SATI
SOUTH AFRICAN TABLE GRAPE INDUSTRY

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08 January 2025

RE: SUBMISSION OF MINIMUM-WAGE INCREASES IN THE SOUTH AFRICAN TABLE GRAPE INDUSTRY

INTRODUCTION

1. The South African Table Grape Industry (SATI) is a non-profit organisation that represents and supports the table grape industry in South Africa. SATI's mission is to maintain South Africa's position as a preferred country of origin for table grapes worldwide.

2. SATI represents 310 producers, including producer-exporters, across 5 regions, encompassing a total of 502 production units (PUC's), and spanning a total of 19,488 hectares of table grapes planted.

3. Table grape production is the fourth biggest industry in horticulture, contributing 11% of the total value of the horticultural sector in South Africa, after citrus, vegetables and pome fruit (BFAP, 2025).

4. The table grape industry is the second biggest agricultural export industry in South Africa, contributing more than R14.67bn to GDP over the last 12 months (BFPAP, 2025).

5. The table grape industry is highly labour-intensive and relies heavily on manual labour throughout the production process, from vineyard work (pruning, harvesting) to packhouse operations. This makes the industry particularly vulnerable to rising input costs such as labour costs, which contributes 55% of input costs. In addition, the primary agriculture industry is one of the largest employers of unskilled and low-skilled workers in South Africa - an important consideration given the country's unemployment rate of 32% (Stats SA, 2024). The unemployment rate for those who have not completed matric is even higher at about 38%. High levels of unemployment for unskilled and low-skilled workers have contributed to South Africa being rated as one of the most unequal countries in the world. South Africa ranks first among 164 countries in the World Bank's global database of Gini coefficients, which measure inequality of per capita consumption.

6. Spread over 5 regions in the Western Cape, Northern Cape and Northern Provinces, the industry provides about 100,000 employment positions nationally and supports close to half a million livelihoods (BFAP, 2025) with a remuneration value of R3,78 billion per annum. In addition, for every R1 million generated by the industry 3.48 "downstream" jobs are created. In the process, the industry makes an important contribution to the local economies in those regions. The table grape industry is often the industry with the highest employment rate per hectare, as well as the primary crop grown in said regions (DALRRD, 2024; ITC, 2024; SATI, 2024).

GENERAL

7. SATI supports real wage growth for employees while safeguarding the interests of table grape growers and protecting the sustainability of our industry. The fruit industry is export-driven and provides an opportunity for the country to earn foreign exchange, whilst unlocking permanent

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employment opportunities. It is therefore imperative that the industry remains competitive and sustainable, preserving jobs and contributing to the local economy.

8. A 10.6% contraction in table grape hectares planted over the last five years, from 21,798 hectares in 2019 to 19,488 hectares in 2024, coincided with substantial global and local challenges and risks which include the following:

   8.1 **Market Access and International Competitiveness:** When considering Eastern export markets, South Africa generally lacks the same level of market access its counterparts in South America and Australasia enjoy. Without a level playing field (market access and comparable/favourable trade agreements), South Africa will struggle to grow its footprint outside of its traditional markets such as the EU and the UK.

   In our previous submission (**Addendum A: Fig 1**), we highlighted the significant gap between escalating input costs, the rising National Minimum Wage (NMW), and the limited control producers have over market prices. Since the start of the previous decade, the NMW has surged at nearly twice the rate of headline inflation (CPI) and outpaced the growth of table grape export prices. Our latest data confirms that this trend of NMW increases exceeding table grape export price growth persists.

   Limited control over export market prices prevents producers from fully passing on increased production costs to buyers. This squeezes profit margins and reduces competitiveness.

   8.2 **AGOA**: South Africa currently enjoys duty-free entry for certain goods into the USA market under the African Growth and Opportunity Act (AGOA). This access has been secured through 2025 following the outcome of the Office of the US Trade Representative's annual review which did not alter the list of countries eligible for duty-free access to the USA. However, AGOA is set to expire in 2025. Discussions for its extension until 2041 are underway. The agreement must be renewed by August 2025. Should AGOA not be renewed, it will risk those agricultural exports that benefit from duty-free access to the USA market. According to a paper published in 2023 by COSATU and the economic research institution Trade and Industrial Policy Strategies, 70% of agricultural exports from SA to the USA enter the market duty free under AGOA. Tariff costs that SA did not incur on fruit, vegetables and flower exports to the USA annually due to AGOA amounted to about R48 million, according to the report.

   8.3 **EU Regulations**: The EU is in the process of redrafting its Farm to Fork strategy, which has the aim of substantially reducing the use of fertilisers and chemicals by 2030 as part of the larger objective of reaching carbon neutrality by 2050. This is likely to pose new challenges for South African agricultural exports to the EU.

   8.4 **Rising input costs**: Labour is the biggest input cost in a table grape production budget, contributing 55% of the direct production cost.

   The industry's global competitiveness, and therefore its ability to maintain employment, hinges heavily on the political climate and the successful execution of relevant policies within these regions.

9. As per SATI's previous submission dated 30 September 2024 (**Addendum A**) & 08 January 2024 (**Addendum B**), our proposal recommended a 25% above inflation adjustment to the national minimum wage (NMW). SATI however supports the use of an average CPI over 12 months to adjust the NMW on an annual basis, rather than a specific month's CPI. The rationale is that this approach provides the fairest economic basis to all parties concerned.

COMMENTARY ON THE FACTORS THAT SPECIFIC CONSEDERATION IS GIVEN TO

10. Factors to consider in the annual adjustment

10.1 Inflation, the cost of living, and the need to retain the value of the minimum wage

a) SATI urges the NMW Commission to take cognisance of the in-kind benefits that table grape employees receive.
b) In previous surveys SATI conducted amongst its members in August 2023 & September 2024, 99% of respondents confirmed, in both iterations, that they provide various in-kind benefits to employees. These services are provided either free of charge or at a nominal subsidised rate and include i) housing and electricity, ii) water, iii) transport, iv) clinic and medical support, and/or crèche or childcare.
c) SATI is concerned that if the NMW continues to increase above inflation, economic pressure is likely to result in employers being forced to reduce in-kind benefits, such as on-farm housing. This would have a direct impact on farm workers livelihoods.
d) The figure below illustrates that the national minimum wage far outpaced CPI over the last 5 years and will continue to do so over the medium term as a result of the base effect. It highlights that minimum wage workers are essentially better off than 5 years ago, a trend that will accelerate over the medium term, even without a continuation of the strategy to impose increases that exceed CPI on an annual basis.

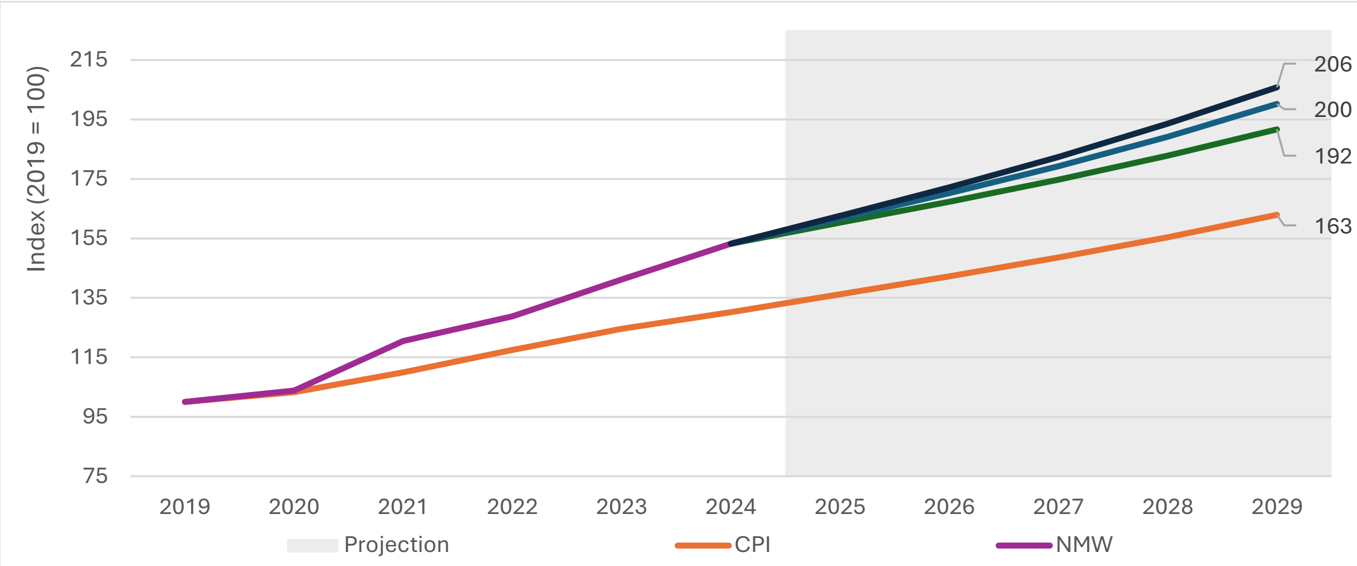

Figure: Historic and projected growth in headline inflation (CPI) and the cost of labour (NMW): 2019-2029

Source: Compiled by BFAP from various sources, 2024

e) To assess the impact of wage increases exceeding inflation, two scenarios were modelled:

i. CPI+1.5%: This aligns with the proposal outlined in the Gazette dated 18 December 2024.
ii. CPI*125%: This more conservative approach was proposed by industry and modelled by the Bureau for Food and Agricultural Policy (BFAP).

f) While both scenarios exceed the Consumer Price Index (CPI), the latter – supported and recommended by SATI - aims to balance the commission's objective of achieving real wage growth with the need to support the agricultural sector during challenging economic times. This scenario still allows for a wage increase of 25% above headline inflation.

10.2 Gross Domestic Product (GDP)

a) The weak growth in South Africa's economy is outlined in the latest GDP data. In the third quarter of 2024, GDP decreased by 0,3%, after measuring a 0,3% growth in the second quarter of the same year.
b) SATI is concerned by STAT SA data regarding the agricultural sector's contribution to the economy. The value the industry adds and its impact on GDP have both decreased for the second consecutive period, with a significant 28.8% drop in the third quarter of 2024. This decline has a substantial negative effect, hindering overall GDP growth by 0.7 percentage points.

10.3 Productivity

a) According to CEIC data, South Africa Labour Productivity improved by only 0.89% year-on-year to -0.887 in September 2024, compared with a drop of 1.52% in the previous quarter.
b) South Africa Labour Productivity Growth data is updated quarterly, available from March 2009 to September 2024, averaging at -0.03 %.
c) While there has been a slight improvement, Productivity SA reports that South Africa's labour productivity remains extremely low, significantly lagging the global average. This underscores the critical need for South Africa to develop strategies for job creation and retention.
d) The agricultural sector is considered by many as the backbone of rural development – an opinion expressed by both AgriSA and Agbiz. The role of agriculture in South Africa's economy, as well as its potential to create sustainable employment opportunities, should therefore not be underestimated.

10.4 The ability of employers to carry on their businesses successfully

Firms, including table grape producers, confronted with rising minimum wages and production costs, must typically explore three primary strategies for cost mitigation. These options include:

i. Mechanisation: Automating production processes to reduce reliance on labour
ii. Labor Reduction: Decreasing the workforce size or reducing employee hours
iii. Price Increases: Passing on increased costs to consumers by raising product prices

Given the price-taker nature of the table grape market, where producers have limited control over selling prices, the latter option is generally not feasible, while both options i. and ii. will lead to job losses.

CONCLUSION & RECOMMENDATION

11. The table grape industry is a labour-intensive industry, and a crucial sector for supporting job creation and sustaining employment opportunities for unskilled workers over time. The industry provides about 100,000 employment positions nationally and supports close to half a million livelihoods (BFAP, 2025).
12. SATI is concerned that the combination of South Africa's below global average labour productivity rising input costs (labour representing 55%) and consistent above-inflation increases in the NMW is contributing to job losses and hindering economic growth.
13. Whilst SATI supports fair and reasonable wages, we advocate for a medium-term target that reflects real-term growth and considers the broader economic implications. Given the export driven nature of the fruit industry, it would be prudent for all role-players concerned to focus on clearing stumbling blocks to accelerate growth in the industry.

14. To help achieve this, we propose that the NMW increase be capped at an increase of not more than 25% above CPI.

The South African Table Grape Industry urges the Commission to thoroughly examine all submissions and establish medium-term targets with gradual annual increases. These targets should prioritise economic growth, job creation, and minimise disruption to related sectors and households.

References

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