REPORT NO. 652

Increase in the rate of customs duty on peanut butter, classifiable under tariff subheading 2008.11.11, 2008.11.15 and 2008.11.19, from 0.99c/kg to 20 per cent *ad valorem*

The International Trade Administration Commission of South Africa ("ITAC") herewith presents its Report No. 652: Increase in the rate of customs duty on peanut butter, classifiable under tariff subheading 2008.11.11, 2008.11.15 and 2008.11.19 from 0.99c/kg to 20 per cent *ad valorem*

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 652

INCREASE IN THE RATE OF CUSTOMS DUTY ON PEANUT BUTTER, CLASSIFIABLE UNDER TARIFF SUBHEADING 2008.11.11, 2008.11.15 and 2008.11.19 FROM 0.99C/KG TO 20 PER CENT *AD VALOREM*

Synopsis

During the 2020/21 period, the Commission considered an application from RCL Group Services (Pty) Ltd ("RCL Foods" or "the Applicant"), for an increase in the general rate of customs duty on peanut butter, classifiable under tariff subheading 2008.11.11, 2008.11.15 and 2008.11.19 from 0.99c/kg to 25 per cent *ad valorem*.

At the same time, the Commission considered an Application from C. Steinweg Bridge (Pty) Ltd ("Steinweg") for an increase in the rate of customs duty on roasted groundnuts classifiable under tariff subheadings 2008.11.20 and 2008.11.90 from 0.99c/kg to 20% *ad valorem*. Steinweg subsequently withdrew its application based on several factors, including the prolonged uncertainty surrounding the tariff decision, which affected the viability of its business model.

Following the Commission's initial investigation, the former Minister of Trade, Industry and Competition ("the former Minister") requested a further review of the Commission's recommendations. The former Minister expressed concern about the potential price-increasing effects of peanut butter, a key staple food product on low-income households. The referral directed ITAC to assess the potential price-raising impact of a higher duty, the state of domestic industrial capacity, the level of competition in the market, and broader value-chain dynamics.

RCL Foods submitted an updated application to the Commission in late December 2024, enabling the Commission to assess more current and relevant information that may address several of the former Minister's concerns.

During its deliberations and in arriving at its recommendation, the Commission considered the information at its disposal, including comments received during the investigation.

The Commission found that:

- Peanut butter is regarded as a staple food product, accounting for approximately half of the spreads market (excluding margarine) and serving as a cost-effective protein source. Its inclusion in the household food basket surveys and the industry's push for zero-rate VAT status, underscore its importance for low-income consumers.

- Groundnuts are primarily consumed in two forms: as edible nuts or as processed peanut butter. Approximately 55% of total commercial groundnut consumption is allocated to peanut butter production.

- The current tariff structure within the groundnut value chain is misaligned, with a 10% duty on raw groundnuts compared to only 0.99c/kg on roasted groundnuts and peanut butter. This disparity disrupts value chain efficiency and reduces overall competitiveness.

- Domestic groundnut production is on an upward trajectory, with the 2024/25 crop estimated to be 11.6% higher than the five-year average of 56 004 tons (up to 2024/25). Long-term trends place average annual production at approximately 62 000 tons.

- Southern African Customs Union (SACU) peanut butter production has declined over the review period, mainly due to softer domestic demand, stronger import competition, and the loss of a major supply contract by one of the key producers.

- Capacity utilisation in the domestic industry has decreased over the review period, reflecting significant underutilisation of existing production capacity. Notwithstanding this, producers retain sufficient capability to scale up output to meet total SACU demand should imports decline.

- Domestic peanut butter demand has been declining steadily over the review period, with the most pronounced drop occurring in the most recent years, signalling a weakening consumption trend in the SACU market.
- Sales volumes for domestic manufacturers declined throughout the period, with both major producers experiencing reductions, albeit at different rates.
- Market share trends diverged between domestic producers: one maintained a relatively stable share, while another experienced a substantial decline.
- Importers' share of the SACU market initially declined but increased sharply in the most recent year, illustrating the domestic industry's sensitivity to competition from low-cost imports.
- Over the period under review, peanut butter import volumes into the SACU increased by an average of 15%. This upward trend was highlighted by a notable increase of 81% in 2024, during which imports reached 4.44 million kg.
- India was the dominant source of imported peanut butter, supplying nearly all imports in 2024.
- Domestic producers faced consistent price disadvantages against similar imported products, which constrained their ability to compete effectively.
- Production costs for domestic manufacturers increased significantly over the period, driven by rising input, labour, and overhead expenses, while imported input costs fluctuated.
- Industry profitability weakened overall, with one major producer maintaining positive returns on average, while another recorded a loss in the latest year due to escalating costs.
- A rebate on imported groundnuts would provide meaningful cost relief to domestic processors and enhance the effective protection afforded to the peanut butter industry. Establishing a conditional rebate for processors, combined with correcting the inverted tariff structure through higher peanut butter import duties could improve the sector's viability, encourage domestic groundnut production, and better align industrial and agricultural policy objectives.

- ITAC's impact assessment indicates that imposing a full 25% *ad valorem* duty would place undue pressure on vulnerable households, while moderate duty increases would better balance support for domestic producers with food affordability.
- Four preliminary comments in support of the application were received, and four objections were raised against the proposed increase in duty on peanut butter. In response to the publication notice, five comments were received, of which two supported the application and three objected.

Considering the foregoing, the Commission decided to approve the application for an increase in the rate of customs duty on peanut butter, classifiable under tariff subheading 2008.11.11, 2008.11.15 and 2008.11.19. from 0.99c/kg to 20 per cent *ad valorem*, owing to the fact that the proposed increase in customs duty will address existing tariff anomalies in the peanut butter industry value chain, the SACU industry has experienced a loss in production volumes, sales and market share whilst importers' market share increased and significant price disadvantages are experienced against similar imported products.

The Commission further decided that as a complementary intervention to strengthen the domestic industry's price competitiveness and improve capacity utilisation, the Commission will self-initiate an investigation for the creation of a temporary rebate provision for groundnuts in terms of Section 16(1)(d)(ii) of the International Trade Administration Act, 2002. The investigation would assess the feasibility of and the administrative mechanisms for establishing a temporary rebate provision for groundnuts classifiable under tariff heading 1202.4.

1. APPLICATION AND TARIFF POSITION

1.1. During the 2020/21 period, the Commission considered an application from RCL Group Services (Pty) Ltd ("RCL Foods" or the "Applicant"), for an increase in the general rate of customs duty on peanut butter, classifiable under tariff subheading 2008.11.11, 2008.11.15 and 2008.11.19 from 0.99c/kg to 25 per cent *ad valorem*.

1.2. At the same time, the Commission considered another application from C. Steinweg Bridge (Pty) Ltd ("Steinweg") for an increase in the rate of customs duty on roasted groundnuts, classifiable under tariff subheadings 2008.11.20 and 2008.11.90 from

0.99c/kg to 20*% ad valorem.*

1.3. RCL Foods is a manufacturer of branded and private label food products, including peanut butter. It manufactures one of the well-known peanut butter brands, Yum-Yum peanut butter, at its Randfontein facility.

1.4. The applications originated from the discussions in the South African Groundnut Forum ("SAGF") concerning challenges facing the domestic groundnut value chain. The SAGF highlighted that the groundnut industry faces significant and potentially irreversible risks. Despite groundnuts remaining a profitable crop, the sector is in a precarious position due to persistent drought conditions, shifting rainfall patterns, below-average yield growth, aflatoxin concerns and stringent statutory requirements compared to other grains. In addition, there are uncertainties around pricing structures and overall industry functioning. Collectively, these factors point to an industry in distress, requiring urgent safeguards and strategic interventions to ensure its sustainability.

1.5. As a result of industry challenges, the SAGF commissioned the Bureau for Food and Agricultural Policy ("BFAP") to conduct a study on the groundnut value chain. The study found, amongst others, to level the playing-field, peanut butter packaged imports would require a 23% import tariff to align with the local production cost. This estimate was derived by determining the difference between the cost of importing packaged groundnuts butter and the cost of locally producing groundnuts butter (with locally sourced groundnuts) and expressing that as a percentage. The same calculation in the case of roasted groundnuts resulted in a tariff of 13.5% ad valorem.

1.6. Considering BFAP's 2019 report, the members of the SAGF then agreed that to address the current real disparity created by the different levels of tariff rates being applied to peanut butter and roasted ground nuts, they would support an increase of the import duties from 0.99c/kg to between 21-25% *ad valorem* on peanut butter and between 18-20% *ad valorem* on roasted groundnuts.

1.7. Following the Commission's initial investigation, the former Minister of Trade, Industry and Competition ("the former Minister") requested a further review of the Commission's recommendations. The former Minister expressed concern about the potential price-increasing effects of peanut butter, a key staple food product on low-income households. The referral directed ITAC to assess the potential price-raising impact of a higher duty, the state of domestic industrial capacity, the level of competition in the market, and broader value-chain dynamics.

1.8. The application submitted by Steinweg for an increase in the rate of customs duty on roasted groundnuts was subsequently withdrawn. Steinweg indicated that it has ceased its roasted groundnut operations since lodging the application. The withdrawal was attributed to several factors, including the prolonged uncertainty surrounding the tariff decision, which affected the viability of its business model.

1.9. In late December 2024, RCL Foods submitted an updated application to the Commission. This submission, together with the information already at the Commission's disposal, enabled the Commission to assess more current and relevant information that may address several of the former Minister’s concerns.

1.10. As motivation for the application, RCL Foods reiterated, amongst others, the following reasons:

- *“A 10% custom duty on groundnuts (HS 1202.41 and 1202.42) was implemented on October 21, 2003.*
- *Importers are circumventing this duty by importing peanut butter, leading to a 24% increase in imports from 2023 to 2024.*
- *Imported peanut butter prices are 19.3% lower than local production costs, causing distress in the SACU industry.*
- *RCL has sacrificed volumes to maintain margins, resulting in a decline in market share.*
- *Without relief, local manufacturers may exit the market, leading to increased prices for imported peanut butter.”*

1.11. The application was republished in Government Gazette No. 3387 on 25 July 2025, for interested parties to comment.

1.12. The current tariff structure of the subject product is provided in Table 1 below and shows that peanut butter is currently classifiable under tariff subheadings 2008.11.11, 2008.11.15 and 2008.11.19, which attracts a 0.99c/kg specific duty on imports from

General and MERCOSUR regions, whilst a 0.396c/kg specific duty applies to the African Continental Free Trade Agreement ("AfCFTA"). The subject product attracts a zero duty on imports from the European Union / United Kingdom ("EU/UK"), the European Free Trade Association ("EFTA") and the Southern African Development Community ("SADC")

Table 1: Tariff position for the subject product

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of Duty					
				General	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA[1]
20.08		**Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included:**							
	2008.1	**Nuts, ground-nuts and other seeds, whether or not mixed together:**							
	2008.11	**Ground-nuts:**							
	2008.11.1	**Peanut butter:**							
	2008.11.11	Smooth, put up in packaging for retail sale	kg	0,99c/kg	free	free	free	0,99c/kg	0,396c/kg
	2008.11.15	Other, put up in packaging for retail sale	kg	0,99c/kg	free	free	free	0,99c/kg	0,396c/kg
	2008.11.19	Other	kg	0,99c/kg	free	free	free	0,99c/kg	0,396c/kg

Source: SARS

1.13. The applicable World Trade Organisation ("WTO") bound rate for the subject product is 70 per cent *ad valorem*, which provides for policy space between the applied rate and the bound rate levels on peanut butter.

1.14. The Applicant's requested tariff position is provided in Table 2 below:

Table 2: Requested tariff position

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of Duty					
				General	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA[2]
20.08		**Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included:**							

[1] In terms of the South Africa's AfCFTA schedule, peanut butter was treated as a sensitive product and not fully liberalised.

[2] Assuming that South Africa's AfCFTA's preference margin is preserved, should the MFN duty be increased to 25%, the AfCFTA *ad valorem* duty was calculated as follows:
AfCFTA = 0.396c/kg/0.99c/kg = 0.40.

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of Duty					
				General	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA[2]
	2008.1	**Nuts, ground-nuts and other seeds, whether or not mixed together:**							
	2008.11	**Ground-nuts:**							
	2008.11.1	**Peanut butter:**							
	2008.11.11	Smooth, put up in packaging for retail sale	kg	25%	free	free	free	25%	10%
	2008.11.15	Other, put up in packaging for retail sale	kg	25%	free	free	free	25%	10%
	2008.11.19	Other	kg	25%	free	free	free	25%	10%

Source: SARS

1.15. The Applicant is requesting an increase in the general rate of customs duty on peanut butter from a specific duty of 0.99c/kg (0.025% *ad valorem* equivalent) to 25% *ad valorem*.

2. DISCUSSION

International Market

2.1. Global peanut production, which directly impacts peanut butter availability, is substantial. Major global producers of peanuts include China, India, the United States of America ("USA"). Other significant producers include Argentina, Nigeria, and Sudan. These countries play an important role in shaping global supply conditions for groundnuts and downstream processed products such as peanut butter.

2.2. The global peanut butter market has shown sustained growth, driven by rising health consciousness and increasing demand for protein-rich and convenient food products. In 2023, the market was estimated at approximately US$6.2 billion and is projected to grow at a compound annual growth rate ("CAGR") of 6.7%, reaching an estimated US$9.76 billion by 2030. This growth is supported by changing dietary habits, an increase in health-oriented consumers, and the positioning of peanut butter as a nutritious alternative to other spreads[3].

2.3. Several countries are notable exporters of peanut butter, including the USA, India and

Therefore, AfCFTA duty = 40% of MFN duty
If MFN becomes 25%, then AfCFTA duty = 25% x 0.40 = 10% *ad valorem*
[3] https://virtuemarketresearch.com/report/peanut-butter-market

Malaysia. These countries capitalise on strong domestic groundnut production and processing capabilities to supply both regional and international markets.

2.4. The USA is a leading global exporter of peanut butter, with export values estimated at approximately US$254 million in 2024[4]. India has also emerged as a key exporter, with annual export volumes reportedly exceeding 31 000 metric tons, reflecting its growing presence in international markets[5]. Malaysia exports primarily to Southeast Asian markets such as Indonesia, and to Middle Eastern destinations such as Saudi Arabia, supported by established trade relationships and growing regional demand.

2.5. International peanut butter prices are closely tied to the cost of peanuts, which are a globally traded agricultural commodity. Global prices of peanuts are generally influenced by weather conditions, crop yields, global demand, trade policies and currency movements[6.] These factors directly affect peanut butter manufacturing costs and contribute to price volatility in international markets. This price volatility leads to frequent and unpredictable changes in peanut butter prices, making it difficult to establish consistent international benchmarks.

2.6. In addition, peanut butter is produced in a variety of forms and qualities, tailored to local preferences and regulatory requirements, making international price comparisons challenging[7]. The absence of a centralized exchange or transparent market data means most trade occurs through private contracts, with limited publicly available pricing information and this limits price transparency.

2.7. South Africa is both a manufacturer and exporter of peanut butter, with regional trade playing a significant role. Exports are primarily directed to neighbouring markets including Namibia, Botswana, Zimbabwe and Mozambique.

2.8. The growth in global demand and the growth of regional trade may present opportunities for South African manufacturers to increase exports, particularly within the Southern African region where established trade linkages and proximity provide

[4] https://www.tridge.com/intelligences/peanut-butter
[5] https://media.market.us/peanut-butter-statistics/
[6]https://www.savorysuitcase.com/the-economics-of-peanut-butter-production/?utm_source
[7]https://essfeed.com/the-challenges-and-opportunities-in-the-global-peanut-butter-supply-chain-the-challenges-and-opportunities-in-the-global-peanut-butter-supply-chain/?utm_source

competitive advantages.

SACU Market

2.9. In the domestic market, SAGF is the central representative body of all role-players in the groundnut industry value chain. Its role includes the coordination among farmers, processors, seed companies, researchers and Government, and provides market reports, technical guidance and policy advocacy.

2.10. In addition, Grain South Africa ("Grain SA"), represents the interests of commercial grain and oilseed producers in the domestic market.

2.11. Major peanut butter manufacturers within SACU include the Applicant, which produces the Yum Yum brand; Tiger Brands, known for its Black Cat brand; and Thokoman Foods SA (Pty) Ltd ("Thokoman"), which offers both its signature "Thokoman" peanut butter and the 100% natural "GoodyLife" range.

Peanut butter as a staple food product

2.12. Peanut butter is widely regarded as a staple food product in South Africa due to its regular consumption across income groups and its role as a commonly used spread. Information available to the Commission indicates that peanut butter accounts for roughly 50% of the spreads market, excluding margarine[8]. Local brands also benefit from strong consumer loyalty and recognition, reinforcing the product's importance in the domestic food market.

Groundnut value chain

2.13. Information available to the Commission indicates that the South African peanut butter industry forms part of a multi-stage value chain that extends from groundnut production through processing, trading, and manufacturing to final retail sales.

2.14. Existing tariff disparities have created conditions that favour increased imports of finished peanut butter products, a challenge first identified in the 2019 BFAP study. The current tariff structure applicable to the groundnut value chain is presented in

[8] South African news outlet (2024): What is South Africa's favourite spread?

Table 3 below:

Table 3: Tariffs in the groundnut value chain

Product	Position in value chain	Rate of customs duty
Raw Groundnuts	Raw input (upstream)	10 per cent *ad valorem*
Roasted Groundnuts	Intermediate product	0.99c/kg (*ad valorem* equivalent: 0,025%)
Peanut butter	Final product (downstream)	0.99c/kg (*ad valorem equivalent*: 0,025%)

Source: SARS

Groundnut production

2.15. According to the 2024 Trends in the Agriculture Sector report[9] compiled by the former Department of Agriculture, Land Reform and Rural Development ("DALRRD"), the optimal planting period for groundnuts in South Africa is from mid-October to mid-November. Groundnuts are considered a high-value crop and are predominantly cultivated in the North-Western regions of the country, particularly in the Western and North-Western parts of the Free State, as well as in Northwest and Northern Cape. Smaller production areas include Limpopo, KwaZulu-Natal, and Mpumalanga.

2.16. The plantings, production and the yield of groundnuts from 2019/20 to 2023/24 marketing seasons[10] are presented in Table 4 below:

Table 4: Groundnut production

Season	2020/21	2021/22	2022/23	2023/24	2024/25
Plantings (Hectares - ha)	38 550	43 400	31 300	41 200	48 125
Production (tons - t)	64 300	48 500	53 000	51 745	62 474
Yield (t/ha)	1.67	1.12	1.69	1.26	1.30

Source: DALRRD (2024)

2.17. Table 4 shows that an estimated commercial crop of 51 745 tons of groundnuts was produced in 2023/24, representing a 2.4% decrease from the 53 000 tons produced in 2022/23. The 2023/24 crop is, however, 7.6% below the five-year average of 56 004 tons (2020/21 – 2024/25). The average yield for 2023/24 was 1.26 t/ha, which is 25.4%

[9] DALRRD 2024 Report: trends-in-the-agricultural-sector-2024-.pdf
[10] Marketing season spans from March to February

lower than the 1.69 t/ha recorded in the previous season and 10.6% below the five-year average of 1.41t/ha.

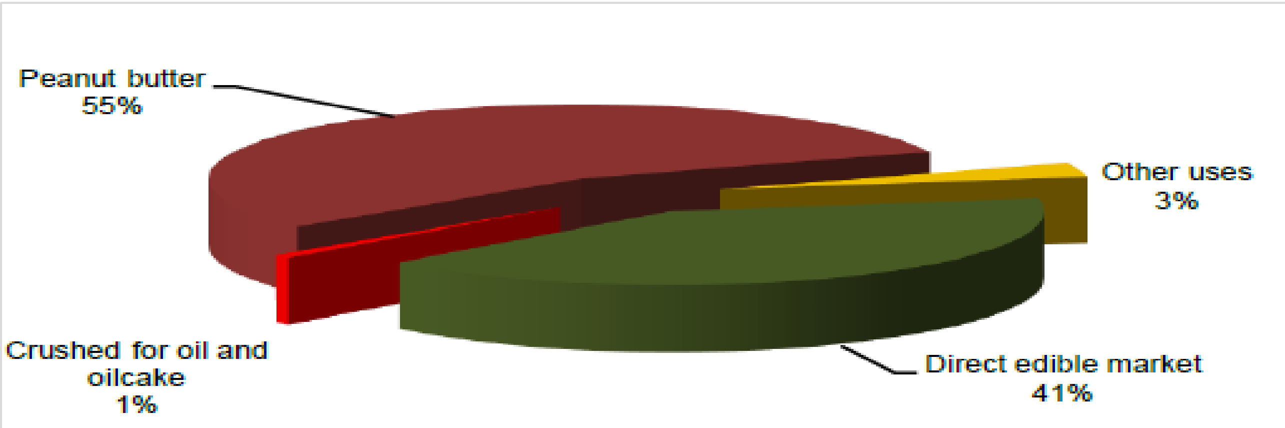
2.18. According to SAGF, long-term analysis place average groundnut production in the region of 62 000 tons per annum, (excluding drought years), with considerable year-to-year variability, and a net-importer status in most seasons.

2.19. Information available to the Commission indicates that groundnuts are primarily an export commodity, with local prices largely determined by export parity

Downstream Consumption

2.20. Within SACU, groundnuts are primarily consumed in two forms: as edible nuts and as processed peanut butter. Total commercial consumption of groundnuts in 2024/25 is estimated at 60 400 tons. Of this, 34 000 tons are allocated for peanut butter production (55%), 25 000 tons for the direct edible market (41%), 500 tons for oil and oilcake and 900 tons as pods (1%). Other uses, including seed and direct release to end consumers, account for 1 900 tons (3%). SACU downstream consumption is illustrated in Figure 1 below:

Figure 1: Utilisation of groundnuts for 2024/25



Source: DALRRD (2024)

Price impact of an increased duty on peanut butter

2.21. To evaluate the price impact of an increased duty on peanut butter, the Commission conducted an impact assessment wherein the analysis aimed to evaluate the potential effects of the proposed increase in customs duties on peanut butter across the following economic dimensions:

- Domestic prices
- Import volumes
- Demand and supply dynamics
- Consumer expenditure across different income deciles, with a particular focus on low-income households

2.22. Overall, the price impact assessment revealed that that imposing a full 25% *ad* valorem duty would place undue pressure on vulnerable households, while moderate duty increases would better balance support for domestic producers with food affordability.

Market, Trade and Financial Analysis

2.23. Domestic demand for peanut butter in the SACU region has been declining steadily in recent years, reflecting a broader weakening in consumption. The stagnating demand has intensified challenges for local producers, limiting their ability to expand volumes while maintaining sustainable profit margins.

2.24. Total peanut butter production by the two main domestic manufacturers (RCL Foods and Tiger Brands) declined over the period of investigation, reflecting sustained pressure on the industry.

2.25. The Applicant’s capacity utilisation decreased over the review period and remained below optimal operating levels. Despite this underutilisation, the Applicant indicated that the domestic industry retains sufficient installed capacity to scale up production rapidly and meet total SACU demand should import volumes decline.

2.26. Domestic sales volumes for the main peanut butter manufacturers declined significantly over the period of investigation, reflecting continued pressure on the industry and reduced demand in the SACU market.

2.27. The domestic industry maintained a strong overall presence in the SACU market from 2021 to 2024, although performance varied across producers. The Applicant maintained a relatively stable market share, while Tiger Brands experienced a notable decline.

2.28. Importers held a modest share of the SACU peanut butter market over most of the period of investigation. However, importers’ market share increased substantially in

2024.

2.29. Peanut butter import volumes into the SACU fluctuated over the period of investigation. Imports showed a steady decline from 2021 to 2023, followed by a sharp rebound in import in 2024An import analysis by country of origin showed that India is the dominant exporter of peanut butter into the SACU, accounting for 95% of total import volumes in 2024. Relatively smaller volumes of imports of peanut butter originate from South American countries, particularly Argentina under the MERCOSUR agreement followed by China, Thailand and the United States.

2.30. Price competitiveness calculations of the subject product vis-à-vis similar imported goods showed that the domestic industry experienced significant price disadvantages throughout the period of investigation.

2.31. Available information indicates that domestic peanut butter production costs have risen sharply over the period of investigation, with sustained increases each year.

2.32. Profitability in the domestic peanut butter industry declined sharply over the period of investigation. This downward trend illustrates the growing financial pressure on producers as rising costs and challenging market conditions eroded margins.

2.33. In response to the ongoing cost pressures faced by domestic peanut butter manufacturers, a supplementary policy intervention under consideration is the creation of a rebate provision that would waive the existing 10% customs duty on imported groundnuts (HS 1202.41 and 1202.42). This proposed rebate would aim to provide targeted relief on a key input cost, particularly for manufacturers like the Applicant who rely on supplementary imports from countries such as Argentina and Brazil to bridge gaps in local supply. Such rebate could reduce landed costs of imported groundnuts and enhance the competitiveness of domestic processors.

2.34. The Commission received four preliminary comments in support of the application, and four objections were raised against the proposed increase in duty on peanut butter. Following publication notice, five additional comments were received, of which two were in support of the application and three objected to the application.

2.35. The support for the application was based on the positive implications of the tariff for the upstream groundnut value chain, whilst opposition for the application was mainly based on the significant price impact that a tariff may have on the consumer price of peanut butter.

FINDINGS

3.1 During its deliberations and in arriving at its recommendation, the Commission considered the information at its disposal, including comments received during the investigation. The Commission found that:

- Peanut butter is regarded as a staple food product, accounting for approximately half of the spreads market (excluding margarine) and serving as a cost-effective protein source. Its inclusion in the household food basket surveys and the industry's push for zero-rate VAT status, underscore its importance for low-income consumers.
- Groundnuts are primarily consumed in two forms: as edible nuts or as processed peanut butter. Approximately 55% of total commercial groundnut consumption is allocated to peanut butter production.
- The current tariff structure within the groundnut value chain is misaligned, with a 10% duty on raw groundnuts compared to only 0.99c/kg on roasted groundnuts and peanut butter. This disparity disrupts value chain efficiency and reduces overall competitiveness.
- Domestic groundnut production is on an upward trajectory, with the 2024/25 crop estimated to be 11.6% higher than the five-year average of 56 004 tons (up to 2024/25). Long-term trends place average annual production at approximately 62 000 tons.
- Southern African Customs Union (SACU) peanut butter production has declined over the review period, mainly due to softer domestic demand, stronger import competition, and the loss of a major supply contract by one of the key producers.
- Capacity utilisation in the domestic industry has decreased over the review period, reflecting significant underutilisation of existing production capacity.

Notwithstanding this, producers retain sufficient capability to scale up output to meet total SACU demand should imports decline.

- Domestic peanut butter demand has been declining steadily over the review period, with the most pronounced drop occurring in the most recent years, signalling a weakening consumption trend in the SACU market.
- Sales volumes for domestic manufacturers declined throughout the period, with both major producers experiencing reductions, albeit at different rates.
- Market share trends diverged between domestic producers: one maintained a relatively stable share, while another experienced a substantial decline.
- Importers' share of the SACU market initially declined but increased sharply in the most recent year, illustrating the domestic industry's sensitivity to competition from low-cost imports.
- Over the period under review, peanut butter import volumes into the SACU increased by an average of 15%. This upward trend was highlighted by a notable increase of 81% in 2024, during which imports reached 4.44 million kg.
- India was the dominant source of imported peanut butter, supplying nearly all imports in 2024.
- Domestic producers faced consistent price disadvantages against similar imported products, which constrained their ability to compete effectively.
- Production costs for domestic manufacturers increased significantly over the period, driven by rising input, labour, and overhead expenses, while imported input costs fluctuated.
- Industry profitability weakened overall, with one major producer maintaining positive returns on average, while another recorded a loss in the latest year due to escalating costs.
- A rebate on imported groundnuts would provide meaningful cost relief to domestic processors and enhance the effective protection afforded to the peanut butter industry. Establishing a conditional rebate for processors, combined with correcting

the inverted tariff structure through higher peanut butter import duties could improve the sector's viability, encourage domestic groundnut production, and better align industrial and agricultural policy objectives.

- ITAC's impact assessment indicates that imposing a full 25% *ad valorem* duty would place undue pressure on vulnerable households, while moderate duty increases would better balance support for domestic producers with food affordability.
- Four preliminary comments in support of the application were received and four objections were raised against the proposed increase in duty on peanut butter. In response to the publication notice, five comments were received, of which two supported the application and three objected.

RECOMMENDATION

3.2 Considering the foregoing, the Commission decided to approve the application for an increase in the customs duty on peanut butter, classifiable under tariff subheading 2008.11.11, 2008.11.15 and 2008.11.19. from 0.99c/kg to 20 per cent *ad valorem*, owing to the fact that the proposed increase in customs duty will address existing tariff anomalies in the peanut butter industry value chain, the applicant has experienced a loss in production volumes, sales and market share whilst importers' market share to increase and significant price disadvantages are experienced against similar imported products.

3.3 The Commission further decided that as a complementary intervention to strengthen the domestic industry's price competitiveness and improve capacity utilisation, the Commission will self-initiate an investigation for the creation of a temporary rebate provision for groundnuts in terms of Section 16(1)(d)(ii) of the International Trade Administration Act, 2002. The investigation would assess the feasibility of and the administrative mechanisms for establishing a temporary rebate provision for groundnuts classifiable under tariff heading 1202.4.