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To: The Office of the United States Trade Representative (USTR)

The AGOA Implementation Subcommittee of the Trade Policy Staff Committee

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2024 AGOA ELIGIBILITY REVIEW

WRITTEN TESTIMONY BY THE CITRUS GROWERS' ASSOCIATION OF SOUTH AFRICA

1. Background: Citrus Growers' Association of Southern Africa

The Citrus Growers' Association of Southern Africa (CGA) represents the interests of around 1400 producers of export citrus throughout Southern Africa. While this includes producers from Swaziland, Zimbabwe, Namibia, and Botswana, 90% of these citrus growers are located in South Africa.

South Africa is the second largest exporter of citrus in the world (after Spain) with local citrus growers having built a reputation of producing top-quality citrus that is exported to a number of key markets across the globe – growers packed 164.8 million (15kg) cartons for export in 2022.

The industry is a major economic contributor to the country, sustaining over 130 000 local jobs and brings in R40 billion in export revenue into the South African economy annually.

It is also poised for major growth over the next decade, with citrus exports set to increase by 10 million (15kg) cartons per year over the next ten years, with a target of 260 million cartons by 2032. This increase could generate an additional R20 billion in annual revenue and sustain a further 100 000 jobs.

The CGA represents the interests of its members by:

- providing the industry with access to global markets,
- optimising cost effective production of quality fruit,
- continual commitment to research, development and communication with all stakeholders,
- caring for the environment and the community within which we operate,
- driving real and sustainable transformation within the industry.

When it comes to transformation, there are 124 black-owned citrus operations farming 7,869ha of citrus across the country. Encouragingly, their yields have grown exponentially over the past three years, from just over 2.4-million cartons in 2020 to just over 15-million cartons in 2022. A number of black growers export citrus to the US.

As part of a long-term goal of exporting 260 million cartons of citrus annually by 2032, a target has also been set that 50 million of this total must be exported by black grower. The CGA through its subsidiary the Grower Development Company (GDC) is driving several programmes, in partnership with government and other key role players, to support and assist black growers to achieve this growth.

2. Citrus exports from South African to the United States of America (USA)

Since 2015, the Africa Growth and Opportunity Act (AGOA) has allowed South African citrus to enter USA duty-free. Currently, citrus exports from South Africa are restricted to fruit from Northern and Western Cape provinces - citrus black spot (CBS) free areas.

Exports of citrus from these to provinces in South Africa almost doubled in volume between 2020 and 2022 – from 60 000 metric tons to 112 000 metric tons. There has been significant growth in the mandarin category, while oranges also contribute significant volumes. No lemons are exported to the USA due to the cold treatment requirements.

The FOB value of South African citrus exports to the USA is R1.6 billion. The citrus industry in the Northern and Western Cape also employs 35 000 people on farms and in packhouses. In addition, it is estimated that 20 000 jobs in the USA are sustained through the South African citrus import program.

Importantly, the CGA has been pushing to expand citrus exports to the USA by opening access to other provinces in South Africa. Since CBS was discovered in Florida the US has changed its import restrictions to align with domestic regulations. This has opened the door to citrus imports from Argentina and Uruguay. Additionally, a wider rule for South African access from CBS areas was finalized over five years ago, pending signing of the final rule by the Secretary of Agriculture. All technical aspects to this final rule have been concluded. A process that should have taken six months is still outstanding five years later. Should these restrictions be lifted, the USA would surpass other key markets that South African citrus is currently being exported to including China and Russia.

Should wider access to the USA be granted there are massive opportunities to export more mandarins from the Eastern Cape and Limpopo provinces – which would secure additional jobs and earn considerable additional foreign exchange. In addition, there are opportunities

for more grapefruit exports to the USA from Mpumalanga, and additional orange volumes from Limpopo.

3. Importance of AGOA for South African citrus exports to the USA

As already mentioned, AGOA allows South African citrus to enter USA duty free. South Africa's main competitors in the USA market are Peru, Argentina, and Uruguay. These South American countries all have a huge geographic advantage resulting in considerably lower shipping costs. They also benefit from duty free access.

Should South Africa's AGOA benefits be withdrawn, citrus fruit from South Africa would become more expensive and South Africa would no longer be able to compete against these South American suppliers.

Should SA be removed from AGOA, thousands of rural jobs would be impacted, as well as billions of Rands in export revenue will be lost. 20 000 US jobs would also be lost as well as a significant supply of top-quality citrus for American consumers during the summer months.

These job losses would happen within the context of a 32.9% national official unemployment rate, which increases to 42.4% if one includes citizens discouraged from seeking work (expanded unemployment rate). Unemployment is particularly acute in largely rural citrus growing provinces such as Limpopo (official rate 31.8% and expanded 49.6%), Mpumalanga (official rate 36.1% and 48.2%) and the Eastern Cape (official rate 42.1% and expanded 47.1%). Black growers exporting citrus to the US would also be negatively impacted, threatening the future sustainability of their operations as well as the industry's transformation objectives.

Furthermore, critical to achieving the estimated 260 million carton growth in citrus exports by 2032, which would bring the local industry's total economic contribution to 240 000 jobs and R50 billion in annual revenue, is the local industry ensuring there are enough overseas markets to absorb this growth in exports. Losing the US as a key market, which clearly offers major potential for future expansion, would have a negative impact on this trajectory as well as on growers and the livelihoods they support.