

Peanut Blog

An ounce of information



Major retailers warned about new tax on peanut butter in South Africa

The International Trade Administration Commission (ITAC) has recommended a 20% import tariff on peanut butter to support domestic producers.

However, it also warned local manufacturers and retailers not to artificially raise domestic prices simply because imported alternatives are now subject to higher duties. It added that if producers or retailers attempt unjustified price hikes that do not reflect actual underlying production costs, ITAC will take action alongside the competition authorities.

In an interview with The Money Show, the Chief Commissioner, Ayabonga Cawe, explained that this move addresses a previous pricing anomaly where raw groundnuts faced higher duties than the finished product. This imbalance in South Africa left local manufacturers at a disadvantage against large-scale international competitors.

Cawe explained that peanut butter had previously attracted a much lower duty than the raw groundnuts used to manufacture it locally, creating, in ITAC's view, a tariff anomaly. "Peanut butter was tariffed at 99 cents per kilogram prior to this decision. But the anomaly was that groundnuts, which are used to make peanut butter, were fetching a much higher duty—ostensibly to protect groundnut producers in the country."

He added that South African manufacturers also face stiff competition from overseas producers that benefit from much larger production scales. "There was also a considerable price disadvantage when comparing our producers to some in other parts of the world who have much better scale and, of course, are able to land products at much cheaper prices in South Africa."

Cawe noted that ITAC did not grant the full tariff increase requested by poultry producer RCL Foods, which sought a 25% duty, settling instead on a lower rate after assessing the available evidence. "On the balance of the evidence before us, we took the decision not to grant the 25% that RCL Foods, as the applicant, requested, but to provide a 20% duty in this case."

Source: <https://businesstech.co.za/news/business/868087/major-retailers-warned-about-new-tax-on-peanut-butter-in-south-africa/>