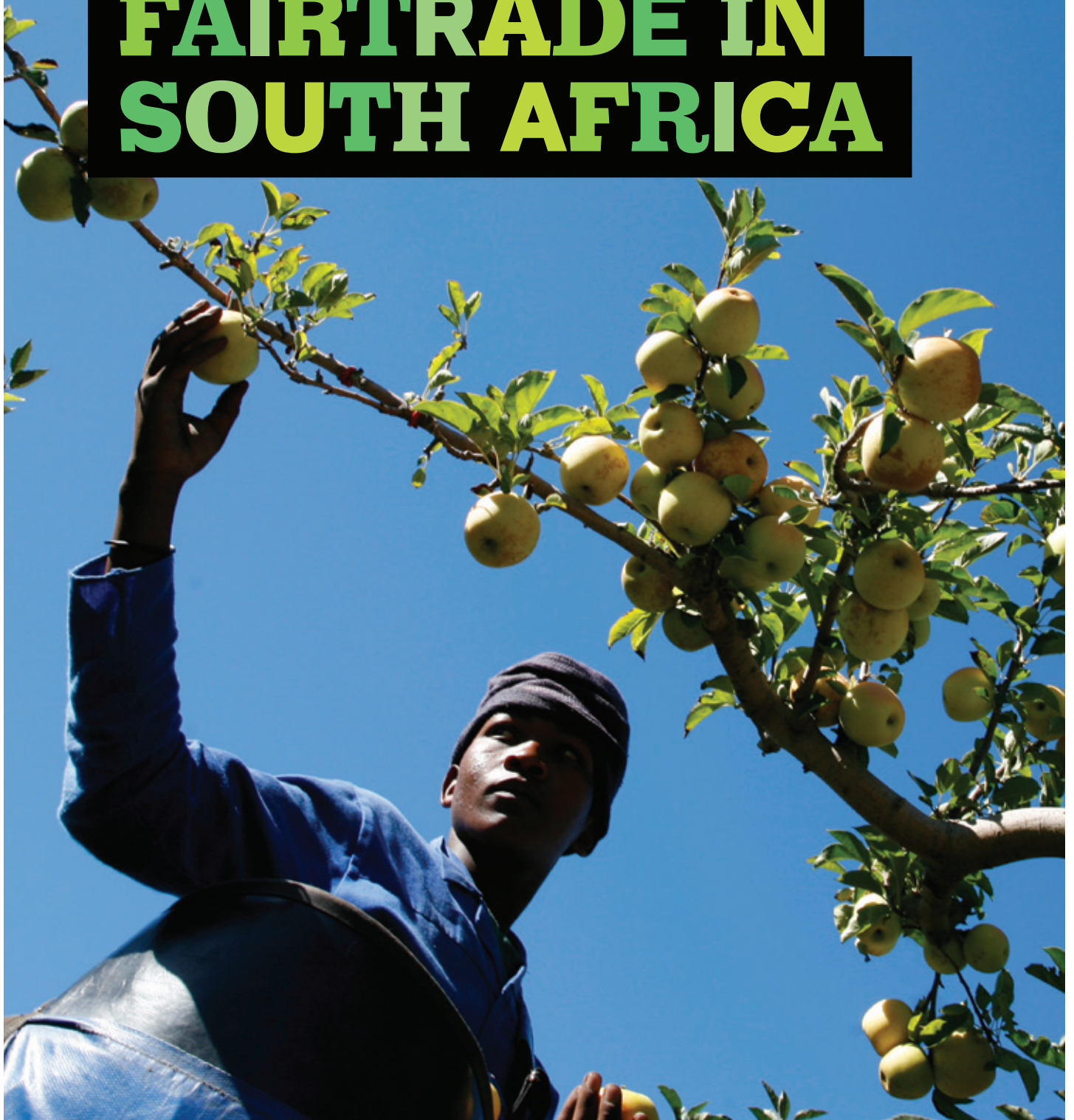


# IMPACTS OF FAIRTRADE IN SOUTH AFRICA



Impact Briefing Paper  
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**FAIRTRADE  
FOUNDATION**

# IMPACTS OF FAIRTRADE IN SOUTH AFRICA

## EXECUTIVE SUMMARY

This briefing paper is drawn from an independent research study carried out in 2010 exploring the impacts that Fairtrade is having for five Fairtrade certified producer organisations in South Africa that sell Fairtrade citrus, table grapes, wine grapes, wine, apples, pears and raisins into the UK and other countries. The research highlights a range of positive impacts of Fairtrade for farm workers including improved wages and employment terms and conditions, a stronger voice in business decision making and negotiations and better

access to training, career advancements and social provisions (such as education and health).

For smallholder farmers, Fairtrade has supported organisational development, transparency and democracy, and provided a mechanism for accessing higher value international Fairtrade markets and securing higher prices. It has also facilitated their access to business-related training and collective investment in farm machinery and tools to improve productivity, alongside investment in community infrastructure.

### Impact study aims and methodology

This study was carried out in partnership with the Southern African Fairtrade Network by an independent research team from Sustainable Livelihood Consultants (SLC) based in Cape Town, South Africa and took place between November 2009 and May 2010. The overall aim of the study was to understand both what impacts Fairtrade has had for producers and workers in South Africa and how these impacts have contributed to the overarching aims of Fairtrade to secure the rights of farmers and workers and their communities to better terms of trade and a sustainable livelihood.

In undertaking this task, the research has sought to investigate how farmers, workers, management and other stakeholders perceive these impacts and how they believe Fairtrade could or should play a greater role in achieving their core objectives. The methodology comprised a review of relevant background information as well as in-depth research with the five organisations selected, all certified for at least five years. Selection criteria ensure a good cross-section of product, set-up and regional diversity based on the Fairtrade certified groups in South Africa. These are felt to broadly reflect the different experiences of producer groups in South Africa and so attempts have been made to draw overall conclusions of the impact of Fairtrade in South Africa.

Cover: Vineyards in Namaqualand © David Brazier

This paper is dedicated to the memory of Marie Malan, whose passion, leadership and drive were instrumental to the success of Stellar Organics, and whose personal story has provided huge inspiration for the Fairtrade movement in South Africa (see page 10).

## 1. AT A GLANCE: SOUTH AFRICA

In the post-apartheid era since South Africa's transition to constitutional democracy in 1994, the country has enjoyed steady economic growth. Government investment has contributed to notable social developments such as low-income housing and improved access to education, electricity, water and sanitation and social services grants<sup>1</sup>. These initiatives have had a positive impact on reducing poverty. However, South Africa's position as a 'middle income' country (ranked 32nd out of 190 countries in Gross Domestic Product (GDP)) masks significant human development challenges rooted in the legacy of South Africa's apartheid history which mean that thousands of poor people still have limited access to economic opportunities and struggle to sustain a stable livelihood.

Social development challenges include<sup>2</sup>:

- High unemployment rates of 23.6%;
  - Lack of widespread access to basic social services such as education and healthcare;
  - The highest number of people living with HIV/AIDS (5.5 million) and 24% of global incidence of HIV-related TB;
  - Life expectancy at birth of 51.5 years in 2008, ranking lower than other African countries such as Malawi (52.4) and Uganda (51.9);
- Persisting inequalities of income and wealth across race, gender and location exist (with the wealthiest 10% of the population earning 58% of total national income<sup>3</sup>) and poverty in townships and on farms has led to widespread alcohol and drug abuse and violence.

Fairtrade has been operating in South Africa since 2003. There are a total of 42<sup>4</sup> Fairtrade certified producers selling 12 product categories into the Fairtrade global market (see Figure 2). These groups represent over 15,000 workers and 327 smallholder farmers<sup>5</sup>.



In the warehouse at Vuki Farming © David Brazier

1. A government grant initiative designed to facilitate the provision of appropriate developmental social services to poor sectors of the population. See the South African Social Security Agency website - [www.sassa.gov.za](http://www.sassa.gov.za) - for more information. The social grant system has seen a dramatic increase in coverage from 2.5 million beneficiaries in 1999 to over 13 million in 2009 (source: World Bank Country Brief: South Africa <http://go.worldbank.org/GSBYF92330>)
2. World Bank (2010) Country Brief: South Africa. <http://go.worldbank.org/GSBYF92330>
3. Leibbrandt, M. et al. (2010), Trends in South African Income Distribution and Poverty since the Fall of Apartheid, OECD Social, Employment and Migration Working Papers, No. 101, OECD Publishing. <http://dx.doi.org/10.1787/5kmms0t7p1ms-en>
4. As of May 2010
5. FLO internal data for 2008

## 2. ABOUT THE FAIRTRADE PRODUCER GROUPS

- **Sun Orange Farms** is a hired labour citrus producer in the Eastern Cape Province comprising two neighbouring farms, Sun Orange and Sontule
- **Zebediela Citrus** is a hired labour citrus farm in the northern Limpopo Province, part owned by the Bjatladi Community as a result of a land reform initiative
- **Vuki Farming** is a hired labour farm that grows apples and pears in the Western Cape Province
- **Stellar Organics** is an organic hired labour table and wine grape producer in the Western Cape Province comprising three enterprises: Stellar Farming, Stellar Agri and Stellar Winery (which processes and exports its own wines under the Stellar Organics label)
- **Eksteenskuil Agricultural Co-operative (EAC)** is a smallholder farmer organisation that produces raisins and sultanas on the islands of the Orange River delta in the Northern Cape Province



Figure 1: Characteristics of producer groups

	Sun Orange	Zebediela Citrus	Vuki Farming	Stellar Organics	EAC
Type of organisation:	Hired labour farm	Hired labour farm	Hired labour farm	Hired labour farm	Smallholder co-operative
Products grown/produced:	Oranges Lemons	Oranges Lemons	Apples Pears Wine grapes	Wine grapes Table grapes Wine	Raisins Sultanas
Number of workers/members <sup>6</sup> :	24 permanent 11 temporary 14 seasonal	309 permanent 17 temporary 1375 seasonal	38 permanent 300 seasonal	95 permanent 45 seasonal/ casual	89 farmer members
Worker ownership structure:	Sun Orange Trust representing permanent workers owns 40%	Zebediela Workers Trust owns 15%; Bjatladi Community owns 35% under a Community Property Association (CPA)	Vuki Trust representing permanent workers owns 100%	Stellar Employees Trust owns 26% of Stellar Winery and 50% of Stellar Agri	100% farmer owned co-operative
Fairtrade certified in (and first year of sales):	2003	2005	2004	2003	2003
Ave % volumes exported under Fairtrade terms: <sup>7</sup>	8%	15%	14%	58%	100%
Total amount of premium received (Rand/£): <sup>8</sup>	>R1.5 million (£134,892)	+/-R1 million (£89,928)	R1,042,573 (£93,757)	R2,651,737 (£238,466) since 2006	R416,410 (£37,447) in 2007

6. At the time of research in early 2010. These figures fluctuate on a seasonal basis.

7. Latest available data based on figures mainly from 2009

8. Based on British Pound to South African Rand exchange rate of 1:11.12 as of 18/06/10

### 3. THE SOUTH AFRICAN AGRICULTURAL SECTOR

In South Africa, around a million people work in agriculture. South Africa is a net exporter of agricultural products and foodstuffs, the largest being sugar, grapes, citrus, nectarines, wine and fruits such as apples and pears.

South Africa's apartheid system resulted in unequal access to productive resources and opportunities based on racial segregation. When it came to an end in 1994, 85% of agricultural land was held by the minority white farmers, leaving the majority of black peoples limited to the former homeland areas (much of which were overcrowded and largely unsuitable for agriculture) and dependent on wage employment, rather than small-scale agricultural activities, for their livelihoods.

In order to rectify the inequality in land ownership and provide opportunities for black economic empowerment (BEE) within the agricultural sector, the government has introduced a legal framework (see Box 1) and pursued a threefold land reform strategy:

- Land restitution (returning land to the dispossessed)
- Land reform (purchasing land for black persons)
- Land tenure reform

This strategy aims to increase black ownership of commercial agricultural land to 30% by 2014.

However, the sustained economic growth in the country's commercial agricultural sector over the past decade has pushed up land values so that the majority of farms for sale can only be afforded by existing wealthy land owners. As a result, the impact of land initiatives to support black economic empowerment has so far been limited and many historically disadvantaged groups still have limited land ownership and control of agricultural production.

In the mid 1990s, the marketing of agricultural produce was deregulated, state marketing bodies were disbanded and state support to the sector was reduced. This has resulted in substantial changes in the employment strategies used by large-scale commercial farmers, many of whom have reduced their farm workforce to a core of highly skilled permanent workers (who usually live on farm) supplemented with off-farm seasonal and temporary labour. This situation has been exacerbated by the recent global financial crisis.

#### Box 1: Black Economic Empowerment<sup>9</sup>

The government's Broad-Based Black Economic Empowerment (B-BBEE) Act 53 of 2003 was introduced to legally promote economic empowerment throughout the country's black populations. The term 'black people' in this context refers to all 'African, coloured and Indian citizens' disadvantaged during apartheid. The Act aims to transform the economy so that black people are empowered through better access to employment opportunities and greater inclusion in the economy. The Act also aims to readjust the racial composition of business ownership, management and skilled occupations. B-BBEE Codes of Good Practice, passed in February 2007, provide a legal framework with targets and a scoring system to measure levels of empowerment within South African enterprises.

The codes are compulsory for all state bodies, public companies and private companies (except for those with a turnover of less than R5 million). Companies must implement the codes to do business with any government enterprise. It is also in their commercial interest to comply as procurement criteria commonly include a company's B-BBEE score. The codes comprise seven dimensions, measuring a company's empowerment. A company's total score reflects their overall B-BBEE rating, with the maximum achievable score being 100.

B-BBEE DIMENSIONS	MAXIMUM SCORE
Ownership	20
Management Control	10
Employment Equity	15
Skills Development	15
Preferential Procurement	15
Enterprise Development	20
Socio-Economic Development	5
<b>TOTAL POINTS</b>	<b>100</b>

9. For more information see the South African government's Department of Trade and Industry website, [www.dti.gov.za/bee/beehome.htm](http://www.dti.gov.za/bee/beehome.htm)

## 4. FAIRTRADE IN SOUTH AFRICA

Fairtrade is committed to the economic and social development and empowerment of smallholder farmers and workers on hired labour farms. There are 42 certified producers who together supply a total of 12 products into the Fairtrade market (see Figure 2). The majority of these are wine grape producers located in the Western Cape Province. Three are small producer organisations, reflecting the dominance of large-scale commercial agriculture.

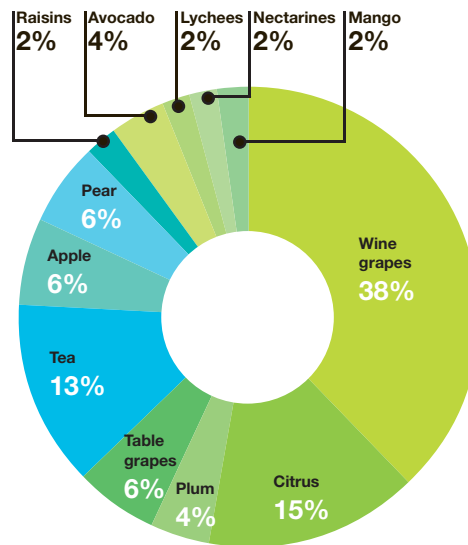
Given South Africa's unique socio-political history, Fairtrade can play a specific role in supporting government B-BBEE policies designed to improve the position of historically disadvantaged black populations. All South African producers dependent on hired labour have to comply not only with international Fairtrade standards<sup>10</sup>, but also a specific certification policy<sup>11</sup> for South Africa which, in line with the national system (see Box 1), uses the B-BBEE codes to measure the level of worker empowerment<sup>12</sup>. The policy focuses on the four specific dimensions most relevant to Fairtrade's worker empowerment objectives,

namely:

- ownership
- management control
- employment equity
- skills development

Meeting these criteria requires extra efforts and commitment from companies to overcome the profound challenges of the inequality and racial divide between farm owners and workers<sup>13</sup>.

**Figure 2**



Fairtrade has a number of different structures working to support farmers and workers in South Africa:

**Fairtrade Labelling Organisations International (FLO)** via their Liaison Officers provide support to producer organisations in complying with B-BBEE requirements and Fairtrade standards through information, advice and training and helping them take advantage of new market opportunities.

**Fair Trade South Africa (FTSA)**<sup>14</sup> is the national umbrella organisation for fair trade in South Africa established in 2005 in order to provide South African fair trade stakeholders with a platform for information, support and market access, and to create greater public awareness about the fair trade movement.

**Fairtrade Label South Africa (FLSA)**<sup>15</sup> is a recently established division of FTSA that is a member of FLO and controls the sale of Fairtrade products carrying the FAIRTRADE Mark in South Africa.

**Southern African Fairtrade Network (SAFN)** is the regional arm of the African Fairtrade Network representing Fairtrade producers with the aim of helping grow the number of certified producers in the region and support them to access new markets, networking and technical support opportunities.

10. Set by Fairtrade's international umbrella body, the Fairtrade Labelling Organisations (FLO) based in Germany - see [www.fairtrade.net](http://www.fairtrade.net)

11. See [www.flo-cert.net/\\_admin/userfiles/file/PC%20POLICIES/South%20Africa.pdf](http://www.flo-cert.net/_admin/userfiles/file/PC%20POLICIES/South%20Africa.pdf)

12. In 2004, a Fairtrade Guidance Document was developed requiring all companies wanting to become Fairtrade certified to ensure that 1) their workers had a 25% legally protected interest in the company 2) their workers were represented on all levels of management and 3) there was an auditable worker skills development and capacity building program. Following a review, the guidelines were replaced in 2007 by a new policy to fit with the government's new B-BBEE codes which incorporate a broader range of empowerment criteria.

13. Companies are required to do a self-assessment demonstrating contributions to the four dimensions to be eligible for initial certification and develop and submit a plan for reaching level 4 (at least 65 out of 100 points) within three years of certification.

14. [www.fairtrade.org.za/](http://www.fairtrade.org.za/)

15. [www.fairtradelabel.org.za/](http://www.fairtradelabel.org.za/)

## 5. CHALLENGES FOR FARM WORKERS IN SOUTH AFRICA

Alongside domestic workers, farm workers employed on South African fruit and wine farms remain among the most vulnerable and poorest section of the country's population. Although labour law has been strengthened considerably since 1994, for example through policies specifying minimum wages and basic employment conditions, many still face substantial social and economic challenges which Fairtrade is seeking to overcome, including:

- **Very low wages<sup>16</sup>:** wages are often insufficient to provide a sustainable livelihood. Most workers rely on government social grants to supplement their income.
- **Lack of job security and employment benefits:** workers are often employed on an informal basis without formal contracts and entitlements such as maternity pay and sick leave.
- **Unsafe and difficult working conditions:** farm work is hard, requiring repetitive and physically demanding labour for long hours. Many workers, especially skilled permanent staff, are required to work long hours of overtime in order to meet demanding delivery schedules.
- **High levels of worker illiteracy:** low levels of formal education and training are commonly found amongst workers, particularly the older generations, many of whom haven't had access to schooling or skills development opportunities. This limits their opportunities for career advancements.
- **Poor quality housing:** due to the shortage of accommodation in townships, many workers live in crowded houses with extended families or establish shacks constructed from timber and zinc sheets, often in the back gardens of people's homes. For many living in these conditions, access to running water and electricity is limited.
- **A highly paternalistic approach:** tensions over black empowerment exist whereby black workers have little or no ability to negotiate on employment terms, lack voice in decision making or mechanisms to express grievances,

and have limited opportunities to progress to managerial roles or take advantage of business ownership changes linked with B-BBEE.

- **Limited trade unionism in commercial agriculture:** farm owners and managers are, in general, perceived to be hostile towards trade unions and workers are often fearful of dismissal should they join one. The struggle against apartheid left a heightened consciousness among disadvantaged South Africans on their human rights, although most farm workers are not in a position to defend these rights without external assistance or mediation.
- **Vulnerability of seasonal and contract labourers:** among farm workers, seasonal and contract labourers are considered the most vulnerable. Engaged for relatively short periods and often denied statutory employment benefits and formal contracts, these individuals are commonly employed on piece-work rates to do unskilled and physically demanding work. Farm owners sometimes recruit seasonal workers through labour brokers or gang masters and from traditional homeland areas such as the Eastern Cape, and among poor and unemployed residents of townships on the outskirts of towns. However, the economic implosion of Zimbabwe has brought a stream of migrant workers into the labour market who, along with migrants from Malawi and Mozambique, are in some cases displacing South African workers.<sup>17</sup>



In the packhouse at Zebediela © Verity Cowper

16. The current minimum wage for permanent farm workers is set at R6.31 (£0.54) per hour or R1231 (£107) per month. Rates are determined by the Department of Labour and specified on their website – [www.labour.gov.za/legislation/sectoral-determinations](http://www.labour.gov.za/legislation/sectoral-determinations)

17. Zimbabwean migrant workers are in high demand in the agricultural sector, due to their perceived industriousness in response to piece-work rates, their skill set and political docility in the South African context.

## 6. CHALLENGES FOR SMALLHOLDER FARMERS IN SOUTH AFRICA

The majority of smallholder farmers remain marginalised in the agricultural sector and struggle to obtain the capacity and resources (of both land and capital) to compete on product quality and productivity with large-scale commercial producers who tend to adopt highly intensive and technically sophisticated farming methods. Specific challenges smallholders at EAC face (also reflecting the case for many small farmers in South Africa) include:

- **Small plots of land:** most farmer members possess very small plots of farming land (approximately 60% occupy less than 5 Ha<sup>18</sup>) on which they cultivate a range of produce alongside raisins including alfalfa, maize and vegetables.
- **Lack of government support:** farmers have yet to benefit significantly from the government's land reform programme, and rarely receive sufficient technical support from the Provincial Department of Agriculture (DoA). Extension officers seldom visit the region and some of those that do cannot speak the main local language (Afrikaans).
- **Limited access to machinery/tools:** many of the farmers have limited access to machinery such as tractors and cannot afford to purchase or rent the required implements for land preparation such as ploughs, rippers and bush cutters.
- **Ageing vines:** most of the vines farmers cultivate were established in the 1970s and are decreasing in yields and have now reached the end of their productive lives so need to be replaced, however many farmers lack sufficient capital to do this.
- **Limited access to water and electricity:** the Northern Cape Province where the EAC farmers reside has been neglected in terms of the government's infrastructure development programme<sup>19</sup>. There is still limited access to electricity so families have to rely on candles for lighting and cook using paraffin, wood or gas. The majority of houses in the region still

don't have access to clean, safe drinking water. People obtain water from the canal or dams, fetching the water with buckets though some use pumps, and then purify it for drinking using herbs and bleach.

- **Debt dependence:** many of the farmers have a high level of debt dependence which has been incurred for purchasing land and vehicles. Eight of the farmers interviewed said that their highest monthly outlay went on repaying farming debts. Most farmers need credit to pay for their seasonal labour and depend on the EAC for this.
- **Lack of education:** many middle-aged and senior members of the community are not well educated in part as a result of the inadequate educational facilities for black people during the apartheid era. Among the twenty farmers interviewed, only three had attained secondary level school leaving certificates. This low level of education inevitably places them at a disadvantage, particularly in terms of how they run their farms as efficient businesses and participate in the co-operative.



EAC farmer standing in front of his 1.5 Ha of vines  
© Sustainable Livelihood Consultants

18. Hectares

19. Despite the fact that access to housing, cleaning running water and electricity are important benchmarks in the government's poverty reduction strategy and are recognised as fundamental rights in the South African 'Bills of Rights'.



## 7. THE DIFFERENCE FAIRTRADE IS MAKING

Fairtrade's unique standards and certification model, based on the Fairtrade minimum price and premium structure, together with producer support, networking and capacity building, has resulted in a range of positive impacts including:

### 7.1 IMPROVING WAGES AND WORKING CONDITIONS

Fairtrade has brought about significant improvements in the terms of employment for workers on hired labour farms in South Africa. Through ensuring workers receive sustained higher wages that exceed the statutory minimum and reflect rising food prices, Fairtrade has provided a secure and stable income for workers and their families. At Sun Orange, through the strength of the Workers' Committee (WC)<sup>20</sup>, members have been able to negotiate substantially improved wages: in 2008 and 2009 they secured pay increases of 12% and 8% respectively. The increase in 2008 exceeded the Consumer Price Index (CPI)<sup>21</sup>. Indeed, workers there report that the FLO-Cert certification and auditing process has acted as a catalyst for improvements in working conditions.

As part of their annual wage package, permanent workers at Zebediela also receive a 13th month wage (bonus) paid out in December, and a contribution towards life cover. In addition, permanent workers who are members of the Community Property Association (CPA) receive an annual payment from the company.

On all four hired labour farms, working conditions including occupational health and safety practices have improved, providing better

and safer working environments, both in farm orchards and pack houses. The Fairtrade standards have provided a reference point to which employment terms and conditions have been set and occupational health and safety systems aligned. At Stellar Organics, in response to Fairtrade standards requirements, a Health and Safety Committee has been appointed, comprising 13 members drawn from amongst the farm and cellar workers. Members must take preventative actions to ensure safety in the workplace, provide first aid to workers (all carry first aid kits) and record work-related injuries. All members received training in 2009 by St John Ambulance in Level 1 first aid and home-care. As a result of Fairtrade standards requirements permanent and temporary workers at Vuki Farming and Zebediela Citrus are now benefitting from legally binding contractual agreements and specifications of entitlements for annual leave, maternity leave, lunch breaks and overtime rates.

In order to meet compliance requirements for Fairtrade, workers at all of the hired labour case studies have been provided with protective clothing and equipment. For example, Stellar workers now all receive adequate protective clothing (overalls, ear plugs, gloves, masks and boots) at the start of the season/their employment contract whereas in the past they had to wait long periods before these were issued and therefore were at greater risk of suffering from work-related injuries.

At Sun Orange, Fairtrade premium<sup>22</sup> funds have been used to construct a canteen for workers on the farm with washing facilities and hot showers. Vuki Farming has provided mobile toilets in the orchards, improved worker accommodation and erected wooden huts in the orchards to provide workers with shelter and storage for their possessions.

*'The working conditions for permanent workers are good and have improved since 2004'.  
Worker at Sun Orange (previous Workers' Committee member), February 2010*

20. The role of the Workers' Committee is to protect workers' rights and provide a formal mechanism for communication between management and workers and in the absence of a trade union to negotiate on employment terms and conditions.

21. A consumer price index (CPI) is a measure estimating the average price of consumer goods and services purchased by households. A consumer price index measures a price change for a constant market basket of goods and services from one period to the next within the same area (city, region, or nation).

22. The Fairtrade premium is a sum of money paid on top of the agreed Fairtrade price for investment in social, environmental or economic development projects, decided upon democratically farmers and workers.

Stellar has used funds leveraged through Fairtrade to undertake significant improvements to the workers' houses at one of their farms, Bo-Plaas. The houses have been painted, windows repaired, perimeter fences have been erected and each property has been supplied with recycling bins. The fencing provides the residents with greater privacy and enables them to do vegetable gardening at home.

There is also evidence that the presence of Fairtrade has had an indirect positive impact for workers on neighbouring non Fairtrade certified hired labour farms where management have been pressured into providing similar improvements including working conditions and wages for their workers to match those of Fairtrade certified farms.

## 7.2 EMPOWERING WORKERS AND FARMERS

### • Skills development and training

Greater investment is being made in worker and farmer skills development and training, in part resulting from companies' efforts to meet Fairtrade's B-BEEE policy requirements. Access to training has in some cases been facilitated by FLO's Liaison Officers, SAFN and via other fair trade networks. For example, as well as formal training in leadership, individual workers at Stellar have been given the opportunity to accumulate skills on the job, such as driving, working with metal, building, operating machinery, wine making and using computers. As a result, basic level workers have been able to progress to management level jobs. Workers feel they now have a more meaningful role in the enterprise and can begin to believe in real career opportunities with the company. Members of the Fairtrade Joint Body<sup>23</sup> at Zebediela have undergone training courses to enhance their capacity to understand financial statements, one of which was conducted internally with the support of the LO, and one conducted by the Association of Fairness in Trade<sup>24</sup> (AFIT).

In order to meet its Fairtrade BEE targets by 2011, Sun Orange has prioritised worker training and skills development. As well as providing access to Adult Basic Education Training (ABET, see Section 7.4 Education impacts) Sun Orange aims to upgrade worker skills to a level at which they can undertake 'learnerships', a higher level of training focusing on specific industry skills. In 2009, Workers' Committee members attended a training course on conflict resolution which taught them the importance of upholding worker confidentiality and allowing the parties in dispute an opportunity to be heard. The members have put this knowledge to use in wage negotiations (see section 7.1), raising grievances with management and resolving worker disputes.

For smallholder raisin farmers at EAC, Fairtrade has helped to leverage technical and capacity building support from external organisations. For example, funding obtained from Fairtrade's Technical Assistance Fund<sup>25</sup> in 2009 has been used to provide training by Sandra Kruger and Associates (SKA) which has supported farmers with technical training to improve the farmers' business skills including keeping records of production and adherence to Fairtrade standards. UK importer Traidcraft<sup>26</sup> has also provided long-term support and technical advice to the organisation. Resulting improvements in productivity and skills are enhancing farmers' self-belief in their ability to produce high quality raisins and sustain their families through farming. EAC provides loan finance to farmers, enabling them to meet the costs of seasonal labour and purchase inputs (the loan facility is determined by the turnover of the farmer and lent at an interest rate of 7%) along with subsidised chemicals which the co-operative buys in bulk.

23. The main role of the Joint Body is to promote awareness of Fairtrade amongst the workforce and oversee the use of the Fairtrade Premium.

24. AFIT is an NGO advocacy organisation established in 2005 to enhance the representation of small-scale farmers and workers in the South African Fairtrade movement, seeking to facilitate engagement amongst stakeholders to provide mutual support, share knowledge and organise training.

25. A recent funding initiative designed to support Fairtrade certified smallholder African producer organisations with funds to provide training on specific technical aspects such as management capacity building, financial management, improving internal systems and institutional structures.

26. Traidcraft (see [www.traidcraft.co.uk](http://www.traidcraft.co.uk)) is a fair trade trading company and development charity which seeks to build lasting relationships with producers and support them to trade out of poverty and bring about trade justice.

### • Networking

Both worker and management representatives at all the hired labour sites have been provided with training and networking opportunities which have encouraged information exchange and learning with other Fairtrade farms, and allowed them to participate in local and national training. For example, at Zebediela, workers have attended regional Fairtrade workshops, affording them opportunities to network with other workers, smallholder farmers, technical specialists and NGO service providers. At a recent workshop organised by AFIT, training was provided on management of the premium funds and understanding financial statements. Similarly, the JB and Community Trust members at Sun Orange have been involved in workshops organised by the SAFN and annual FTSA meeting. These events have exposed the members to worker representatives from other Fairtrade companies and enabled them to better understand the supply chain and Fairtrade.

Stellar has continually been a strong participant in the national and international Fairtrade movement, with representatives supporting efforts to grow the movement which in turn has raised Stellar's profile and position within the South African Fairtrade wine industry.



Marie Malan's story at Stellar Organics is exemplary as a woman who was instrumental in the success of Stellar Farming and Stellar Winery. She started as a domestic worker at Stellar Farming in 1976. When her mother died in 1974 she became responsible for caring for her siblings as well as four orphans whom she brought up as her own. Maria's natural leadership allowed her to work her way up within the company to become farm production manager, in charge of 200 staff and of allocating teams to each of the supervisors at the start of the season. Maria later became chair and Treasurer for Stellar's Fairtrade Joint Body and was elected onto the South Africa Fairtrade Committee. She won the prestigious award of Sanlam Farm Worker of the Year in 2009.

In her own words expressed in 2008: *'after Stellar Organics became a Fairtrade accredited farm, the possibilities were there to improve our lifestyles and securities. The standards of everybody on the farm changed. Our houses are more than 90% electrified and we have the necessary sanitary systems. In the past, before linking with Fairtrade, all the money went to the owner of the farm. However, nowadays the workers also share in the profit of the farm.'*

Marie tragically passed away in April 2010 (following the study's fieldwork) but her huge passion for Fairtrade and people's development will always be remembered and continue to live on through Stellar's successes.

The Managing Director is a current member of the FTSA Board. Stellar promotes internal literacy through the production of its own in-house newsletter, the *Stellar Ster* (Stellar Star), which is issued bi-weekly and written in Afrikaans (the language most commonly spoken by workers). The workers are avid supporters of the paper as many of the stories focus on the lives of individual workers and social events which members of the workforce have been involved in.

Through its association with AFIT and SAFN, the EAC leadership has in early 2010 been able to lobby the AFN to formulate an 'advocacy strategy' to pressurise the Fairtrade movement to provide greater support (financial and otherwise) to smallholder producers.

### • Improving the situation of women

At Vuki, Fairtrade has strengthened the position of women at a number of levels despite the struggle women face in a male-dominated sector where they frequently occupy the least skilled and most menial jobs such as pruning and maintaining orchards. Substantial premium amounts have been channelled into supporting a women's craft club: the 23 current members meet once a week to receive skills training and support to produce crafts. As well as providing a supportive social forum in the community for women, the club also aims to provide them with sufficient skills to be able to set up their own micro-enterprises and support their wider community. In 2008, the women knitted 98 blankets for donation to a local old people's home.

Ensuring women are represented on the Joint Body, in line with Fairtrade standards, has also given them a greater voice in the business and say in how the organisation chooses to invest its Fairtrade premium funds.

*'Management at Stellar now encourage people to use their own initiative and that's why we can now suggest how we can work better at our jobs. Management can and do take positive criticism and suggestions.'* Worker at Stellar Organics, February 2010

At Zebediela, also as a result of Fairtrade compliance, breastfeeding mothers are now entitled to take an additional half an hour off work, twice a day, to feed their children for up to six months. Over the past five years, women have been appointed to several junior management positions including the role of Fairtrade trainee and pack-house trainee manager.

#### • Embracing B-BBEE objectives

All four of the hired labour producer case studies have shown their commitment to B-BBEE principles through meeting the challenging requirements of the Fairtrade policy for South Africa. In terms of worker ownership of the business, Vuki is BEE owned (100% worker shareholding); Stellar Agri. is a BEE-business (50% worker shareholding) and Stellar Winery is BEE-empowered (25% worker shareholding); Sun Orange is BEE-empowered (40% worker shareholding) and Zebediela Estate is both BEE-owned and BEE-empowered (workers have 15% shareholding and the CPA have 35% shareholding in the company)<sup>27</sup>. Aside from worker ownership, their commitment to increased worker management control, employment equity and Skills development is also evident (see skills development and training bullet and section 7.3). For Vuki Farming and Stellar Organics, the broader empowerment and development objectives of Fairtrade have been fully embraced and integrated into the companies' overall business approaches.

### 7.3 SUPPORTING GREATER DEMOCRACY AND PARTICIPATION

The existence of Fairtrade organisational structures such as the Joint Body and Workers' Committee have strengthened democratic practices and governance structures in all five of the case studies, providing workers and farmers with a formal mechanism to express their grievances and opinions and informing business decision-making processes. Moreover, at all hired labour farms studied, most notably for Vuki and Stellar, Fairtrade has been seen to encourage a culture of fairness between the management structure and workers and helped to improve their relationship. Workers at Stellar told researchers that they've seen labour relations with management improve in that they are now treated with greater respect, can contribute more to decision-making and make suggestions to improve organisational efficiency.

For Vuki, the Workers' Committee has provided a formal democratic structure for adequate worker representation and a channel for communication with farm management. The majority of workers at Zebediela have exercised their right to Freedom of Association by joining the Food and Allied Workers Union (FAWU) which has given them a shared and independent voice for resolving employment related issues and negotiating better payment terms and conditions, as well as affording basic level workers greater influence over determining the company's social investments.

For EAC, Fairtrade standards, which place strong emphasis on organisational democracy and member participation, have provided a framework to guide the co-operative in its organisational development, resulting in good practices and avoiding the pitfalls of leadership corruption and poor management systems that other small holder organisations in South Africa have suffered from. The Board members are democratically elected, giving equal representation to the three island groupings<sup>28</sup> where farmers live, and include women representatives. In accordance with Fairtrade standards, all major decisions concerning the affairs of the

27. A BEE empowered business is an enterprise in which black people have 25% or more voting rights and or economic interest in the entity, whereas a BEE owned entity is regarded as an enterprise where black people have 50% or more of the economic interest in the entity.

28. The area of Eksteenskui is divided into three island groupings, informally referred to as North, Middle and South islands.

co-operative are put before the members at an AGM, where farmers vote democratically on the matter. The elected Premium Committee is responsible for overseeing the use of the Fairtrade premium.

EAC keeps members abreast of developments through information boards (one on each island grouping), newsletters and quarterly meetings. The Board members meet regularly and financial expenditure is overseen by a Finance Committee. The accounts are audited by an external auditor on an annual basis and all members have access to the financial records, minutes of meetings and resolutions.

## 7.4 IMPROVING SOCIAL CONDITIONS AND INFRASTRUCTURE

In all five case studies, Fairtrade has provided a range of social and environmental benefits. Through generation of substantial Fairtrade premiums (particularly for those groups selling a high proportion of their exported volumes under Fairtrade terms), farmers and workers have been provided with additional income and support to invest in a broad range of social provisions and infrastructural improvements which translate into direct benefits not only for farmers and workers but also in many cases for the broader communities.

### • Education impacts

Sun Orange has chosen to allocate some of its premium funds to the Mayibuye Ndlovu Development Trust to contribute towards the fees of nine students from the community

enrolled at the Nelson Mandela Metropolitan University in Port Elizabeth for financial support to pursue their studies. This has enabled young people to obtain better qualifications. Premium funds have also been used to purchase school uniform for ten orphans and for the children of all workers, and to support the renovation and operation of two crèches in Valencia and Nomathamsanqa. The crèches provide workers' children with a safe environment with access to educational materials, toys and bedding.

School aftercare paid for by Vuki's premium funds means that 17 children at the farm receive regular learning support from a paid teacher whose role includes supervising homework and meeting the children's social care needs. This has improved children's school performance, with all junior school pupils passing their exams and four senior school members obtaining their school leaving certificates. In 2008 and 2009, approximately R30,000 (£2,700) was spent on bursaries for workers' children to obtain tertiary education.

*'If not for Fairtrade money we wouldn't have a clinic, aftercare...pool table in the community hall, we wouldn't have better houses, and can even make loans from the farm to purchase furniture and the repayments are set [at] an affordable rate...the Fairtrade premium is crucial because it takes a lot of pressure off workers such as me, especially with kids where parents can't afford good education. We do appreciate it.'* Worker at Vuki Farm, January 2010



Crèche for workers' children at Vuki Farm © David Brazier

One worker whose child received a bursary told how this opportunity for further study was not available to her generation and without the support of Fairtrade, her child could not have gone to college. Vouchers for school uniforms and stationery and school outings have also been provided from Fairtrade premium funds. EAC has uses funds from the premium to purchase a school bag for every primary school child. In the past they had to carry their books in plastic shopping bags.

Fairtrade has enabled Sun Orange to implement an in-house skills training programme (see also section 7.2) which has provided workers with an opportunity to undertake Adult Basic Education and Training (ABET) courses. Fairtrade premium funds have been used to build and equip a training centre and to pay the salary of an ABET trainer who conducts training on three days a week using computer-based audio-visual tools. This has helped a number of workers to learn to read and write. These individuals appreciate the skill and think that it could aid their advancement in the company. The training, explained one worker: ‘...is a very good thing especially when one’s brain has stood still for a while. ABET helps to remind them and refresh their memory. [One] can’t move forward without education.’

#### • Health impacts

As a result of its Fairtrade status and reputation as a socially responsible company, Zebediela was selected as a site to implement measures to promote HIV/AIDS awareness and the importance of condom use as part of a programme run by the Ndlovu Care Group and funded by the Dutch NGO Solidaridad.

Premium investments at Vuki have gone into upgrading the local health clinic which is widely appreciated and provides an operational base for a private nurse who visits the farm two mornings a week. Fairtrade premium funds at EAC have been used to purchase two community water pumps which filter and supply water from the canals to the communities. This means that farmers receive clean and disease-free water and no longer have to walk long distances to fetch water in multiple trips with buckets direct from the canals.

#### • Other social impacts

The premium has part-funded the establishment of a football team, Stellar United and the purchase of new kit. ‘There was nothing for youngsters to do and many were turning to crime and drinking’, says Berty Jones, cellar master at Stellar Winery. ‘The team gave them motivation as well as providing them with other life skills such as leadership’. The founding of Stellar United has encouraged neighbouring farms to set up teams, and eight of them now play in a local league.

Zebediela has used premium funds to buy a radio system to enable workers to listen to music whilst they work, and bicycles for all their permanent workers to enable them to travel to and from work more easily. They have also constructed a ringball<sup>29</sup> court on the estate which is used by workers, their children and some of the management and their families, which some workers claim has helped improve the relationship between workers and management.



Cellar workers at Stellar during their break © David Brazier

29. Ringball is a hybridised version of netball in which different players are restricted to quarters of the court

## 7.5 SUPPORTING ENVIRONMENTAL SUSTAINABILITY

Fairtrade has played a supporting role on the conservation of natural resources and reinforcing, to varying degrees, good agricultural practice and environmental sustainability in all of the five producer case studies. Important issues such as soil erosion and water conservation are commonly being tackled by farm managers and efforts have been made to reduce dependence on and improve safety in the use of agro-chemicals, given how reliant South Africa's export fruit sector is on them.

Vuki and Sun Orange have both made significant strides towards using less hazardous chemicals where Fairtrade has improved their protocols for storing and handling chemicals and for the safe disposal of used containers which will reduce health risks, thus an immediate benefit to workers. The emphasis in the Fairtrade standards on encouraging farmers to reduce chemical usage has reinforced the low-input farming systems already employed at EAC where farmers are encouraged to produce and use organic mulch and animal manure.

Sun Orange has moved towards greater environmental sustainability through converting 70 Ha of their land to 'biologically sustainable' orchards, meaning that fewer agro-chemicals are applied on the trees and green technologies (such as mulching) are used to improve soil structure and fertility. It also seeks to maintain biodiversity within the orchards, and irrigates through a drip system as part of ongoing efforts to conserve water. At Stellar and Vuki, the enterprises have instituted household waste recycling systems on the farms to encourage workers to recycle more.

## 7.6 IMPROVING BUSINESS AND INCREASING MARKET ACCESS

Fairtrade's rigorous standards and certification requirements have encouraged and supported the development of efficient and professional business practices in all of the five producer case studies, where marked improvements in operational procedures and protocols are evident. Greater transparency of business records such as contracts, databases and filing systems along with improvements in labour and human resource management means that the enterprises have been able to function more professionally and in accordance with good practice. This is particularly apparent at Stellar Organics where the sophistication of their internal control systems and data management is impressive.

Fairtrade has provided crucial access to export markets through Fairtrade supply chain channels. For Stellar Organics, it has enabled them to create and strengthen relationships with international buyers in Europe and USA and secure binding supply contracts which afford the business negotiating power in supply agreements to secure higher prices. The enterprise has been able to enter the profitable export markets at a quantitatively larger scale and their wines are now selling in mainstream UK retailers. Fairtrade has supported the enterprise to add value by increasing ownership further along the supply chain through the addition of their wine making facility.



Ducks provide pest control in Stellar's vineyards © David Brazier

Vuki's Fairtrade status has also attracted investment through an ethical tourism initiative that they hope will generate revenue for the company and provide local employment. For Zebediela, the company has been able to sell a proportion of its Class 1 fruit at premium prices in export markets through Fairtrade and supported relationship building between other participants along the supply chain.

In the case of EAC, the Fairtrade standards' organisational requirements have strengthened the group's abilities to operate as a professional, cohesive and competitive entity and secured them contracts with the international Fairtrade importer, Traidcraft, who buy 100% of their exported produce<sup>30</sup>. Income from Fairtrade has been invested in organisational infrastructure including a permanent office and storage sheds, as well as purchasing of farm implements and machinery to improve productivity and quality. Wooden bins have been provided to store and transport the raisins to the processor's warehouse. Farmers are now able to rent a set of farm implements on a daily basis at a nominal (below cost) price with access to a tool repository comprising a range of ploughs, mechanical grass cutters for alfalfa, pumps and a cement mixer (for making drying courts). The co-operative also now owns three tractors which the farmers can hire. Fairtrade standards have allowed EAC to assume, over time, a greater role in the value chain and business of marketing raisins. The co-operative has also benefited from technical support and strategic advice received from local NGO the Environmental Monitoring Group (EMG), through the organisations' mentorship role in AFIT.

## 8. CHALLENGES FOR FAIRTRADE IN SOUTH AFRICA

Whilst Fairtrade has clearly provided significant benefits to farmers and workers in South Africa, there are some areas where the scale of Fairtrade impacts could be improved bearing in mind the complex and unique socio-political environment in which it is operating:

### • Meeting B-BBEE objectives

Although Fairtrade has provided an important mechanism for supporting worker empowerment in line with the government's B-BBEE targets, the degree to which this translates into direct benefits is variable and to some extent correlates with the company's commitment to the broader objectives of black empowerment and Fairtrade. Whilst all of the hired labour groups have met the challenging B-BBEE requirements supported by the Fairtrade certification policy, this has not yet necessarily resulted in increased worker control and share in the company's profits, as share dividends have had to be used to repay debts and reinvest directly in the businesses. However, it is anticipated that over the next few years workers will start to see more direct financial benefits from the shared ownership structures (which are still relatively new) and other B-BBEE related worker investments.

### • Awareness of Fairtrade amongst workforce/farmers

Whilst Fairtrade and its objectives to empower and protect workers in South Africa are well understood by farm management and members of Fairtrade organisational structures such as the Joint Body, Workers' Committee and Premium Committee this is not apparent amongst all of the hired labour workforce: many of the workers interviewed displayed limited knowledge and understanding about Fairtrade and its role in negotiating better employment terms and conditions. This is in part a result of the high number of seasonal and contract workers employed who, due to their limited time on the farm, are not exposed to Fairtrade awareness raising opportunities and training. This is also partly a consequence of the low volumes of Fairtrade sales compared to conventional sales for some companies. The Fairtrade system needs to ensure that more is done on educating workers and farmers about Fairtrade and how they can secure increased benefits and fully understand their rights.

30. EAC are conscious of their dependency on Traidcraft and are continuing to look for other Fairtrade market access opportunities and in the long run hope to be able to market some of their products in the domestic market.



- **Trade union involvement**

Although the Fairtrade Workers' Committee structure provides a formal democratic structure for worker representation within their businesses it can sometimes lack the independent voice and negotiating power of a trade union. Zebediela is the only hired labour site in the study where workers are formally organised in a trade union although the management at all the sites accept the rights of workers to belong to a trade union in line with Fairtrade standards. Nonetheless, even though some workers have expressed a desire to join a trade union they are reluctant to do so because of fears of being judged, particularly in a context where there is negative perception of unions' efficiency and effectiveness. Fairtrade needs to ensure that workers (and management) are fully aware of their rights to Freedom of Association and union membership. However, this is by no means a challenge specific to Fairtrade farms and low union activity is a broader issue facing the agricultural sector as a whole in South Africa.

- **Improvement in wages**

Whilst Fairtrade has resulted in improved wages across all four hired labour case study sites that are well above national minimums, these could be further improved to reflect a 'living wage' (as outlined in the FLO standards) given increasing

costs of living and fact that on average 30-40% of household income is now spent on food. Households that receive non-farm income including government welfare grants are significantly better off than those solely dependent on wage labour.

- **Community investment and development**

Given the mixed nature of Fairtrade farming communities which comprise a range of ethnic, class and cultural groups, all with differing interests and objectives, there will always be a challenge for Fairtrade to meet each groups' developmental needs, particularly concerning Fairtrade premium use. Whilst Fairtrade is clearly bringing about positive impacts for workers and farmers through premium projects, the organisations could be given greater support and guidance to help them collectively identify investments to help bring about sustainable development and broader community impact beyond the farms themselves. Future considerations need to be made to balance the development needs of the community with the should investment in the business and expectations of Fairtrade for individual workers and farmers.



Harvesting apples, Vuki Farms © David Brazier

## 7. CONCLUSIONS

Fairtrade has clearly had a significant positive impact on workers' and farmers' livelihoods including:

- **Improved employment terms for workers**, providing secure and stable wages, formal contracts and entitlements such as maternity leave and overtime rates.
- **A safer working environment** resulting from improved occupational health and safety provisions and reduced agro-chemical use, along with improved infrastructure including offices, housing and washing facilities, meaning that workers and farmers can enjoy a more safe and secure working and living environment.
- **Improved organisational transparency, democracy and communication** between farmers, workers and management through meeting the Fairtrade standards requirements for internal organisational structures such as the Workers' Committee and Joint Body/Premium Committee.
- **A stronger voice in negotiating employment terms**, either via the Workers' Committee or through an independent trade union.
- **Increased worker ownership, management control**, employment equity and skills development have been encouraged through Fairtrade's B-BEEE policy which has helped to reinforce and support the government's targets to empower historically marginalised people through enforcing minimum standards on BEE criteria.
- **Improved access to formal training** has supported workers' and farmers' skills development and progression.
- **A platform for improved access** to higher value Fairtrade markets, which have supported increased incomes and stable trading relationships and in two cases the opportunity to play a more active role in the supply chain and obtain a greater portion of the final product's value.

- **Smallholder farmer empowerment** through organisational development and facilitating commercially viable products from smallholder farmers and help them to compete on fairer terms in national and global markets. Whilst there are at present only three Fairtrade certified smallholder producer groups in South Africa (reflecting the country's dominance of large-scale commercialised agricultural production) Fairtrade has proven it can play a pivotal role in this respect.

- **Educational, health, environment and infrastructure impacts** brought about through substantial Fairtrade premium amounts generated (totalling over £594,489<sup>31</sup>) and other funds accessed through Fairtrade partners and networks, which have been allocated to projects delivering immediate and tangible benefits to workers, farmers and their wider communities.

However, there are a number of ongoing areas still to be addressed to make bigger impacts in the future which include: providing greater support towards worker empowerment through continual skills development and opportunities for career progression and trade union representation; increased awareness raising about Fairtrade amongst workers and farmers and guidance on premium investment to support community development. Crucial to considering these challenges will be situating Fairtrade's unique role within the context of the country's profound socio-economic challenges of inequality and racial divide that will not change overnight and require long term commitment.

As Fairtrade continues to grow in South Africa and globally, the movement will be in a position to scale up its support to new and existing producers in terms of achieving and maintaining Fairtrade certification, gaining access to training, capacity building and networking opportunities and new international and domestic markets. This will in turn help to improve the situation for poor and disadvantaged farmers and workers in South Africa.

31. This figure is based on total Fairtrade premium received to date for all five case studies, with the exception of Stellar, which is based on data since 2006 and EAC's which is for 2007 only.



Preparing the vineyards, Stellar © David Brazier

This briefing paper is taken from the report 'Impact Study of Fairtrade in South Africa' produced by Sustainable Livelihood Consultants (SLC) for the Fairtrade Foundation. For further information please contact Jessica Gordon, Producer Research and Impact Manager ([jessica.gordon@fairtrade.org.uk](mailto:jessica.gordon@fairtrade.org.uk)).



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