other	Kg	25%	9.5%	25%	free
	0305.41	Pacific, Atlantic and Danube salmon,	Kg	25%	9.5%	25%	free
	0305.49.90	other	Kg	25%	9.5%	25%	free
	0305.59.90	Other	Kg	25%	9.5%	25%	free
	0305.69	Other	Kg	25%	9.5%	25%	free

Table 2: Tariff position for trout

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty			
				General	EFTA	EU	SADC
03.02		Fish, fresh or chilled					
	0302.11	Trout	Kg	25%	9.5%	25%	free
03.03		Fish frozen					
	0303.14	Trout	Kg	25%	9.5%	25%	free
03.04		Fish fillets and other fish meat					
	0304.42	Trout	Kg	25%	9.5%	25%	free
	0304.82.90	Other	Kg	25%	9.5%	25%	free
03.05		Fish, dried, salted or in brine					
	0305.43	Trout	Kg	25%	9.5%	25%	free

- 2.2 The existing rebate provisions for salmon read as follows:

460.01/0302.1/01.05

Salmonidae (excluding livers and roes), fresh or chilled [excluding trout (*Salmo Trutta*, *Oncorhynchus Mykiss*, *Onchorhynchus Clarki*, *Oncorhynchus Guabonita*, *Oncorhynchus Gilae*, *Oncorhynchus Apache* and *Oncorhynchus Chrysogaster*)] for further processing by means of smoking, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, and

460.01/0303.1/01.05

Salmonidae (excluding livers and roes), frozen [excluding trout (*Salmo Trutta*, *Oncorhynchus Mykiss*, *Onchorhynchus Clarki*, *Oncorhynchus Guabonita*, *Oncorhynchus Gilae*, *Oncorhynchus Apache* and *Oncorhynchus Chrysogaster*)] for further processing by means of smoking, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, and

3. INDUSTRY AND MARKET

- 3.1 Salmon is the common name for several species of fish in the family salmonidae. Several other fish in the same family are referred to as trout.
- 3.2 Salmon is an oily fish high in protein, omega-3 fatty acids and vitamin D content. It can be prepared in various forms such as canned, smoked and cured in a brine solution. The end product of prepared salmon is similar in appearance and taste as that of trout.
- 3.3 Salmon is not farmed in the SACU, and therefore has to be imported. Salmon products on the international market can be divided into two main product types, namely wild caught or farmed.
- 3.4 The farmed salmon is imported from countries such as Scotland, Norway and Chile. Salmon aquaculture overtook the salmon fishing industry as the most important supplier of salmon products worldwide. The global production of farmed salmon exceeds wild harvest.
- 3.5 The imported salmon is processed, packaged and marketed in the same manner as locally produced rainbow trout. The final end product is very similar in appearance and taste.
- 3.6 Trout is farmed worldwide, most notably in Canada, Russia and the US. In the SACU, trout is farmed in Mpumalanga, Kwa-Zulu Natal, the Western Cape, and Lesotho.

- 3.7 The locally produced products such as cold smoked trout and fresh fillets are not easily distinguishable from imported salmon other than by name. Trout has over the last 10 years penetrated the domestic salmon consumer market by providing a good quality product at a lower price. Although trout is priced lower, the price is determined by that of imported salmon.
- 3.8 The South African Government has identified the Aquaculture Sector as a priority sector for its capacity to contribute to employment generation and economic growth. The sector contributes approximately 4 253 tons to global aquaculture production.
- 3.9 The National Aquaculture Strategic Framework (NASF) makes provision for the promotion of investment in production capacity, infrastructure development and industry/farmer support and management programmes.
- 3.10 Production of trout in South Africa increased from 917 tons in 2007 to 1 428 tons in 2012. Coupled with 571 tons currently produced in Lesotho, SACU trout production has reached an estimated figure of 2000 tons in 2012.
- 3.11 Employment in the trout industry increased from 161 employees in 2007 to 189 in 2012. It is expected that with the installation of additional production capacity employment will increase further.
- 3.12 Imports of salmon have increased substantially since 2008, from roughly 6500 tons to more than 20 000 tons in 2012. Imports from Norway accounted for almost 60% of total imports. Imports of trout are insignificant.

4. COMMENTS ON THE APPLICATION

- 4.1 The Federated Hospitality Association of Southern Africa, the South African Association of Seafood Importers and Exporters, Blue Atlantic Trading, Three Streams Smokehouse, and Ocean Basket Wholesale, were of the view that the duties on salmon should be removed, due to the cost-raising impact of the duties.
- 4.2 The Department of Agriculture, Forestry and Fisheries (DAFF), the Republic of Botswana, the National Agricultural Marketing Council, the Western Cape Provincial Department of Agriculture, the Western Cape Trout Association, and the Mpumalanga Trout Association were of the view that the customs duties on salmon and trout be maintained to allow the domestic industry to develop further.

5. FINDINGS

- 5.1 On balance, and taking into account the increased imports of salmon into a growing SACU market for salmon and trout, the Commission found adequate justification for maintaining the existing duty structure for salmon and trout.
- 5.2 Balancing the interests of the trout farmers and the smoke houses, the Commission further recommends that the rebate provision for salmon used for further downstream processing be maintained and that the permits be issued subject to confirmation from the Trout Associations that the trout farmers are not in a position to supply the smoke houses with trout.
- 5.3 In tandem with other proposed support measures, the recommended duty structure should enable the trout farming industry to maintain its current growth momentum and increase its market penetration.

6. RECOMMENDATION

In the light of the foregoing, the Commission recommends that the existing duty and rebate structure for salmon and trout be maintained. It is further recommended that the structure be reviewed after five years.