

MONETARY POLICY REVIEW

## Review of poultry tariffs: fresh calls

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A report by the Reserve Bank which details how protective trade measures affect consumers has given meat importers fresh ammunition to challenge tariffs on all poultry products.

The Association of Meat Importers and Exporters [AMIE] has been calling on the government to remove all tariffs and suspend the consumption tax on all poultry to cushion consumers from the rising price of chicken. It often highlights that the local poultry industry enjoys unfair and excessively high levels of trade protection, with general tariffs, antidumping duties and safeguard duties in place, to the detriment of consumers.

The Bank's latest monetary policy review (MPR) – which is published twice a year and is aimed at broadening the public's understanding of the objectives and conduct of monetary policy as it pushes to achieve and maintain price stability in the interest of balanced and sustainable economic growth – points out that the poultry sector has seen extensive use of protective trade measures in recent years.

Customs duties on frozen whole chicken and bone-in pieces have more than trebled from 2013 to 2022, up from 27% to 82% and from 18% to 62% respectively. This contributes to the rising prices of frozen chicken meat and declining imports, the effects worsened by anti-dumping duties and safeguards imposed to limit substitution towards the EU, the Bank said.

On Monday AMIE said the Bank's report shows there is an urgent need to review import tariffs on poultry and that duties are simply another tax that consumers are unable to bear.

In an effort to protect the industry from unfair competition, the government in 2020 gazetted tariff increases to 62% on bone-in chicken portions and on boneless portions to 42%. Critics argued that despite SA's trade partners accounting for not more than 15% of all chicken consumed in the country, hiking tariffs would make chicken less affordable as local producers generally always priced their products higher.

Chicken is one of the most popular animal proteins consumed by cash-strapped South Africans, in part because it is still relatively affordable.

But according to importers prices have surged by as much as 17% in the past year as input prices, including the cost of a feed spike partly due to the Russian war in Ukraine. Ukraine is one of the largest producers of oilseed and grain, the main ingredients of chicken feed.

"Given the weak economy and high inflationary environment, and the fact that the [Reserve Bank] believes that the country has not yet seen a peak in inflation, it is essential that the government do everything it can to ensure that this critical source of protein remains within reach of the most vulnerable in our society," Paul Matthew, CEO of AMIE, said on Monday.

"It's time that the government takes a long, hard look at its trade policy, which seems to be protecting large domestic manufacturers at the expense of consumers," he said.

According to the Bank's report, while trade policy directly affects the price of imported goods by imposing a tax at the border, its overall effect on the landed price depends on whether foreign exporters absorb some of the cost. The pass-through of tariffs and other import duties to domestic consumer prices is higher when demand is less elastic – when the inclination to consume does not change much despite price increases – which is often the case with necessities such as chicken meat.

"Because chicken is the main source of meat protein for most low-income households in SA, tariffs on chicken products are regressive. To this end, the temporary suspension of tariffs on chicken imports announced by government should support the purchasing power of, and the real consumption by, lower-income South Africans. Looking ahead, greater use of economy-wide cost-benefit analyses for sectoral trade policy considerations could provide better insights into the long-run impact of tariffs," the Bank said.

The local poultry sector has in the past shed thousands of jobs and ascribed its struggles to cheap chicken imports mainly from Brazil, the US and Europe. While local producers have backed the removal of VAT on selected cuts of poultry consumed by lower-income families, they vehemently oppose the removal of tariffs, arguing that they did not cause the increase in price in the first place.

Izaak Breitenbach, chair of the SA Poultry Association, which represents local producers, recently said the recent price increases have been forced on them by rising feed prices. Chicken feed makes up 70% of a producer's input costs.

"Feed prices went up by 20% and Brazil [one of the major exporters of poultry] has raised chicken prices by 23%. Our increases are far lower than Brazil – our industry is actively fighting price increases," he said earlier this year.

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