Communication and Marketing Department
Isebe loThungelwano neNtengiso
Kommunikasie- en Bemarkingsdepartement
Private Bag X3, Rondebosch, 7701, South Africa
Tel: +27 (0) 21 650 5427/5428/5674
www.uct.ac.za | www.news.uct.ac.za

20 October 2026

UCT study finds tariffs pushed up prices of pasta and frozen chips

A University of Cape Town (UCT) study has found that import tariffs and anti-dumping duties have increased the retail prices of pasta and frozen chips in South Africa, highlighting the cost to consumers of trade policies designed to protect domestic producers.

Funded by the South African Reserve Bank, the findings showed that frozen chip prices rose by an average of 4.7% after the imposition of anti-dumping duties, while pasta prices increased by a combined 9% during periods when higher ordinary import tariffs and anti-dumping duties were in effect.

Published in the *South African Journal of Economics*, the study, titled "When Carbs Cross the Border: The Impact of Tariffs on the Price of Pasta and Frozen Chips", examined how trade restrictions imposed between 2010 and 2022 affected consumer prices.

"The findings raise important questions about how South Africa balances industrial protection with the cost of living, particularly when import duties are used to shield local manufacturers from foreign competition," said Professor Lawrence Edwards, the director of UCT's Policy Research in International Services and Manufacturing (PRISM). He led the study with Dr Godfrey Kamutando, former Carnegie postdoctoral research fellow at PRISM and now a senior trade economist at DNA Economics.

Import tariffs make foreign goods more expensive by adding a charge at the border. Anti-dumping duties are imposed on imports deemed to be sold at unfairly low prices, while safeguard measures provide temporary protection for domestic industries facing increased imports.

South Africa has increasingly used these measures to support industrial policy objectives, including protecting local production, sales, profitability and employment. However, the implications for consumers have received comparatively less attention.

The researchers analysed nearly 63 000 monthly retail price observations collected from 269 outlets across 31 regions between January 2010 and April 2022. The data, supplied by Statistics South Africa, allowed them to track the prices of specific products at individual outlets over time and assess how they changed following the introduction of trade restrictions.

The analysis covered instant noodles, macaroni, spaghetti and other pasta products, as well as frozen potato chips. The researchers combined retail price data with information on import duties, international prices and household spending patterns to estimate the effects on consumers.

The results showed that the impact of trade restrictions varied by products and across locations.

For frozen chips, anti-dumping duties were linked to higher retail prices. The researchers estimated that these duties increased prices by 4.7% over the periods in which they applied. The effect was more pronounced in metropolitan areas, where retailers and consumers are more closely connected to distribution networks.

For pasta, the study found that higher Most Favoured Nation (MFN) tariffs and anti-dumping duties also passed through to retail prices. MFN tariffs are the standard import duties applied to goods from trading partners unless preferential arrangements provide otherwise.

The researchers estimated that the increase in MFN tariffs on certain pasta imports contributed to higher prices, while anti-dumping duties on pasta imports from countries including Egypt, Turkey, Latvia and Lithuania also raised consumer prices. Taken together, the two measures were estimated to result in a 9% increase in pasta prices over the relevant periods.

Professor Edwards said: "The findings suggest that import protection does not necessarily translate into higher consumer costs on a one-for-one basis. Some of the additional cost can be absorbed by foreign exporters, while domestic retailers' pricing decisions, international commodity prices and distribution costs also influence what shoppers ultimately pay.

"The study provides evidence that trade restrictions can raise prices at the checkout, even when their primary purpose is to support local industries."

The household impact, however, was relatively small compared with total annual food expenditure. The researchers estimated that the price increases reduced household welfare by 0.03% of total annual food expenditure.

Wealthier households were more affected because they were more likely to buy pasta and frozen chips and spent a greater share of their food budgets on these products. The study found that households in the highest-expenditure group experienced a larger increase in food costs than those in the lowest-expenditure group.

Edwards and his colleagues cautioned that these estimates capture only the direct effects of higher prices. "They do not account for changes in wages, shifts in household consumption or purchases of the products outside the home, such as at restaurants and fast-food outlets," he said.

He added: "The study also highlighted a broader policy challenge: protecting domestic producers does not automatically guarantee that they will capture the benefits of higher import duties. Those gains may instead accrue to intermediaries or foreign exporters in countries that retain preferential access to the South African market."

Edwards noted that policymakers should consider the consumer costs of proposed tariff changes alongside their potential benefits for local production and employment. "We also

call for greater attention to competition policy to ensure that the intended beneficiaries capture the gains from protection."

While trade restrictions can help preserve domestic productive capacity and strengthen resilience to global supply disruptions, Edwards warned that higher tariffs alone do not guarantee a more resilient economy. "Duties targeting particular countries may simply divert imports to alternative suppliers rather than substantially reducing overall dependence on foreign goods," he said.

A balanced assessment, Edwards said, should consider whether a proposed tariff is likely to build sustainable domestic production capacity and whether the benefits justify the additional costs borne by consumers.

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Issued by: UCT Communication and Marketing Department

Ridovhona Mbulaheni
Media Liaison and Monitoring Officer
Communication and Marketing Department
University of Cape Town
Rondebosch
Tel: (021) 650 2333
Cell: (064) 905 3807
Email: ridovhona.mbulaheni@uct.ac.za
Website: www.uct.ac.za