

A case study of Fairtrade Labelling and Worker Empowerment on two wine and fruit farms in the Western Cape

Sandra Kruger

A thesis submitted in fulfilment of the requirements for the degree of Magister Philosophiae in Land and Agrarian Reform with the Institute for Poverty, Land and Agrarian Studies at the University of the Western Cape.

14 November 2008

Supervisor: Dr. Andries du Toit

UNIVERSITY *of the*
WESTERN CAPE

A case study of Fairtrade Labelling and Worker Empowerment on two wine and fruit farms in the Western Cape

Sandra Kruger

Keywords

Employee equity share schemes, worker empowerment

Fairtrade labeling

Private regulation

Global value chains

Development

Broad-Based Black Economic Empowerment (B-BBEE)

South Africa

Wine

Fruit



Abstract

A case study of Fairtrade Labelling and Worker Empowerment on two wine and fruit farms in the Western Cape

Sandra Kruger

Magister Philosophiae in Land and Agrarian Reform with the Institute for Poverty, Land and Agrarian Studies at the University of the Western Cape

Fairtrade labelling and worker empowerment have been linked in Fairtrade certification of producers in the South African fruit and wine industries, by the Fairtrade Labelling Organizations (FLO), the international Fairtrade standard-setter and certifier, since 2003. This link was initially made by the Lebanon Fruit Farm Trust (LFFT), which was one of the first employee equity share schemes implemented in the Western Cape through the South African government's Land Reform Program. LFFT started the Thandi brand for their wine and extended it to the fruit industry and to other employee equity share schemes to develop a significant empowerment brand for these projects. Fairtrade certification and labelling was identified by the developers of Thandi as a unique opportunity to access preferential markets and secure better returns in the highly competitive fruit and wine markets dominated and controlled by large multiple retailers. In addition the Fairtrade premium, paid in addition to the price for Fairtrade labelled products could be invested in the social and economic development of the workers.

However, the Fairtrade certification of LFFT and the other employee equity share schemes involved in the Thandi project raised questions for South African stakeholders and FLO regarding the appropriateness of the Generic Fairtrade Standards in the context of land reform and Broad-Based Black Economic Empowerment. These questions and the policy discussion and stakeholder

conference that followed led to the adoption of the Guidance for South Africa in May 2004, which included the requirements of direct economic interest of the workers in the certified entity, worker participation in management and skills development. Producers who were already certified but did not have empowerment projects in place, like Stellar Organics, were given three years in which to empower their workers.

This thesis explores the link between Fairtrade labelling and worker empowerment in the cases of LFFT and Stellar Organics in terms of: the reasons for becoming certified and the commercial benefits expected from Fairtrade labelling; the integration of the Fairtrade requirements into the structures and management of employee equity share schemes; the enabling or disabling factors for Fairtrade certification to contribute to the socio-economic development and empowerment of the workers. This thesis describes the two cases in detail according to these links and concludes that Fairtrade labelling has not significantly changed the trade relationships with large retailers for these two Fairtrade producers even though it has provided additional market access. The link between the Fairtrade requirements and the legal and administrative structures of employee equity share schemes is complex and open to interpretation. Finally the possibility for Fairtrade certification to contribute to the socio-economic development and empowerment of workers is dependent on changes in management and communication between white farm owners and managers and black workers which confronts deeply held paternalist beliefs.

November 2008

Declaration

I declare that *A case study of Fairtrade Labelling and Worker Empowerment on two wine and fruit farms in the Western Cape* is my own work, that it has not been submitted for any degree or examination in any other university, and that all the sources I have used or quoted have been indicated and acknowledged by complete references.

Full name:.....

Date:.....

Signed:.....



In memory of Johann Hamman



UNIVERSITY *of the*
WESTERN CAPE

Contents

Keywords.....	2
Abstract	3
Declaration.....	5
List of Acronyms.....	10
Chapter 1: Exploring the link between Fairtrade Labelling and Worker Empowerment in South Africa.....	11
1.1. Introduction	11
1.2. Lebanon Fruit Farm Trust and the Thandi Project.....	13
1.3. Worker empowerment and FLO Standards Guidance for South Africa	16
1.4. Policy Questions.....	19
1.5. Research Questions.....	21
1.6. Research Approach	23
1.7. Structure of the rest of the thesis.....	24
Chapter 2: Research Design and Methodology	27
2.1. Introduction	27
2.2. Research Objectives	28
2.3. Research Approach: Selection of Case Study Methodology.....	29
2.4. Selection of the Cases: Lebanon Fruit Farm Trust and Stellar Organics.....	32
2.5. Questions explored in the cases	34
2.6. Collection, Discussion, Observation and Analysis.....	36
2.7. Strengths and Limitations of the Study.....	39
Chapter 3: Changes and Challenges for Land and Agrarian Reform in Wine and Fruit industries in the Western Cape	43
3.1. Introduction	43
3.2. Overview of land and agriculture in South Africa.....	44
3.3. Changes in South African Agriculture	48
3.3.1. Deregulation.....	48
3.3.2. International Fruit and Wine Markets	50
3.3.3. Extensions of Labour and Employment Legislation to Farm Workers....	53
3.3.4. Land Reform and Broad-Based Black Economic Empowerment	54
3.4 Land Redistribution in the Western Cape: Farm Worker Equity Share Schemes	57
3.5. Farm worker equity share schemes and Broad-Based Black Economic Empowerment	60
3.6. Conclusion	62
Chapter 4: The History and Development of Fairtrade Labelling	65
4.1. Introduction	65
4.2. First Phase: Alternative Trade Organizations.....	66
4.3. Second Phase: Fairtrade Labelling	68
4.4. Third Phase: Fairtrade Labelling Organizations International (FLO).....	69

4.5. Challenges facing Fairtrade Labelling and FLO	72
4.6 Fairtrade Labelling in South Africa	73
4.7. Conclusion	74
Chapter 5: Global Value Chain and Convention Theory Perspectives on Fairtrade Labelling and Worker Empowerment in South Africa	76
5.1. Introduction	76
5.2. Retailer power, private regulation and international networks.....	77
5.3. Theoretical Perspectives	80
5.3.1. Global Value Chain Analysis	80
5.3.2. Quality and Convention Theory	84
5.4. Conclusion	86
Chapter 6: Lebanon Fruit Farm Trust and the Thandi Project	88
6.1. Background	88
6.2. Production and marketing: wine, fresh fruit and juice.....	92
6.2.1. Wine	93
6.2.2. Fresh Fruit: Apples, Pears and Plums.....	94
6.2.3. Processed Fruit: Apple and Pear Juice	96
6.3. Reasons for becoming Fairtrade certified: interests and agendas	97
6.4. Structure, shareholding and decision making in the business	98
6.4.1. Workers and shareholders.....	99
6.4.2. Management.....	101
6.4.3. Skills Development and Capacity Building	104
6.5. Fairtrade Benefits and Beneficiaries	106
6.6. Conclusion	109
Chapter 7: Stellar Organics	112
7.1. Background	112
7.2. Reasons for becoming Fairtrade certified: interests and agendas	115
7.3. Production and Marketing	117
7.3.1. Wines and Stellar Winery.....	117
7.3.2. Fresh Fruit: Table Grapes	120
7.4. Structure, Shareholding and Decision-making in the Business	122
7.5. Management.....	124
7.6. Fairtrade Benefits and Beneficiaries	126
7.6.1. Improved Communications.....	127
7.6.2. Skills Development and Capacity Building	129
7.6.3. Fairtrade Premium: Social and Economic Projects	130
7.6.4. Networks and Participation	132
7.7. Conclusion	132
Chapter 8: Conclusion	134
8.1. Fairtrade labelling and international markets for fruit and wine	135
8.2. Fairtrade Standards and Employee Equity Share Structures.....	137

8.3. Development, capacity and empowerment 140
8.4. Fairtrade labelling and worker empowerment: possibilities for change?... 143
References..... 145
List of Tables..... 152
List of Figures 152



List of Acronyms

ATO – Alternative Trade Organization
B-BBEE – Broad-Based Black Economic Empowerment
FLO e.V. – Fairtrade Labelling Organizations International
FLO-Cert – Fairtrade Labelling Organization Certification
GVC – Global Value Chain
JB – Joint Body
HL – Hired Labour
LFFT – Lebanon Fruit Farm Trust
LIT – Lebanon Investors Trust
LCT – Lebanon Community Trust
LRAD – Land Reform and Agricultural Development (grant)
SFO – Small Farmer Organizations
SLAG – Settlement Land Acquisition Grant



Chapter 1: Exploring the link between Fairtrade Labelling and Worker Empowerment in South Africa

1.1. Introduction

Fairtrade labelling and certification has grown considerably together with employee equity share schemes in the wine and fruit export industries in South Africa. There were five Fairtrade certified farms in 2003 which increased to over fifty certified farms in 2008, making South Africa one of the fastest growing Fairtrade producer countries. Fairtrade is an international standards and certification system which promotes principles of fair and equitable production and trade through the labelling of Fairtrade products. The Fairtrade Labelling Organization (FLO) owns the Fairtrade label and governs the standards' development and use. FLO has adopted specific standards for South Africa relating to worker empowerment in agricultural enterprises and corresponding to national land and empowerment objectives and policies. This thesis considers the potential fit between Fairtrade certification and the transformation of social and economic relations in farm worker equity-share schemes against this backdrop.

The two cases selected for this study are both wine and fruit farms in the Western Cape – Lebanon Fruit Farm Trust and Stellar Organics. Lebanon Fruit Farm Trust (LFFT) was the first producer to make a direct link between worker empowerment and Fairtrade by becoming Fairtrade certified in 2003. Stellar Organics on the other hand did not have an equity share project in place when they first became Fairtrade certified in 2004; the business initiated an employee equity share project in the cellar and used the Fairtrade premium benefits of Fairtrade labelling to finance the workers' shareholding.

This thesis looks at the ways in which the link between Fairtrade certification and farm worker equity share schemes has been made through a case study of worker empowerment and Fairtrade certification on two wine and fruit farms in the Western Cape. Although it was evident at the start of the study that there was a link being forged between Fairtrade labelling and worker empowerment, this thesis focuses on why and how the link was made and for whose benefit. This raised a number of questions. What were the opportunities and challenges identified by farm owners and managers in implementing farm worker empowerment through equity share schemes and Fairtrade labelling in the fruit and wine industry? What are the main characteristics of farm worker equity share schemes and how do these correspond with the requirements of Fairtrade certification? What were the perceived benefits of Fairtrade for the business and the workers in terms of social and economic empowerment?

This chapter will frame these questions within the story of the two cases of Lebanon Fruit Farm Trust and Stellar Organics. The chapter will start with a brief description of Lebanon Fruit Farm Trust and the Thandi project, which initiated worker ownership and Fairtrade certification as internal criteria for participation in the Thandi Fruit and Wine project. This will be followed by a discussion of the questions which the development of Thandi raised both for the international Fairtrade Labelling Organization (FLO) as well as South African stakeholders. These events and my involvement as a participant gave rise to the specific research questions, as well as the research approach. The chapter will conclude with the structure of the rest of the thesis.

1.2. Lebanon Fruit Farm Trust and the Thandi Project

Lebanon Fruit Farm Trust (LFFT) is situated in the apple-producing region of Elgin. LFFT is a land reform project which was undertaken by an established wine estate and fruit farm, De Rust Estate (De Rust), with their workers, the farm-dwelling community and the South African Forestry Company (Ewert & Hamman, 1999). LFFT started in 1996 with 147 households and was one of the first land reform projects in the Western Cape in which the employees of a commercial farm and their employer embarked on a project as part of the government's land reform program. These types of projects are called employee equity share Schemes and will be discussed in detail in Chapter 2.

LFFT established fruit trees with the support of the Department of Agriculture (DoA). The private partner, De Rust, donated 14 ha of land under grapes to make the first wine called Thandi. The Thandi Wines Company was formed in 2000 as the owner of the Thandi brand; and LFFT held the majority share in Thandi Wines. LFFT shareholding in the Thandi Wines Company and the 14ha of developed land enabled them to make a wine under their own label to generate immediate revenue for the business.

The initial success of the Thandi brand as an empowerment label for wine led to the extension of the Thandi concept to include fruit in 2001. Thandi Fruit involved the licensing of the Thandi brand to Capespan (the largest fresh fruit exporter in South Africa) for the marketing and sale of fruit from other land reform and empowerment projects in the fruit sector under the Thandi brand. This was initiated and facilitated by Paul Cluver Snr who was the Chairperson of Capespan and the Chairperson of Lebanon Fruit Farm Trust (amongst other board positions particularly in the fruit and wine industries e.g. Wines of South Africa (WOSA) in South Africa, but also internationally e.g. Fyfes). The main objective was to build a recognizable empowerment brand with sufficient

volumes to supply the competitive international market; thereby ensuring positive returns to empowerment projects in the sector.

To become part of the Thandi Fruit Project the farms (all of which were also suppliers of Capespan) had to be at least 25% worker-owned or have a plan in place through which this ownership will be achieved within three years (Capespan, 2003). There was an explicit requirement for the producers to have experience with empowerment (i.e. the project should have already been initiated) and to continue to empower their workers in order to protect and contribute to the empowerment status of the Thandi brand. As the largest player in the industry this also enabled Capespan to become more actively involved in the transformation of the industry and contribute to Broad-Based Black Economic Empowerment (Broad-Based BEE).

The producers were also required (by Capespan) to be inspected and certified by the Fairtrade Labelling Organization (FLO)¹ in order for Capespan to sell their Thandi products with the Fairtrade label. The Fairtrade label is widely recognized by consumers in the UK and Europe (FINE Network, 2005), South Africa's biggest export markets for wine and fruit. For consumers in the UK and Europe it offers a guarantee that international Fairtrade social and environmental standards are adhered to and that the producers are paid a fair price for their product, as well as a social premium for development (Fairtrade Labelling Organizations (FLO), 2006). Fairtrade labelling presented a significant opportunity for South African producers to access potential lucrative niche markets. This opportunity was recognized by the consultants (specifically Johann Hamman from Hamman & Schumann Consulting) to the Thandi project together with management of Lebanon Fruit Farm Trust (LFFT) (specifically Paul Cluver Snr).

¹ The Fairtrade Labelling Organizations (FLO) is the international umbrella standards and certification organization, which was formed in 1997 by 16 national labelling initiatives in Europe in North America – see www.fairtrade.net.

FLO started working with producers in South Africa in 2003 and the 5 farms (including LFFT) that had been selected for the Thandi project by Capespan were of the first to be FLO certified in that year. Fairtrade labelled products are generally sold at a higher price than conventional products and in addition to a minimum price guarantee, the Fairtrade premium generated is intended for the socio-economic development of small farmers and workers. The specific mechanisms of Fairtrade Labelling will be discussed in more detail in Chapter 3. The proposition of a minimum price which protects producers from the downside of the market was particularly attractive, because in the deregulated markets of South African fruit and wine there is very little protection for emerging farmers or empowerment projects and no support to ensure that these projects succeed. Furthermore the Fairtrade premium which is to be used for social and economic development could be significant (some estimated between R50 000 – R150 000 for 15 000 - 25 000 cartons) and could immediately be used by the community of the worker and empowerment beneficiaries for improvements to their social and living conditions.



Fairtrade labelled Thandi products were launched in UK supermarkets in 2003² (Fairtrade Foundation & Capespan Foundation, 2003). The launch of Fairtrade products from South Africa with a specific focus on worker empowerment presented many new political and practical challenges for the FLO system and South African stakeholders. In addition to the supply chain and product specific challenges of launching two new Fairtrade products (fresh fruit³ and wine), the empowerment farms certified under the Thandi project were a new model for worker empowerment within the FLO system. This model extended beyond the protection of workers' rights and the enforcement of minimum working

² One of FLO's National members, the Fairtrade Foundation in the United Kingdom (UK), played an instrumental role in launching fruit and wine as new Fairtrade products and invested time and financial resources into the development of product specific standards for wine and fresh fruit and raising awareness in their national market, especially in the retail sector.

³ Except bananas which are monitored against a different standard. Bananas was the second Fairtrade commodity to be sold as Fairtrade through a market that had been actively developed by Fairtrade labelling organizations.

conditions to include worker empowerment through direct economic interest in the business. As shall be shown later in this dissertation, the Thandi project also represented the promotion of farm worker equity share schemes, a very specific model of land reform and worker empowerment in the wine and fruit industry in South Africa.

1.3. Worker empowerment and FLO Standards Guidance for South Africa

These developments raised questions among both FLO and South African stakeholders, including the developers of the Thandi project. The most important question they faced was whether the Generic Fairtrade Standards already developed by FLO were appropriate for the South African environment? In 2004 various individuals (including myself) and organizations who had started doing support work or were involved in some form of social auditing formed Fairtrade producer support network (FTPSN) in South Africa to discuss these issues and address them with FLO (FTPSN, 31 January 2004).

The criteria of worker ownership, skills transfer and capacity building was only applicable to the Thandi project. When Stellar Organics became Fairtrade certified early in 2004 and began promoting themselves as the first organic Fairtrade winery to be FLO Certified they had not yet initiated any form of worker empowerment project or direct ownership in the farm or in the winery. However Stellar Organics was not part of the Thandi project and they were thus not required to comply with the 25% worker empowerment criteria.

The first producers certified in 2003 and early 2004 received significant marketing benefits and high market prices e.g. R160/carton of soft citrus

(approximately four times the market price).⁴ In addition they also received a Fairtrade Premium for the workers to invest in development projects. The significant benefits and promotion earned by the few certified projects in the first year attracted many other producers and exporters in the fruit and wine industries to Fairtrade certification. This was fuelled by an increased buyer interest in Fairtrade labelled products, particularly multiple retailers in the UK and Europe. Consequently a number of other fruit and wine farms applied for Fairtrade certification early in 2004. By May 2004 the number of certified farms had reached 18. Some of these producers had implemented empowerment projects, particularly those that were part of the Thandi project; some had more indirect empowerment projects (i.e. social and economic investment, but no direct ownership of the workers in the business); and others had no specific worker empowerment projects but complied with the FLO Generic Standards.

In a position paper written early in 2004 Hamman and myself, who were actively involved in the Fairtrade Producer Support Network (FTPSN) explored three options for the growth of Fairtrade in South Africa (Kruger & Hamman, 2004). We argued that if FLO Generic Standards for Hired Labour were applied to South African producers, all South African producers who comply with national labour legislation would automatically be eligible for certification: as Hamman persuasively put it 'everyone that was not operating illegally'). Some stakeholders, particularly within the FTPSN and the Thandi project felt that such a strategy would undermine the niche status of Fairtrade products, while other stakeholders within the network felt that FLO should not work with plantations⁵ at all, but should maintain the focus on its 'traditional constituency' i.e. small farmer organizations. The former argued that a narrow focus on small farmers could undermine the development incentive provided by the benefits of Fairtrade labelling in the South African environment i.e. a market incentive for initiating empowerment in the fruit and wine industries. They also argued that if

⁴ (Hannah, 2004)

⁵ 'Plantations' is used in this context to refer to large commercial farms or estates.

Fairtrade focused only on the objective of providing assistance and access to markets for the most disadvantaged producers i.e. small farmers, it could mean that the market and development opportunities for fruit and wine would be lost because of the small number of small farmers (according to FLO definition). The opportunity for employees in the industry that could benefit from direct empowerment through Fairtrade would also be lost. We proposed neither the simple extension of FLO's 'plantation agriculture' criteria nor an abandonment of commercial agriculture in favour of marginalized producers. If the growth of Fairtrade in South Africa was managed according to local development objectives like land reform and Broad-Based BEE, Fairtrade could be employed as a complementary strategy in the transformation of South African agricultural society and economy. It would also involve forging a closer link between Fairtrade producers and consumers with a specific interest in supporting worker empowerment in the South African agriculture.

By setting additional internal empowerment criteria the developers of the Thandi project (Hamman in particular) made an implicit statement that the minimum standards required by FLO were insufficient to act as an incentive for equitable change in the agricultural sector. The developers of the Thandi project initiated Fairtrade certification and labelling in order to: first, access lucrative niche markets in the UK and Europe; second, ensure a better return for the farm and the sustainability of the project; third, incentivizing and rewarding empowerment projects; and finally ensure additional income for social and economic empowerment through Fairtrade labelling (Hamman & Capespan, 2003). According to Hamman the risk of certifying farms that met the FLO minimum standards - which are equivalent to South African labour legislation - is that Fairtrade labelling could in fact work to normalize and legitimise the unequal racial power relations inherited from colonial settlement and Apartheid and that Fairtrade would not contribute to changing the lives of workers.

At the Fresh Fruit and Empowerment Stakeholder Consultation held in Grabouw in 2004, a policy decision was reached regarding a specific standard for South Africa: Small Farmer Organizations (SFO) would remain the primary beneficiary of Fairtrade and large commercial farms would only be Fairtrade certified and allowed to use the label if the workers have a 25% +1 legally protected interest in the certified entity and auditable skills development and employment equity programs are in place. The process of negotiating the specific FLO Standards Guidance for South Africa were shaped by a variety of political, social and economic agendas and dominated by a select group of stakeholders, including myself, who were able to mediate between the interests of the various groups (Kruger & Du Toit, 2007). The main result was that worker empowerment on large commercial farms had become central to the debate about the development of Fairtrade certification and labelling in South Africa.

1.4. Policy Questions

The FLO Standards Guidance for South Africa was adopted by FLO in July 2004⁶. All new applicants were required to demonstrate that ‘workers had a 25%+1 legally protected interest in a substantial part of the certified entity’, and all those already certified producers without empowerment projects, like Stellar Organics, were granted 3 years in which to comply with the empowerment standard i.e. July 2007. The introduction of this country specific policy for South Africa posed a number of policy questions, both for FLO and South African stakeholders. The most important being that employee equity share schemes introduced a new producer model into the FLO system a hybrid between the polarized categories of small farmer and plantation.

⁶ The document published by the FLO Standards and Policy Unit was published word for word as it had been adopted at the conference.

Fairtrade labelling of hired labour situations, or plantations, had started with the labelling of tea from plantations in Asia in the nineties (Menon, 2003). However, the certification of large commercial farms was not an inevitable or uncontested development within the FLO system. Many individuals, specific labelling organizations, alternative trade organizations and producer groups resisted the shift from exclusively labelling Fairtrade products from small farmer organizations. These organizations and producers saw it as a threat to the direct benefit and development of small farmers to labelling products from large commercial farmers for the benefit of workers. These groups argued that the inclusion of plantations would threaten the fair trade markets of small holders and undermine the political objective of the 'original' fair-trade labelling organizations. They also argued that it was unclear how workers could actually benefit from Fairtrade and whether improving the minimum working conditions is aligned with the objectives of Fairtrade (Fairtrade Labelling Organizations International (FLO), 2004).

Those that supported the inclusion of plantations argued that wage workers on plantations/large commercial farms were often the most marginalized by the effects of globalization and the injustices of international trade. They also argued that small farmers could benefit from the inclusion of plantations and the growth of the overall market for different Fairtrade labelled products. However, concerns about the growth and direction of Fairtrade labelling also included the growth of Fairtrade in the mainstream multiple-retailers, the competition of other social labelling initiatives and the risk of working with large multi-national and trans-national companies.

Within the context of these developments in the Fair Trade movement and FLO in particular, the alignment of the empowerment objectives of Thandi with the socio-economic standards and benefits of Fairtrade labelling raised important questions. Firstly, the Thandi project raised questions about the potential of

Fairtrade standards and labelling to contribute to worker empowerment and transformation of economic relations in the fruit and wine industry in South Africa, if at all. Secondly, are employee equity share schemes an appropriate model for Fairtrade labelling to contribute to social and economic change in the agricultural sector in South Africa?⁷ Thirdly, how do the requirements of Fairtrade relate to other policy objectives like land reform and Broad-Based BEE? These are all important policy questions and as such must ultimately be resolved politically. At the same time, they also raise important questions for research.

1.5. Research Questions

The strategic objective of the research undertaken for this dissertation was to understand the potential role that Fairtrade labelling can play in the transformation of social and economic relations and sustainability of farm worker equity share schemes in South Africa. As such the specific research objective was to understand how the link between Fairtrade labelling and worker empowerment was made in specific cases in the wine and fruit industries in the Western Cape. The link was explored by: first, assessing the motivation and perceived benefits of Fairtrade labelling for commercial partners engaged in farm worker equity share schemes, or to start farm worker equity-share schemes; second, identifying the fit or the lack of fit between the requirements of Fairtrade certification and labelling and the different models of employee equity share schemes; third, exploring the benefits and the beneficiaries of the Fairtrade premium in relation to the beneficiaries of the equity share schemes. The perceived benefits of farm worker equity share schemes for various partners, including current land owners, farm workers, and officials in the Departments of Land Affairs and Agriculture are numerous. Commercial farmers could be retained in the industry through employee equity share schemes and

⁷ This question had particular relevance for me because I had actively supported it under the leadership and influence of Hamman.

other joint ventures, or mentorship arrangements. This was seen as an alternative to land reform projects in which the beneficiaries do not have the capital or management expertise to develop and compete in a very competitive sector. The stated objective of many of these projects is to transfer skills to a new management in which the empowerment partners are represented. In theory, the employees' income remains secure through their employment while they wait for a return on their investment, sometimes for many years. This also enables access to existing or established commercial enterprises to black workers and communities; therefore fostering mutually beneficial partnerships. Another objective is building the capacity of farm workers to manage a commercial agricultural enterprise and share in the responsibility; therefore also increase participation, commitment and productivity of the workers, and improve working relationships on the farm.

However, there are also many risks involved in employee equity share schemes in general and farm worker equity share schemes in particular. A number of studies have pointed out common and unique problems, which will be discussed in detail in Chapter 2 of the thesis. Amongst the risks is that 'real' skills development and capacity building does not occur either because it is not taken seriously by the participants, or due to inadequate budgets allocated for post-transfer support both from the Department of Agriculture as well as the commercial partners in the project.

The objective for Fairtrade labelling in hired labour situations is to ensure that minimum working conditions and structured labour relations are in place by inspecting these farms on a yearly basis. In addition, FLO aims to increase the incomes to certified farms by guaranteeing the producer a minimum price through the use of the Fairtrade label. In this way Fairtrade aims to improve the conditions for the workers by increasing the income to the farm. FLO also aims to encourage worker participation and collective decision-making in the

management and use of the Fairtrade premium; therefore through the Fairtrade premium contribute to the socio-economic development and capacity building of workers and their communities.

The fit of objectives and potential benefits of Fairtrade labelling for farm worker equity share schemes is assessed against the broader critiques of both which will be discussed in Chapters 3 and 4. The fit of these objectives will be assessed according to the experiences of Fairtrade certified producers and workers on Lebanon Fruit Farm Trust (LFFT) and Stellar Organics. This raised a number of exploratory questions which formed the basis of the literature review and initial stakeholder identification interviews and observations. The questions that I was encouraged to explore included: why did the farms want to become Fairtrade certified? Were all the partners in empowerment projects in agreement? How did they comply with the FLO standards for worker empowerment? What was the process? What are the benefits that they expect in terms of market access and prices, and to the community of workers in terms of social and economic empowerment and the Fairtrade premium?

1.6. Research Approach

The research involved in-depth case studies of two equity share projects on commercial fruit and wine farms that adopted Fairtrade labelling as a complementary strategy to the redistribution of agricultural resources (including land) and the empowerment of workers. LFFT was the first producer group that made the link. Once the Guidance for South Africa had been adopted by FLO in 2004, Stellar Organics used the Fairtrade premium benefits to invest in the 25% shareholding in the winery on behalf of the 200 permanent and seasonal workers.

A case study approach provided the opportunity to explore the variety of reasons, relationships and structures which enabled the link between worker empowerment and Fairtrade labelling. The two case studies offered the

opportunity to explore different reasons for establishing the link between Fairtrade labelling and worker empowerment, and different mechanisms for trying to make it work. The differences between the two projects provided an insight into the specific cases at different points of the development of worker empowerment criteria for Fairtrade certification in South Africa.

I conducted independent in-depth interviews with white farmers and managers, black (mostly coloured, not African) worker trustees, Fairtrade committee members and ordinary workers and worker shareholders on the two farms. The structures, histories and my experience in the two cases was analysed continuously by keeping and capturing research notes; maintaining a research and participant observation diary which will be discussed in more detail in Chapter 2. Themes that emerged in LFFT in the first year of research in 2004 and were further explored with Stellar Organics in the second and third years of the research (2005 and 2006). My access to the two cases made additional data gathering possible over a two year period.

I was an intern at Hamman & Schumann Consulting who were instrumental in the conceptualization and implementation of the Thandi project and the partnership entered into with the Fairtrade Labelling Organization (FLO). Accordingly I had direct access to the producers and workers participating in the Fairtrade projects, as well as policy discussions and caucus meetings of the Fairtrade Producer Support Network. I was also able to influence and inform the development of Fairtrade labelling in South Africa by coordinating stakeholder meetings and presenting discussion papers, the risks of which will be discussed in more detail in the next chapter discussing my approach and methodology in exploring these questions.

1.7. Structure of the rest of the thesis

Chapter 2 will describe the research methodology, including the possibilities and limitations of the case study approach and participant observation techniques, in particular the difficulties of researching two cases from within a consultancy intricately involved and extensively invested in both employee empowerment and Fairtrade labelling. In addition to the access to two unique and seemingly successful cases, the additional criteria for the selection of the two cases will also be discussed. This chapter will also give a synopsis of the participants interviewed during the research process, and other sources of information. This chapter will also discuss the way in which the cases were analysed, and limitations of the study.

Chapter 3 will discuss the specific history and politics of land reform in South Africa, and will provide a critical analysis of farm worker equity share schemes in the fruit and wine industries in South Africa. This background will help to explain the rapid development of Fairtrade labelling in South Africa and the questions this raised among South African stakeholders. Chapter 4 will provide an overview of the developments in global agro-food systems relevant to discussing the developments of Fair Trade broadly, as well as the specific developments of Fairtrade certification and labelling. Chapter 5 will discuss the theoretical frameworks of global value chain analysis and convention theory in relation to the growth and development of Fairtrade internationally, and in South Africa specifically.

Chapters 6 and 7 will describe the individual case studies. Each of the case studies will be described in terms of their context and history and the ownership and management structures. The analysis will focus on the specific interests and agendas for becoming FLO certified; the fit between the organizational structure and the FLO requirements; and a description of the beneficiaries of the Fairtrade premium and the enabling factors for social and economic empowerment.

Chapter 8 will draw the conclusions on the relationship between Fairtrade labelling and worker empowerment in equity share schemes. These conclusions will be drawn from the lessons learnt from the two case studies and a critical assessment of the implementation of Fairtrade standards and benefits. The link made as well as the obstacles and benefits experienced by these two cases will be related to both theoretical and policy debates about Fairtrade labelling and worker empowerment in South Africa.



Chapter 2: Research Design and Methodology

2.1. Introduction

This chapter will describe the research design and methodology used to conduct this study. The main objective of the study was to explore the relationship between worker empowerment and Fairtrade labelling. Both Fairtrade labelling and worker empowerment have very specific meanings in the context of fresh fruit and wine production in South Africa. Both have evolved within very specific frameworks of national legislation and policy in South Africa and private regulation internationally. The study focused on the link between Fairtrade labelling and worker empowerment, specifically on the following questions: Who made the link between Fairtrade labelling and worker empowerment? What were their interests and agendas? How was Fairtrade integrated into the business, specifically in an employee equity share scheme? How are the beneficiaries identified and how can and do they benefit?

The chapter will start with an overview of the research objectives, followed by an explanation of why a case study design was chosen. This discussion will examine the benefits and risks of this approach and how the trade-off was mitigated. The specific selection of the two cases, Lebanon and Stellar Organics will then be discussed, within the context of the developments of Fairtrade in South Africa as well as other practical considerations. The specific methods and time frames of gathering and analyzing the information from the two cases will be discussed in relation to the themes that emerged over the duration of the study.

2.2. Research Objectives

The main objective of the research was to explore the ways in which Fairtrade labelling was adopted by commercial wine and fruit farmers involved in worker empowerment; and conversely why worker empowerment was adopted by commercial wine and fruit farmers that were involved with Fairtrade. The aim was to describe the various reasons for white commercial farmers and exporters to seek Fairtrade certification, and the various ways in which Fairtrade has been integrated into the business strategies and empowerment models of different farms. Another aim of the study was to explore the fit or lack of fit between the objectives and requirements of Fairtrade labelling and the way in which it is implemented in employee equity share schemes on commercial wine and fruit farms in the Western Cape.

The main objective was unpacked into three more specific research objectives. First, to understand the interests and agendas of white commercial partners, both farm owners and exporting agents, to seek Fairtrade certification. Second, to describe the fit or lack of fit between the requirements of Fairtrade labelling and different models of worker empowerment and vice versa. Third, to explore how the beneficiaries of either Fairtrade or employee equity share schemes are identified and the mechanisms through which they benefit.

In order to address these objectives, specific themes in the two cases were explored. The themes included: the product and the positioning of the producer in the value chain and how white commercial farmers perceive that Fairtrade could affect their position; the institutional and legal arrangements and how they compare to the FLO Standards Guidance for South Africa, including legally protected interest, worker participation and management, skills development and capacity building; and the way in which the beneficiaries and socio-economic empowerment are defined.

2.3. Research Approach: Selection of Case Study Methodology

Fairtrade labelling in South Africa is a relatively new phenomenon and as such a case study approach offered an opportunity to study the way in which the link between these different concepts and models was developed and how it evolved over time. A case study involves an in-depth, longitudinal examination of a single instance or event; in this instance the participation of commercial wine and fruit farms involved with employee equity share schemes and Fairtrade certification and labelling. A case study was particularly useful because the study focused on a very a new phenomenon. The boundaries between the development of the link between Fairtrade Labelling and worker empowerment and the context in which this occur are not clearly defined and there are no clear beginning or end points (Yin, 1981). An extended case study methodology was adopted in order to study the two cases and explore the different ways in which the link between Fairtrade Labelling and worker empowerment was made. The focus on these two 'outstanding', different but generally well-resources cases enabled me to learn about the practical issues facing producers wanting to either get involved with Fairtrade, or get involved with empowering their workers in their business.

There have been no prior studies on Fairtrade labelling in South Africa. There were not many farms certified by FLO when the study started in 2004, and those that were each had a very particular story. A case study strategy allowed for an exploration of multiple themes: therefore describing the developments of Fairtrade in South Africa by identifying the many different origins of the link between Fairtrade and worker empowerment and different meanings attached to these terms. The primary benefit of using case study methodology for the enquiry into the adoption of Fairtrade labelling is that it allowed for an open-ended exploration of multiple themes without being limited to clearly defined beginning or end points.

There are a large number of differently positioned participants in the developments of Fairtrade in South Africa, including: white commercial farmers, large and small exporters, managers, workers, shareholders, farm dwellers, facilitators, consultants, certification and labelling organizations and exporting agents. The development of Fairtrade in South Africa and the implementation of specific standards for South Africa was the result of a unique historical moment and particular agency of some fortuitously positioned participants, including myself (Kruger & Du Toit, 2007). I was interned at Hamman & Schumann Land Reform and Rural Development consultancy, based in Stellenbosch, that was actively involved in the conceptualization and implementation of the Thandi project. The internship provided unique access to individual cases in the Thandi project as well as other Fairtrade labelling and Fair Trade initiatives⁸, which enabled me to participate in the discussions and negotiations about Fairtrade Labelling and worker empowerment. This in turn provided a unique opportunity for what Burawoy calls 'reflexive science' (Burawoy, 1998) in which there is a dialogue between social scientists and researchers and their research participants – other people.

The study of two cases over a three year period also enabled a description of the changes and developments within the cases over time. Multiple case design is used when the same phenomenon exists in a variety of situations (Yin, 1981); in this case links between Fairtrade Labelling and worker empowerment have been made by different farms, in different contexts, at different times and for different reasons. The use of two cases for the purposes of this study was to explore the different positions which made Fairtrade labelling an opportunity and a possibility as well as the different ways in which both the requirements and benefits of Fairtrade were integrated in the two different business models. This thesis will not evaluate one model against another, but will explore how the

⁸ The specific spelling for concepts relating to fair trade used in this thesis will include: fair trade for the concept in general, Fair Trade for the broad international Fair Trade Movement, and Fairtrade to refer to Fairtrade labelling under the umbrella of FLO.

different ways in which Fairtrade and worker empowerment are linked within different legal, financial, business and community structures.

Case study methodology enables the researcher to form relationships with the research participants (Burawoy, 1998) and in this case I became involved in both the participants in the case studies selected in a number of different roles: as a researcher, as assistant researcher and translator, as observer, as consultant, as trainer, and eventually as FLO Liaison Officer⁹. Participation in the Fairtrade activities and skills development processes on the farms became an opportunity for participant observation. Participant observation is a research technique, rather than a methodology and involves getting close to the research participants. In this way the participants become comfortable enough with the researcher, so that the researcher can observe while participating e.g. in a meeting or during a training event (Russel Bernard, 1994).

Case study methodology as a research strategy is not, however, synonymous with participant observation as a methodology (Burawoy, 1998). The opportunity for participant observation emerged at the beginning of the research and was reinforced during the course of the study. I was able to observe the 'off-the-record' dynamics between people by just 'hanging out' and listening to stories which I would not have heard in a strictly structured research environment. It also enabled me to reflect on my own power and position within the histories of the cases which became more relevant as Fairtrade developed in South Africa, and I developed in this environment. The relationships developed with the research participants and the field of study has both benefited the richness of the data collected, but also increased the influence of my own bias which will be discussed in more detail in the conclusion of this chapter.

⁹ I worked for the FLO Producer Business Unit (PBU) from October 2005 – December 2007 as the Liaison Officer for South Africa.

2.4. Selection of the Cases: Lebanon Fruit Farm Trust and Stellar Organics

The initial two cases were selected because of an explicit link between Fairtrade certification and labelling and worker empowerment in the farming enterprise. When research started at the beginning of 2004 there were seven FLO certified farms in South Africa, five of which were part of the Thandi project. All the Thandi projects had some form of worker empowerment through shares or land ownership. Lebanon Fruit Farm Trust (LFFT) was selected as a representative and contextually important case. LFFT was of particular interest because it was the first to make the explicit connection between Fairtrade labelling and worker empowerment. The Thandi project started at Lebanon and was the model for the FLO Standards Guidance for South Africa. The involvement of Capespan, the largest fruit exporter in South Africa, was also of significant interest. Lebanon Fruit Farm Trust and the Thandi project with the help of Capespan and Vinfruco had successfully launched the Thandi brand, both locally and internationally.

Stellar Organics was selected at the beginning of 2005 as an alternative and comparative case, because the developments of Fairtrade in South Africa were so rapid that by the end of 2005 the number of FLO certified farms had increased to 40. Although the Thandi projects were at this stage all empowerment projects, not all of the other Fairtrade certified farms had specific worker equity share schemes, including Stellar Organics. However, Stellar Organics was different to many of the other farms because they immediately pursued worker empowerment through an equity share scheme when the Guidance for South Africa (2004) was adopted.

Stellar Organics was not part of the Thandi project, but they had also closely aligned their own brand Stellar Organics with Fairtrade. Stellar Organics had also received significant publicity for their organic status and organic wine making process, to which they had also linked their Fairtrade certification. They were

therefore already invested in Fairtrade. Stellar Organics was particularly interesting because they started their worker empowerment project after the FLO Standards Guidance for South Africa had been adopted: in other words, it seemed as if compliance with these standards was a motivating factor in their worker empowerment process. Furthermore Stellar Organics used the benefits of the Fairtrade premium to finance the investment of the Stellar Employees trust in Stellar Winery. They were Fairtrade certified after Lebanon Fruit Farm Trust and I was introduced to them through an impact assessment study commissioned by Max Havelaar Belgium¹⁰.

Both LFFT and Stellar Organics were 'outstanding' in their adoption of Fairtrade labelling as a strategy for empowering workers i.e. they stood out (were different from the rest) both within the FLO system and nationally. This was evident from the popular press and their participation or representation in the national platform which adopted the Guidance for South Africa. Both cases have also made branding and brand building central to their marketing strategy and actively promoted their brand, either Thandi or Stellar Organics, as Fairtrade. This was not the case with the majority of other Fairtrade certified farms who supplied an exporter and were not directly involved in the branding or the marketing. Both cases were also easily accessible to me in terms of making contact as well as the distance to travel to the farms. I had access to the background and developments of these projects through Hamman & Schumann where I was interned¹¹.

These two projects also differed in some fundamental ways. The initiation of the two empowerment projects and their chronological link with Fairtrade certification was different: LFFT had implemented their empowerment project in 1996 and identified Fairtrade as a complementary development strategy in 2003,

¹⁰ The study was done by Kruger, Hamman & Ewert, 2005.

¹¹ It should be noted that I also had access to a number of other projects during this time, but LFFT and Stellar Organics were the most interesting in the Western Cape.

whereas Stellar Organics were Fairtrade certified in 2004 and then initiated their empowerment project shortly after the implementation of the Guidance for South Africa in 2005. LFFT and Stellar Organics also differ in how the business is structured and how different shareholders and beneficiaries are represented. These cases therefore differ in terms of who participates or represents others, who makes decisions, and how the benefits of Fairtrade are distributed. These two cases were selected because the same phenomenon, the link between Fairtrade labelling and worker empowerment, exists within different contexts and under a different set of circumstances.

2.5. Questions explored in the cases

In order to explore the relationship between worker empowerment and Fairtrade labelling, the Fairtrade certified entity was chosen as the unit of analysis i.e. only LFFT excluding the business operations of De Rust and Stellar Organics including the farms and the winery. Given the multiple themes which were identified, various participants and levels of management of the farm were included in the study. First, the interests and agendas of the commercial partners both farm owners and export agents to participate in Fairtrade certification will be described in each of the cases. Second the structure and organization of the farm was mapped out according to products and trade relationships; legal, institutional and community arrangements; management structures and worker participation; and skills development and capacity building, support and stakeholder networks. Finally, the social and economic benefits over a two year period were described — in particular, who benefited and how.

Interviews were conducted with the owners and managers in the two cases, as well as with exporting agents and other consultants and service providers. In particular these interviews focused on the interests and agendas for adopting

Fairtrade labelling, and the perceived benefits of being Fairtrade certified. The obstacles to Fairtrade certification were also discussed with these participants.

In order to understand the structure and management of the two organizations the focus was on the equity structures of the organization i.e. the number of shareholders, their respective shareholding, how the transaction was financed, whether the workers are individual shareholders or beneficiaries of a trust. Similarly the management structure of the two organizations was investigated, including the dimensions of employment equity, participation of worker representatives in decision-making, the frequency and type of communication between workers and management, as well as the opportunities and types of skills development and capacity building. This was done through a combination of interviews, the analysis of business plans, marketing plans, training reports, and participation in meetings as an observer.

Specific attention was also paid to the benefits of the Fairtrade premium. The Fairtrade premium income over a two year period, based on the volume of sales of Fairtrade products, of the two cases was collected. With the Joint Body (JB) members (the committee required by the Fairtrade standards to manage the Fairtrade premium) and in JB meetings specific focus was on how decisions are made within the Joint Bodies and worker trusts and how the beneficiaries are involved. Over the three year period the Fairtrade premium income and projects were analyzed and discussed with research participants in order to understand how the workers and community members benefited, if at all.

2.6. Collection, Discussion, Observation and Analysis

A variety of data collection methods were used to explore the themes described above, including: interviews; focus groups; perusal of project documents and memoranda; illustrative articles; and onsite observation. The research started in 2004 and the data was gathered over a three year period to the end of 2006. During this time a significant amount of secondary literature on land reform and Fair Trade was studied and a combination of qualitative research methodology and participant observation was used to gather the data and information for this dissertation. I visited each of the two farms a minimum of four times in this period. Interviews were conducted with management, focus group discussions with worker representatives on the trusts, Joint Bodies and workers committees and individual interviews were done with general workers, both permanent and seasonal. Key informant interviews were also conducted with external consultants and support organizations and export agents and representatives from FLO.

I was also an active participant in a broader network of Fairtrade stakeholders, including NGO's and other service providers and attended various workshops, conferences and meetings. I played an active role in the discussions (Kruger & Hamman, 2004 unpublished paper) which led to the adoption of the Standards Guidance for South Africa in 2004 (FLO, 2004). This standard generalized and standardized the link that had been made (firstly by the Thandi project) between Fairtrade and worker empowerment. The influence of the researcher and other individuals in the convention setting process is discussed in detail a chapter entitled '*Reconstructing Fairness: Worker Empowerment in South African horticulture*' (Kruger & Du Toit, 2007).

I was also able to visit the two cases during other research projects which were conducted during the same time (in particular Sally Smith, 2006; and Hamman, Ewert & Kruger, 2005). The objectives of these research projects were defined by other European organizations and provided alternative dimensions and interpretations of Fairtrade and worker empowerment to explore, particularly from the British and European perspectives.

Extensive notes were kept by myself during interviews, focus group discussions and opportunities for participant observation like workshops, meetings and conferences. These notes were then used for reflexive writing in the form of a research diary in which different sets of data was grouped and regrouped, and compared throughout the three year research process.

The data was analyzed from the start of the research project to allow for the identification of emerging themes and specific questions. The data analysis was a chronological process and therefore developed as the stories of the two cases developed. The data gathering process, and therefore the data analysis, can be divided into three phases.

The first phase of data gathering included the following themes: organizational and production data, trade relationships and markets, work force and community structure. In order to understand the interests and agendas and possibility of becoming Fairtrade certified, the owners' and managements' responses were categorized according to various conventions (which will be discussed in more detail in Chapter 5). The data gathered about the legal structures and other networks around the business from the first phase enabled the selection of specific individuals and groups with which to engage in the second phase, for example the trustees and external support organizations or individuals. Specific questions addressed in the first phase included:

- What are the interests and agendas of the various stakeholders in the Thandi project (exporters, owners, managers, workers and the broader community)?
- Do these interests and agendas correspond with the objectives of FLO in plantation agriculture?
- How do the various stakeholders understand and interpret the benefits they can receive from participating in Fairtrade?
- What strategies are employed to maximize this benefit?

The second phase included a more detailed analysis of the structure of the organization according to the FLO Guidance for South Africa and the business implications of Fairtrade. Accordingly the analysis was focused on the 'legally protected interest' of the workers, involvement in management and decision making and skills development and capacity building. These three themes were of particular importance in the second phase of the research because they were required by the Guidance for South Africa which was adopted in July 2004. At this point there was also more data available on the products and sales of the two producer groups and the business implications could be explored.

- What are the business implications of Fairtrade certification and employee equity share schemes?
- Is Fairtrade included in the long term profitability expectations of the businesses?
- Do FLO's instruments contribute to the capacity of producers and workers to occupy a larger part of the value chain?
- How might producers occupy a larger part of the Fairtrade value chain through own brand development?
- Are FLO's objectives and standards compatible with the long term vision of the transformation of agriculture in South Africa?
- Can FLO's instruments contribute to solving the short term difficulties experienced in empowerment projects in South Africa

- What are the opportunities and challenges for growth of Fairtrade in wine and fruit?

The final phase of the research allowed for the gathering of data about the Fairtrade premium and the distribution of benefits to the workers over the three year period. A particular theme which was explored during this stage was the difference between social and economic empowerment and how these relate:

- Does Fairtrade certification contribute to the development of local capacity to change power relations on the ground?
- How are the tensions between management and workers resolved within the requirements of the Joint Body?
- Can the instruments of Fairtrade (collective bargaining structures, Fairtrade premium, and Joint Body) ensure the development and empowerment of the most marginalized workers?
- How are the beneficiaries identified and how do they participate, in both the structures and the benefits of Fairtrade?
- How can the potential conflict between various types of workers be resolved?

2.7. Strengths and Limitations of the Study

Burawoy (1998) highlights the particular limitations of the case study method, in particular the concepts of domination, silencing, objectification and normalization. Domination occurs because as participant ‘in sites invested with hierarchies, competing ideologies and struggles over resources, we are trapped in networks of power’. Similarly as observers, ‘there is no escaping the elementary divergence between intellectuals, no matter how organic, and the interests of their declared constituency’. The case study methodology and my reliance on participant observation enabled me to explore the research

questions from a number of different perspectives – including my own. I became involved in different capacities and developed relationships with the research participants over time and was therefore also forced to analyze my own actions and perspectives during the course of the study.

The findings are therefore limited by my own bias and position within these cases. Objectification, according to Burawoy (1998) involves the exaggeration of social forces as external and natural e.g. my identity as a young, white middle-class female, which can hide emerging or unexpected themes. This risk was amplified by my internship at Hamman & Schumann which was very much invested in the link between Fairtrade labelling and worker empowerment, Thandi and Capespan being one of their large long term clients. My position within the research was therefore not neutral and my identity and involvement in the field of study directly affected the information and individuals that I was able to access, and not.

‘Silencing’ is another related risk, identified by Burawoy and occurs partly because of these social and class positions of the researcher and their dominant ideologies. In the analysis, the risk is that the weakest voices are categorized, reduced, or marginalized, and therefore ‘silenced’. Only a small sample of ordinary workers was interviewed during the research and only in interviews and focus groups discussions and not during participant observation. Therefore the perceptions and experience of ordinary workers will not be discussed in detail. The majority of the participant observation activities involved worker representatives and leadership rather than ordinary workers and community members. The data gathered from ordinary workers is therefore disproportionately less and generalizations cannot therefore be made to all workers, or all community members. In addition to not being able to generalize, the risk is that the perspectives of ordinary workers are ‘silenced’ because the analysis of the interests and benefits of workers is mostly presented through the

perspectives or responses of the worker representatives. The limited number of formal interviews with ordinary workers does not provide enough information or insight to represent their interests or perceptions accurately in this dissertation, again silencing and marginalizing the voice of the weakest most vulnerable participants.

Although these two cases are exceptional, they do provide some insight into the opportunities and challenges faced by other Fairtrade certified producers. LFFT and Stellar Organics do not, however, represent the greater population of Fairtrade certified farms in South Africa or in the world¹². The study did not attempt to find any causal relationship between the dimensions identified in the histories of the two cases and future developments of Fairtrade labelling; although certain developments beyond the scope of this research indicate an even more rigorous application of the link between Fairtrade labelling and worker empowerment.

FLO Cert adopted a certification policy for South Africa in September 2007 which reinforced the concepts of worker empowerment, specifically through employee equity share schemes, by aligning its measuring tools with those of the Generic Codes for Broad-Based Black Economic Empowerment. As FLO Liaison Office and independent consultant I was involved in the research and formulation of the FLO Cert policy. I was already and continued to invest in the successful implementation of employee equity share schemes within Fairtrade certification. In this sense I was biased towards the positive outcome of these projects through consultation and training. This resulted in trying to find solutions to the problems rather than naming the contradictions and analyzing and discussing these in detail. This has to some extent been resolved by many versions of this dissertation but the bias remains and should be named.

¹² There are, however, other individual cases in the world where similar themes could be explored and comparisons drawn e.g. Kuapa Coco (Ghana) have a 25% share in Divine Chocolate.

The findings of this study are exploratory and descriptive. The purpose is to describe the links that have been made between Fairtrade certification and labelling and worker empowerment. By exploring the factors contributing to these links, the findings of this study help to unpack the different dimensions of Fairtrade labelling and empowerment and how they are linked. These findings contribute to the broader body of knowledge on the development of Fairtrade and worker empowerment projects on wine and fruit farms in South Africa.



Chapter 3: Changes and Challenges for Land and Agrarian Reform in Wine and Fruit industries in the Western Cape

3.1. Introduction

The history and legislative changes in the South African agricultural sector are an important part of the story linking equity share schemes and worker empowerment with Fairtrade labelling. This chapter will begin by giving a brief overview of the history of the land question in South Africa and the impact of slavery, colonialism and Apartheid on the composition of and relations in the agricultural sector, particularly in the Western Cape. This will be followed by a discussion of the changes in agricultural markets particularly the deregulation of South African agricultural markets and the private 're-regulation' and increased barriers to entry of international agricultural markets. Particular attention will be paid to social and environmental certification according to codes and standards which has become a prominent feature of global agro-food markets.

The land and labour markets in South Africa have also experienced and adapted to a number of legislative and policy changes that have been adopted by the ANC government since the early 1990's. This chapter will provide an overview of labour and employment legislation extended to farm workers since 1994, as well as the parallel processes and policies of land reform and the emergence of Broad-Based Black Economic Empowerment.

Farm worker equity share schemes are a land reform model which has been implemented extensively in the fruit and wine industries in the Western Cape. While these projects offer a viable solution to maintaining production while transferring ownership and creating wealth, they also pose many social and economic risks. White commercial farmers initiating these projects do so for a

variety of reasons and implement them in a variety of different ways. These projects not only face the external challenges of competing in a deregulated market with very little support or protection from government, but also the internal challenges of changing on-farm power relationships.

Social certification and labelling, like Fairtrade or B-BBEE have become a means for some progressive and well-established white commercial farmers in South Africa to market and promote the social contributions of their business. This chapter will discuss the advent of social and environmental certification and labelling in South Africa and the extent to which these have changed the production and labour practices of farmers and the working and living conditions of farm workers. This chapter will therefore set the context for the entrance of Fairtrade labelling in export fruit and wine in South Africa in 2003.

3.2. Overview of land and agriculture in South Africa

South Africa's agricultural sector has been shaped by economic, social and political struggles in the country over the past 350 years since the first Dutch settlers landed in South Africa. Land ownership is closely connected to the country's history of slavery, colonialism and racially discriminating policies limiting black people (the majority of the population) to a small percentage of the land. White commercial farmers benefited from a number of subsidy and protective mechanisms while black farmers were not afforded the same benefits and were consistently marginalized by agricultural policies (Vink & Kirsten, 2000).

White commercial farmers benefited from the National Party government policies regulating land, labour, commodity and export markets. Significant infrastructure and subsidy support was provided to white farmers. The white elite controlled producer cooperatives and credit schemes. Agriculture was regulated by the state and exports were handled by 23 single-desk, state

exporters (Vink & Kirsten, 2000). In particular Unifruco was the state-owned company that monopolized the export of pomme (Vorster & Kritzing, 1997) and stone fruit and Outspan monopolized citrus (Mather & Greenberg, 2003). The Kooperatiewe Wijnbouers Vereniging van Zuid Afrika (KWV), which regulated the wine industry and was the only exporter until 1994 (Neven (et al), 2005), was given regulatory powers by the state although it was not state-owned (Williams, 2005).

Small black farmers were actively discriminated against, marginalized and were systemically restricted in their social and economic development and active participation in the formal economy. The lack of resources and support afforded to black commercial farmers and their need to support their families forced many of these farmers into migrant labour to work on white commercial farms (Turner & Ibsen, 2000; Greenberg, 2000). Under Apartheid, these workers did not have any protection of employment legislation and were often the victims of harsh and inhumane treatment (Ewert & Hamman, 1999). 'Black South Africans thus experienced multiple, interlocking processes of dispossession and discrimination' (Turner & Ibsen, 2000).

The social relations between white farmers and workers in commercial agriculture are deeply entrenched and racialized and paternalistic social relationships of farms in the Western Cape (Du Toit, 1993). Deeply held beliefs about class, status, capacities and opportunities pose a considerable challenge for establishing equitable relations in the agricultural sector. This is particularly true for farm workers in the Western Cape, especially coloured farm workers many of whose families have been slaves, bonded labour, or wage workers for generations and whose lives are integrated into the farm through employment and housing.

Social relations in the Western Cape and the wine and fruit industries specifically has been shaped by the way in which white Afrikaner power was exercised through a small, land-owning elite and the master-servant identities which existed between them and the coloured community (Du Toit, 1993). These identities are deeply embedded in the perceptions and practices of white farm owners and managers and coloured workers and more recently black Xhosa speaking workers. One of the characteristics of employer-employee relations in the Western Cape are tied-housing arrangements. Traditionally most permanent workers were male and sometimes their housing allocation was conditioned by the availability of their wife/partner to work as seasonal worker or when needed. Most employers on farms in the Western Cape provide housing for their permanent workers and unlike other provinces like Limpopo and Mpumalanga the workers do not migrate from their homes to work. Workers living on farms in the Western Cape normally do not have another home. Evictions and homelessness are major threats to farm workers in the Western Cape and they will avoid doing anything that could jeopardise their house. Employers therefore have additional power and control over their working and living conditions of their employees.

Coupled with tied-housing arrangements are other needs and amenities for which the employees are dependent on their employer e.g. water, electricity, transport to town etc. Although labour and employment legislation have been implemented, the legacy of dependence remains. Certain 'benefits' which were given to the workers before minimum wage legislation was implemented are now granted to the workers by the 'goodwill' of their employer. Transport is a basic need for workers living on farms mostly isolated and far from towns. These so-called 'benefits', like transport, are not enshrined in law and can very easily be taken away.

There is also a type of insider-mentality i.e. inside the gates of the farm which results in everything outside the gates of the farm being a potential risk (Du Toit, 1993). The 'insider' attitude remains strong on Western Cape farms particularly with the influx of Xhosa speaking temporary workers from the Eastern Cape. These workers are often discriminated against in terms of their conditions of employment and access to benefits, not only by their employer, but also by permanent employees.

Furthermore alcohol abuse and domestic violence continues to plague farm-working and dwelling communities in the Western Cape. Although the tot-system has been abolished, the institution of drinking is deeply embedded in Western Cape culture. Alcohol abuse is silently tolerated and accepted on farms and other than religious conversion most employers do not foresee that any change is possible and very little is done to raise awareness about responsible drinking, or take disciplinary measures against workers who abuse alcohol or other workers in the workplace.

The legacy of exploitation remains evident in the rural communities in the Western Cape, particularly high levels of alcohol abuse and domestic violence, low literacy and skills levels. Farm workers in particular are often dependent on the farm owners, not only for their employment, but their housing, transport and other amenities. Hundreds of years of slavery, dispossession and dependence have left their mark on the rural landscape in South Africa, and in the Western Cape in particular. Land, its ownership and use, has always played an important role in shaping the political, economic and social processes in the country. Past land policies were a major cause of insecurity, landlessness, homelessness and poverty in South Africa. Access to land and land ownership and tenure security are therefore an important and sensitive issue to all South Africans.

3.3. Changes in South African Agriculture

When the African National Congress (ANC) took control of the government of South Africa in 1994, plans and policies were designed for social and economic transformation, equal access to opportunities for all and equal rights before the law. This was done amidst many social and political struggles. Commercial agricultural land was in 1994 still mostly owned by white farmers or majority white owned companies (and still is). The highly skewed, racial pattern of land ownership has created an extremely dualistic agricultural sector. In 1994 there were approximately 60000 large white-owned commercial farming units (in 2008 approximately 45000) employing approximately 1 million mostly landless workers; and approximately 240 000 small farmer who eke out an existence with minimal resources, and employ an occasional labour force of approximately 500 000; and further support approximately 1 million other dependents with their income (Department of Agriculture, 2003).

In the agricultural sector the transformation process was a four-fold: deregulation of agricultural markets in South Africa; the restructuring of global value chains in fruit and wine and the prominent role of private regulation in this restructuring; extension of labour and employment legislation to farm workers; and land reform and black economic empowerment. These themes will be discussed in more detail in the following sections.

3.3.1. Deregulation

Agricultural markets were deregulated and former cooperatives privatized into public companies. The deregulation process had already started before the ANC government came to power and was continued under the ANC government's neo-liberal macro-economic policy¹³. The government dismantled the single

¹³ Department of Agriculture Strategic Plan (2003)

desk exporting system, and also decreased agricultural support structures which had previously protected and benefited white commercial farmers (Vink & Kirsten, 2000).

Unifruco and Outspan merged to form Capespan in 1996 and the KWV became a public company in 1997. The Minister of Land Affairs and Agriculture at the time, Derek Hanekom, agreed to the privatization of the KWV on condition that it contribute R400 million towards the transformation of the wine industry. Capespan established a corporate social responsibility arm, the Capespan Foundation. The deregulation of both fruit and wine industries also meant a growing number of exporters, marketers and distributors, and increased competition both nationally and internationally (Vink & Kirsten, 2000).

In the wine industry plantings, production and exports had been controlled by the KWV. Most producers and even cellars had very little exposure to international wine markets under this regime. Although a number of independent estates had emerged producing premium and super premium wines, the majority of South African wine producers were less focused on the quality of their grapes than on the volumes that they could produce because they were paid a minimum price. South Africa's presence in the wine market before 1994 was very limited and the exposure of producers to these international wine marketing was limited to the 'brotherhood' of the KWV and some independent estates. In the deregulated environment many of the cellars have converted from cooperatives to private companies and had to reorganize their production and marketing strategies. There have been large-scale consolidation and mergers of different cellars, development of dedicated marketing and brand holding companies and a substantial increase in foreign-owned wineries.

Fruit producers, on the other hand, had more experience with producing according to exacting export standards. However, the price competition with other fruit producing countries like Chile and Argentina without subsidized production inputs. Furthermore the proliferation of fruit exporters post 1994 meant that anyone with a little bit of experience of fruit production, a telephone and a fax-line could claim to export fruit and many producers lost a significant amount of money in the first couple of years of a deregulated environment (Hamman, 2003). Similar to wine many of the former cooperatives converted into cost-covering private companies. Shareholding in these companies was based on the volumes delivered to the former cooperative. In addition to these conversions some producers started exporting for themselves while others continued to supply their traditional buyers and still others formed new packing and exporting companies with other producers.

For producers deregulation meant more choice of in terms of their marketing channel and agent, but also more exposure to international market and price fluctuations, inexperienced traders, without the protective minimum prices of the previous control boards. Agricultural supports were also reduced in the 1990's and input costs increased (particularly imported chemicals and fertilizers) and producers found themselves in a cost price squeeze. The result was that farmers exited from the industry, started using their land in different ways, or engaged in strategies to improve their productivity and marketability of their products; while complying with national and international legislation.

3.3.2. International Fruit and Wine Markets

The deregulation of South African agricultural markets and the direct exposure was a rude awakening for many South African producers who had become accustomed to the protection of minimum prices and their lack of direct

involvement in the marketing and export of their products. The markets for fruit and wine in particular were largely controlled by large multiple retailers which have since the 1980's started to dominate the consumer food market. These multiple retailers are in fierce competition with one another for market share and 'feet through the door' and fresh products in particular are a major consumer attractor (Friedberg, 2003). Retailers compete with one another on price, quality, variety, convenience and innovation. The competition of powerful buyers with one another results in pressure on their suppliers for better quality and lower prices. In the case of fruit and wine where there is mostly an oversupply, competition is fierce between producers and between producing countries is fierce. Regardless of their negative sentiments about the power of retailers producers would prefer to supply to a retailer than through other distribution channels because the retailers have captured the consumers.

There are, however, differences in the international markets for wine and fruit. The markets and distribution for wine are more diverse than for fruit and include retail (on-trade) and restaurants, pubs etc (off-trade). The only market for wine that is growing, however, is retail. Consumers are buying their wine when they are buying their food; therefore the characteristics of an average wine buyer have changed. The most wine by volume in the UK is bought by middle-aged housewives. Wine buyers are by necessity brand sensitive, but supermarket shelves are filled with hundreds of brands – an impossible choice for the average consumer.

Fresh fruit has more commodity characteristics than wine and is much less brand sensitive. Fresh fruit from South Africa is either sold into fixed price retailer programs (i.e. specific volumes of product for x number of weeks of the year at a specific price regardless of the market fluctuations), on consignment (i.e. supplying to a marketing agents who take a commission on the value of the product sold) or on the open fresh fruit market. Producers mostly work with

exporters, although there are some with sufficient volume or capacity to export for themselves.

The exposure of South African producers to international competition corresponded with increased consumer awareness about the social and environmental impacts of products and production processes. While initially this enabled more progressive and already modernized farmers preferential access to certain retailer markets, over time these international codes and standards, particularly EurepGap (now called GlobalGAP) certification has become a 'condition of supply' (or barrier to entry) for European and UK retail markets (Barrientos, Kleinbooi, Auret, & Smith, 2003)

Producers of export commodities are required to comply with a variety of codes and certification systems which demand a high standard of product quality, but also standards on food safety and the social and environmental conditions of production. These included the British Retailer Council Standard (BRC) introduced in 1998, EurepGAP in 1997 and a number of company specific codes like Tesco's Nature's Choice, and Marks & Spencer's Field to Fork.

Researchers have pointed out that in most cases the codes and standards are written in the 'North' either by retailers or industry specialists with little consideration for the realities of the producers on the ground (Blowfield, 1999). Furthermore, the large retailers are able to pass down the burden and cost of compliance to the codes to their producers (Dolan & Humphrey, 2000). While some producers have embraced the changes and integrated compliance into their businesses, many producers have merely passed on the risks and costs to their workers, by restructuring their work forces, rationalizing their permanent workers and outsourcing their seasonal labour to independent contractors and in some cases even mechanization (Barrientos, 2002; Ewert & du Toit, 2005).

3.3.3. Extensions of Labour and Employment Legislation to Farm Workers

Since 1994 labour legislation in South Africa has been brought in line with international standards (specifically the International Labour Organization Conventions). Labour and basic conditions of employment were extended to the agricultural sector, including: Basic Conditions of Employment Act (No 75 of 1997), Occupational Health and Safety Act (No 85 of 1993), Skills Development Act (No 97 of 1998), Skills Development Levy Act (No 9 of 1999), Employment Equity Act (No 55 of 1998). In addition to general labour legislation a Sectoral Determination for Farm Workers was implemented in 2003 to regulate minimum wages and the specific conditions of employment for farm workers, who are together with domestic workers considered particularly vulnerable groups¹⁴.

From 2000 a number of studies were done on the impact of international standards and codes on the lives of farm workers in South Africa, particularly in the fresh fruit and wine industries. An impact study was done by Barrientos et al (2003) in which the researchers found that although international codes had a particularly negative effect on temporary and seasonal workers most of which are women while improving certain conditions for permanent, mostly male, workers (Barrientos, Kleinbooi, Auret, & Smith, 2003)¹⁵. Increasing the division between haves and have nots only between owners and workers, but also among their farm workers thereby, as eloquently captured in the title of (Ewert & du Toit, 2005)...'deepening the divide in the countryside'.

¹⁴ In comparison to the mining industry or other urban worker-forces (like municipal workers), farm workers are not well organized, and the unions that do exist are mostly independent, isolated and fragmented (Bosch, 2004).

¹⁵ This study also found that there was a general lack of awareness among workers about their rights and responsibilities according to the codes, but also a lack of communication between the retailers and the producers, and other stakeholders in the supply chain.

One of the major benefits of international codes is that producers' compliance with international conventions are more regularly monitored; inspections done as part of these private regulations can lead to more immediate action and change. However, the added costs of compliance with international codes are putting further pressure on the dynamics of transforming land and agriculture in South Africa. These codes and standards also raise the barriers to entry for new or emerging farmers in the industry (du Toit, 2001). Additionally, there are no measures to protect land reform beneficiaries in the export sectors against the volatility of international markets in a deregulated economic system (Hamman, 2003).

3.3.4. Land Reform and Broad-Based Black Economic Empowerment

In the nineties the ANC government embarked on affirmative action and redistributive policies like the Employment Equity Act, Land Reform and Broad-Based BEE initiatives to fast track the process of transformation. In 1997 the White Paper on Land Reform was passed, which included 3 main policy directions: land restitution, tenure reform and land redistribution (Department of Land Affairs, 1997). The target for the latter was set at 30% of commercially productive agricultural land by 1999, which was later extended to 2014.

The Department of Land Affairs, after consultation with the World Bank and other stakeholders, adopted a demand based system of redistribution (following the willing seller willing buyer principle enshrined in the Constitution) which would be funded through government grants known as the Settlement and Land Acquisition Grant (SLAG). SLAG contributions were small (R16 000 per household) and the grant system inflexible. It was also criticized for discriminating against women who were not necessarily the heads of their households. The approach of the grant was explicitly intended to encourage small scale farming (Hamman, 2005).

Given high land prices and large farm sizes the grant tended to enforce what one critic called 'neo-liberal collectivization' (Levin, 2000 in du Toit, Kruger, & Ponte, 2008), encouraging large groups of people to form single entities to pool their grants and purchase economically viable farms. Many of these land purchases were environmental and financial disasters, because the farms could not sustain the large numbers of settlers (Hamman, 2005). In addition the beneficiaries lacked the skills to continue the farming enterprises as profitable businesses and received little or no post-transfer support from the Department of Land Affairs or the Department of Agriculture (Hall, 2004).

In 2001 SLAG was replaced by the Land Reform and Agricultural Development (LRAD) program. LRAD is a more flexible grant which is given to individuals on a sliding scale according to their own contribution. LRAD makes provision for food-safety net projects, equity share schemes, production for markets and agriculture in communal areas (Department of Land Affairs, 2003). The program offered more flexibility and a potentially higher grant and initially led to a surge in redistribution projects in 2002 and 2003 (Hall, 2004). However, progress with the redistribution remained slow. Hall and Lahiff reported in 2004 that while there had been an increase in the budget for the land reform programme, there had been a decline in the 'transfers and subsidies available to purchase land and other related costs (Hall & Lahiff, 2004).

Stakeholders participating in the National Land Summit in 2005 articulated and organized around various issues. In particular a revision of the willing-seller willing-buyer principle and a more proactive role for the state in negotiating and acquiring land (Hall, 2005). While white farmers were criticized for inflating prices, the Department of Land Affairs was criticized for incompetence, bureaucracy and a lack of resources. The LRAD grant system was still criticized for being too small and encouraging 'rent-a-crowd' models of empowerment similar to SLAG.

3.4 Land Redistribution in the Western Cape: Farm Worker Equity Share Schemes

Equity share projects have been implemented in most regions in South Africa using SLAG grant as well as its successor LRAD, but most notably in the Western Cape, Eastern Cape and Kwa-Zulu Natal (Hall, 2004). High land prices and the capital, management and technology intensive nature of industrial horticulture impose high barriers to the outright transfer of land to black emerging farmers. Equity share schemes have been pursued as a viable means to distribute wealth and increase incomes of farm workers and surrounding communities and maintain land use patterns and production capacity (Hamman & Ewert, 1999). Between 1994 and 2002 there have been 50 equity share projects implemented, 20 of which are in the Western Cape. Furthermore equity share schemes constituted 18% of the land reform projects in the Western Cape in the same period (Mayson, 2004).



Farm worker equity share projects involve black¹⁶ workers buying a shares in a white-owned business, either the farm on which they work or in a new venture in partnership with their employer and/or another commercial partner. The shares could be in the business, the land, or a separate brand holding or marketing company. These commercial arrangements enhance the possibility of obtaining loan finance and it has been suggested that these projects are favored by both government and the private sector (Hall, 2004). It also enables workers to overcome the barriers to entry involved in participating in the commercial agricultural sector: to own assets and receive dividends and growth on their investment. However, these are often risky business ventures and the workers' ownership schemes do not always provide the individuals with access to land or

¹⁶ Black in the South African context refers to African, coloured (to describe the creolized community of predominantly from the Cape) and Indian.

secure tenure. In many cases the individuals' economic interest in the business is directly linked to their employment or community membership.

A number of studies have been done focusing on various aspects of these projects, including: the possibilities of public-private sector partnerships funded through a combination of state grants and loan finance (Hamman & Ewert, 1999); the change in power relationships or lack thereof (Hall, Kleinbooi, & Mvambo, 2001); access to land and livelihood resources of the so-called beneficiaries of equity-share schemes and other joint ventures (Mayson, 2004); identifying objective financial and economic performance criteria (Gray, Lyne, & Ferrer, 2004).

Mayson (2004) discusses equity share schemes according to 4 key themes including: access to land; access to livelihood resources; capacity building; and immediate benefits. According to Mayson (2004) equity share schemes offer an opportunity for large commercial farmers to recapitalize their businesses with cheap capital i.e. government grants given to their workers. In some cases poor land or orchards are sold to the workers with little hope of future success unless major redevelopments can be done. These schemes are often couched in complicated financial and legal terms mostly drafted by the commercial partners, lawyers and accountants, or land reform consultants. Due to a lack of capacity in the Department of Land Affairs these business plans are not adequately reviewed, and the projects are not monitored according to objective and measurable indicators (May, Stevens, & Stols, 2000).

Financially, employee equity schemes face the same debt and cash-flow challenges as established white commercial farmers – increasing input costs, exchange rate fluctuations and competitive international markets dominated by powerful buyers (Hamman, 2005). An additional problem is created by the fact that dividends and benefits from fruit and wine developments take a lengthy

period to realize, resulting in frustrated expectations of the beneficiaries whilst incomes and living conditions remain low.

There is also a lack of skills transfer (including production, management and finance) for beneficiaries to participate meaningfully in management decisions. Hall (2004) attributes part of the problem to poor 'post-transfer' support given to the beneficiaries of land reform projects by either the Department of Agriculture or the Department of Land Affairs. Although many commercial partners list skills transfer as one of their major objectives they mostly lack the skill, time and other resources to implement the type of skills transfer program that is necessary to develop new management capacity in the business (Mayson, 2004).

Hall et al (2001) offered a specifically critical perspective on whether equity share schemes change power relations and social and economic inequalities between black workers and white farmers. Firstly, they found that workers are collectively the minority shareholders, without a real voice in operational, management or strategic decisions and without any direct, independent access to land or other resources. Second, the incomes of the beneficiaries of some projects have increased through dividend payments, while other worker beneficiaries have not received any benefits and the value of their shares have declined.

Furthermore, the beneficiary groups of equity share schemes are often large and fragmented, and not necessarily homogenous. The beneficiaries include farm workers, as well as their households and other farm dwellers (i.e. people living but not working on the farm). These groups are often lumped together, which causes conflict between those workers that are part of the business, either as employees or worker representatives and other community members. Conflicts between the beneficiaries and between the employee and community beneficiaries and the commercial partner often emerge because of

miscommunication, misunderstanding and mistrust. The different levels of skill and capacity of the shareholders also contributes to conflicts. These social and political conflicts have the potential to derail equity share projects.

3.5. Farm worker equity share schemes and Broad-Based Black Economic Empowerment

Despite the many problems and criticisms of farm worker equity share schemes, they continue to be a popular vehicle for land redistribution and have been legitimized by the national Broad Based Black Economic Empowerment strategy formally introduced in 2003¹⁷. The Broad Based Black Economic Empowerment Act was passed in 2003 to ensure increased participation of black people, communities and workers in all sectors of the economy. The B-BBEE Act made provision for the development of Generic Codes to measure B-BBEE as well as the development of sector specific charters in order to address the specific context and needs of a particular sector or industry e.g. financial, tourism, agriculture etc.

The Generic Codes for Broad-Based Black Economic Empowerment were to form the basis of the sector charters as well as the monitoring and measurement of enterprises' contribution to black economic empowerment and included the specific dimensions of B-BBEE and targets against which enterprises would be measured e.g. 25% + 1 black ownership. According to the Generic Codes a contribution towards black economic empowerment could be measured using a scorecard consisting of 7 dimensions, each with a specific weight as indicated below, including: ownership (20); management control (10); employment equity (15); skills development (15); preferential procurement (20); enterprise development (15); and socio-economic development (5). The first 4 dimensions

¹⁷ Although black economic empowerment had been a focus of the ANC government since 1994, the specific focus on broad based beneficiaries was adopted in the B-BBEE Act in 2003.

refer to direct empowerment within the business or specific enterprise being measured. In other words the effective ownership and management control of black people in the specific business and the employment and skills development of black people in that business.

The Generic Codes also place a particular emphasis on marginalized groups, including: women, the disabled, youth, people living in rural areas, black new entrants. Enterprises can therefore be awarded more points (and bonus points) on their scorecards for making a contribution to the empowerment of these marginalized groups. The B-BBEE codes also distinguish between the responsibilities towards empowerment of different size businesses and therefore businesses with a turnover of less than R5m are exempt from having to comply with the B-BBEE codes (unless otherwise specified for their sector).

Although still lagging behind other sectors (e.g. financial sector and mining) B-BBEE is playing an increasingly important role in the debate around transformation in the agricultural sector in South Africa. B-BBEE has introduced new ideas to the debate around land and agricultural reform to include economic interests in other agricultural enterprises. Agrarian reform and empowerment has been shifted away from a focus on land, to include other economic possibilities like brands, wine cellars and cooling facilities (although not excluding land).

The Agri-BEE was finalized in March 2008, after a lengthy 4 year process of consultation and conflict between the stakeholders in the sector, regarding in particular the issues of land and redistribution of land. In the meanwhile the Department of Land Affairs introduced the Pro-active Land Acquisition and Settlement Program (PLAS) and revised the LRAD grant to a much higher minimum grant (R114 000) and a much more rigorous review process involving

Department of Land Affairs, Department of Agriculture, Department of Water Affairs and the relevant local municipality.

Increasingly government departments and big business are requesting the B-BBEE scorecards of their suppliers, and as such these requirements are 'trickling' down to smaller producers. An enterprise's B-BBEE scorecard or contribution to black economic empowerment can affect the allocation of liquor and export licenses, water and land rights, government tenders etc. Many initiatives are being undertaken by commercial farmers to comply with B-BBEE codes rather than focusing on the equally pressing and political issues of access to land and secure tenure. Employee equity share schemes remain the 'easiest' way for white commercial farmers to maintain control over their businesses while making a contribution to 'empowerment' and scoring points on the B-BBEE scorecard. Du Toit, Kruger & Ponte (2008) have pointed out that B-BBEE has adopted the social technologies of auditing and certification to measure, in a management intensive and technocratic way, a change which is deeply rooted in the history and culture in the country.

3.6. Conclusion

The current socio-economic situation of farm workers in the Western Cape has been shaped by a long history of exploitation, discrimination and exclusion. The cross cutting lines of dependence, class and race cut deeply into the landscape of the Western Cape. Since 1994 the rural Western Cape has changed as much as it has stayed the same. Agricultural markets have been deregulated, and as opposed to one exporter there are now hundreds for producers to choose from. Labour and employment legislation has been extended to the agricultural sector and specific legislation was implemented to protect farm workers as a vulnerable group.

Although there have been positive effects on the working conditions of permanent workers of labour legislation and private regulation through codes and standards, producers have responded to the pressure of these changes by restructuring the work force and rationalizing their labour force. Women seasonal workers are even further marginalized in this environment, thereby increasing the divisions within rural communities between the haves and the have-nots. While most employers meet the bare minimum standards there is insufficient capacity to monitor compliance, other than through independent monitoring of private codes and standards implemented in the export industries. The impact of these codes, although more regularly monitored, are also both positive and negative on the one hand improving conditions for some workers, and on the other further marginalizing the rest.

In addition to changing labour and employment legislation and the advent of international codes, the government's land reform program is also increasing the pressure on white commercial farmers to transform their businesses. This has been compounded by the adoption of the Generic Codes of Good Practice for Broad-based Black Economic Empowerment. Land reform and empowerment initiatives have been implemented in the wine and fruit sectors in the Western Cape by both progressive and desperate farmers. A large number of these land reform and empowerment initiatives are farm worker equity share schemes where farm workers and their households are the primary beneficiaries. Through the government redistribution grants of SLAG and LRAD farm workers have been able to buy shares, or a unit interest in the businesses in which they work, or in new ventures with their employers.

Although this has enabled these workers to invest in a growing asset, benefits in the fruit and wine sectors are often slow to materialize and projects are often derailed by frustrated expectations and a lack of economic or social development. These projects often involve complex share-holding and loan

financing schemes which are difficult for the beneficiaries to understand and are often risky, capital intensive ventures. Land reform and empowerment projects must also compete with well established farms in an already competitive market, with very little support from the government.

Equity share schemes have been bolstered by the fact that the model fits neatly into the definition of black economic empowerment adopted by the Generic Codes of Good Practices. However, equity share schemes are difficult to implement in practice and there are major obstacles to their long term viability. There are also considerable social and economic risks involved and continued concerns that equity share schemes do not serve the purposes of land reform in terms of access to land and tenure security.

The Thandi initiative was a sophisticated response to the local and international challenges facing employment equity schemes in the wine and fruit sector. The developers of the Thandi project recognized the opportunity offered by Fairtrade labelling to be able to access niche markets and also to set Thandi apart from other empowerment projects. It also offered the opportunity of a higher price for the product, as well as a social premium that could be used for the socio-economic development and empowerment of the worker-shareholders.

Chapter 4: The History and Development of Fairtrade Labelling

4.1. Introduction

Fair Trade is has emerged from within a globalizing economy, particularly in opposition to the negative effects of globalization and the livelihoods of small producers and workers in the South. The Fair Trade movement had many different origins among churches and development organizations and most notably alternative trade organizations (ATO). Fair Trade products were mostly sold in world shops to a group of politically and socially conscious consumers. The need for a consistent and more consumer and product orientated strategy gave rise to Fairtrade labelling in the late 1980's, which encouraged other labelling organizations to form in Europe, the UK and the USA and will be discussed as the second phase. This in turn led to the formation of an international standards and certification organization called the Fairtrade Labelling Organizations International (FLO) in 1997, which will be discussed as the third phase of the development of Fairtrade labelling.

Fairtrade has from quite meager beginnings 50-60 years ago become an international brand. These developments have also resulted in criticisms from within and outside of the movement. The background and development of Fairtrade Labelling will be followed by a discussion of the particular opportunities and challenges Fairtrade Labelling and FLO face in the light of these developments and criticisms. Finally this chapter will conclude by discussing the particular window of opportunity which these developments in Fairtrade certification meant for South African stakeholders and producers in terms of defining worker empowerment and the benefits of Fairtrade labelling.

4.2. First Phase: Alternative Trade Organizations

The concept of Fair Trade, as we understand it today, started between 50 and 60 years ago by the opposition of various civil society groups and development agencies to the social and economic injustices of the international trade regime. Other initiatives emerged because of the motivation of church groups to help producers in developing countries by using their church networks as distribution channels. The solidarity groups, churches and non-governmental organizations, mostly in developed Northern countries started by buying products directly from poor and marginalized producers in developing countries and selling them to conscious consumers in Europe and America' (Tallontire, 2000).

Alternative trade organizations (ATOs) were mostly directly involved with the producer group or groups or artisans, either by buying directly for them, assisting in the development of the product, or other development activities like training and community projects. Many of the projects were more charity and aid orientated than driven by business development. Alternative Trading Organizations (ATO) started as country specific organizations that promoted and organized 'goodwill' selling of products, mostly handicrafts, made by people involved in development projects.

Tallontire (2000) describes the development of alternative trading organizations as shifting from goodwill selling in the 1950's and 1960's to 'solidarity trade' in the 1970's and 1980's. In the latter period the focus was on the commercialization of fair trade products; and the range of products increased and new types of producers and development initiatives were implemented. At this stage alternative trading organizations began marketing the products with a more politically motivated message to support solidarity trade either with specific countries (e.g. Nicaragua, Cuba), specific groups of marginalized producers (e.g. small coffee growers in South America) or specific causes (no

child labour). NGO's started to challenge the social and development effects of the trade regime and promoted the idea of development through 'fairer' trading conditions i.e. 'trade not aid'.

These country specific development organizations, based in the Europe and the USA, were mostly isolated from one other and built direct long term relationships with their suppliers and beneficiaries. The different organizations promoting the ideas of fair and alternative trade also differed from one another in terms of their criteria for partners and projects, as well as monitoring and evaluating techniques. A major obstacle for the growth of Fair Trade at this stage was the consumer perception that the quality of the products was inferior, or inconsistent. These groups therefore relied on a very small group of dedicated consumers, but there was a definite ceiling on what could be achieved through solidarity trade if other quality expectations were not met.

An example of an established ATO is the Fairtrade Organisatie, originally the Stichting SOS which started its economic activities in 1967 with the purchase of wooden statues from Haiti. In 1973 SOS started purchasing coffee from small farmers in Guatemala and in 1974 opened their first SOS shops through which these products were retailed. In 1994 the organization changed its name to Fair Trade Organisatie which focused on the trading and separated the support functions to a separate organization called Fair Trade Assistance (FTO, 2006).

Another example is Traidcraft, which was one of the first alternative trade organizations started in the UK in 1979 with a hand drawn catalogue selling only handicrafts from Asia from a warehouse in Newcastle. In 1980 tea and coffee were added to the catalogue. Traidcraft grew quickly and established the Traidcraft Educational Foundation in 1981 and 400 volunteers worked to promote awareness about Traidcraft. Traidcraft continued to grow with the addition of food products, clothing and textiles and working with increasing

numbers of producer groups. In 2004 Traidcraft sold 14.38 million pounds worth of Fair trade products in the UK market (Traidcraft, 2006).

The alternative trade organizations were key stakeholders in the next distinct phase of the development of the fair-trade movement in the late 1980's – Fairtrade labelling.

4.3. Second Phase: Fairtrade Labelling

Fairtrade labelling was started under the Max Havelaar label in 1988 in the Netherlands, with the labelling of coffee from small farmer cooperatives in Mexico. This was a distinct new type of Fair Trade which involved the actual labelling of the product. The main criteria included that the producers of a product were democratically organized small farmer organizations and that these producers are paid a fair price for their product and a premium for social development (Murray & Reynolds, 2007). This was the first time that a set of fair trade criteria had been developed for fair trade.

Max Havelaar was quickly followed by the Fairtrade Mark and Transfair in Europe and the formation of other national labelling organizations in Europe, the UK and later to the United States, Canada and Japan. The objective of Fairtrade labelling was to raise awareness about Fairtrade and instill consumer confidence in a label that provided a guarantee of fair conditions and high standards of production and trade. Each country specific labelling initiative developed its own criteria and own Fairtrade labels. Fairtrade labelled products were still mostly sold through direct marketing (catalogues, volunteers) and Word Shops.

As Fairtrade labelling of products spread in UK and North America consumer awareness of Fairtrade increased. Sales moved beyond traditional world shops to more mainstream retail outlets. Coffee was the first product to be labeled as

Fairtrade, but the national labelling organizations started to increase their product range to include bananas, tea, flowers and honey. Initially Fairtrade labeled products were only sourced from smallholder organizations. However as the demand for a variety of Fairtrade labelled products grew, labelling organizations also started working with other types of producer including plantations or large companies that are dependent on workers and factories- now referred to as Hired Labour (HL) situations. The increase in labeling initiatives, different products, labels and producers also led to a confusion among the consumers about what the different labels and claims could guarantee.

4.4. Third Phase: Fairtrade Labelling Organizations International (FLO)

The Fairtrade Labelling Organizations (FLO) was formed in 1997 as the umbrella standards and certification organization for 16 national labelling initiatives in Europe, the UK and United States. The main task for FLO was to develop a set of international standards and a system of certification. FLO became the owner of the international Fairtrade label, and the Labelling Initiatives, as governing members of FLO, licensed the use of the label in their national markets. FLO represented a more standardized, centralized system and a clear division of responsibilities. 'FLO guarantees that products sold anywhere in the world with the Fairtrade label marketed by a Labelling Initiative conforms to Fairtrade standards and contributes to the development of disadvantaged producers and workers' (FLO, 2005).

These new situations demanded an additional set of criteria and Fairtrade labelling adopted minimum conditions of employment and the socio-economic development of workers based on International Labour Organization Conventions (Fairtrade Labelling Organizations, 2007). The economic benefit of a

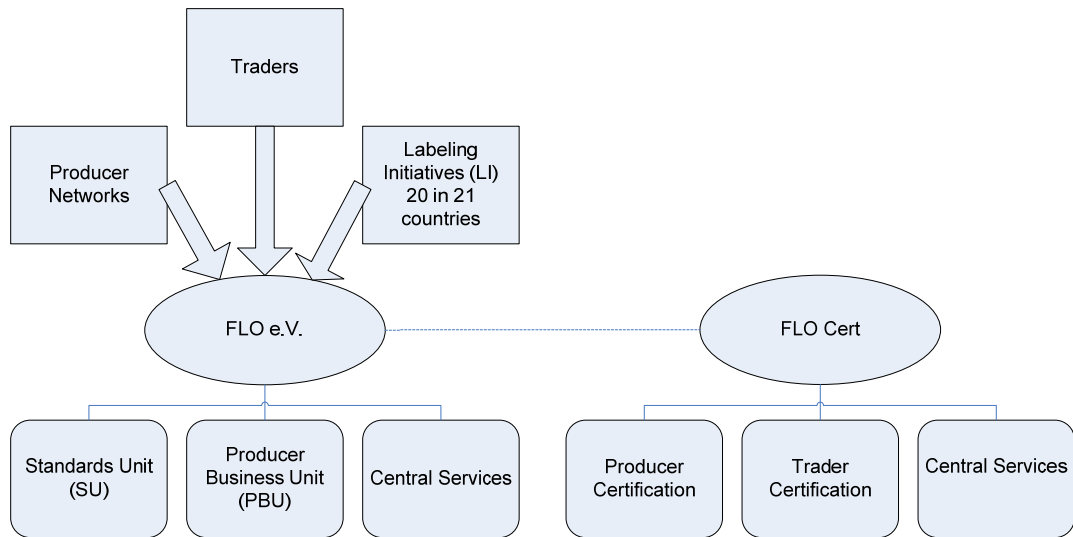
Fairtrade minimum price for products is intended to increase the income of the farm and therefore indirectly increase the income of the workers¹⁸. The benefits of the Fairtrade Premium would be paid directly to an organization of the workers in the company managed by a Joint Body (made up of management and worker representatives) who would be able to invest this additional income in the development of the workers, their families and communities,.

FLO developed two sets of generic standards: one for Small Farmer Organizations and one for plantations or Hired Labour (HL) situations. FLO was also tasked with the centralized producer support for all the membership organizations, and accordingly started the Producer Support Network in 2001 (FLO, 2005; Kuhlmann, 2004).

In 2004 FLO Cert was formed as an independent, certification body to inspect and certify against the Fairtrade standards (Cowan-Louw, 2004). This further separated the standards, support, monitoring and marketing elements of Fairtrade Labelling: FLO e.V. is responsible for setting standards and supporting producers, FLO Cert is responsible for inspection and certification of Fairtrade supply chains, and the Labelling Initiatives license the use and raise awareness about the Fairtrade label in the consuming markets.

¹⁸ See Product Standards for specific minimum prices www.fairtrade.net

Figure 1 : Structure of FLO International 2005



There are currently 21 national labelling organizations and the sale of Fairtrade products reached \$1 billion in 2005. One of the biggest and fastest growing markets for Fairtrade labelled products is in the UK, with an annual growth in retail value of approximately 40% year-on-year from 2003 - 2008. Retail sales reached £290 million pounds in 2006, up 48% on the previous year. This increase is in part attributed to new products including wine, nuts and fresh fruit (Fairtrade Foundation, 2006).

Fairtrade Labelling in the FLO system has taken on an increasingly impersonal and rationalized structure. The establishment of FLO Cert in particular was done in order to increase the legitimacy of Fairtrade certification in international regulatory circles (Raynolds & Long, 2007). Fairtrade labelling is limited to products and producer types for which FLO e.V. have developed standards and FLO Cert has the capacity for certification. Other products (especially handicrafts) are mostly still sold through alternative trade organizations. Fairtrade labelling is leading to significant growth in fair trade sales, but at the same time alternative trade organizations are also growing (Raynolds L. , 2002;

2004); and although there are increased divisions within the Fair Trade movement, the movement as a whole is growing as are the organizations that participate in it.

4.5. Challenges facing Fairtrade Labelling and FLO

The success of Fairtrade labelling and the increasing variety of products and the growing numbers of producer organizations certified by FLO has touched off complex and highly contested debates about the mainstreaming of fair trade. In particular the power relationship and competition with multi-nationals, the harmonization of standard setting and the industrialization of certification and, not least of which, the tension between promoting the interests of marginalized producers in the international trade system and the certification of large commercial farms for the benefit of workers.

The developments of Fairtrade Labelling pose three interlinked problems. First, the formation of the Fairtrade Labelling Organization (FLO) in 1997 and more recently the formation of FLO Cert GmbH represent a more rationalized, hands-off system of certification, dependent on comprehensive standards and technologies of social auditing.

Second, the scope of Fairtrade labelling has also increased because of an increased demand for new Fairtrade labelled, new beneficiaries, different supply chains and trade relationships. The increased number of 'hired labour' plantations applying for Fairtrade certification has fuelled the debate within and outside of FLO about what Fairtrade's mission actually is guaranteeing a better deal for third world producers or workers, or both.

Third, the retail sector is demanding increasing varieties and volumes of Fairtrade products, and is aggressively sourcing Fairtrade products from their

supplying countries. Retailers have introduced business practices very different from accepted Fairtrade methods and there is a growing tension between the socially driven objectives and market orientated elements of Fairtrade.

Although one of the important opportunities of Fairtrade labelling was to reach a wider group of consumers in the places where they do their shopping, the interest of large, and financially powerful companies also pose considerable challenges to the political goals of fair trade – namely to change the terms and conditions of trade for marginalized producers and workers.

4.6 Fairtrade Labelling in South Africa

FLO adopted specific empowerment standards for South Africa in 2004, following a consultation process with South African stakeholders. This was an extremely political process involving many and differently positioned interests. The acceptance of this standard was also fortuitously timed within the context of both the developments within the Fairtrade Labelling Organization, as well as the dynamic policy shifts affecting the transformation in the agricultural sector; particularly the development of BEE policies, charters and scorecards (Kruger & Du Toit, 2007).

The stakeholder conference was held in May 2004, only a couple of months after the formation of FLO Cert and reorganization of FLO and the generic standards. At this point the head of the Standards and Policy Unit, and the certification coordinator (who is also South African) suggested a country specific standard or policy to address the concerns of the Fairtrade Producer Support Network and other stakeholders regarding the development potential of Fairtrade in South Africa. It was possible to develop a country specific guidance for the generic standard '1.1.1.1. Fairtrade adds development potential to...' (Fairtrade Labelling Organizations (FLO), 2007) to mean direct economic empowerment of workers in South Africa.

South African empowerment projects challenged FLO's conception of worker empowerment on large commercial farms by providing a model by which workers would not only benefit from the FLO minimum standards and the Fairtrade premium, but also from an economic interest in the business. The acceptance of this model within the FLO system also raised concerns about the economic and social arrangements to which Fairtrade labelling was adding political legitimacy in the process of transformation of the agricultural sector, and how FLO could contribute to real empowerment of the workers in these projects.

4.7. Conclusion

The concept of fair and alternative trade has many origins and the different models of fair trading developed in different ways. There were also common trends, in particular the development of standards and labelling systems. The growth of FLO and Fairtrade labelling has resulted in a shift of rules of the game. The meaning associated with Fairtrade has also changed and this has been changed by the different social and economic networks negotiating these meanings and their consequences.

The meaning is dependent on the standards set and the extent to which their implementation promote the principles of social justice and development subscribed to by Fairtrade. Fundamental questions facing the Fairtrade Labelling Organization in particular is who it's beneficiaries should be? Will Fairtrade be able to grow and be extended to include and benefit a greater number of disadvantaged producers and workers, while maintaining the integrity of the standards and the meaning of the label?

Fairtrade labelling has become appealing to large multi-nationals, as a means to improve their image among their consumers through independent third party certification. Growing consumer awareness of Fairtrade as a brand also presents

significant marketing opportunities for these retailers. In addition to the risk of being associated with large multi-national companies and their public relations objectives, there is the risk of FLO being co-opted and dictated to by these companies. The strategy to mainstream Fairtrade certainly carries risks, not only of dilution of standards, but also of “the space that exists for alternative trade will be subverted by profit seeking corporations” as they try “to bolster their legitimacy by adopting the rhetoric of environmental and/or social responsibility” (Raynolds L. T., 2000, p. 299).

For the purposes of this dissertation we need to ask the question of what this all means for an ordinary farm worker on a wine and fruit farm in South Africa. Du Toit refers to the possibility of ‘adverse incorporation’ into the global economy to describe how farm workers and the rural poor are not excluded from participating, but are included, or incorporated in a disadvantageous way. Du Toit argues that ‘[t]his requires that we understand, not only of household level livelihood components, but the local, regional and global institutions, power relationships and processes that perpetuate and create that marginality’ (du Toit, 2004).

An important point made by Du Toit is that the patterns of paternalism evident in the history of South African agriculture have not disappeared with the advent of a modern, capitalist agricultural economy, neither are they incompatible with ‘modernization or capitalist development’ (du Toit, 1993). It is therefore important to understand the complimentary and conflicting forces of globalization and the local development to understand the link between Fairtrade certification and labelling and worker empowerment in South Africa. The following chapter will look at these global institutions, power relationships and processes through the theoretical perspectives of global value chain and convention theory.

Chapter 5: Global Value Chain and Convention Theory Perspectives on Fairtrade Labelling and Worker Empowerment in South Africa

5.1. Introduction

The specific questions raised by the rapid developments of Fairtrade labelling in equity share schemes in South Africa require an analytical framework which can consider the micro-politics of farm worker equity share schemes as well as the political economy of Fairtrade labelling in international markets. The certification of equity share schemes in export agriculture in South Africa according to a specific set of Fairtrade standards is the result of the dynamics of transforming land ownership and agriculture, and the acceptance (albeit tenuous) that equity share models are a viable form of transformation and worker empowerment. The further developments of BEE codes and scorecards have led to an approach to empowerment which is reliant on the auditing and verification procedures.

Fairtrade has also become more reliant on international codes, certificates and labels to ensure the legitimacy of the system in regulatory circles. The link made between Fairtrade labelling and worker empowerment is also the result of the history and developments of Fair Trade within a changing global agro-food industry. By discussing the history of Fairtrade and developments of Fairtrade labelling against the backdrop of changes in the agro-food industry this chapter will unpack the way in which Fair Trade operates both 'in and against the market' (Barret-Brown, 1993) and the opportunities and challenges presented by this approach.

This chapter will begin by describing some characteristics of agro-food restructuring since the 1980's, and the main developments relevant to the

development of Fairtrade labelling. In particular the increasing power of multiple retailers, the prevalence of international private regulation and the growth in alternative food networks like organic, and Fairtrade. The rest of the chapter will explain and apply the theoretical perspectives of global value chain theory and convention theory to the value chains and power relationships that exist in Fairtrade labelling.

5.2. Retailer power, private regulation and international networks

Large multiple retailers are one of the main role players in agro-food supply chains of the late twentieth century in both the developed and developing worlds. Approximately 80 % of UK consumer sales are through large multiple retailers, and the top 5 retail chains in the UK control around two-thirds of the food retail market (Dolan & Humphrey, 2000). The economic power concentrated in the hands of the retailers has enabled them to create demands in the retail market which ensure high profits. In an environment of intense retailer competition, year round supply of fresh produce is a major consumer attractor (Friedberg, 2003). The availability of exotic and convenience foods are another retailer innovation that has changed consumers' tastes and preferences (Wilkinson, 2002).

Large retailers are able to demand a variety of products from multiple, internationally distributed supply bases and because of their buying power they are able to dictate the terms of these conditions in order to minimize their costs and maximize their returns. Agro-food supply chains, especially of fresh or perishable products require technological, management, capital intensive processes and high levels of coordination to ensure that a fresh, quality product is on the shelf (Friedland, 1994). The retailers have the shelf space to which they control access, but there is mostly more product than shelf space and producers

are in fierce competition with one another, both within countries and between countries.

Global communication and travel has meant that consumers have become more aware of the potentially negative effects of industrial agro-food supply chains both on society and the environment. In particular, food scares involving diseases, chemical residue levels and product ingredients propelled the agro-food companies into public awareness. These issues have led consumers to ask questions about the products they buy, especially, but not only, the food they eat. Concerns about food based on risks to personal health were soon followed by more public concerns such as environmental degradation, pesticide usage and genetically modified foods.

Social concerns have also become part of the public or consumer agenda. Advocacy networks that publicly exposed large companies like Nike of exploitative buying-behaviour and harsh working conditions have increased awareness about international labour conditions and the effects of large companies and multi-nationals on local communities. Some of these advocacy networks have also promoted the idea of voting with the wallet i.e. the power to change the way in which production and trade are organized by changing what people buy (Evans, 2000).

This has forced large companies to respond to allegations of unethical and unsustainable practices (Oxfam International, 2004) in new and innovative ways. In particular, codes and standards have become essential to the arms-length control exercised by both large companies because they enable large companies to externalize their social responsibility. Codes and standards have been developed by large multiple retailers themselves (e.g. Tesco's Natures Choice) which is monitored internally and is normally integrated with conventional

quality systems. Industry wide codes like EurepGap¹⁹ have also been developed by industry stakeholders. Finally independent 3rd party certification systems like Fairtrade or the Wine Industry Ethical Trade Association (WIETA) have also been developed mostly by technical (e.g. organic) and development organizations (e.g. FLO) (Gereffi, Garcia-Johnson, & Sasser, 2001).

These codes and standards do not regulate the physical characteristics like color, size or price, but rather the organization of the production process. Issues of 'consumer' concern like working conditions and health and safety are core components of these codes. One of the most widespread complaints from producers is that the responsibility for compliance, especially with company specific and industry codes, is mostly passed on to the producer (Blowfield, 1999). 'Whereas relations between supermarkets were once characterized by a policy of "don't ask, don't tell" regarding pesticide use, now supermarkets *do* ask, and suppliers *must* tell' (Friedberg, 2003).

Codes and standards, and the social technologies of auditing have become equally valuable tools to alternative social and political networks, like Fair Trade. Independent labelling initiatives have the capacity to elicit greater representation from a wider variety of stakeholders in the development of standards (Blowfield, 1999). Their independence affords them a better position to consider the real and perhaps contradictory impact of implementing standards in a sector and engage the stakeholders the development of these codes.

The majority of certification and monitoring systems are, however, still instigated and situated in the global and economic North with limited consultation with Southern partners. As such, '[the i]ndicators of achievement will reflect the values and concerns of Northern companies and consumers, and the instruments

¹⁹ EurepGap has become GlobalGap since March 2008 (reference www.globalgap.com)

employed will remain those that Northern stakeholders understand, rather than those best able to identify the concerns and aspirations of people in the South' (Blowfield, 1999, p. 767).

A major threat to the integrity and benefits of the Fairtrade system is retailer power and their capacity to exert pressure down the value chain to increase volumes and diversify suppliers, while simultaneously promoting themselves according to standards and certification which portray fair and ethical business practices.

5.3. Theoretical Perspectives

Recent studies on Fair and Alternative Trade have drawn on the concepts from global value chain theory, convention theory and network theory (Raynolds L. , 2002; Tallontire, 2000; Murray & Raynolds, 2000). The next sections will apply these perspectives of agro-food theory to studying the tensions of Fairtrade labelling and worker empowerment in South Africa. Firstly, Global Value Chain theory helps us understand how Fairtrade impacts on the coordination, governance and potential for 'up-grading' in specific value chains and at specific points in these value chains. Secondly, Convention Theory frames the different types and sources of implicit and explicit rules determining the quality of a product, and helps explain the diverse responses to global value chain restructuring and dynamic environments of rules and networks.

5.3.1. Global Value Chain Analysis

The value chain describes 'the full range of activities which are required to bring a product or service from conception, through the intermediary phases of production...delivery to final consumer and final disposal after use' (Kaplinsky & Morris, 2003, p. 4). The concept of a value chain is useful because it enables an

analysis of the power relationships which govern supply chains in contradistinction to pure market relations. A value chain enables one to organize the different actors in terms of their size, their links to other organizations, the value added at each stage and the distribution of income along the value chain. A simple value chain enables us to identify the various commercial role players in a value chain (Fairtrade or conventional), how they relate in terms of flows of goods and money and distribution of value through the chain. Fairtrade labelled perishable food products, like fresh fruit, are mostly sold and distributed through conventional value chains.

Global value chain theory as proposed by Gereffi et al (1994) is based on the historical fact that production processes are increasingly spread across countries. Global value chain theory therefore explains the organization and reorganization of global trade regimes in terms of the different types, characteristics and functions of value chains and firms acting in these value chains. An important feature of GVC analysis is its focus on power and the issue of governance in the organization of global commodity chains. Governance refers to 'the key actors in the chains that determine the inter-firm division of labour, and shape the capacities of particular participants to upgrade their activities' (Gereffi G. , 1994). In other words value chains are 'controlled' by lead firms which organize the value chain, and determine where profits are made and where risks are taken. The parameters of governance exercised by lead firms include: what is to be produced; how should the product be produced; when must the product be produced; how much of the product should be produced; and at what price (Gereffi, Humphrey, & Sturgeon, 2005).

Gereffi (1999) divides value chains into two types, namely: producer-driven and buyer-driven. Producer driven value chains mostly occur where the production process requires significant investment, which is dominated by large multi-national companies. 'Producer-driven commodity chains are those in which

large, usually transnational, manufacturers play the central role in coordinating production networks (including their backward and forward linkages)'. Buyer driven value chains 'refer to those industries in which large retailers, marketers, and branded manufacturers play the pivotal roles in setting up decentralized production networks in a variety of exporting countries, typically located in the third world' (Gereffi G. , 1999, p. 1).

In applying Gereffi's typology it was found that there is an increasing trend towards buyer-driven value chains (Humphrey & Schmitz, 2001). In particular the governance exercised by large multiple retailers. Gereffi has further developed value chain analysis into a theory of governance and a typology of different value chain relations underlying these modes of governance. Gereffi, Humphrey, & Sturgeon (2005) identify three variables that play a large role in determining how value chains are governed, namely: the complexity of the transaction; the ability to codify the transaction; and the capabilities in the supply-base.

Upgrading is another concept which has emerged within GVC theory to describe suppliers moving 'up' the chain i.e. suppliers incorporating more elements of the value chain into their own, or developing their own value chains. Kaplinsky & Morris (2003) identify four trajectories which can be pursued towards upgrading, namely: process upgrading (improving the efficiency); product upgrading (introducing new products or improving old ones); functional upgrading (changing the mix of activities engaged in); and chain upgrading (moving to a new value chain).

In relation then to the specific cases of fruit and wine one could then ask whether Fairtrade certification and labelling offer an opportunity for upgrading for fruit and wine producers? Does Fairtrade Labelling offer the possibility for chain upgrading i.e. enabling producers to move into a different (possibly more lucrative) value chain? What effect does the Guidance for South Africa (2004)

have on the potential supply of Fairtrade certified products from South Africa? If supply is limited will producers necessarily get a better deal through Fairtrade transactions with large retailers in essentially buyer-driven chains?

Value Chain analysis has been criticized for lack of applicability to agro-food chains, lack of historical context, lack of insight into different sources of power in value chains (Raikes, Jensen, & Ponte, 2000). Firstly some critics have questions the extent to which a chain can be governed, one way or another, given multiple points of coordination and many different actors. Secondly, and related to the first, is how the extent to which chains are governed determine the possibilities that exist for upgrading and how these possibilities are used by different actors in the chain. Third, whether it would be more useful to use the producer driven and buyer driven models as a tool of explaining the historical restructuring from integrated (hierarchical) value chains, to more relational and modular value chains. Finally, to what extent is the governance of agro-food value chains different from other buyer-dominated manufacturing products?

Recent applications of GVC more broadly and to agro-food studies particularly, highlight the need for a more nuanced approach to governance in agro-food networks (Renard, 2003; Reynolds, 2002). These contributions include concepts and frameworks drawn mostly from convention theory and actor network theory. A focal point of these new considerations is the increasing (and contested) importance of 'quality' in global value chains (Ponte & Gibbon, 2005). The research done in this field focuses on the changing nature of quality claims and criteria and the role of social and alternative economic networks (Wilkinson, 2004) in determining a new set of fair and ethical consumer considerations (Murray & Reynolds, 2000). Convention theory and network theory can contribute to GVC analysis by moving 'beyond a productionist focus to investigate how actors materially and ideologically engage in particular norms, rules and quality constructions across production, distribution, and consumption arenas' (Reynolds, 2002).

5.3.2. Quality and Convention Theory

The definition and presentation of quality is a key to understanding governance in retailer dominated agro-food chains, like wine and fresh fruit. Quality is a social construct and therefore not solely determined by price, but also by people and institutions. Conceptions of quality have become more dynamic and more complex, and the sources of information about the 'quality' of products have increased. Consumers no longer rely on trusting the grocer on the corner and are much more intent on having trustworthy information about what they consume, where it comes from and what it contains.

In order to understand changes in agro-food value chains, like Fairtrade, one needs to consider the alternative qualifiers and how and by which actors the definition and understanding of quality is influenced (Ponte & Gibbon, 2005). Quality is constructed through social and economic networks including the media, marketers,retailers, social networks and economic status. These constructions are normative and subjective and rely on information distributed through social and economic networks (Goodman, 2003).

Convention theory develops an explanation for the formal and informal 'rules' e.g. quality, are enacted and recreated by actors, institutions, markets and the moral economy. These rules or conventions are defined as a broad group of mutual expectations that include, but are not limited to institutions; i.e. written and unwritten rules which enable specific economic actions and choices to be made. '[These] rules are not decided prior to action but emerge in the process of actions aimed at solving problems of coordination' (Ponte & Gibbon, 2005). Quality in this framework is negotiated and developed by the actors and institutions that have an interest in the resolution of what exactly 'quality' means.

Convention theory sees productive activity as a form of collective action, at the heart of which are conventions which are defined as 'practices, routines, agreements, and other associated informal and institutional forms which bind acts together through mutual expectations (Salais & Storper, 1992: 174 in Murdoch, Marsden, & Banks, 2000). These mutual expectations or rules exist in and are the result of different convention 'worlds' including: the market, in which price directly determines the quality of the product; the domestic, in which quality considerations and choice are made on the basis of trust and long term relationships; the industrial, in which quality is determined by the independent verification of a third-party; the civic, in which quality is considered in terms the impact on society and the environment; and regulation when quality requirements are part of national or regional legislation.

Different conventions coexist in certain industries or even in specific value chains: sometimes these different conventions are complimentary and other times they may conflict. For example, there are difficulties in developing standards for a larger, increasingly diverse and dispersed group of stakeholders. It is no longer possible for Fairtrade to consider producers on a case by case basis (civic and domestic conventions) and it has become necessary to make generic standards (industrial conventions). Moving into the mainstream is also making market conventions more dominant within the Fairtrade system. Fairtrade products in the mainstream must also be of consistent quality, at the right time, at the right price.

Convention theory sees the processes of convention setting as dynamic i.e. changing as rules or expectations change. Conventions are themselves open to challenge and negotiation, and as such are constantly in the making (Raikes, Jensen, & Ponte, 2000; Wilkinson, 1997). Local political and social networks are playing an increasingly important role in articulating the civic content of quality conventions. Although political networks like Fairtrade labelling are small, they

represent an alternative, a new set of values and '[although] they are not likely [to] overturn the whole apparatus, they constitute challenges to 'business as usual' both globally and locally, and are in this sense 'counter-hegemonic'' (Evans, 2000). The adoption of a specific FLO standard for South Africa is an example of how conventions can, and do, shift and how a variety of conventions can be used to govern and coordinate specific value chains.

South African producers raised a new set of civic conventions regarding what is 'fair' and what is development in South African agriculture. At the same time changing the stakeholders involved in negotiating the civic conventions i.e. the principles upon which Fairtrade labelling is based to large commercial farms, exporters and local NGOs. Although the empowerment standard for South Africa is both politically and practically relevant to South Africa, European and British consumers are less aware and less concerned about the levels or particular models of worker empowerment. Owing to the fact that a standard was adopted and the FLO label guarantees that the FLO standards have been met, FLO Cert as the inspection and certification organization must implement the standard as a rule. The industrial conventions of independent measurement and certification must therefore be applied to the normative and context specific idea of empowerment.

5.4. Conclusion

Labelling, branding and certification have become a prominent means of representing and governing quality in global agro-food chains. This is mostly the outcome of a negotiated process, and different actors employ their social, political or economic power to influence this process. Brands, like Fairtrade, have also been used to promote fair and healthy working conditions and environmentally sustainable production practices by development organizations and NGOs and increasing by large multi-national corporations.

GVC analysis forms the basis of many studies in terms of the organization and coordination of global value chains and the role that lead firms play in governing these chains and the methods which they employ. Convention theory in turn does not view the types of coordination as structurally inevitable, but dependent on rules and expectation of the actors involved. These written and unwritten rules or conventions originate in a variety of so-called convention worlds, as described earlier. These conventions, like value chains, are not static but constantly negotiated (Wilkinson, 1997; 2004), by the actors participating. The actors participate in various social, political and economic networks. The power relationships are often determined by the social embeddedness of economic networks (Goodman, 1999).

‘[Network] is often used interchangeably with chains as a characterization of production arrangements’ and Wilkinson (2004) suggests a convergence of the theoretical traditions of GVC, Convention and Actor Network (political economy reading, regulation and actor-network theory), particularly in the light of the increasing prominence of civic conventions and the role of international social movements in influencing and informing quality of market expectations.

Chapter 6: Lebanon Fruit Farm Trust and the Thandi Project

6.1. Background

De Rust Estate is the home of Paul Cluver wines in Elgin. De Rust is one of the oldest and largest estates in the area and has been in the Cluver family since 1896 when Dr Paul Cluver (Cluver Snr), the current owners' grandfather, bought the estate. In 1948 his grandmother planted the first fruit trees. It was not until 1986 that Cluver Snr planted the first vines at De Rust and it was only in 1996 that De Rust built their own cellar on the farm (Vinnovative, 2006).

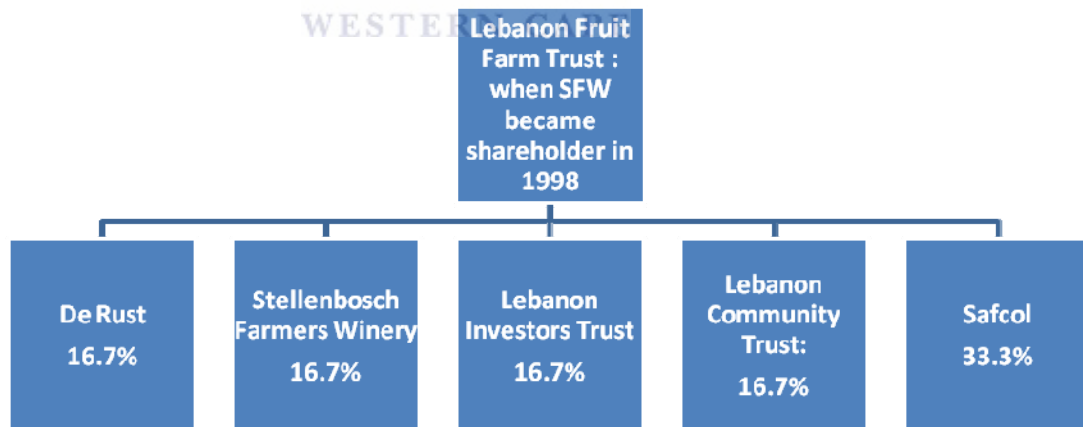
In 1996 Cluver Snr also started the Lebanon Fruit Farm Trust with their workers and the South African Forestry Company Limited (SAFCOL). The project was the result of discussions which had started in 1994 between a local Anglican priest, Father Jack Austen and Cluver Snr regarding the community living in the Lebanon Village and the development of the community. The land adjacent to the De Rust Estate was owned by SAFCOL on which pines for timber were grown. The Lebanon Fruit Farm Trust was started with an initial equity contribution of 100 ha of uncultivated land from De Rust, as well as 4 ha of yielding vineyards and 100 ha of felled land provided by SAFCOL (Hamman & Ewert, 1999). The SAFCOL employees lived in the Lebanon Village on the land which was contributed to the project. De Rust rented some of the houses in Lebanon village for their own workers who could not be accommodated in the De Rust village (on the farm).

SAFCOL, the former parastatal forestry, was in the process of privatizing and restructuring its assets and was also obliged by government to contribute to land transformation. This presented an opportunity for a joint venture between De Rust, SAFCOL and the community. All workers from De Rust Estate were given the opportunity, together with their households, to become shareholders in

Lebanon Fruit Farm Trust. The first four shareholders in Lebanon Fruit Farm Trust (LFFT) in 1996 were: De Rust Estate (33%); Lebanon Investors Trust (LIT - 16.7%); Lebanon Community Trust (LCT - 16.7%); and SAFCOL (33.3%). Both De Rust and SAFCOL's equity was based on the land they contributed to the project. The LIT 'funded' their application through an application for the Settlement and Land Acquisition Grant (SLAG). The application consisted of 147 households each applying for R16 000 grant²⁰. These 147 households did not include all the households in Lebanon Village and it was decided, by Cluver Snr to also form the LCT, which would benefit all the members of the Lebanon community.

In 1998 De Rust sold half of their share in LFFT to Stellenbosch Farmer's Winery (SFW) which was seen as a strategic partner for the future wine making objectives of the project. An organogram of the structure of Lebanon Fruit Farm Trust in 1998 is shown below:

Figure 2 : Lebanon Fruit Farm Trust structure



In 1996 Lebanon Fruit Farm Trust consisted of 200 ha of land in total. 36 ha of fruit trees were planted (apples, pears and plums) and 4 ha of vines (cabernet sauvignon). De Rust contributed the grapes from an additional 12 ha of De Rust

²⁰ The total value of worker/community investment R2 352 000.

vineyards (on the basis of first option to buy) including chardonnay and pinot noir in order to start producing wine and generating an income (Cluver Snr, 2006). The Thandi brand was developed as a separate independent label for the wines from Lebanon Fruit Farm Trust, including the grapes contributed by De Rust.

The first Thandi wines (Chardonnay, Cabernet Sauvignon) were made in the cellar on De Rust in 1999 by Patrick Kraukamp with the assistance of Paul Cluver Wines winemaker Andries Burger. The wines were marketed as Thandi by Vinfruco. Thandi Wines was formed in 2000 as a separate brand-holding and marketing company. The Lebanon Fruit Farm Trust held 66.6% of the shares in Thandi Wines, and the other 33.3% shares were held by Vinfruco. Vinfruco was a wine marketing company rather than a blending or processing facility and Thandi wines was fully incorporated into their business. Vinfruco's largest shareholder was Capespan (50%) (du Toit, 2004).

Although the volumes were initially small, the Thandi brand was a success in the market particularly the UK, Northern Europe and Japan. A large part of the success was as a result of the emphasis on quality of the wines and an interest in the social content of the project (Cluver Snr, 2004). In 2002 discussions about the expansion of the Thandi concept were started by Paul Cluver, who was chairman of both Vinfruco and Capespan at the time and also of the LFFT. A proposal by Thandi Wines was made to Capespan with the assistance of Johann Hamman, a land reform and rural development expert. Hamman was also a trustee on the LCT, and a director of Thandi Wines. The essence of the proposal was to extend the Thandi brand to the fruit sector. The goal was to build a niche brand for both fruit and wine from empowerment projects and thereby secure preferential markets and greater returns to the farms to increase the sustainability of the projects (Capespan, 2003).

In 2003 sales of Fairtrade products in the UK had increased substantially, particularly in large multiple retailers (in particular coffee, cocoa, and bananas). Cluver and Hamman recognized the possibilities of Fairtrade certification to contribute to the objectives of preferential market access and higher prices for LFFT. Fairtrade certification and labelling also presented the possibility of earning additional income in the form of the Fairtrade premium for the development of the community. Fairtrade certification also meant compliance with the FLO standards and this offered a means through which Thandi projects, LFFT as well as other farms that would supply under the Thandi Label could be independently audited against an internationally recognized set of social and environmental standards. Combined these also meant international recognition for the Cluvers' empowerment project.

Discussions started with Max Havelaar Netherlands, Fairtrade Foundation in the UK and FLO International to develop product standards for fresh fruit and wine from South Africa. FLO did have a standard (i.e. a minimum price and premium) for bananas, but not for other fresh fruits. These standards were developed with the financial support of the Fairtrade Foundation in the UK (Arnold, 2004). At the end of 2003 the first Fairtrade labeled Thandi products were launched in the UK, Thandi wines and apples (both from LFFT) and citrus (from another producer supplying Capespan) with fruit under the Thandi brand. Thandi was lauded in the press as a pioneering initiative contributing to transformation of South Africa and former president Nelson Mandela welcomed the initiative describing it as a visionary and inspirational move which contributes to South Africa's development (Fairtrade Foundation, 2003).

The first Fairtrade premiums were paid to the elected committee (the Lebanon Joint Body) on Lebanon Fruit Farm Trust in July 2004²¹. The premium payment also corresponded with two other significant events for LFFT: first the withdrawal

²¹ I attended a function held in the community hall in De Rust Village.

of SAFCOL from the project and the transfer of their shares to the 3 other shareholders; and second Thandi Wines winning a gold medal at London's International Wine Challenge. LFFT became known as Thandi and was hailed as one of the first and most successful land reform projects in the wine and fruit industry (Grape News, 2004). The Thandi project had expanded beyond the gates of Lebanon Fruit Farm Trust and the farm itself also continued to grow and develop. The rest of the chapter will describe how Fairtrade certification and labelling linked into these developments.

6.2. Production and marketing: wine, fresh fruit and juice

LFFT produces approximately 25 tons of wine grapes (including De Rust vineyards), 600 tons of apples, 450 tons of pears and 80 tons of plums. LFFT does not process or pack any of their products on the farm. The wine is made by De Rust and sold by the Company of Wine People (formerly Vinfruco and Stellenbosch Vineyards). The fruit for export and local market is packed at Kromco and exported by Capespan. The juice grade fruit is sent to Associated Fruit Processors (AFP) for juicing²².

Although LFFT does not participate or benefit directly from value adding activities in transforming the product (other than their minor shareholding in AFP), they do benefit from the Thandi brand in which they are the majority shareholder (66.6%). By aligning Thandi with the civic conventions of fairness and worker and community development guaranteed through the Fairtrade label and popular in the UK and European market, Thandi Wines have added value to the brand and opened access to socially conscious consumer markets where the

²² In 2006 Fairtrade apple juice was the only product exported by AFP, because the local market was particularly strong and AFP did not manage to get enough apples for juice export.

range of products (and therefore competition) is quite limited. Lebanon Fruit Farm Trust was certified as Fairtrade for all their products wine, fresh fruit and juice. The Thandi brand was focused on the wine and fruit²³, and not the juice.

6.2.1. Wine

LFFT produces approximately 25.5 tons of wine grapes, including the De Rust chardonnay and pinot noir vineyards that have been committed to LFFT. The processed grapes convert to approximately 17000 liters of wine – roughly 4 000 cases of six. According to the Fairtrade standards for wine Fairtrade labeled wine must be 100% made from Fairtrade certified wine grapes and must therefore be kept separate from other wines processed in the cellar e.g. Paul Cluver Wines.

In order to increase the volume of Thandi wine in 2005 two other empowerment projects, Lutouw Farms and Nietbegin partnership, were offered shares in Thandi Wines as an incentive to supply the Thandi brand; on condition that they also become Fairtrade certified. Each project was offered 7% shares in Thandi Wines which would be sold by LFFT. The total volume of Thandi wine was therefore not only made by wine grapes produced by LFFT. With the introduction of the two new suppliers Thandi Wines grew significantly from 1000 cases (of six) of wine sold in 2003, to 36 000 cases sold in 2005 (Cluver Jnr, 2005; Jeftha, 2005).

LFFT (and the two other projects) sell all their Fairtrade grapes as Fairtrade and receive the minimum price of €0.15/kg for their wine grapes (Fairtrade Labelling Organizations International, 2005). The Fairtrade minimum price is not intended as a fixed price. The Fairtrade minimum price is a 'floor' price i.e. the producer cannot be paid less, but must be paid more if the market price is higher. LFFT was initially paid by Vinfruco and then by the Company of Wine People when Vinfruco and Stellenboch Vineyards merged in 2005.

²³ Apple juice is not the focus of the production, unlike certain citrus plantations in Brazil whose production is dedicated to juice.

The Company of Wine People now also presses the grapes of other producer shareholders in Thandi Wines and is still looking for additional suppliers who meet the Thandi criteria. The Thandi brand is one of 5 core brands that are produced and marketed by the Company of Wine People and the flagship of their empowerment initiatives in the company. The Company of Wine people provides mentorship and offers bursaries for workers to attend agricultural college (Jeftha, 2005).

6.2.2. Fresh Fruit: Apples, Pears and Plums

The Thandi brand has largely been built on Thandi Wines, but the largest part of the LFFT is fresh fruit, packed for export. The fruit trees were planted with the support of the Department of Agriculture and have been in full production since 2003. LFFT was presented with the Kromco award for the best quality fruit in 2003 and in 2005 they achieved one of the highest pack-out rates²⁴ (Schippers, 2006).

De Rust management are significantly less optimistic about the possibilities of Fairtrade in fruit, due to the power and purchasing practices of large retailers which govern fresh fruit supply chains. Furthermore, fresh fruit is perishable and its quality and therefore the price that can be achieved decreases over time. Fresh fruit from South Africa also competes with fruit from other countries like Chile and Argentina, and the retailers force prices down. This is the case with conventional fruit, but also the case with Fairtrade fruit (Cluver Jnr, 2006; Cluver Snr, 2005).

Although the volume of Fairtrade fruit increased significantly from 2004 to 2005, this was not accompanied by increased returns to the farm. The volume of

²⁴ The percentage of the fruit that is actually packed for export after sorting is done in the pack-house.

Fairtrade fruit in 2005 realized R100 000 less than other programs like Tesco's natures choice (Smith, 2005). The Fairtrade premium generated by the sale of Fairtrade fruit was approximately R100 000 which was paid to the JB, but this is negated by the loss to the business. The table below provides the Fairtrade volumes and non-Fairtrade volumes for 2005:

Table 1: LFFT fruit volumes

Product 2005 (in tons)		
Fruit	FT	Non-FT
Apples	121	411
Pears	81	282
Plums	0	65

Lower returns on Fairtrade fruit were also experienced by other suppliers of Thandi fruit. This was partly the result of a lack of knowledge of the Fairtrade Product Standard on the part of the exporter: not knowing that the premium was paid on top of the market price. Some Fairtrade fruit producers, including the management of LFFT, have argued that there are insufficient volumes of Fairtrade fruit available to secure or change specific retail lines to Fairtrade. The practice of pre-packing fruit into retailer own brands has also negatively affected the Thandi brand, because although the consumers may be aware of Thandi they do not see a Thandi product and the sale of Thandi is dependent on wholesale buyers. Consequently, the Capespan Foundation has not been able to develop the Thandi brand into a significant market presence in the fruit market (Alberts, 2005).

The experience in the local market has been different. Thandi has managed to develop a presence in the local market, although their volumes are limited. In 2005 LFFT entered into a partnership with Pick 'n Pay: apples and pears from LFFT would be available under the Thandi brand in Pick 'n Pay stores nationally.

The fruit could not be labeled as Fairtrade, however, because there is no Labelling initiative in South Africa which has the capacity to license the use of the mark²⁵ (Pick 'n pay, 2005).

6.2.3. Processed Fruit: Apple and Pear Juice

The market for Fairtrade juice has mostly focused on orange juice from Brazil and other Latin American countries like Cuba. Since 2004, however, a wider variety of Fairtrade juices have been developed by FLO and the national labeling initiatives, including apple and pear juice (Spieringhs, 2005). LFFT was one of the two South African apple producers to supply apples and pears for juicing. LFFT delivers their juice grade apples to Associated Fruit Processors (AFP) for processing and exporting.

Lebanon Fruit Farm Trust is paid a price per bin, which is converted to a price per kg at farm gate. The Fairtrade minimum price for apple juice concentrate is, however, set at free-on-board (FOB) level i.e. including the processing costs. The minimum price for a 20 ton container of juice concentrate is \$960. The Fairtrade premium is set at \$96/container; therefore 10% of the minimum FOB price. LFFT delivered 299 tons of fruit in 2004 and the premium generated was R4158 – significantly less than the equivalent of fresh fruit.

The Fairtrade minimum price for juice therefore does not protect the producer directly, because it does not guarantee a price to the farm. Although Lebanon Fruit Farm Trust is also a producer owner of AFP and profits generated at the exporter level will be distributed among all shareholders, there is no difference in price paid for juice grade apples between Fairtrade and non-Fairtrade

²⁵ Although this is one of the objectives of Fairtrade South Africa, the national stakeholder organization, FTSA are not yet a member of FLO.

producers. Producers mostly 'take' the price they are offered in the market for their juice grade apples.

6.3. Reasons for becoming Fairtrade certified: interests and agendas

The management and consultant supporting Lebanon Fruit Farm Trust identified Fairtrade labelling as a means to contribute to the building of an internationally recognized empowerment brand and earn additional income in premium markets. Preferential market access was emphasized as an important reason for being part of Fairtrade, specifically for the Thandi brand. Increased awareness about working conditions and environmental impact particularly in the UK market meant that there was space in the market to tell and sell the Thandi story.

The objective of Thandi was to build an empowerment brand based on significant volumes of good quality fruit and wine from empowerment farms. Fairtrade labelling was a means through which empowerment projects could create additional value and better prices by raising awareness about the social content of the business. By getting empowerment projects to work together, they could also increase their collective bargaining power and economies of scale in the value chain.

In addition to the market and income incentives, the Fairtrade label would provide an independent guarantee to consumers. Fairtrade certification also enabled the Capespan Foundation to externalize the monitoring part of developing a code or standard, like Thandi criteria (Capespan, 2003). The development of the Thandi criteria required that farms participating in the Thandi project were certified by FLO. The objective was that all the producers

supplying the Thandi brand would meet the FLO standards, as well as the additional Thandi criteria of for empowerment²⁶.

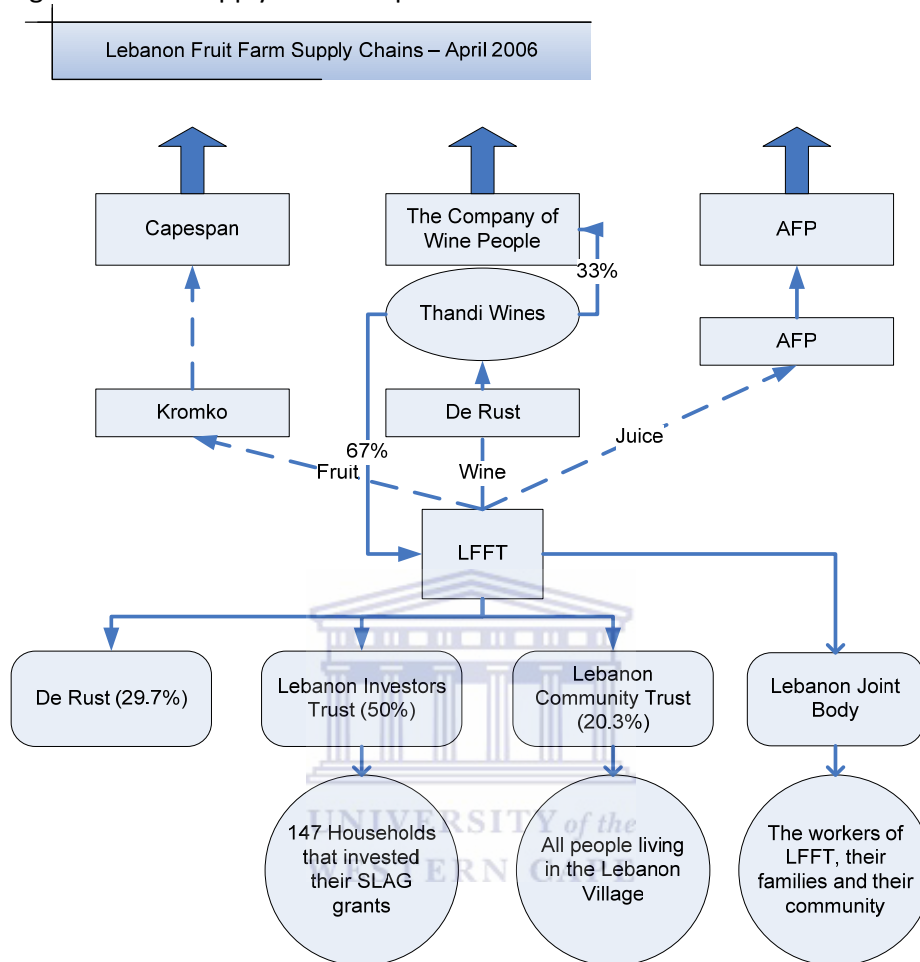
For the management team, an important reason to become involved with Fairtrade was to generate some immediate revenue and social for the beneficiaries of land reform projects, especially in cases where the farm is still in development and the trees or vines are not yet producing to full capacity (Hamman, 2003). Linked with this is the possibility for more social development activities like training and community infrastructure, which could not be generated by the project itself. The management team also saw the opportunity for the workers to be more involved in the decision making processes which would help build their capacity for more sophisticated management of the business itself.

6.4. Structure, shareholding and decision making in the business

LFFT is the entity certified in terms of FLO's standards. The beneficiaries of Fairtrade in hired labour situations are the workers i.e. the workers on LFFT, their families and communities i.e. the communities of De Rust and Lebanon Village. However, each of the trusts and the JB has a slightly different set of beneficiaries. They are as can be seen in the diagram below, clearly overlapping. The diagram also shows the other businesses and interests involved in LFFT supply chain.

²⁶ It is of interest to note that since the implementation of the FLO policy for empowerment in South Africa in 2005, the Thandi fruit project no longer required farms participating to be FLO certified. The Capespan Foundation developed their own auditing capacity (Angelo Pietersen, Capespan, Interview 2006)

Figure 3 : LFFT supply chains - April 2006



6.4.1. Workers and shareholders

Lebanon Fruit Farm Trust employs 10 permanent workers, 11 regular seasonal workers and approximately 30 workers on fixed term contracts. While the contract workers live in the surrounding towns or informal settlements the 10 permanent and 11 regular seasonal workers, live on De Rust farm or Lebanon village, and many of their family members work for De Rust (Voigt, 2006).

The beneficiaries of the Lebanon Community Trust (LCT) include other community members and not only the workers on the farm. The beneficiaries are broadly defined as those individuals and families living in the Lebanon

Village. The Lebanon Investors Trust on the other hand consists of 147 households both living in Lebanon and De Rust villages which each have units (like shares) in the in the Lebanon Investors Trust. The Lebanon Investors Trust were permanent workers of De Rust or LFFT, but not all of the permanent workers from De Rust and LFFT decided to invest in the project and workers that have joined the business subsequently also do not own shares in LFFT.

According to the Fairtrade standards the Lebanon Joint Body (JB) should represents all workers, both permanent and seasonal, working for LFFT as well as their families and their communities. Due to the structure of the business the first FLO consultant to visit LFFT in 2003 advised them to elect 2 representatives from each of the groups i.e. Investors Trust; Community Trust and workers. Six Joint Body members were elected in September 2003²⁷. This added an additional structure to the business, although four out of the six JB members were also trustees of one of the other trusts.

The Fairtrade requirements on the legal structure of Lebanon Fruit Farm Trust resulted in a further complication of an already complicated ownership structure. Each of the different structures representing shareholders, workers or community members also had different means of benefitting the workers: the shareholders received dividends on their shares; the community members of Lebanon Village (including shareholders and non-shareholders) benefited through the LCT whose main objective was to maintain and develop the Lebanon Village; and finally all the workers, their families and communities of LFFT (i.e. Lebanon Village and De Rust Village) through social and economic projects done with the Fairtrade premium by the Lebanon JB²⁸.

²⁷ Research Notes, Sept. 2003

²⁸ This was explained to both the workers of Lebanon, De Rust and the Lebanon Community (Notes from Community meeting De Rust, September 2003).

6.4.2. Management

There are various levels of management involved in LFFT. Firstly there is the management and coordination of the various trusts and company boards discussed above, including: Lebanon Fruit Farm Trust; Lebanon Investors Trust; Lebanon Community Trust and Thandi Wines. Secondly, there is the level of financial and business management and strategic decision-making. Thirdly, there is the production and human resource management involved in the day to day running of the farm.

LFFT is managed by De Rust Estate for a monthly fee. This includes the production management, human resource management and financial management. This is done on the basis of a management contract. Cluver's daughter, Karin Voigt, manages LFFT on behalf of De Rust. Paul Cluver Jnr, Cluver's son, is the management representative on the Lebanon JB and also a director of Thandi Wines. In addition to the actual management of the farm, LFFT also rents equipment from De Rust and is mostly dependent on the same consultants as De Rust (Schipper, 2006). The Cluvers and the management systems of De Rust play an integral role in the running of the LFFT and according to Cluver Jnr it is their responsibility to ensure the financial success of the business (Cluver Jnr, 2006), but that they were not community development experts and outsourced this part of the work to other stakeholders e.g. Anglican Church, Hamman & Schumann etc.

The trustees and permanent workers on LFFT have, however, emphasized that they need their own farm manager so that decisions can be made on LFFT, independently of De Rust. The main reason provided for wanting their own manager was so that information and communication could improve, and the business management become more transparent. Although the books of both LFFT and the JB are available to anyone who wants to see them, they are kept in the office at De Rust. Therefore any worker wanting access to the financial

records of LFFT needs to report to the De Rust offices. Access to the financial accounts of LFFT is conditioned by employer-employee relations on De Rust. The decision to appoint a new and independent manager must, however, be taken by the trustees of LFFT. Although this was raised a number of times by the Lebanon Investors Trust and the Community Trust between 2004 and 2005, De Rust continued the management of LFFT (LFFT, 2004).

De Rust management has vested interests in LFFT, not only in capital but also in public image implicit in the extensive involvement of the Cluvers in the public relations of LFFT. Their objective is to ensure that the business makes money, and can continue to grow. They have the management capacity to be able to do this. According to Cluver Jnr they have also invested a significant amount of capital (R2.5 m) in the project which they would like to see grow (Cluver Jnr, 2005). De Rust and the Cluvers in particular bring significant business acumen and networks to Lebanon Fruit Farm²⁹. The risk is that the worker-shareholders and newly appointed leadership would not be able to sustain this profile without the Cluvers and De Rust and that their choice to be more independent would be limited.

The challenge with an empowerment business is that this financial and production management capacity needs to be built up within the group of beneficiaries in order for them to participate and truly take ownership of the project. This is particularly challenging in the situation in which there are approximately 147 households which are shareholders, as well as 250 community members benefitting from the LCT. There are many beneficiaries and they benefit in different ways, but there are insufficient employment and promotional opportunities in LFFT itself. Furthermore many of the trustees representing the community and the workers are dependent on De Rust for their

²⁹ Evident in the high profile guests and public relations events held at Lebanon Fruit Farm (July 2004, June 2005, 2006).

employment and are therefore unlikely to challenge the management of De Rust in any meaningful way should the circumstances arise. This is a common problem and lies at the heart of the challenge facing employee equity share schemes, particularly farm worker equity share schemes.

Whilst De Rust management do not see the community development component as part of their responsibility (Cluver Jnr, 2006), they have engaged other social partners to assist with and manage the community development process, including the Anglican church (1996 – 1998), Capespan Foundation(2002 -), Fairtrade Labelling (2003 -). There has, however, been very little continuity and different people representing different stakeholders and interest groups have become involved with Lebanon Fruit Farm Trust or Lebanon Community Trust.

In terms of employment equity there are more or less equal numbers of men and women on the various trusts and there are at least 2 women³⁰. Coloured men and women hold leadership and management positions. Jan Jansen was appointed under Karin Voigt as farm manager and he travelled to the UK for the launch of the Fairtrade labeled Thandi project in 2003. Evelyn Jonkers, Patrick and Susan Kraukamp are also individuals who have been promoted and had access to opportunities within De Rust as well as the LFFT businesses.

In particular Evelyn Jonkers, then a supervisor, and now a section manager on De Rust, was a trustee on the Lebanon Investor Trust (LIT) and also on the LFFT trust itself. At the end of 2005 Paul Cluver Snr resigned as Chairperson of LFFT and nominated Evelyn Jonkers for the position (Jonkers, 2006). Evelyn was also chosen to represent the LIT on the Lebanon Joint Body and was also elected chairperson of the Lebanon JB in 2004. Evelyn has also been active in Food and

³⁰ This is, however, quite common on wine and fruit farms in the Western Cape.

Allied Workers Union (FAWU) and in 2005 and 2006 with the Women on Farms (WFP) organization and their sister union Sikhula Sonke.

Two of Lebanon Fruit Farm Trust 'star' employees were Patrick Kraukamp, assistant winemaker and Susan Kraukamp, his wife and the manager of the Thandi Farm Kitchen. The couple were identified and mentored by the Cluvers in 1996. De Rust sponsored the couple to attend the Wine Academy courses to learn about wine. Patrick Kraukamp continued his studies in wine making in Oregon in the USA and returned to a post as assistant wine maker in the De Rust cellar. Susan Kraukamp meanwhile took charge of the tasting room at De Rust before she started as the manager of the Thandi Farm Kitchen in 2004

When Lebanon Fruit Farm Trust was being developed Susan initiated a project to develop a farm stall kitchen on the farm, in which a group of 20 workers would have a share together with De Rust. The farm kitchen would create additional employment, extra income for the investors, and a 'home-base' for Thandi Wines. Susan Kraukamp managed the farm stall from its opening in July 2004 to the end of 2005. Susan Kraukamp was also a director of Thandi Wines since 2002, and also a member of the Fairtrade JB.

6.4.3. Skills Development and Capacity Building

An integrated skills development and capacity building program was developed in December 2003 (Hamman, 2003). The training project proposed a holistic approach to business and personal development training. The proposal refers to all the empowerment of Thandi people – presumably all those involved in the Lebanon Fruit Farm Trust. The training proposal contained a programmatic, long term approach: firstly, participants were orientated within the new structure to 'explore their backgrounds and aspirations'; secondly reviewing and confirming the mission statement and project objectives with all the participants; thirdly, basic business principles i.e. what are the components of a business, in particular

an agribusiness. Specific training was also provided for the leadership within the Thandi team. The farm manager, the farm stall manager and supervisors attended management, team building and customer service training.

The lion's share of this training was focused on the trustees, managers and supervisors, both on LFFT and De Rust. For practical reasons (e.g. size of classes and groups) it was decided to do LFFT and De Rust's training together. It is therefore difficult to distinguish between training done at Lebanon or De Rust. The Lebanon workers and trustees also received specific training from Mercia Stow, appointed by Capespan as the Thandi trainer. She worked with all 5 of the original Thandi projects particularly with the trustees and worker representatives. She trained the workers on basic business principles, financial management, communication, the fruit export industry etc. This training was funded by the Thandi project.

One of the key benefits identified by the Joint Body members and trustees has been the opportunity to meet with other projects and workers from other farms to discuss common issues and experiences (Lebanon Joint Body, 2005). This is a result of the broader Fairtrade network which had started forming and the fact there is a yearly conference to which all stakeholders (certified producers and traders) and various other local organizations like the Association for Fairness in Trade (AFIT) and Fairtrade South Africa (FTSA) are invited. Fairtrade has therefore linked these groups into a broader network of producers and service providers.

Although ordinary workers or shareholders were kept informed of developments in annual meetings they had not received any training, support or capacity building specific to the empowerment project or Fairtrade. Although they were informed in Annual General Meetings and special meetings these formal lines of communication were often superseded by more informal relations between

family and community members. A more cynical view expressed by one of the Joint Body members is 'ons mense is maar so [moeilik]' (our people just are like that [difficult]), and even more resigned to the fate of their community, 'ons mense sal nie verander nie' (our people won't change).

The result has been an increasing rift between the worker leadership and the ordinary workers. Neither LFFT nor the Lebanon JB has invested in broader skills development of ordinary workers, shareholders and community members. This has caused conflict between the beneficiaries and the various trusts. Due to the composition of the JB i.e. the representation of the various trusts on the JB, this conflict has also been raised in the activities of the JB and the development of premium projects. Although the Fairtrade requirements of consultation with the workers and the community members has brought the problems with communication to light, the Fairtrade premium has not been invested in addressing the training needs and communication concerns of the beneficiaries.

6.5. Fairtrade Benefits and Beneficiaries

The first dividend of Lebanon Fruit Farm Trust, since the start of the project in 1996, was declared in July 2004. R100 000 was paid out, of which R40 000 was paid to the Lebanon Investors Trust, R30 000 to the Lebanon Community Trust and R30 000 to De Rust. This meant that each household received an additional R280, or R140 per individual³¹. From the ordinary worker or ordinary shareholders point of view this was a very small return. According to one worker 'we see all these visitors, and buyers, and we hear that the project is doing well and that there is money – but we have not seen much of it. We sell our wine overseas, we sell our fruit overseas, but the project cannot afford to buy its own tractor?' (Lebanon Pensioner, 2005).

³¹ Attendance of the shareholder meeting and handover; and interviews with workers July 2004.

In comparison the value of the Fairtrade premium that has been paid to the Lebanon JB is quite significant. The table below contains the totals of premiums paid out for the three products that LFFT sells as Fairtrade from 2003 - 2005.

Table 2 : LFFT premium (2003-2005)

Product	Total (2003 – 2005)
Wine	R31 547.00
Fruit	R109 731.00
Juice	R4158.00
Total	R145 436.00

The Fairtrade guidelines for the use of the premium do not allow for the distribution of the premium either in cash or kind. Neither can the premium be used to pay for the running costs of the business³². The Fairtrade guidelines for premium projects suggests that projects should have wide-spread, long term impact and should not replace the responsibilities of another actor e.g. the employer (FLO, 2004). The premium can also be used for training and capacity building activities, like the JB members attending workshops and conferences.

By the end of 2006 the JB had spent R50 000 on various social projects. The first project, and the only one which has affected the community more broadly was the paying of the school fees of the children of workers. There was some debate within the JB about how to approach the paying of school fees. Should they pay all the children's school fees for example, if a worker had five children the JB would pay for all five, and if they had one they would only pay for one? It was eventually decided to pay the school fees of one child per household (Joint Body Meeting, 2004). The other projects are listed in the table below.

³² In this respect the guidelines for premium usage in hired labour situations differs from the guidelines for small farmer organizations. Small farmer organization can use the premium for investment in infrastructure for their collective business e.g. the tea court for the Heiveld Rooibos Cooperative.

Table 3 : LFFT Premium projects

Item	Cost
School fees	R15 200
Computer	R7 710
Vegetable gardens	R24 490
Traveling costs for JB members	R600
Clothes for family whose house burnt down	R1000
Funeral for long term worker	R1000
Total	R50 000

It was decided to lend R50 000 to Lebanon Fruit Farm Trust at a competitive interest rate. The transfer was made by De Rust management and there were no clear terms and conditions spelled out between the two separate entities: LFFT and Lebanon JB. The assets of the JB at the end of 2005 included: the computer, the tractor for the vegetable garden, the loan to Lebanon and the R65 500 cash in the bank. The computer has not yet been put to use and the Lebanon JB want to establish an independent office on LFFT. Part of the problem is to find a secure space in which to place the computer.

On the whole the workers were not well informed about Fairtrade and are confused by the different trusts and committees and are not clear about the different roles and responsibilities of the trustees and the JB members. Nor do the ordinary shareholders and workers understand the different income-streams of the business e.g. the farm stall is separate from the Lebanon Fruit Farm Trust, is separate from Lebanon JB etc. The JB members, many of whom are also trustees on the different trusts are hesitant to answer any questions or say anything about the Fairtrade premium or premium projects that may confuse workers even further. This led to a situation of no communication about JB activities or Fairtrade premium projects in 2006, which further deteriorated in 2007 and led to the resignation of Jonkers as the chairperson of the JB

According to the FLO Standards the JB are required to consult with workers before developing a work plan for premium projects. Although the JB have collected a number of project ideas the lack of communication has resulted in a loss of momentum of the JB. Although the JB are not misusing the premium, they are not using it either and this is causing tension between the JB and the workers. This also poses risks for maintaining their Fairtrade certificate, because the JB are required to develop a work-plan after consulting with all the workers.

6.6. Conclusion

Lebanon Fruit Farm Trust (LFFT) is one of the oldest and most well known empowerment projects in the Western Cape. LFFT received significant support from a number of strategic players including SAFCOL, SFW, the Company of Wine People – and not least of which the Cluvers and De Rust. All of these commercial and non-commercial partners also had vested interests in both the economic success as well as the social success of the project.

Fairtrade labelling was identified as a strategic opportunity for the Lebanon Fruit Farm Trust business, both for strengthening the brand and for increasing the income of the business. While there is a good fit between Thandi and Fairtrade in wine, the fresh fruit has been less successful and the price benefit derived from juice has been minimal. In the latter two the transaction costs on the volumes handled by the exporters are also prohibitive. Due to the fact that Lebanon Fruit Farm Trust are not directly involved in processing or marketing means that they have less influence at those critical points in the supply chain, including: packing, quality control and sales. Fairtrade fruit and juice was sold for less than non-Fairtrade for two consecutive years and other than the premium benefit managed by the Joint Body LFFT, the business has not significantly benefitted from Fairtrade certification.

The structure of Lebanon Fruit Farm Trust has changed many times since the start of the project in 1996, but other than the establishment of a separate JB, Fairtrade certification and labelling have not affected the structure of the organization as such. Fairtrade certification and labelling has to a greater, but still limited, extent affected the management of LFFT by focusing their attention on transparency, consultation and communication with all the workers. Although they have not been able to solve this problem, this is key to maintaining their certification and has therefore become a focus of discussion and conflict.

The benefits of the Fairtrade premium have been limited by the difficulties experienced in the sales of Fairtrade fruit which is LFFT's biggest product. The Lebanon JB has, however, received close to R150 000 worth of Fairtrade premium between from 2003 to the end of 2005, which is more than the total dividend payout to shareholders made in 2004. Although the value of the Fairtrade premium has been higher than the total dividends over 10 years, the impact of the Fairtrade premium on the social and economic empowerment of the workers has been limited by the lack of communication within the JB and also between the JB and the workers.

The workers and community members who have been promoted within the business have received a significant amount of training and exposure, but this is a relatively small group of people. The exposure and the capacity building of a select group have also led to conflicts among the leadership and the community. Particularly those working for De Rust directly are further marginalized by aligning with management. These individuals are apprehensive to make counterproposals or decisions within the forums of the trust in which De Rust management have a knowledgeable and therefore dominant voice.

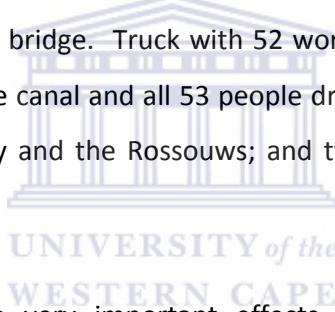
In the case of Lebanon Fruit Farm Trust the business or financial argument for Fairtrade fruit does not hold up. Although the co-branding has given a lot of publicity to the Thandi project and increased the demand for Thandi Wines, this has not translated into increased income on the farm. However, LFFT has remained certified despite financial losses on Fairtrade sales and the costs of compliance. One can therefore conclude that the intangible benefits and the social capital generated by Fairtrade certification and labelling is worth the cost and effort for LFFT and Thandi in particular and also for De Rust.



Chapter 7: Stellar Organics

7.1. Background

Stellar Organics was owned by the Rossouw brothers (Thian, Gielie, Justus and Willem) and was originally known as Rossouw Farming. The Rossouw's have been farming and running various businesses in the Trawal area, 270 km from Cape Town, since 1980. They farmed vegetables on different farms in and around Trawal and Van Ryn's Dorp. In 1987 the Rossouw farm experienced a tragedy that affected the operations and shaped the structure of the business as it is today. A truck carrying the workers of the Rossouw farms home from work had an accident on the bridge. Truck with 52 workers and one of the Rossouw brothers capsized in the canal and all 53 people drowned. Funds were raised to support the community and the Rossouws; and two community centres and a crèche were built.



The accident had two very important effects. Firstly, it forged a strong relationship between the owners and workers on the farm, because almost everyone lost someone in the accident. Secondly, it resulted in the Rossouws rethinking their business model. They explored the possibility of starting table grape farming and concentrating their labour in one geographical area as opposed to the transport involved with various vegetable farms. The transition to table grape farming was also attractive because of the opportunities imminent in the South African fruit export sectors. This led the brothers to start table grape farming in 1989 and they exported their first conventional table grapes in 1992 (Rossouw W. , 2005).

In the mid 1990's they explored the possibilities, requirements and opportunities of organic certification. The dry, semi-desert climatic conditions of Namaqualand

are suitable for organic production because there is less risk of fungal diseases. Rossouw Farming also had access to water through the Olifantsrivier canal system. In 1998 Kolsvlei, one of the two farms in the operation, was converted into an organic farm and in 1999 Boplaas was also converted. Rossouw farming started exporting organic table grapes in 2003.

The winery was a fortunate turn of unfortunate events. When in 2001 they experienced hail damage on their table grapes, one of the brothers (Willem) decided to distil some of the grapes in order to generate some income. The success of their experiment led them to investigate the possibilities of wine making. In 2002 the youngest of the four brothers, Willem, visited California where he researched organic wine farms. He came to believe in the market potential for organic wine grape production and also *organic wine making* i.e. not using any additives like sulphur in the wine making process. Expanding into wine grape production also meant that they could employ their seasonal workers, which would only be employed for the 2-3 month table grape season, for a longer period (up to 6 months) in the year (Rossouw W. , 2005).

The Rossouws decided to build a winery on Kolsvlei and establish a new company, Stellar Winery³³. The Rossouws had identified four other organic farms in the region that could potentially supply the winery. It was also possible to use the table grape cooling facility in the organic sulphur free wine making process. Finally they had the added advantage of in-house engineering capacity to build the winery themselves. All of the Rossouws' affiliated businesses were engaged in the design and development of the winery. In particular the cooling facility was integrated into the design of the winery. This enabled Stellar Organics to establish a unique, energy efficient and cost effective winery. The value of the winery is estimated around R20 million.

³³ While the winery was being built, in 2002 the Klaver Wine Cellar processed wine grapes for Stellar Organics in 2003 Stellar Winery made its first wine.

Stellar Organics became Fairtrade certified in 2004, for both their wine and their table grapes. Their press releases said that they were the first Fairtrade certified organic winery in the world³⁴ (see Stellar Organics website www.stellarorganics.com). Unlike Thandi, however, Stellar Organics did not have a worker empowerment project in place and when they were Fairtrade certified at the end of 2004 the business was wholly owned by the Rossouw brothers.

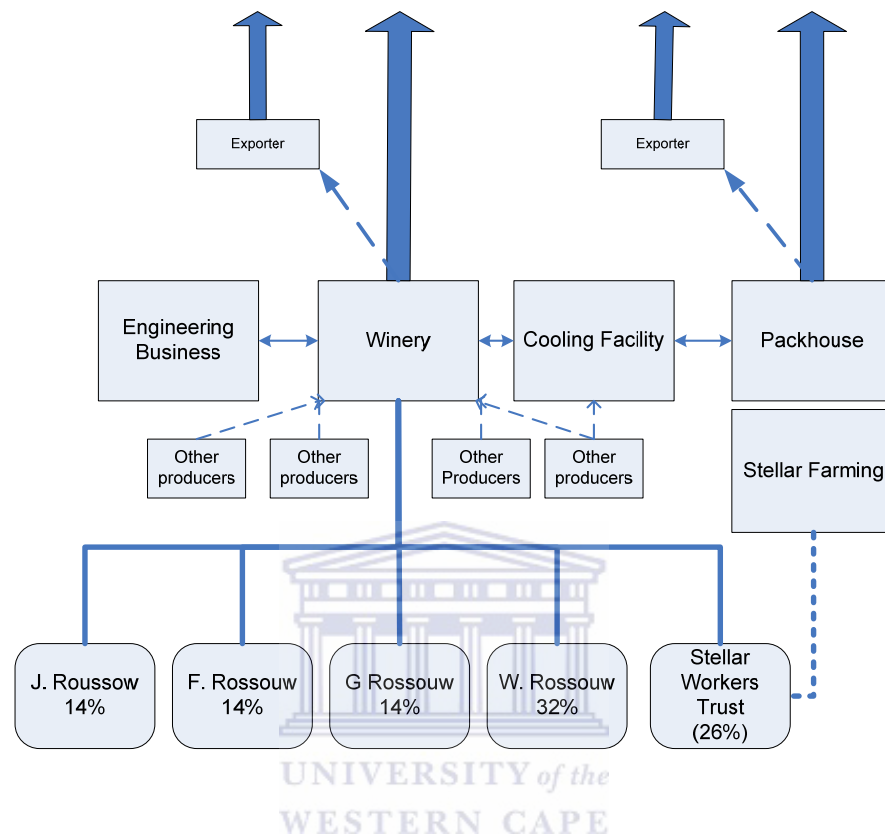
In 2005, after the implementation of the South African Standard for FLO, Stellar Organics started with an employee equity share scheme in order to maintain their Fairtrade certification, and it was decided to make 26% shares in the winery available for an Employees Trust. The current structure of Stellar Organics business is shown in the diagram below:

Figure 4 : Stellar Organics supply chain



³⁴ There had been another wine cellar producing organic wine, African Terroir, that had been selling wine to alternative trade organizations since 1996, but they were not certified until 2004.

Stellar Organics Supply Chain



7.2. Reasons for becoming Fairtrade certified: interests and agendas

The main reason why the management of Stellar Organics became Fairtrade certified was to strengthen their 'presence in the market' (Rossouw W. , 2005). They believed that sufficient volume was essential to maintaining a position in the market. Stellar Organics also sought recognition for ecological and ethical production and trade. Stellar Organics became Fairtrade certified to promote the environmental and social 'ethics' of their business. They believed that Fairtrade certification was an opportunity for them to 'get ahead of the pack [of other wine producers]'. The number of Fairtrade and organic certified farms were limited and there was no Fairtrade labelled organic wine from South Africa in 2004.

The combination of Fairtrade and organic became their unique selling proposition and they staked their claim in the market as the 'first Fairtrade and organic winery'. Stellar Organics see certification and labelling as an important tool to maintaining their position in the market. Some certifications, like Eurepgap, have become mandatory, but Stellar Organics has adopted the approach of 'going for the next level' (Rossouw W. , 2005). Due to their organic certification they are accustomed to inspection and certification processes and have started formalizing and documenting many aspects of their business. Stellar Organics are 'committed' to meeting the highest ecological and ethical standards. In practice this means that they will do everything within their means to comply with the most relevant international standards, including Fairtrade.

Their second main reason for becoming Fairtrade was the prospect of additional income for the social development of the workers. According to the Fairtrade Standards for hired labour and the Guidelines on the JB and premium use the workers must elect representatives to the JB to manage and implement premium projects, and the workers must meet with their representatives, discuss and decide about the use of the Fairtrade premium. Stellar Organics management identified this as an opportunity to encourage worker participation in the business

Furthermore, the Stellar Organics management believed that if the premium is sufficient this could serve as an incentive for the work-force – they would not only be working for the business, but they would be also be working for themselves³⁵. The management therefore also saw this as a benefit for the business because in a fluctuating labour market they would be a more 'attractive' employer when compared to other farms, especially in the Vrendental regions. They hoped that this would enable them to retain a

³⁵ This is of course based on the assumption, or 'false' hope, that the better the workers work the more Fairtrade fruit will be sold.

consistent work force and also retain their investment in training and capacity building. By retaining workers, they could over time become more involved in the business and develop the capacity to eventually manage the business. They also realized that real involvement in the decision making processes will take time, as well as the space in which to make them.

The changes in FLO standards and the corresponding developments in the government's BEE policy increased the motivation for using Fairtrade labelling for worker empowerment. For Stellar Organics 'being ahead of the pack' is the measure of the success of their business. In South Africa they consider BEE an integral part of 'getting ahead'. They have integrated Broad-Based BEE, together with Fairtrade certification and labelling into one strategic vision for the business. They see BEE compliance as essential to doing business in South Africa and Fairtrade for doing their business internationally. According to Stellar Organics management, 'you do or you die' – primary producers in South Africa must engage with B-BBEE if they are going to survive in the country and the must engage with Fairtrade labelling to survive in the international markets (Rossouw W. , 2006).

7.3. Production and Marketing

7.3.1. Wines and Stellar Winery

Stellar Farming produces wine grapes on Kolsvlei and in 2004 Stellar Farming produced 371 980 tons of wine grapes. Stellar Organics produces both organic and conventional wine grapes. Some of the vineyards are still in conversion. The wines are produced by Stellar Winery which owns the cellar and the brands.

The cellar can process up to 10 000 tons of grapes and has the capacity to store 2 million litres of wine. The owners of Stellar Winery believe that having significant volumes was a key way to establish a presence in the market and

therefore sourced grapes from four other wine farms in the area, including: Nuwe Hoop, De Duinen, Troe-Troe and Swartbooisberg. The table below provides the volume of wine that has been processed by Stellar Winery, both conventional and organic, over the past five years. As the volumes increased so too did the number of brands that Stellar Organics developed. The last column of the table contains the number of new brands developed in a year (Stellar Organics, 2005) – see the table below.

Table 4 : Stellar organics 2002-2005

YEAR	Conventional tons of wine grapes	Organic tons of wine grapes	Number of brands
2002 (Klawer)	1300	750	1
2003 (Stellar)	1000	1300	3
2004	1800	1200	11
2005	4000	1400	11

Source: (Stellar Organics, 2005)

The cellar processes both organic, sulphur free and conventional wines and one of their self-identified strengths is their innovative and flexible products. They have their own bottling and in-house printing facility and can produce a diverse range of brands and private labels. They have developed 26 brands over the past five years, including seven private labels. Stellar Organics also have flexible pricing strategies and different levels of wine from premium (Sensory Collection) to easy-drinking (Live-a-Little).

Stellar Organics initially appointed an exporting company to market and sell their wine, but after the first year nothing had been sold and the Stellar Organics management team decided to get involved in their own marketing and export directly. They established a relationship with an agent in Germany and exported their first organic wine to Germany in November 2003. The importing agent, Peter Regal, introduced Stellar Organics to the possibilities of Fairtrade.

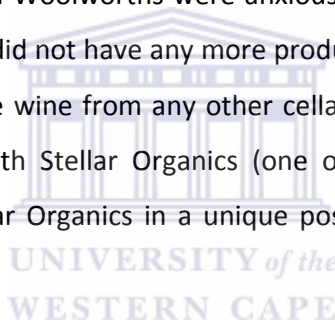
According to the FLO Standards for Wine Grapes (Fairtrade Labelling Organizations International, 2005) Fairtrade wine must be made 100% from Fairtrade wine grapes. Therefore Stellar Winery cannot sell all the wine that it produces i.e. from other farms as Fairtrade. Stellar Winery can only sell the volume of wine that it made from the grapes grown on Kolsvlei, which is the FLO Certified entity. Similar to Thandi, one of Stellar Organics medium term objectives is to get all their other suppliers of wine grapes to be Fairtrade certified so that they can sell a larger consistent volume of Fairtrade. Stellar Organics face the risk of developing more market demand for their Fairtrade wine than the current volume of Fairtrade certified wine grapes available and they would not be able to sell the additional wine as Fairtrade unless the producers of the grapes are also Fairtrade certified.

The Fairtrade standards also require the payment of a minimum price for the wine grapes, which in South Africa is €0.15/kg (Fairtrade Labelling Organizations International, 2005). This is to ensure that the farm gets a price which at least covers the cost of sustainable production. This is largely irrelevant for Stellar Organics because they process their own wine grapes and on average pay a higher price for the wine grapes from the other farms. The Fairtrade standards for wine grapes also require the payment of a premium of €0.05/kg. The standards are not explicit about who should absorb the premium, but it must be paid in addition to the minimum price paid to the farm. The FLO premium for Stellar Organics' 2004 wine grape harvest would have been approximately R150 000, if they sold all their wine as Fairtrade labelled.

Fairtrade labelling has strengthened their relationship with some of their buyers as well as their bargaining position within these relationships in particular their German agent with whom they have established a Fairtrade partnership goes beyond the Fairtrade standards in terms of additional Fairtrade premium paid by the commercial partners. In this partnership Stellar Organics has been able to

negotiate an additional 4 cents per bottle towards the Fairtrade premium – 2 cents contributed by the importer and 2 cents contributed by Stellar Winery. In this way they have been able to double the amount of premium paid to the Stellar Employees Trust.

Other than Fairtrade in the international market, they have also increased their bargaining power in the local market. A unique market position was achieved with the launch of sulphur free wines in a joint campaign with Woolworths. Woolworths and Stellar Organics raised awareness about sulphur free wines, the health benefits and the advantages for people who suffer from allergies. The wines were extremely popular and by the second half of 2005 there was a shortage of supply, and Woolworths were anxious to get more products on the shelf. Stellar Organics did not have any more product and Woolworths could not source the sulphur free wine from any other cellar. Woolworths was thus in a captive relationship with Stellar Organics (one or limited sources of supply); therefore putting Stellar Organics in a unique position vis-à-vis a large retailer like Woolworths.



7.3.2. Fresh Fruit: Table Grapes

Both Kolsvlei and Boplaas also produce table grapes for the export market. Producing table grapes is a labour intensive process which requires skilled workers to prune, pick and pack. On the whole table grape workers are paid more than wine grape workers, but the table grape season is only eight weeks long. Stellar Farming produces approximately 300 tons of table grapes. In the 2004/2005 season Stellar Farming produced 287 tons of table grapes, 224 tons organic and 63 tons conventional. Unlike the wine, only 120 tons were sold as Fairtrade.

The Fairtrade Standard for Fresh Fruit also requires the payment of a minimum price and a premium (Fairtrade Labelling Organizations International, 2005). The minimum price set by FLO is based on the average costs of production. For table grapes the standard also includes price differentials for pre-Christmas and post-Christmas grapes from South Africa, as well as a differential between conventional and organic grapes. The Fairtrade minimum price does not, however, distinguish between varieties. In 2003 and 2004 the premium was set at 10% of the FOB price, but this created calculation problems and was converted to a fixed premium per kilogram in 2005. The premium for table grapes is the same for both organic and conventional categories (R1.31/kg).

Stellar Organics expected to sell more of their table grapes and offered various reasons why this was not the case. Retailers have tended to shift a particular variety or a particular line to Fairtrade i.e. Fairtrade Red Globes. This means that only a portion of the total volume of Fairtrade product can be sold³⁶. Gielie also noted that the Fairtrade labelled table grapes sell for double the price of the conventional product in the retailer stores (Rossouw G. , 2005). There are two problems with a significantly higher price. First, the return to the producer does not necessarily reflect the increase in the retail price. Second, the cost for the consumer is significantly more and consumers buy less Fairtrade products. The return to the both the farm and the JB is less, because less Fairtrade product is sold. A third problem they have identified with Fairtrade fruit is that it is not given priority by fruit exporters, who are also not aware of the Fairtrade trade standards i.e. the minimum price and contractual obligations required by the FLO Trade Standards.

³⁶ This is not unique to fruit. Other scholars have also pointed to the fact that some Fairtrade producer groups only sell between 5% and 10% of their product as Fairtrade.

7.4. Structure, Shareholding and Decision-making in the Business

The structure of Stellar Organics was directly affected by the adoption of the FLO Guidance for South Africa. When Stellar Organics first became certified, the workers did not have a share in either the farm or the winery. The only FLO requirement was that they form a Joint Body to manage the premium and a workers committee to represent the interests and rights of workers. Stellar Organics management decided to form one workers committee to fulfill both these roles. However, during their second inspection in 2005 the FLO Cert inspector recommended that the JB and workers committee should be split, their roles clearly divided and the workers should receive training to be able to fulfill their responsibilities in these positions. Another recommendation from their second FLO inspection was that they would need to develop and implement a plan for transferring 25%+1 interest in the farming enterprise to the workers.

In an effort to comply with FLO's standards, Stellar Organics employees elected a worker's committee and converted the former Stellar Joint Body into the Stellar Employees Trusts. It was decided by the management of Stellar Organics, in consultation with the workers, that the Stellar Employees Trust would function both as the Joint Body for the purposes of receiving the Fairtrade premium and as the vehicle for the employees 'legally protected interest' in the business.

In order to comply with the details of the FLO Generic Standards, the South African Standards and Joint Body Guidelines the Stellar Employees Trust had to represent all types of workers on the farm: men, women, African, coloured, permanent and seasonal. Accordingly the beneficiaries of the Stellar Employees Trust were broadly defined as all the employees of Stellar Organics, both the winery and the farming operations i.e. if a worker resigns or leaves Stellar Organics' employment for any reason they will cease to be a beneficiary. The workers therefore do not own individual shares (as is the case in Lebanon),

although Stellar Organics have proposed a 'personal up-liftment bonus' as a type of dividend payout made to workers when they leave. The value of this payout will be calculated on the basis of the person's salary as a percentage of the total labour costs and time worked on the farm (Rossouw W. , 2006).

The trustees of the Stellar Employees Trust were elected in accordance with the FLO standards, in order to ensure representation of all workers on the JB. The trustees were elected from various other committees on the farm and the winery, including: the health and safety committee; the neighborhood watch; the supervisors committee; the workers committee; the winery; and seasonal workers. Each committee has two representatives or trustees on the Trust. These are called A trustees and are representative of the beneficiaries - the workers. There are also four management representatives on the Trust and they are considered B trustees and only participate in an advisory capacity. The structure of the trust and the representative trustees are in line with the Fairtrade requirements for the JB (Fairtrade Labelling Organizations, 2007) which also require management representation on the JB.

By the end of 2005 Stellar Organics projected significant premium earnings on the basis of their sale of Fairtrade wine. Willem Rossouw expected the Stellar Employee Trust to earn more than R1 million in premiums from 2005 – 2006 (Rossouw W. , 2005). The premium income presented an opportunity for the Stellar Employees Trust to buy shares in Stellar Winery. It was proposed that the premium would eventually be paid back into the trust by declarations of dividends, government grants and special donations. The Fairtrade premium would therefore be used as a type of internal loan to facilitate worker ownership in the winery. Stellar Organics merged the concepts of a workers trust and a Fairtrade Joint Body. In this way the Stellar Employees Trust was also able to use the Fairtrade premium to buy shares in the winery. This arrangement was accepted by FLO Cert in 2006.

Stellar Organics identified the winery as the most viable and potentially profitable part of the business for the Stellar Employee Trust to invest in. Shareholding in the winery meant having a share in the value adding activities of the business, and would generate more income than the farm and also has more capacity for growth (Rossouw W. , 2005; 2006). The Stellar Employees Trust started with share-holding in the winery, as opposed to shareholding in the land. Although the winery is integrated with the other businesses, it is owned by a separate company. The Stellar Employees Trust therefore does not own an interest in the farm i.e. in the farming entity. If FLO Cert were to apply the Guidance Standard for South Africa (2004) narrowly, the possibility exists that Stellar Organics would not comply.

Although they proposed their initial ownership structure in the winery to FLO, they have nevertheless pursued an empowerment project in the farming company as well. The proposal was to sell 50% of Kolsvlei to the Stellar Employees Trust, but at the time of writing this had not yet materialized and the Stellar Organics management team were still identifying potential sources of funding, including, government grants, preferential loans and private sector initiatives.

7.5. Management

Stellar Organics is essentially a family run business with all four brothers involved in different aspects of management and decision-making. Tiaan Rossouw, the eldest, runs the Aardvark Engineering; Justus is responsible for the finances; Gielie manages the farming operations; and Willem manages the winery. There are a number of specific characteristics to their management approach. Firstly, management is relatively flat and participatory. Secondly, Stellar Organics have a team work approach and when any one of the businesses needs extra hands, everyone is there to help. Thirdly, they outsource some of their activities and

also bring experts on different topics including labour law, branding and marketing in; they therefore have a team of business and marketing consultants. Fourthly, they see themselves as innovative and they always try and develop in-house capacity, to minimize costs and stay 'ahead of the pack'.

A core component of their management system is a monthly financial audit and management meeting. This meeting includes: shareholders in the different businesses, the trustees of Stellar Employees Trust, the management team and the consultants. These meetings include production planning, financial planning, and marketing planning. Although the trustees of the Stellar Employees Trust participate in these meetings, they are informed of decisions rather than being engaged in the decision making process (FLO-Cert Inspection Report, 2006). According to management there is still a significant amount of skills development and personal empowerment that needs to take place before the worker trustees will be able to participate equally. Another part of the problem is that decisions often have to be made quickly, and there isn't always the time to explain all the details in a way that all the worker trustees will understand (Rossouw W. , 2006). The trustees however do play an active role in the various committees which they represent.

Employment Equity was identified by Stellar Organics as strategic objective for the future of the business in particular the BEE 'credentials' of the business. In particular Stellar Organics focused on the recruitment and capacity building of African employees, as well as mentorship arrangements. Four individuals were specifically identified and fast-tracked in the business: two women and two men. Stellar Organics invested in the training and exposure of these individuals, but two of them (one woman, and one man) have subsequently left Stellar for employment elsewhere (Malan, 2006). Maria Malan is the farm manager, and Bertie Jones is the assistant winemaker. Both Malan and Jones have travelled to wine shows both nationally and internationally. They have also been exposed to

the press and journalists, and Maria Malan in particular has become the 'poster girl' for empowerment at Stellar Organics (Stellar Organics, 2005).

Maria Malan is an important role player in the worker empowerment initiative on Stellar Organics. She never had children of her own, but became a god-mother and aunt to many of the children who lost their parents in the accident in 1987. Maria Malan started working on the farm in the early 90's and became the lead supervisor. In 2003, she was the first coloured woman (and only the second woman) to complete her qualification in table grape production at Elsenburg College. Malan manages both the farm and the pack-house and gets involved in the winery when she is needed. She wants to ensure that she trains a few of the women to be able to take her place when she retires. She is very involved with the skills development and mentoring of other young workers, supervises and coordinates the various committees. She is also the Chairperson of the Stellar Employees Trust which also functions as the Stellar Fairtrade JB (Stellar Organics, 2006; Malan, 2006). Accordingly, a lot of responsibilities rest on her shoulders.

Bertie Jones has been promoted in the winery from general worker to assistant wine maker. He has passed the wine growing and making courses SKOP 1, 2, 3 and 4³⁷ with distinction over the past two years. In addition to his experience in the cellar he has also been exposed to the marketing side of the wine business, and assists the local distributor in trade fairs (Stellar Organics, 2006; Jones, 2006).

7.6. Fairtrade Benefits and Beneficiaries

The beneficiaries of the Stellar Employees Trust include all 248 workers of Stellar Organics, both permanent and seasonal workers, and black and coloured workers. The Stellar Employee Trust benefits the workers as beneficiaries of the

³⁷ Courses in wine grape production and wine making.

trust i.e. not as individual shareholders. Although the Stellar Employees Trust is a shareholder in Stellar Winery, workers do not own individual shares. They will receive benefit through the dividends which will be paid according to job category and wage level and through social projects done with the Fairtrade premium.

Table 5 : Stellar Organics Employees Trust

Category	Coloured	Coloured	Black males	Black Females
	Male	Female		
Permanent	21	27	0	0
Seasonal	78	63	22	37

7.6.1. Improved Communications

One of the major benefits of Fairtrade specifically that was identified by both management and workers representatives was the increase in opportunity for communication. The requirements of the Fairtrade Standards, specifically the frequency of JB meetings, have improved communications between management and workers. For management the benefit has been more formalized communication, because although they claimed to have an 'open-door' communication policy (i.e. anyone can come to the office if they have a problem or suggestion) there were no written records of these discussions. For the workers this has created a platform in which they can state their views and needs on issues that are of concern to them. Communication around the Fairtrade premium also provides the opportunity for more focused communication and consensus building among the workers about their most pressing needs and priorities e.g. transport for the seasonal workers from Vredendal (Worker, 2005). One of the premium project ideas that emerged from these discussions was English and Xhosa language classes for all workers so that they could integrate the Afrikaans, Xhosa and English speaking workers into the

workforce. The workers themselves are therefore more involved in proposing ideas and participating in the decision making (Stellar Joint Body Meeting, 2005).

The representatives have also had the opportunity to meet with visitors, both national and international buyers and the press. Initially these meetings were quite awkward and the JB members reported that they were not always sure what to say or how or when to react (Joint Body S. O., 2006). However, during a 3 week period in which I visited the Stellar Organics in 2005 there were three sets of visitors each of which wanted to meet and talk with the members of the Stellar Employees Trust. I was fortunate to be an observer in all three these meetings. In the first meeting only two of the JB members spoke to and answered the visitors' questions. By the third set of meetings all the JB members were engaged and took part in the discussions. The opportunity for observation was co-incidental but it provided important insights into the space created by the Stellar Organics management team for the worker representatives on the Joint Body to build their capacity in meetings with interested buyers and funders. As is the case with Lebanon Joint Body only some of the JB representatives have had the opportunity to attend workshops and conferences hosted either by Fairtrade South Africa or by FLO. By implication all the members of the JB have not had the same opportunities for networking and broadening of their horizons.

However the way in which two of the brothers (particularly Willem Rossouw and Gielie Rossouw) manage these meetings and maintain control is very boisterous, and sometimes rude. Although they do this in a joking way, I was not always convinced that the workers perceived it quite so comically and I received feedback from other students who were quite offended at Willem Rossouw's tone and language. While this may be examples of the deeply held beliefs and stereo-types about Africans (they don't drink as much as the coloureds), coloureds (the work and live better when they are in the church) and Europeans (they are hypocrites).

7.6.2. Skills Development and Capacity Building

In addition to improving communications, Fairtrade training has been brought in line with a process of skills development and capacity building which had started before Fairtrade certification. The commitment to skills development was already in place before the Fairtrade certification of the farm. The table below summarizes the training courses that have been held with Stellar Organics employees since 1992. Business skills training and budget planning skills training started in 2004, which corresponds with the establishment of the Stellar Employees Trust and the Joint Body.



Table 6 : Stellar Organics Training courses attended

Year	Training	Men	Women	Total
1992	Basic Supervisors	1	2	3
1995	Advanced supervisors	2	7	9
2002	Firefighting	1		1
2002	Forklift driving	2		2
2002	Spray operator	2		2
2003	Basic Supervisors	3	11	14
2003	Safety Course	3	5	8
2003	Volwasse man	19		19
2003	Voluit vrou		20	20
2003 - 04	Health worker training	1	5	6
2003 - 04	Table grape production		1	1
2004	Budget planning	15	16	31
2004	Business Skills	3	5	8
2004	Character building: Men	19		19
2004	Character building: Women		20	20

Fairtrade certification and labelling has introduced a number of new ideas and principles and the fact that the FT standards are focused on development and improvement means that there should be regular training for the JB. Although both men and women have been given equal training opportunities, the focus of this training has mostly been on permanent, coloured workers. Seasonal, African workers receive in-house work skills development, but they do not yet benefit from other life skills or business training.

7.6.3. Fairtrade Premium: Social and Economic Projects

The premium income earned increased substantially from the first year of certification. The first Fairtrade labelled product exported by Stellar Organics

were organic table grapes, but only for the last part of the season. What was then called the Stellar Joint Body received R30 000 of Fairtrade premium which they used to erect fencing around the workers' gardens. Other premium projects were also identified during 2004, including improvement of the transport of seasonal workers from Vredendal and an organic vegetable farming project.

Since the start of the Stellar Employees Trust in 2005 to the end of 2006, R940 000 has been paid in premiums to the Stellar Employees Trust. The trust has in turn used this premium to pay for their issued shares in Stellar Winery. It is intended that this money will be returned to the Trust account once Stellar Employees Trust has applied for a Land Reform and Agricultural Development grant. The Fairtrade premium money which is repaid will then be reinvested in social projects like a bus for the seasonal workers and the school vegetable garden project. However, until the shares have been paid for these social projects have been put on hold. There has therefore been a certain amount of 'social opportunity cost' to using the Fairtrade premium for facilitating the shareholding of Stellar Employees Trust in the Winery.

Stellar Organics, however, has markets and can therefore continue to expect significant incomes for their wine. The Fairtrade premium they have managed to generate with the additional contributions of Stellar Winery and the importing agent are significant. They have also used a small portion of the Fairtrade premium to leverage additional funds for projects. For example, Stellar Employees Trust committed Fairtrade premium to an organic vegetable gardening project at the local school and one of their supermarket buyers in Germany have committed to directly supporting the project with additional funds and publications.

7.6.4. Networks and Participation

Stellar Organics has become actively involved in the emerging producer and worker stakeholder networks. Maria Malan is the JB representative on the board of Fairtrade South Africa. Both Maria and Willem Rossouw are also active in the fruit and wine working group meetings. Particularly in wine where they have produced a document outlining an 'ethos' for Fairtrade supply chains from South Africa, roughly based on the model that they have developed with their German agent (Stellar Organics, 2006). They have also been active in petitioning against the discounting of Fairtrade wines in large retailers. In the German market in particular, there are large trans-national companies like Lidl who are well-known discounters.

Locally Maria Malan has also helped raise awareness about Fairtrade and how the JB should work on other farms, including the farms which are currently supplying Stellar Winery. She has also participated in mediating between worker and management representatives in the JB on another Fairtrade certified farm and is often called upon to give advice to worker representatives on other JBs. Maria Malan's influence stretches beyond Stellar Organics and over the past two years she has become an ambassador for Fairtrade nationally and internationally. She also has the financial support of Stellar Organics to participate in the networks and other activities.

7.7. Conclusion

The Stellar Organics business is directly involved in the production, processing, packing and marketing of its wine and fruit. They have been able to focus their marketing efforts on Fairtrade and have built strong Fairtrade supply chains, particularly in wine. These trade relationships are aligned to the Fairtrade standards and Stellar Organics has been able to negotiate an increased premium

as a result. Stellar Organics as a business has also made an additional financial contribution to the success of Fairtrade, in addition to a willingness to comply with the standards.

Stellar Organics' motivation to become Fairtrade certified was linked, among other things, to their expectation that this would give them a better position in the market and increased income to the farm. The additional income to the farm, especially the Fairtrade premium was identified as an incentive for workers and a way for the workers to become more involved and motivated within the businesses. The premium belongs to the workers for them to invest in social development. This provides an incentive for their efforts in the business. They are not only workers but have responsibility for their own development within the business. Finally Stellar Organics was motivated by the credibility of an independent third party certification scheme which could verify the 'ethics' of their business.

The structure of Stellar Organics has changed as a result of their participation in Fairtrade certification and labelling. The creation of the Stellar Employees trust as both the Fairtrade Joint Body and the worker's investment vehicle was a means for Stellar Organics to meet FLO standards and also start their worker empowerment initiative and broad-based black economic empowerment process. The Fairtrade premium was used for the purpose of acquiring an economic interest in the business. However, there is still a substantial amount of social development work that needs to be done to ensure that workers understand the developments and can actively participate in the decision making processes.

Chapter 8: Conclusion

Lebanon Fruit Farm Trust (LFFT) and Stellar Organics are indeed 'outstanding' cases of the link between Fairtrade labelling and worker empowerment in the fruit and wine industries in South Africa. They are outstanding for different reasons including their positioning in the supply chain, the structure of the business and how the beneficiaries of empowerment are defined and their management and communication styles. They have also adopted Fairtrade labelling as part of their core marketing strategy and long term business planning.

During the course of the study, and after the 'official' field work was complete, I was able to get to know the two cases within the context of growing numbers of Fairtrade certified producers, both of fruit and wine. I have also been able to study and get to know (and help) many other Fairtrade certified or aspiring Fairtrade producers and although there are many common issues represented in the cases of LFFT and Stellar Organics they remain quite unique in their application of Fairtrade in their business. There are however other quite unique cases that have been certified and the uniqueness of LFFT and Stellar Organics is specific to their models described the previous two chapters.

In conclusion this chapter will combine the findings and analysis of LFFT and Stellar Organics regarding the link between Fairtrade labelling and worker empowerment in wine and fruit production in the Western Cape. This discussion will focus on the following research questions:

- What were the opportunities and benefits of Fairtrade labelling for large commercial producers in the wine and fruit industry in South Africa?
- How were the requirements of Fairtrade certification integrated into the ownership and management structures of the two cases?

- What were the enabling or disabling factors for Fairtrade labelling to contribute to socio-economic development and empowerment of the workers?

8.1. Fairtrade labelling and international markets for fruit and wine

One of the main reasons given by both LFFT and Stellar Organics for becoming Fairtrade certified was the opportunity for preferential market access. From the discussions and analysis this can be seen in two ways: as preferential access owing to being a preferred supplier over a non-Fairtrade supplier; or second having access to preferential (niche or premium) markets. Buyers, particularly large multiple retailers exert pressure down the chain increasing quality requirements on their suppliers and forcing down prices in the over-supplied and highly competitive wine and fruit markets. Fairtrade was seen by both LFFT and Stellar Organics as a means through which they could use their social projects and credentials not only to access market, but to access better markets with better prices and the added bonus of the Fairtrade Premium.

For both LFFT and Stellar Organics additional market access for wine was achieved through Fairtrade certification. Both tried to increase their supply of Fairtrade certified grapes in order maintain and expand the market access they had achieved through Fairtrade. However, the same is not true for fresh fruit, where access to Fairtrade fruit programs in multiple retailers was dependent on existing relationships and conventional fruit programs with these retailers. In both cases these relationships were mediated by agents over which the producers had little control. However, the identity of both businesses is more closely linked to their wine than their fresh fruit and Fairtrade branding sets their wines apart from thousands of other brands.

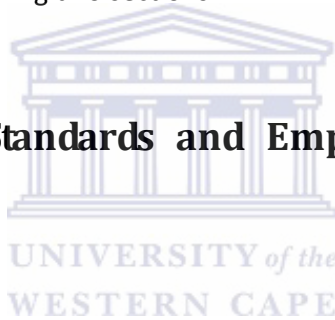
It could be argued that Fairtrade certification and labelling offered additional market access i.e. access to specific marketing channels, but from these two specific cases it cannot be said that the markets which they accessed were beneficial in terms of price or trading relationships with large buyers. Although the minimum price may offer producers protection from the down-side of the market, it can also prohibit them from profiting from the up-side of the market i.e. when the minimum price is lower than the market price because the retail buyers flip the minimum price from a 'floor' price to a 'ceiling' or maximum price in which case (as happened with LFFT) the producer could get paid less for their Fairtrade fruit than their conventional fruit.

In both fruit and wine the Fairtrade product negotiations and transactions did not differ significantly from the conventional, unless there was significant commitment from the buyer as is the case with Stellar Organics' agent in Germany with whom they were able to negotiate terms and conditions of trade beyond the scope and parameters of the Fairtrade Standard. Both producers used conventional exporters (registered with FLO Cert) to export and handle their Fairtrade fruit together with their conventional fruit. LFFT through the involvement and association with the Cluvers was firmly associated with Capespan and was unlikely to choose a different exporter if they felt that Capespan was not offering them an adequate service with regards to the marketing of their Fairtrade product. Stellar Organics, on the other hand, were able to change their supply chain when they were dissatisfied with the exporter and start exporting their own fruit, thereby upgrading their position in the chain and increasing their control over the Fairtrade sales and marketing of their table grapes.

The Fairtrade premium was also identified by both cases as a valuable tool for development. Firstly no other certification offered a type of economic reward

that could be used by the workers for their development. Secondly, the Fairtrade premium for wine and fruit stipulated by the product standards was a significant incentive, between 7 – 15% of the FOB value of the product and could amount to a substantial amount of money which was not otherwise available to South African producers for socio-economic projects. However, the Fairtrade premium income of a producer is dependent on the amount of Fairtrade product sold, which is dependent on the exporter in most cases and often beyond the direct control of the producers, much less the workers. The Fairtrade premium is therefore also not consistent, because producers are not guaranteed that a certain percentage of their products will be sold as Fairtrade. The difficulties around Fairtrade premium projects and premium spending will be discussed in more detail in the following two sections.

8.2. Fairtrade Standards and Employee Equity Share Structures



The Fairtrade standards are the basis of the Fairtrade system, and for a producer to be Fairtrade certified they should comply with the Fairtrade standards applicable to their organization: in the South African case they should comply with the Generic Standards for Hired Labour as well as the Guidance for South Africa (2004)³⁸. Therefore in addition to the minimum requirements on labour and working conditions, South African producers had to show that: the workers had a '25% legally protected interest', the workers are represented at all levels of operational management, and that the business had an auditable skills development plan.

³⁸ This was replaced by the Producer Certification Policy for South Africa, adopted by FLO Cert in September 2007.

The Fairtrade Standards Guidance for South Africa created very specific legal issues regarding the specific entity which could be Fairtrade certified, who the shareholders and beneficiaries of the entity should be, and how these issues would be measured. In both cases a tension exists between the worker structures required by Fairtrade, including the workers committee, the Joint Body and other worker or community based organizations.

LFFT had existed within a relatively complex network of trusts and legal relationships, benefitting the shareholding beneficiaries of the Lebanon Investors Trust (LIT) (including both De Rust and LFFT employees and their families) as well as the beneficiaries of the Lebanon Community Trust (LCT), the households living in the Lebanon Village. Both LFFT and LIT were profit-making entities and representative of the business interests of the employees, LCT was a development-orientated in order to maintain the Lebanon village for the households living there. Furthermore both LIT and LCT had shares in LFFT. These trusts had been created when the project started in 1996 and were well established and were not affected in their structure or organization by Fairtrade certification or by the creation of the Lebanon Joint Body. However, divisions which already existed within the complex of trusts and between De Rust and Lebanon communities, were amplified by the implication of the inclusion of everyone ('the workers, their families and their communities') in the benefits of Fairtrade premium projects.

The converse applied to Stellar Organics who re-organized their business after the implementation of the Fair Trade Guidance for South Africa (2004). Initially Stellar Organics created an oversimplified structure, the Stellar Employees Trust, in which they combined the requirements of the workers committee (protecting workers rights), employees trust (protecting and promoting the interests of employee shareholders) and the Joint Body (managing and investing the Fairtrade premium for socio-economic projects). Although they were required to

establish a separate workers committee, the employees trust and the JB remained the same.

Stellar Organics were able to do this, according to the Fairtrade Generic Standards and Guidance for South Africa because the beneficiaries of the employees trust were defined as all Stellar Organics employees i.e. when you are no longer an employee you are no longer a beneficiary of the trust. This also included permanent and seasonal workers and management representatives and could therefore also serve as the Joint Body. While the structure was simple the internal arrangements which made the empowerment transaction a possibility by utilizing the Fairtrade premium was very complex and it is doubtful that the workers were fully aware of the implications, even if they had been informed.

The contrast between the leadership and management styles of the two cases is equally sharp. LFFT is a separate business entity from De Rust, with different shareholders, De Rust manages LFFT as if it were their own business – with financial diligence and sophisticated public relations. Stellar Organics, on the other hand, is loud and proud and they have, since the establishment of the Stellar Employee Trust institutionalized monthly meetings in which all Stellar Employee Trust trustees, as well as production and financial management are represented and where the monthly financial statements and strategy are discussed. However, in a group of 25 people (including consultants) the workers are often marginalized in the discussion and the actual decision making. Although this is not necessarily intentional, the underlying belief that farm workers could not understand the financing of a large agri-business is particularly acute when white commercial partners make decisions on behalf of the workers ‘in their best interests’.

The most striking observation regarding management style and leadership was the fact that the worker leadership adopted a similar management style of their

employer, particularly as trustees or JB members. This challenged my understanding of race and my assumption that black workers would necessarily act differently from their white bosses. This stands to reason given the fact that employees have learnt the employers' management style which they are accustomed to. It also emphasized the particular isolation of farm workers and their dependence on their white employers and how entrenched this dependency is.

The findings regarding skills development confirm that lack of focus on business and financial management capacity building of worker representatives. In both cases a rift between worker representatives who received training and the ordinary workers or community members, who comparatively received very little information, let alone training. Except for one life skills course and some technical training provided to a larger group of learners most of the training have been given to the same small group of individuals. Fairtrade certification and the Fairtrade premium in particular have highlighted the lack of capacity among worker leadership to manage finances and administration and therefore highlighted the possibility of similar capacity problems in the other more important trusts.

8.3. Development, capacity and empowerment

One of the major benefits of Fairtrade labelling claimed by FLO and identified by LFFT and Stellar Organics was the opportunity for socio-economic development of the work force i.e. improving the living conditions of farm workers, their families and their community. The Fairtrade standards and guidelines for premium use allow for investment in both social (health, education, recreation etc) and economic projects, the latter being projects that can generate an income and perhaps even a profit that can be reinvested in the project or in

other social projects. However, the Fairtrade standards do not allow for investment of the Fairtrade premium in the business or for compliance with the minimum standard e.g. for buying a tractor for LFFT. Although the Fairtrade premium received by both groups is significant relative to their respective sizes, the tension between social and economic objectives and the resolution (or not) of this tension was very different in the two cases.

LFFT were hindered by the various parameters and definitions of beneficiaries which existed within the structure and the conflicts of interest existing for the worker leadership of these various structures. Consequently Lebanon JB faced many obstacles to realizing any achievements with the Fairtrade premium. Those projects which were implemented caused further conflict, either because the needs of the two communities, De Rust and Lebanon, were not considered equally, or because the criteria of selection of the projects was ambiguous.

The resolution of the tension between social development and economic development regarding Fairtrade premium investment at Stellar Organics was more straightforward, but not less problematic (albeit for different reasons). Stellar Organics managed to merge the Fairtrade premium requirements and the requirements of the Guidance for South Africa in one legal structure and facilitated the transaction with Fairtrade premium. This structure would serve as the vehicle for both economic and social development in the future, but was essentially an economic project benefitting both the business and the workers, which was done at the expense of other more pressing social issues for ordinary workers.

One of the biggest challenges for both LFFT and Stellar Organics is communication and ensuring worker and community participation in the decision-making. Communication is a challenge in any business or organization, but even more so on farms in South Africa where class and education is

entrenched in racial power relations. According to both workers and management of Stellar Organics communication improved since Fairtrade certification because the standards required more formal and more regular meetings. At LFFT, on the other hand, Fairtrade certification increased the awareness of communication problems which already existed between workers and management and the various communities, which can in itself be seen a positive effect on the structures and power relations in the long term.

Capacity building and networking were two very important concepts which emerged in the context of development and empowerment of the two cases. During the course of the study my understanding of capacity building developed in distinction to my understanding of skills development. Initially I conceptualized capacity building in close association with skills development, because the two are often used synonymously. A business's contribution to skills development can be measured by the amount of training attended by a certain number of people, the number of certificates and the amount of money and time spent on developing skills. The amount of capacity building cannot be as easily measured and capacity is not only developed through skills but through experience and exposure and the opportunity to make mistakes and to try again and do it better.

An important benefit of Fairtrade raised repeatedly by the JB members of both LFFT and Stellar Organics was the opportunity to network with other similar projects in South Africa at joint training sessions, meetings and the Fair Trade South Africa. Although the tangible benefits of these exchanges are difficult to measure, it is in these spaces and in discussion with their peers and counterparts in other projects where the Joint Bodies have developed the capacity and the confidence to voice their opinions and confront their challenges, specifically the employer-employee relationships.

8.4. Fairtrade labelling and worker empowerment: possibilities for change?

Although it can be argued that the expectation of additional market access of both cases were realized through Fairtrade certification, the economic expectations developed on the benefits of the Fairtrade minimum price claimed by FLO and the Fairtrade labelling organizations were not. The Fairtrade markets and supply chains were not significantly different from their conventional supply chains in terms of negotiations and dependence on large buyers. In the case of Stellar Organics, however, they were able to leverage their Fairtrade certification and the mechanisms of Fairtrade in order to mobilize other support and it could be argued that they would have developed some form of development project along the trade chain without Fairtrade, but it would not necessarily have involved direct empowerment of the workers in the business.

In the case of Stellar Organics Fairtrade enforced and also facilitated the direct empowerment of the employees in the business. The model, however, focuses on the empowerment of the workers as a group as opposed the economic empowerment of individuals who can own their shares. Conversely shareholders in LFFT can keep or trade their shares and decide how to use them independently of their employment at either De Rust or LFFT. The comparison of these two cases is particularly interesting because the Guidance for South Africa was, in essence based on the Thandi criteria developed for LFFT and their partners, while Stellar Organics' model was based on compliance with the Guidance for South Africa.

An important finding from the case of Stellar Organics, but also other producers in the wine and fruit industries, is that Fairtrade is an incentive for white-owned

commercial farms to start an economic empowerment project with their workers i.e. an incentive for change and transformation. The important lesson from the two cases, however, is that compliance with the Guidance for South Africa can include a number of different models with different mechanisms for the distribution of benefits i.e. the Guidance for South Africa is not a guide or an example of how the worker empowerment project should be structured. Furthermore the administrative and legal aspects of the link between employee equity share schemes and the requirements of Fairtrade certification and labelling are not as straightforward or as easy as it was originally assumed by both businesses.

Finally, the main objective of both Fairtrade certification and labelling and employee equity share schemes is the social and economic development and empowerment of the workers. These changes and developments are dependent on a number of very context specific factors including the employer and employee relationships, management styles and available communication channels. Although the Fairtrade standards require worker participation, transparent financial management and social and economic development, the change in attitude cannot be brought about by standards or certification systems. Changes in worker participation, management styles and communication will depend on a confrontation of deeply held paternalist beliefs of both white employers and black workers and can, but will not necessarily, be induced by Fairtrade standards or certification.

References

- Alberts, J. (2005, July 12). Fairtrade Marketing and Exports. (S. Kruger, Interviewer)
- Arnold, J. (2004, November 11). Fairtrade Foundation. (S. Kruger, Interviewer)
- Arnold, J. (2004, May 10). Fairtrade Foundation. (S. Kruger, Interviewer)
- Barret-Brown, M. (1993). *Fair Trade: Reform and Realities in the International Trading System*. London: Zed Books.
- Barrientos, S. (2002). Mapping codes through the value chain - from researcher to detective. In R. Jenkins, R. Pearson, & G. (. Seyfang, *Corporate Responsibility and Ethical Trade: Codes of Conduct in the Global Economy*. London: Earthscan.
- Barrientos, S. (2006). *Report on the ETI Impact Assessment 2006: Part 2c. 'The ETI code of labour practice: do workers really benefit'*. Brighton: Institute for Development Studies (IDS) University of Sussex.
- Barrientos, S., Kleinbooi, K., Auret, D., & Smith, S. (2003). *Ethical Trade in South African Deciduous Fruit - Gender Rights and Participation: Preliminary Summary of Findings*. Sussex: Institute for Development Studies.
- Bieger, N. (2004, January 14). Fairtrade Producer Support. (S. Kruger, Interviewer)
- Blowfield, M. (1999). Ethical trade: a review of developments and issues. *Third World Quarterly* , Vol.2, No. 4: 753 – 770.
- Bosch, D. (2004, November 8). Project Manager, Women on Farms Project. (S. Kruger, Interviewer)
- Burawoy, M. (1998). The Extended Case Methods. *Sociological Theory* , 16(1): 4 - 33.
- Capespan. (2003). Thandi Criteria. Cape Town, Western Cape, South Africa.
- Capespan. (2003). *Thandi: Background Document*. Cape Town: Capespan.
- Cluver (Jnr), P. (2006, March 16). Lebanon and the impact of Fairtrade. (S. Kruger, Interviewer)
- Cluver (Jnr), P. (2005, April 14). Thandi Wines. (S. Kruger, Interviewer)
- Cluver (Snr), P. (2005, November 10). Fairtrade Fresh Fruit. (S. Kruger, Interviewer)
- Cluver (Snr), P. (2004, September 13). Lebanon Fruit Farm and Fairtrade. (S. Kruger, Interviewer)
- Cluver(Snr), P. (2006, March 18). Lebanon Fruit Farm. (S. Kruger, Interviewer)
- Cowan-Louw, P. (2004, February 8). FLO Cert . (S. Kruger, Interviewer)
- Department of Agriculture. (2003). *The Strategic Plan for South African Agriculture*. Retrieved February 15, 2004, from www.nda.gov.za: http://www.nda.agric.za/docs/sectorplan/sectorplanE.htm
- Department of Land Affairs. (2003). *Land Redistribution for Agricultural Development: A Sub-Programme of the Land Redistribution Program*. Pretoria: Ministry for Agriculture and Land Affairs.
- Department of Land Affairs. (1997). *White Paper on South African Land Policy*. Pretoria: DLA.

Dolan, C., & Humphrey, J. (2000). Governance and trade in fresh vegetables: the impact of UK supermarkets on the African horticulture industry. *The Journal of Development Studies*, 37: 145-176.

du Toit, A. (2004). Forgotten by the highway: Globalization, adverse incorporation and chronic poverty in a commercial farming district. *CPRC Working Paper: PLAAS Chronic poverty and development policy series*, 1-39.

du Toit, A. (2001). Globalizing ethics: A case study of social technologies in the South African Wine Industry. *Land Reform and Agrarian Change in Southern Africa: Occasional Paper Series*, No. 17.

du Toit, A. (2002). Globalizing Ethics: Social Technologies of Private Regulation and the South African Wine Industry. *Journal of Agrarian Change*, 2(3): 356 - 80.

du Toit, A. (1993). The micropolitics of paternalism: Discourses of management and resistance on Western Cape fruit and wine farms. *Journal of Southern African Studies*.

Du Toit, A. (2004, February 8). Vinfruco Involvement. (S. Kruger, Interviewer)

du Toit, A., Kruger, S., & Ponte, S. (2008). Deracializing Exploitation? 'Black Economic Empowerment' in the South African Wine Industry. *Journal of Agrarian Change*, Vol.8 No. 1, January 2008: pp 6 - 32.

Evans, P. (2000). Fighting marginalization with transnational networks: counter hegemonic globalization. *Contemporary Sociology*, 29: 230-241.

Ewert, J., & du Toit, A. (2005). A deepening divide in the country side: Restructuring and Rural livelihoods in the South African Wine Industry. *Journal of South African Studies*, 31(2): 315-32.

Ewert, J., & Hamman, J. (1999). Why Paternalism Survives: Globalization, Democratization and Labour on South African Wine Farms. *Sociologia Ruralis*, 39 (2): 202 - 221.

Fair Trade Original. (2006, September). *FTO*. Retrieved September 11, 2006, from Fair Trade Original (formerly Fair Trade Organisatie): www.fairtrade.nl

Fairtrade Foundation. (2006). *Annual Report and Financial Statements for the year ending 31 December 2006*. London: Fairtrade Foundation.

Fairtrade Foundation. (2003, November 19). *Press Release: November 2003*. Retrieved September 17, 2004, from Fairtrade Foundation: www.fairtrade.org.uk

Fairtrade Foundation; Capespan Foundation. (2003, November 19). *Thandi Fairtrade Partnership Brings First Fairtrade Grapes From South Africa To The UK*. Retrieved July 22, 2005, from www.fairtrade.org.uk: http://www.fairtrade.org.uk/press_office/press_releases_and_statements/archive_2003/nov_2003/archive_2003/nov_2003/thandi_fairtrade_partnership_brings_first_fairtrade_grapes_from_south_africa_to_the_uk.aspx

Fairtrade Labelling Organizations (FLO). (2006). *Annual Report 2005-06*. Bonn: FLO.

Fairtrade Labelling Organizations. (2007, January). *Generic Fairtrade Standards for Hired Labour Situations*. Retrieved February 23, 2006, from FLO International: www.fairtrade.net

Fairtrade Labelling Organizations International (FLO). (2004). *Overview of political and market implications of working with plantations*. Bonn: Paper for the Board.

Fairtrade Labelling Organizations International. (2005, March). *Product Standards: Fresh Fruit for Hired Labour Situations*. Retrieved November 11, 2005, from Fairtrade Labelling Organizations: www.fairtrade.net

Fairtrade Labelling Organizations International. (2005, July 30). *Product Standards: Wine Grapes for Hired Labour Situations*. Retrieved March 10, 2006, from Fairtrade Labelling Organization: www.fairtrade.net

FINE Network; Krier, Jean-Marie. (2005). *Fair Trade in Europe in 2005: Facts and figures on Fair Trade in 25 European countries*. Retrieved June 17, 2007, from www.fairtrade.net:
http://www.fairtrade.net/fileadmin/user_upload/content/FairTradeinEurope2005.pdf

FLO. (2005, May). *About FLO*. Retrieved August 26, 2005, from FLO International: www.fairtrade.net

FLO. (2004, July). Joint Body Guidelines. Bonn, Germany.

FLO. (2005, October). *Producer Support*. Retrieved October 23, 2005, from Fairtrade Labelling Organizations International (FLO): www.fairtrade.net

Friedberg, S. (2003). The Contradictions of Clean: Supermarket Ethical Trade and African Horticulture. *IIED Gatekeeper Series*, No. 109.

Friedland, W. (1994). The New Globalization: The Case of Fresh Produce. In L. (ed), *From Columbus to Conagra: The Globalization of Agriculture and Food* (pp. 210-231). Kansas: University of Kansas Press.

FTPSN. (31 January 2004). *Minutes of the first Fairtrade Producer Support Network Meeting*. Stellenbosch: Unpublished.

Gereffi, G. (1999). *A Commodity Chains Framework for Analysing Global Industries*. Durham: Duke University.

Gereffi, G. (1994). The organization buyer-driven global commodity chains. In G. Gereffi, & M. Korzeniewicz, *Commodity Chains and Global Capitalism*. Westport, CT: Praeger.

Gereffi, G., Garcia-Johnson, R., & Sasser, E. (2001). The NGO-Industrial Complex. *Foreign Policy*, 56-65.

Gereffi, G., Humphrey, J., & Sturgeon, J. (2005). The governance of global value chains. *Review of International Political Economy*, 12: 78 - 104.

Goodman, D. (1999). Agro-food studies in the 'Age of Ecology': Nature, Corporeality, Bio-Politics. *Sociologia Ruralis*, Vol 39, No1: 17 - 38.

Goodman, D. (2003). The quality 'turn' and alternative food practices: reflections and agenda. *Journal of Rural Studies*, 19: 1 - 7.

Grape News. (2004, July). Vineyards empowerment on the move. *Grape News*, p. www.grape.org.za (accessed on 16 November 2006).

Gray, B., Lyne, M., & Ferrer, S. (2004). Measuring the performance of equity share schemes in South Africa: A focus on financial criteria. *Agrekon*, Vol 43, No 4: 377 - 395.

Greenberg, S. (2000). Land reform and transition in South Africa. *Transformation*, (52).

Hall, R. (2004). *Land and Agrarian Reform in South Africa: A Status Report 2004. Research report No 20*. Belville: Program for Land and Agrarian Studies (PLAAS), UWC.

Hall, R. (2005, November). The National Land Summit: A turning point? *Umhlaba Wethu*.

Hall, R., & Lahiff, E. (2004, August No. 13). Budgeting for Land Reform. *Policy Brief: Debating land reform and rural development*, pp. 1-4.

Hall, R., Kleinbooi, K., & Mvambo, N. (2001). What land reform has meant and could mean to farm workers in South Africa. *Paper presented at SARPN conference on Land Reform and Poverty Alleviation* (pp. 1-11). Pretoria: Centre for Rural Legal Studies.

Hamman, J. (2003, September 8). Thandi. (S. Kruger, Interviewer)

Hamman, J. (2003, February). Thandi Training Proposal. Stellenbosch, Western Cape, South Africa.

Hamman, J. (2005). *The Variety of Land Reform and Empowerment Projects in Commercial Agriculture*. Stellenbosch: Unpublished.

Hamman, J., & Capespan. (2003). *Thandi Background Document*. Stellenbosch: Unpublished.

Hamman, J., & Ewert, J. (1999). A historical irony in the making? State, private sector and land reform in the South African wine industry. *Development Southern Africa*, Vol 16, No 3. Spring: 447 - 454.

Hannah, J. (2004, May 23). Managing Director Sun Orange Farms. (S. Kruger, Interviewer)

Humphrey, J., & Schmitz, H. (2001). Governance in global value chains. *IDS Bulletin*, Vol 32, No3: 1 - 14.

Jeftha, R. (2005, February 21). Thandi Wines. (S. Kruger, Interviewer)

Joint Body Meeting, L. (2004, November 4). Observation. (S. Kruger, Interviewer)

Joint Body, L. (2005, January 30). Benefits and Impacts of Fairtrade. (S. K. Smith, Interviewer)

Joint Body, S. O. (2006, September 29). Focus Group Discussion. (S. Kruger, Interviewer)

Jones, B. (2006, September 30). Permanent Worker. (S. Kruger, Interviewer)

Jonkers, E. (2006, May 20). Permanent worker at De Rust and LFFT Chairperson. (S. Kruger, Interviewer)

Kaplinsky, R., & Morris, M. (2003). *A handbook for value chain research*. Ottawa: IDRC.

Kruger, S., & Du Toit, A. (2007). Reconstructing Fairness: Fair Trade conventions and worker empowerment in South African horticulture. In L. Reynolds, D. Murray, & J. (. Wilkinson, *Fair Trade: The challenges of transforming globalization* (pp. 200 - 219). Oxon: Routledge.

Kruger, S., & Hamman, J. (2004). *Guidelines for FLO's Empowerment Strategy in South Africa*. Stellenbosch: Unpublished Paper.

Kuhlmann, M. (2004, November 11). FLO Producer Support. (S. Kruger, Interviewer)

Lebanon Pensioner, M. (2005, January 29). LFFT Shareholder. (S. Kruger, Interviewer)

LFFT, J. B. (2004, March 23). Focus Group Discussion. (S. Kruger, Interviewer)

Malan, M. (2006, September 28). Joint Body Progress. (S. Kruger, Interviewer)

Marsden, T., Banks, J., & Bristow, G. (2000). Food Supply Chain Approaches: Exploring the roles in rural development. *Sociologia Ruralis* , Vol 40, No 4: 424-438.

Mather, C., & Greenberg, S. (2003). Market liberalization in post-apartheid South Africa: the restructuring of citrus exports after 'deregulation'. *Journal of South African Studies* , 29 (2):393 - 412.

May, J., Stevens, T., & Stols, A. (2000). Monitoring the impact of land reform on the quality of life: A South African case study. *CSDS Working Paper No 13* .

Mayson, D. (2004, February). Joint Ventures. *Policy Brief: Debating land reform and rural development* , pp. No. 8: 1-4.

Meeting, J. B. (2005, February 3). Observation. (S. Kruger, Interviewer)

Menon, R. (2003). *Plantations in Fairtrade Labelling*. Dehli: Unpublished Discussion Document.

Murdoch, J., Marsden, T., & Banks, J. (2000). Quality, Nature and Embeddedness: some theoretical considerations in the context of the food sector. *Economic Geography* , 76: 107 - 125.

Murray, D., & Reynolds, L. (2000). Alternative trade in bananas: Obstacles and opportunities for progressive social change in the global economy. *Agriculture and Human Values* , 17: 65 - 74.

Murray, D., & Reynolds, L. (2007). Globalization and its antinomies. In L. Reynolds, D. Murray, & J. Wilkinson, *Fair Trade: The challenges of transforming globalization* (pp. 3-14). Oxon: Routledge.

Neven (et al). (2005). Case Studies of Farmer Organizations Linking Dynamic Markets in SA.

Oxfam International. (2004). *Trading away our rights: Women working in global supply chains*. Oxford: Oxfam International.

Ponte, S., & Gibbon, P. (2005). Quality Standards, Conventions and the Governance of Global Value Chains. *Economy and Society* , 34(1): 1 - 31.

Raikes, P., Jensen, M., & Ponte, S. (2000). Global commodity chain analysis and the French filiere approach: comparison and critique. *Economy and Society* , 29:390 - 417.

Reynolds, L. (2002). Consumer/producer links in fair trade coffee networks. *Sociologia Ruralis* , 42: 404 - 424.

Reynolds, L. T. (2000). Re-embedding global agriculture: The international organic and fair trade movements. *Agriculture and Human Values* 17 , 297-309.

Reynolds, L. (2004). The globalization of organic agro-food networks. *World Development* , 32: 725 - 743.

- Raynolds, L., & Long, M. (2007). Fair/Alternative Trade. In L. Raynolds, D. Murray, & J. Wilkinson, *Fair Trade: The challenges of transforming globalization* (pp. 15-32). Oxon: Routledge.
- Raynolds, L., Murray, D., & Wilkinson, J. (. (2007). *Fair Trade: The challenges of transforming gloablization*. Oxon: Routledge.
- Renard, M.-C. (2003). Fair trade: quality, market and conventions. *Journal of Rural Studies* , 19: 87 - 96.
- Rossouw, G. (2005, October 7). Stellar Farming. (S. Kruger, Interviewer)
- Rossouw, W. (2006, April 24). B-BBEE. (S. Kruger, Interviewer)
- Rossouw, W. (2005, September 16). Fairtrade certification. (S. Kruger, Interviewer)
- Rossouw, W. (2005, October 7). Stellar Organics Background. (S. Kruger, Interviewer)
- Russel Bernard, H. (1994). *Research Methods in Anthropology: Qualitative and Quantitative Approaches*. Sage: London.
- Schippers, J. (2006, January 16). Permanent Worker and Shareholder (Lebanon). (S. Kruger, Interviewer)
- Smith, S. (2005). *Fairtrade Foundation Reflect and Review: South Africa, January 2005*. Unpublished document.
- Spieringhs, W. (2005, October 14). Dutch Alternative Trade. (S. Kruger, Interviewer)
- Stellar Organics. (2005). *Business Plan*. Trawal.
- Stellar Organics. (2005). *Info Brochure 2005*. Trawal: Stellar Organics.
- Stellar Organics. (2006). *Profile*. Retrieved November 16, 2006, from Stellar Organics: www.stellarorganics.com
- Tallontire, A. (2000). Partnerships in fair trade: reflections from a case study of Cafedirect. *Development in Practice* , Vol 10, No 2: 166 - 177.
- Traidcraft. (2006). *Traidcraft*. Retrieved September 11, 2006, from Home Page: www.traidcraft.co.uk
- Turner, S., & Ibsen, H. (2000). *Land and agrarian reform in South Africa: A status report*. Cape Town: Programme for Land and Agrarian Studies (PLAAS).
- Vink, N., & Kirsten, J. (2000). *Deregulation of South African markets: Lessons learnt*. Johannesburg: Free Market Foundation.
- Vinnovative. (2006, June 9). *Paul Cluver Profile*. Retrieved June 21, 2007, from Vinnovative: www.capewine.com
- Voigt, K. (2006, January 13). LFFT Management. (S. Kruger, Interviewer)
- Vorster, J., & Kritzinger, A. (April 1997). The conceptualization of farm family business: deciduos fruit farming in South Africa. *Sociologia Ruralis* , Volume 37, No 1, 114-133.
- Wilkinson, J. (1997). A new paradigm for Economic Analysis. *Economy and Society* , 26(3): 305 -339.
- Wilkinson, J. (2004). Actor network theory and policitcal economy: From attrition top convergence via social networks. *World Rural Sociology Congress*. Trondheim: Paper presented to the session 'Networks and Identities'.

Wilkinson, J. (2002). The Final Foods Industry and the Changing Face of the Global Agro-food System. *Sociologia Ruralis* , Vol 42, No 4: 329 - 345.

Williams, G. (2005). Black economic empowerment in the South African Wine Industry. *Journal of Agrarian Change* , 5 (4): 476 - 504.

Worker, P. M. (2005, February 3). Impact of Fairtrade. (S. Kruger, Interviewer)

Yin, R. (1981). The case study as a serious research strategy. *Knowledge: Creation, Diffusion, Utilization* , 3(1): 97-114.



List of Tables

Table 1: LFFT fruit volumes	95
Table 2 : LFFT premium (2003-2005)	107
Table 3 : LFFT Premium projects.....	108
Table 4 : Stellar organics 2002-2005.....	118
Table 5 : Stellar Organics Employees Trust.....	127
Table 6 : Stellar Organics Training courses attended	130

List of Figures

Figure 1 : Structure of FLO International 2005	71
Figure 2 : Five global value chain governance types. Error! Bookmark not defined.	
Figure 3 : Lebanon Fruit Farm Trust structure	89
Figure 4 : LFFT supply chains - April 2006	99
Figure 5 : Stellar Organics supply chain	114

