

Wine and citrus could be victims in game of chicken

By [Carin Smith](#)

7 Jan 2016

There is extreme concern that the wine and citrus industries in the Western Cape will be collateral damage if the Agoa issue surrounding imported chicken from the US is not resolved immediately, according to Wesgro CEO Tim Harris.



©ammentorp via [123RF](#)

Thousands of jobs could be at stake

The wine industry in the Western Cape employs almost 170,000 workers while the Western Cape citrus industry employs about 6,000 people directly on citrus farms plus another 4,000 jobs in related sectors.

Wesgro is the official trade and investment promotion agency of the province. Harris said the Western Cape wine and citrus industries have benefited substantially from duty-free access to the US market via the African Growth and Opportunity Act (Agoa) and thousands of jobs could be at stake if an agreement for SA's renewed inclusion in the programme cannot be reached.

"The damage to South Africa's reputation as a reasonable and reliable trade partner will cost us even more in the long-run," said Harris. "Although we understand and respect the health concerns around imported agricultural products, there has been ample time for these problems to be resolved. This is not the first deadline that the Department of Trade and Industry has missed."

He said according to the Trade Law Centre (tralac), SA exported \$176m worth of agricultural products to the US last year under the duty-free concessions made possible by Agoa. The Western Cape accounted for 78% of the total value of agricultural products exported to the US under Agoa in 2014.

Agoa of great importance for wine market

For Johann Fourie, general manager of Doolhof in Wellington, the risk of SA's participation in the Agoa programme is of great concern, especially for wine farms for which the US market is of great importance. "If SA's participation is terminated, we would have to pay more duty, which would make our wines more expensive in the US and place greater pressure on our wine industry in a market where we have to increase our footprint," said Fourie.

Etienne Heyns, global sales executive for Graham Beck Wines, told Fin24 the US market is the single largest market for wine consumption in the world. It is also incredibly important for SA producers to achieve distribution and to find an importer in the US as this will provide them with access to this very large market. At this time exporting to the US provides handsome exchange rate benefits for SA producers.

Heyns said currently SA constitutes far less than 1% of all wine imports into the US. As an exporter of wine, SA is, therefore, insignificant. "However, if this is turned around, imagine what the potential is for SA exports to grow this very small penetration into the largest wine consumption market in the world," said Heyns.

Setback in establishing an export foothold

"Anything that disturbs the value chain, however, will affect SA's propensity to succeed as an exporter to the US. There is currently still an oversupply of wine throughout the world and SA has to compete aggressively to grow its penetration in global markets." In comparison with more established SA wine export markets such as the UK and the EU, the US - much like China - constitutes the last great hope for SA wine to establish an export foothold, in his view.

He said the SA wine industry is currently enjoying good growth within its domestic market, especially in the retail off-trade sector (like supermarkets), but it is extremely important for SA wine producers to cultivate the export market and to build the image of SA quality wines. Failure to continue utilising the benefits of an Agoa agreement would represent a setback for SA's wine export drive, in particular for quality and premium priced export wines, in his view.

"The SA wine industry has always been very resilient in dealing with challenges such as improving the perception of the quality of our wine and improving the price points we can achieve for our wines abroad. If Agoa comes to an end for us, it will represent yet another challenge for SA producers to address the issue in innovative ways," he said.

"Managing costs and the value chain in the wine industry is, however, becoming increasingly important with the SA inflation rate being what it is."

Source: Fin24

Read [this report](#) on [News24Wire.com](https://www.news24wire.com).