

REPORT NO. 450

APPLICATION FOR THE CREATION OF A REBATE FACILITY FOR PASSION FRUIT JUICE CONCENTRATE, AND THE CREATION OF A REBATE FACILITY FOR CRANBERRY FRUIT JUICE CONCENTRATE USED FOR THE MANUFACTURE OF FRUIT JUICE

The International Trade Administration Commission of South Africa herewith presents its Report No.450: **Application for the creation of a rebate facility for passion fruit juice concentrate, and the creation of a rebate facility for cranberry fruit juice concentrate used for the manufacture of fruit juice.**



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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. 450

APPLICATION FOR THE CREATION OF A REBATE FACILITY FOR PASSION FRUIT JUICE CONCENTRATE, AND THE CREATION OF A REBATE FACILITY FOR CRANBERRY FRUIT JUICE CONCENTRATE USED FOR THE MANUFACTURE OF FRUIT JUICE

Synopsis

Ceres Fruit Juices (Pty) Ltd, a division of Pioneer Foods, applied for the creation of rebate facilities for cranberry juice, concentrated, not containing added sugar or other sweetening matter of a brix value exceeding 45, and passion fruit juice, concentrated, not containing added sugar or other sweetening matter, of a brix value exceeding 45, classifiable under tariff subheadings 2009.81.10 and 2009.89.40 respectively for the manufacture of fruit juices. Tariff subheadings 2009.81.10 and 2009.89.40 are subject to a customs duty of 20 per cent ad valorem.

The Commission found that passion fruit is produced domestically albeit in limited volumes. A rebate facility would erode the support and encouragement afforded to the SACU producers of passion fruit, adversely impacting on further production possibilities and employment and investment opportunities in the industry value chain.

The Commission found that cranberries are not produced in South Africa or in the SACU region.

The Commission concluded that the existing duty on cranberry juice concentrate places an unnecessary burden on the industry producing blended fruit juices with a cost raising impact.

In view of the above the Commission recommended that:

- a) A rebate provision for the full duty be created for cranberry juice, concentrated, not containing added sugar or other sweetening matter, of a Brix value exceeding 45, classifiable in tariff subheading 2009.81.10, for use in the manufacture of mixtures of fruit juices in tariff subheading 2009.90.10; and
- b) The application for a rebate of duty on passion fruit juice concentrate be rejected.

APPLICATION

Ceres Fruit Juices (Pty) Ltd, a division of Pioneer Foods, applied for the creation of rebate facilities for cranberry juice, concentrated, not containing added sugar or other sweetening matter of a brix value exceeding 45, and passion fruit juice, concentrated, not containing added sugar or other sweetening matter, of a brix value exceeding 45, classifiable under tariff subheadings 2009.81.10 and 2009.89.40 respectively for the manufacture of fruit juices. Tariff subheadings 2009.81.10 and 2009.89.40 are subject to a customs duty of 20 per cent ad valorem.

The applicant is involved in producing blended fruit juice beverages and is currently one of the largest producers of blended fruit juices in South Africa. The applicant exports its products to more than 80 countries across Africa, Europe, the Far East, Middle East, Asia and North America.

As reason for the application, the applicant submitted that it is unable to source cranberry and passion fruit juice concentrates in sufficient quantities in the SACU.

The tariff structure for cranberry- and passion fruit juice concentrates reads as follows:

The current tariff position for cranberry- and passion fruit juice concentrates

SECTION IV		PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR; TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES						
CHAPTER 20		PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR OTHER PARTS OF PLANTS						
Head	Sub Head	Article Description	Unit	MFN	EU	EFTA	SADC	
2009.8		Juice of any other single fruit or vegetables:						
2009.81		Cranberry (<i>Vaccinium macrocarpon</i>, <i>Vaccinium oxycoccos</i>, <i>Vaccinium vitis-idaea</i>) juice:						
	2009.81.10	Concentrated, not containing added sugar or other sweetening matter, of a Brix value exceeding 45	kg	20%	free	20%	free	
2009.89		Other						
	2009.89.40	Passion fruit juice, concentrated, not containing added sugar or other sweetening matter, of a Brix value exceeding 45	kg	20%	free	20%	free	
	2009.89.50	Other fruit juices	kg	20%	free	20%	free	

The application was published in the Government Gazette of 23 August 2013 for comments by interested parties.

INDUSTRY AND MARKET

The applicant uses the products concerned as input products with other intermediate products in the manufacture of final blended fruit juices, which are produced in different quantities according to various specific recipes. The blended juices are flash pasteurized, de-aerated and poured into sterilized packaging material. The flash pasteurization (exclusion of air and the most up-to-date aseptic packaging technology) guarantees the product a 12-month shelf life without adding any preservatives. The

blended products are subsequently sterilized and packed into either glass, can or tetrapak packaging material.

The final juices produced by the applicant are suitable for immediate human consumption and are distributed to local and international retailers.

Cranberry

Cranberry juice concentrate is manufactured from cranberries through a process of dehydration. The product consists of 100 per cent pure cranberry juice concentrate with a Brix value of 50. Pure cranberry juice is very tart and is often diluted with other types of juices, such as orange or apple juice. Cranberry juice concentrate can also be used in the production of functional drinks (cranberry juice), juice blends, biscuits and cereals, cranberry jelly, wines, liqueurs and sauces.

Cranberries are not produced in the SACU region. Tunisia is the only country in Africa that produces cranberries, although the production volumes are very low. It is unlikely that cranberry fruit will be cultivated in the SACU, due to geographical constraints.

The applicant's production of products containing cranberry juice concentrate has been increasing since 2009 due to increased demand for the product in the market.

Passion fruit (granadilla)

Passion Fruit (granadilla) juice concentrate is manufactured from granadillas through a process of dehydration. The product consists of 100% pure granadilla juice concentrate with a Brix value of 50.

South Africa's passion fruit production exceeded 1 500 tons per annum between 2003 and 2005. According to information at the Commission's disposal, the primary production of passion fruit was unstable during the past ten years due to the high investment costs involved in producing passion fruit. Currently, South Africa produces sufficient passion fruit to satisfy its fresh consumption market and a limited volume is available for the manufacture of fruit juice concentrate.

Domestic producers of passion fruit submitted that although it is costly to produce passion fruit, having fixed contracts with processing companies would assist the local producers to increase the production of passion fruit.

The annual SACU market, of fruit juices containing cranberry and passion fruit juice concentrate is estimated at approximately 21.2 million litres at a value of R278 million and 73.6 million litres at a value of R1 079 million respectively, of which the applicant has a considerable market share.

COMMENTS ON THE APPLICATION

Comments received in support of the full application were received from the Associated Fruit Processors, Appletiser South Africa (Pty) Ltd, Onderberg, Boland Pulp, and the Ministry of Trade and Industry of Botswana. It was submitted that these products are not produced domestically or produced in insufficient quantities.

Bronpro Processors (Pty) Ltd and Lowveld Passion Fruit CC objected to the application for the creation of a rebate facility for passion fruit juice concentrate. Objections centred on the fact that there is potential to increase the production of passion fruit and its concentrate, resulting in increased employment and investment opportunities.

No objections were received regarding the creation of a rebate facility for cranberry juice concentrate.

FINDINGS

The Commission found that passion fruit is produced domestically albeit in limited volumes. A rebate facility would erode the support and encouragement afforded to the SACU producers of passion fruit, adversely impacting on further production possibilities and employment and investment opportunities in the industry value chain.

The Commission found that cranberries are not produced in South Africa or in the SACU region.

The Commission concluded that the existing duty on cranberry juice concentrate places an unnecessary burden on the industry producing blended fruit juices with a cost raising impact. It is recommended below that a rebate provision be introduced for the duty-free importation of cranberry juice concentrate for the manufacture of blended fruit juices.

The recommended rebate structure will be reviewed three years after its implementation, to assess the performance of the industry, with regard to production, employment, and investment.

RECOMMENDATION

In view of the above the Commission recommends that:

- a) A rebate provision for the duty-free importation be created for cranberry juice, concentrated, not containing added sugar or other sweetening matter, of a Brix value exceeding 45, classifiable in tariff subheading 2009.81.10, for use in the manufacture of mixtures of fruit juices in tariff subheading 2009.90.10; and
- b) The application for a rebate of duty on passion fruit juice concentrate be rejected.

[13/2013]