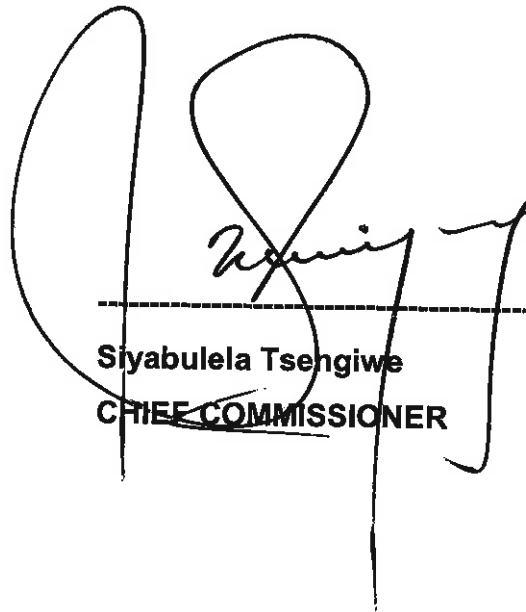


REPORT NO. 541

REDUCTION IN THE RATE OF CUSTOMS DUTY ON ATRAZINE

The International Trade Administration Commission of South Africa herewith presents its Report No 541: **Reduction in the rate of customs duty on atrazine**



Siyabulela Tsengiwe
CHIEF COMMISSIONER

PRETORIA
23 / 11 /2016

REPUBLIC OF SOUTH AFRICA

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH
AFRICA**

REPORT NO. 541

REDUCTION IN THE RATE OF CUSTOMS DUTY ON ATRAZINE

Synopsis

Arysta LifeScience SA (Pty) Ltd (Arysta), applied for a reduction in the rate of customs duty on compounds containing an unfused triazine ring (whether or not hydrogenated) in the structure: Atrazine, classifiable under tariff subheading 2933.69.30 from 10 per cent *ad valorem* to free customs of duty.

The Commission considered the application in light of information at its disposal. The Commission found that atrazine is not manufactured in the SACU and that the existing duty places an undue burden on the downstream industry, using atrazine in its manufacturing process.

The Commission recommended that the rate of customs duty on atrazine, classifiable under tariff subheading 2933.69.30 be reduced from 10% *ad valorem* to free of customs duty.

THE APPLICATION AND TARIFF POSITION

1. Arysta LifeScience SA (Pty) Ltd (Arysta), applied for a reduction in the rate of customs duty on compounds containing an unfused triazine ring (whether or not hydrogenated) in the structure: Atrazine, classifiable under tariff subheading 2933.69.30 from 10 per cent *ad valorem* to free of duty.
2. Arysta is a global agricultural company specializing in the marketing and

distribution of innovative crop protection and life science brands. The company's wide range of offerings include bio-solutions; fungicides; herbicides; insecticides; and seed treatments.

3. Arysta is a local manufacturer of chemical products in South Africa, which are key inputs used in the agricultural sector. The company manufactures triazine herbicides in both their plants in Canelands and Verulum using atrazine as an input product. The product in question is manufactured for both the local and export market. The majority of consumers of herbicides containing atrazine are farmers within the SACU region.
4. As motivation for the application, the applicant stated, among others, the following:
 - Atrazine was once manufactured by Dow AgroScience South Africa. However, this company no longer manufactures the subject product, hence there are no longer manufacturers of atrazine in the SACU.
 - Farms employ a large number of workers and provide income for lower income communities. Currently, Arysta LifeScience is one of the largest producers of agricultural science products with a payroll of over 200 employees.
 - A reduction in the rate of duty on atrazine would assist manufacturers of herbicides to remain competitive against similar imported products, thereby creating new, as well as sustaining existing jobs.
5. The application was published in the Government Gazette Notice No. 40229 on 26 August 2016, for comments by interested parties, as follows:

Reduction in the rate of duty on:

“Compound containing an unfused triazine ring (whether or not hydrogenated) in the structure: Atrazine, classifiable under tariff subheading 2933.69.30, from 10 per cent *ad valorem* to free of duty”

6. The existing tariff position for atrazine reads as follows:

Current tariff structure for the subject product

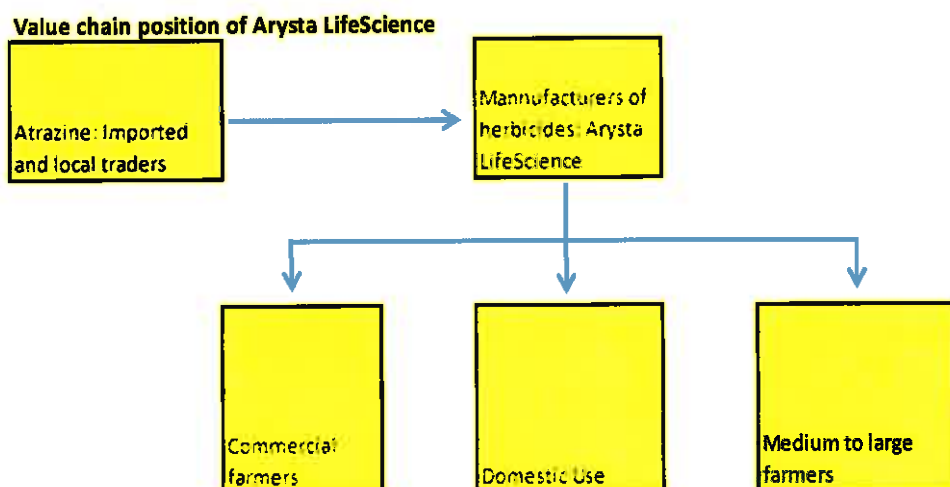
Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty				
				General	EU	EFTA	SADC	Mercosur
2933.6		Compounds containing an unfused triazine ring (whether or not hydrogenated) in the structure:						
2933.69		Other						
	2933.69.30	Atrazine	kg	10%	free	free	free	10%

INDUSTRY AND MARKET

7. Dow AgroScience was the only local manufacturer of the subject product. However, it ceased manufacturing atrazine in 2009. There are multiple manufacturers of herbicides containing atrazine, in the SACU.
8. Herbicides containing atrazine as an active ingredient, are primarily used to control unwanted plants in maize production. The herbicides manufactured by the applicant contain 50% atrazine as an active ingredient. The final product is sold to the agricultural sector.
9. After atrazine is applied to soil, it will remain there for a period ranging from several days to several months; in rare situations, it may remain in the soil for a few years. However, in most cases, atrazine will be broken down in the soil over a period of one growing season. In addition to being removed from soil, atrazine is also taken up by the plants that grow there, and this uptake is the first step in killing weeds.
10. The following is a list of some of the local manufacturers of herbicides containing atrazine:
 - a) Dow AgroScience;
 - b) Villa Crop Protection;
 - c) Syngenta;
 - d) Farmag International (Pty) Ltd; and
 - e) Meridian Agrochemicals

11. The applicant has a manufacturing plant based in Canelands (Kwa-Zulu Natal) where triazine herbicide is manufactured using atrazine as an input product.
12. Arysta currently imports the subject product from China at 10% *ad valorem* customs duty, which has a cost-raising effect for the manufacturers of downstream products i.e., herbicides.
13. The following diagram illustrates the value chain in respect of herbicide containing atrazine:

Industry Value Chain



14. Imports of atrazine from the USA, represent 55% of total imports into the SACU, in 2015, followed by China at 40%.
15. The level of imports of herbicides containing atrazine has been steadily increasing over the period of investigation.
16. The applicant's sales and market share have remained relatively stable over the three year period of investigation. Arysta, which employs a significant number of people, has made significant investments, over the three year period of investigation, in the manufacture of various products, including

manufacturing herbicides containing atrazine.

COMMENTS ON APPLICATION

17. Comments in support of the application were received from Meridian Agrochemical (Pty) Ltd and Villa Crop Protection (Pty) Ltd who indicated that atrazine is not manufactured in the SACU and that the 10% *ad valorem* duty has an unnecessary cost-raising effect for the domestic manufacturing industry.

FINDINGS

18. The Commission considered the application in light of information at its disposal. The Commission found that atrazine is not manufactured in the SACU and that the existing duty places an undue burden on the downstream industry, using atrazine in its manufacturing process.
19. The Commission noted that importation of the subject product is subject to approval and registration with the Department of Agriculture, Forestry and Fisheries (DAFF), in line with the Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, 1947 (Act No. 36 of 1947).

RECOMMENDATION

20. In the light of the foregoing, the Commission recommends that the rate of customs duty on compounds containing an unfused triazine ring (whether or not hydrogenated) in the structure: Atrazine, classifiable under tariff subheading 2933.69.30, be reduced from 10 per cent *ad valorem* to free of customs duty.

[04/2016]