



Wes-Kaapse Provinsiale Parlement Western Cape Provincial Parliament IPalamente yePhondo leNtshona Koloni

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Report of the Standing Committee on Finance, Economic Opportunities and Tourism on its engagement with Summer Citrus from South Africa, beneficiaries of the African Growth and Opportunity Act, on 18 August 2023, as follows:

Delegation

Members

Murray, C (DA)(Chairperson)
Brinkhuis, K (Al Jama-Ah)
Nkondlo, N (ANC)
Van der Westhuizen, AP (DA)

Apology

Sileku, I (DA)

Staff Members

Adams, Z (Procedural Officer)
Cloete, L (Senior Procedural Officer)
Barends, A (Logistics Official)
Naidoo, W (Security Official)

1. Introduction

The Standing Committee on Finance, Economic Opportunities and Tourism (the Committee) endeavoured to engage with relevant role players within the African Growth and Opportunity Act (AGOA) preferential trade agreement, as the debate about the renewal or expiry of the AGOA in 2025 unfolded.

The AGOA allows for duty-free and quota-free exports from eligible African countries into the United States (US). South Africa is one of the African countries that benefits from the AGOA.

The Committee met with the Western Cape Department of Economic Development and Tourism, Wesgro and the Western Cape Department of Agriculture on 9 June 2023 to gauge the impact that AGOA has had on the Western Cape. The Committee was informed that AGOA was of great importance to the agricultural sector of the Western Cape, specifically, for the citrus producers and exporters, for job creation, and to the overall growth of the Province's economy.

The Committee then embarked on an engagement with Summer Citrus from South Africa (Summer Citrus) on 18 August 2023 on the benefits and challenges they experienced in respect of AGOA.

Following the engagement with Summer Citrus, the Committee embarked on a walkabout at Stellenpak, a fresh fruit export packing and cooling facility.

In terms of the 2023/24 Strategic Objectives of the Western Cape Provincial Parliament, linked to the Speaker's Priorities, the outcome of this report is linked to the following priorities:

- Priority 2: Expanding citizen service
- Priority 3: Strengthening the core business

This report highlights the Committee's findings and recommendations stemming from the briefing and visit.

2. Briefing by Summer Citrus of South Africa on the benefits of AGOA and the challenges experienced

2.1 Overview

The day commenced with a briefing from Summer Citrus. The briefing was led by Ms S Conradie, the Chief Executive Officer of Summer Citrus, Mr A Mouton, the Chairperson of Summer Citrus, and Mr P Smit, the Director for Summer Citrus. The presenters were also supported by Market Demand Fruits, Good Hope Fruit, Cedar Citrus Pty Ltd, Cold Harvest, Cape Fruit Coolers, Seatrade, Maersk, and MSC.

Summer Citrus has been in existence for 25 years and is an umbrella body representing major stakeholders in the citrus industry, who export citrus products from South Africa to the US. The focus of the organisation is to maintain and sustain the market in the US for the current growers who have access to the US.

Summer Citrus briefed the Committee on the benefits of AGOA and any challenges that they have experienced so far.

2.2 Observations

2.2.1 Summer Citrus has focused on promoting and establishing the necessary quality standards for fruit exporters in compliance with quality standards applicable to all citrus fruit products sold to the US. According to Summer Citrus, Western Cape is the only province in the country that can ship citrus products to the US due to its stringent phytosanitary shipping standards and cold-treatment protocols. The citrus products are only shipped through the Port of Cape Town.

2.2.2 Previously, citrus producers and exporters in the Western Cape were unable to compete with local citrus producers in the US during winter, therefore the focus was to promote exporting citrus to the US in summer, resulting in year-round citrus availability in the US. Citrus producers

and exporters in the Western Cape have also had to compete with other major citrus exporters, such as Chile and Peru.

- 2.2.3 The South African citrus industry has been the second largest exporter of citrus in the world. The Citrus industry in the Western Cape has become very dependent on exports to the US, which, in turn, was dependent on international competitiveness and market access. This was why AGOA was so important to South Africa.
- 2.2.4 Before an administrative change in the US in 2020, citrus exporters were only allowed to ship to New York, Wilmington and Philadelphia. As part of Summer Citrus' strategy to sustain and ensure the longevity of its citrus programme, they trialed shipping to Houston and asked if they could ship to Savannah. Following the administrative change in the US in 2020, Summer Citrus gained access to all ports in the US that had cold treatment facilities or programmes.
- 2.2.5 Summer Citrus offers an integration service throughout the total citrus supply chain. They have connected all bilateral entities such as the Western Cape Department of Agriculture, the United States Department of Agriculture, and the Perishable Produce Export Certification Agency. Summer Citrus also played an integral part in connecting citrus growers, pack houses, exporters, logistical companies in the US and South Africa, supply chain service providers, shipping lines, ports in the US and South Africa, and importers. This was a unique model, which also focused on collective engagements with supply chain groups, specifically shipping lines. None of the citrus producers and exporters were large enough to charter a conventional vessel or to approach a shipping line because, individually, they did not have volumes large enough to justify shipping to Philadelphia Port. Therefore, the engagements with shipping lines were done as a collective.
- 2.2.6 Citrus exports, through AGOA, have grown 2.5 times since the pandemic, even though there were global supply chain disruptions at the time. According to Summer Citrus, it was estimated that AGOA provided for 35 000 jobs opportunities from the farm level throughout the citrus supply chain in South Africa, and approximately 20 000 job opportunities created in the US.
- 2.2.7 The AGOA programme has also allowed for the opportunity for members of Summer Citrus to create 24 successful empowerment projects, with another 15 projects that are still in the process of being developed.
- 2.2.8 It was estimated that in 2022, the AGOA programme allowed for the generation of \$155 million in US turnover, which was approximately R1.6 billion turnover for South Africa.
- 2.2.9 The AGOA programme allowed citrus producers and exporters in the Western Cape to enter the US market duty-free, which then allowed them to compete with major competitors such as Chile, Peru and Australia, who were also able to enter the US market duty-free due to trade agreements. According to Summer Citrus, if AGOA was not renewed, citrus producers and exporters from the Western Cape would not be able to compete with those competitors. If AGOA is not renewed and export duties are introduced, it would become too expensive for growers to export to the US because the growers would have to absorb those additional costs. If growers stopped exporting to the US, then South African-based citrus exporters would be unable to adhere to the shipping commitments, and shipping lines would stop going to the US. Approximately 7 million cartons of citrus fruit would have to be sent to other markets, which would cause a disruption, and have a potentially destabilising impact on those markets as well.
- 2.2.10 The AGOA programme directly benefited the rural areas in the Western Cape. The main beneficiaries and the main job opportunities that were created were in the rural areas. If

investments are removed from these areas, there would be a massive negative impact on rural areas, specifically in the Western Cape.

- 2.2.11 Ms Lena ("Tiekie") September, the Chairperson of Cedar Citrus Pty Ltd, briefed the delegation about "The Harvest of Hope", one of the beneficiary projects that received 36ha of citrus farmland from ALG Boerdery in 1998. This was the first empowerment programme for previously disadvantaged communities in the Western Cape. The farm is now a successful citrus growing business that is 50% Black-owned and now operates on more than 120ha of land, providing 200 job opportunities in the area in season. The farm first exported its citrus products to the US in 2004 under AGOA, and now the US is their main market.
- 2.2.12 Mr Lubabalo Mtya from Maersk emphasised that the current shipping line between South Africa and North America was very dependent on AGOA, so if AGOA was not renewed it would have a major impact on other commodities that are shipped to North America as well, not just the citrus industry. The North American trade line was one of the smallest for South Africa from a shipping point of view, therefore there is a reliance on "shared" shipping across industries because vessels are so large. Approximately 10% of the products shipped to North America were from the citrus industry. If this volume was lost, it would not be economically viable to service this shipping line.
- 2.2.13 Mr Ian Fairlie from MSC indicated that exported goods to the US was one of the smallest coming out of South Africa; however, this trade still amounted to approximately \$10 trillion. He also emphasised that neighbouring countries (Mozambique, Botswana, Lesotho, Eswatini etc.) also exported their fresh and dry products through South Africa. If AGOA was not renewed, the vessels used for transporting exported products would have to be downsized. The smaller the vessel, the higher the slot costs or freight rates for customers/suppliers, which was concerning as it could result in South African shipping companies losing their competitive edge.
- 2.2.14 Summer Citrus indicated that the US was concerned that there was no reciprocal approach from South Africa in terms of trade. AGOA seemed to provide South Africa with a one-sided advantage in terms of duty-free access into the US market, whereas products exported from the US into South Africa included export duties. It seemed that the US wanted to export certain products such as pork, beef and chicken to South Africa; however, there were technical issues that were hampering their plans, which was not ideal for the US. Summer Citrus also indicated that these were trade agreement conversations, and the focus should be on AGOA, which was US legislation.
- 2.2.15 Summer Citrus noted that there were massive investments made in citrus production, rural areas, job opportunities, cold storage, cold sterilisation, shipping, retail programmes etc. Approximately R1 billion has been invested in cold facilities; therefore, there was an urgent need for stabilisation of the AGOA programme. The investors, and the citrus producers and exporters needed assurance that the AGOA programme would continue in the medium term.
- 2.2.16 Since the Port of Cape Town was the only port in South Africa that was able to export citrus products, it was critical that the infrastructure at the Port was in proper working condition. If this was not in place, then long-term business sustainability would be impossible.
- 2.2.17 Summer Citrus encouraged the Committee to engage with national government about the challenges that were raised at the visit. Summer Citrus further emphasised the importance of market access and competitiveness into the US for South Africa, specifically for the citrus industry in the Western Cape, which AGOA played a vital part in.

2.3 Walkabout of Stellenpak in Simondium

The Members were given a tour of Stellenpak, a fresh fruit export packing and cooling service provided to approximately 100 deciduous and citrus producers in South Africa.

The Stellenpak facility uses multi-purpose packing lines with weight sizes to pack the fruit, which is then exported to various countries.

The Members engaged with experts working for Stellenpak and observed different varieties of citrus fruit being taken on conveyer belts to be cleaned, separated, packed, labelled, boxed and taken to cold storage, ready to be transported and exported.

Stellenpak used specific technology to identify fruit that was spoiled and was not in a condition to be exported. The technology allowed for “undesirable” fruit that were damaged, had blemishes and/or were the incorrect size to be separated from ones that could be exported. The “damaged” fruit was then repurposed as juice.

The remaining “desirable” citrus fruit was then cleaned, packed, labelled, and packaged for export to various countries. The packaged fruits are then sent to fast cooling areas before they are taken away to be exported. Stellenpak charges local farmers per kilo in respect of packing.

3. Resolutions/Actions

3.1 The Committee RESOLVED to invite the Minister of Trade, Industry and Competition to committee meeting to share the concerns raised by the citrus industry.

3.2 The Committee REQUESTED the following:

3.2.1 A report from the Western Cape Provincial Parliament’s Research Unit on the viability and potential advantages and disadvantages for South Africa to push for a trade agreement on primary and secondary agricultural products, should AGOA not be extended;

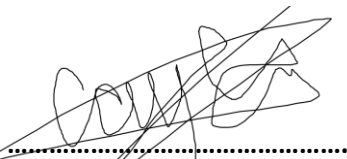
3.2.2 A detailed report from Summer Citrus on the 25 empowerment projects indicating (i) the ownership structure for all of the projects (ii) the investments made in these projects over time (iii) the Rand value of the investments (iv) a list of all the investors (v) a list of any government funding given to the projects, and (vi) how each project links to the supply chain system of the citrus and related industries;

3.2.3 A report from Summer Citrus indicating, in terms of marketing and stakeholder relations, whether there are any organised formations to include industries in the US who are in support of SA citrus, and who gave endorsements to the current AGOA agreement to continue. If there are no endorsements, the report should provide a list of opposing groups and arguments made by them against AGOA, specifically against the citrus industry; and

3.2.4 A report from Summer Citrus indicating whether the citrus industry has held any formal discussions with the South African Ambassador or country representatives on the AGOA matter, to raise their concerns. If so, please provide details of when the discussions took place, who the industry met with, and the outcomes of the discussions.

4. Acknowledgements

The Committee thanked Summer Citrus and its members, Cedar Citrus, Maersk and MSC for their willingness to meet with the Committee and to share critical information pertaining to the benefits and challenges experienced in respect of the AGOA. The Committee also expressed its gratitude to Stellenpak for the guided tour of its facility.



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MS CAT MURRAY, MPP

CHAIRPERSON: STANDING COMMITTEE ON FINANCE, ECONOMIC OPPORTUNITIES AND TOURISM

DATE: 25 May 2024