GENDERED VALUE CHAIN ANALYSIS OF WINE – FROM FARM WORKER IN SOUTH AFRICA TO CONSUMER IN SWEDEN

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ACRONYMS

A&P	Advertising and promotions
BCEA	Basic Conditions of Employment Act
BIB	Bag-in-box (3 litre)
BRC	British Retail Consortium
BSCI	Business Social Compliance Initiative
CEO	Chief executive officer
Cosatu	Congress of South African Trade Unions
CRLS	Centre for Rural Legal Studies
DAFF	Department of Agriculture, Forestry and Fisheries
DTI	Department of Trade and Industry
ESTA	Extension of Security of Tenure Act
ETI	Ethical Trade Initiative
EU	European Union
FOB	Free on board
GATT	General Agreement on Trade and Tariffs
GM	General manager
ILO	International Labour Organisation (UN)
IPW	Integrated Production of Wine
NAMC	National Agricultural Marketing Council
NGO	Non-government organisation
PwC	PriceWaterhouseCoopers
SAC	*Sveriges Arbetares Centralorganisation* (Swedish Workers' Federation)
Sawis	South African Wine Industry Information and Systems
SEK	Swedish *krona*
TDCA	Trade, Development and Co-operation Agreement
UIF	Unemployment Insurance Fund
UN	United Nations
VAT	Value added tax
WFP	Women on Farms Project
Wieta	Agricultural Industry Ethical Trade Association (formerly Wine Industry Ethical Trade Association)
WO	Wine of origin
Wosa	Wines of South Africa
WTO	World Trade Organisation
ZAR	South African rand

EXECUTIVE SUMMARY

Introduction

This report considers the situation of workers in wine export value chains from South Africa to Sweden, with a focus on gender dynamics. It follows two value chains, one from Stellenbosch district and the other from Paarl district. The conditions in the two chains are better than average and management – at least in the processing units - is sensitive to issues of standards, including labour standards. The report aims to understand the structure and dynamics of the chains and the distribution of value and power in the current global context; the possible role the Systembolaget Code of Conduct (BSCI Code[2]) for 2012 might play in the distribution of value and power in the chain; and how workers (with a focus on the production nodes) will or might be affected by the BSCI Code.

The research started off by identifying two specific companies that sold wine to Sweden, drawing from a list of top-selling brands sold in Systembolaget, the Swedish state-owned alcohol retailing monopoly. One packages and brands the wine before export, while the other exports bulk wine for packaging and branding in Europe. Both products are 3 litre bag-in-box (BIB) wines, a very popular form of packaging in the Swedish market. Quality in the Swedish market is very high, and BIB is no exception.

Methodology

We conducted a survey of 57 workers in the 2 value chains, incorporating 7 supplier farms in Paarl and 3 in Stellenbosch, and processing facilities (cellars in both districts and a packaging facility in Stellenbosch). Although we aimed for 60% women, the final sample included 47% women. This indicates the challenges in getting access to women workers, who increasingly live off the farms and work only part of the year. Because of issues of timing, we did not get to speak to contract workers, and our sample included just 25% seasonal or casual workers (it was off season when we conducted the interviews). Women are concentrated in these more precarious types of employment, while men are concentrated in permanent work, especially in the processing facilities. The casual and seasonal workers we spoke to were re-employed from year to year but remained in casual employment.

Focus groups with workers supplemented the information gathered in the survey. A total of 22 workers (5 men and 17 women) participated in the focus group discussions. We also interviewed managers in the processing facilities, logistics companies, Swedish importers, farm worker support organisations and various South African wine industry bodies, including the Agricultural Industry Ethical Trade Association (Wieta, formerly the Wine Industry ETA). It should be noted here that although management in both companies were cautious about participation, they graciously opened their doors to us, including giving us access to workers for interviews. This is important since there are cases where a research team such as ours would have been denied access to the premises or the workers.

Background to South African wine industry

[2] Business Social Compliance Initiative, an initiative of the European Foreign Trade Association http://www.bsci-intl.org/

South African wine production is increasing, although the area to vineyards has been decreasing for some years. The domestic market is stagnant but exports have grown significantly, especially in the past decade. Wine exports are the single largest agricultural export from South Africa. Europe is the largest market for South African exports, with the UK, Germany and Sweden the top 3 destinations by volume.

At the base of the wine industry are many small grape growers (referred to in the report as supplier farms) who sell to wine producers (cellars). Cellars have become concentrated amongst large corporate producer-wholesalers who buy grapes in bulk to produce wine. Nevertheless, there are a number of medium-sized wine producers, including those in our study. There is a trend towards cellars becoming much more closely involved in the grape production process to ensure appropriate quality, especially for export markets. Grape growers are caught in a cost-price squeeze, with rapidly rising input costs and declining net farm income. This is leading to consolidation of farm units and the gradual decline in new vineyard plantings.

The Swedish wine trade

Private businesses import wine to sell to Systembolaget, the state-run monopoly retailer. Systembolaget publishes invitations to tender for particular wines in a particular price range, with specifications (e.g. South African wine, what blend, type of packaging), with about a 6 month lead time between the tender being put out and delivery of the wine. There are other ways of getting into the stores, but these are not relevant for our study. New products are launched twice a year, in April and October. It is a very competitive process, with 433 active importers in 2009. The top 10 importers accounted for 55% of wine imports to Sweden in 2009. The two importers in our case studies are in the top 10. There are two main types of import: packaged and bulk. In the former, the importer essentially acts as a marketing agent and distributor for a brand (Chain A in our case studies); in the latter, the importer packages the wine and distributes under its own brand (Chain X in our case study).

Systembolaget sets price points in the tenders, but being a near-monopoly buyer "they know they can more or less set any price and still get tenders coming in. There is always someone prepared to sell", according to one importer we interviewed. The monopoly makes a small profit but is not driven by profit maximisation. Its main function is to control the consumption of alcohol.

Codes of conduct, Wieta and the BSCI code

The basis of ethical trade and Fair Trade initiatives is to ensure basic minimum social conditions are met as a minimum barrier to entry into markets. Codes of conduct are developed, setting out the standards to be adhered to, and those who sign the code agree to some kind of verification process. In 2006 there were an estimated 10,000 privately regulated labour codes, mostly linked to national minimum labour standards, or ILO Conventions in the absence of adequate national regulation of labour standards.

Wieta is a voluntary code in the South African wine industry with buy-in from all major stakeholders including industry representative bodies, government and trade unions and civil society organisations. It involves independent monitoring against its own local code which requires adherence to minimum standards and conditions as laid out in the law. Member producers pay a levy to cover costs and it is also partly funded through the common customs tariff paid by UK wine importers.

Wieta appoints independent consultants to do social audits. If members are not fully compliant, they are requested to develop and sign an improvement plan in consultation with workers. Once they are compliant, members are certified. Wieta has started working with suppliers to members, but processes are still being developed. In the pilot, 100% of suppliers must be audited with a minimum of 60% complying in all respects to the code. The other 40% should comply to at least 60% of the criteria, with a plan to bring them to full compliance over time. Workers are directly involved in monitoring. There is currently not enough certified ethical product to meet demand. In our case studies, the Company X cellar is Wieta certified, although this does not extend to supplier farms. Company A is in the process of being certified.

The BSCI code calls for compliance with national labour legislation, and requires the member (Systembolaget) to ensure its suppliers carry out the code. The supply contract can be cancelled failing this. Monitoring is the responsibility of management.

Value chain A

Value chain A emanates from Stellenbosch. Company A is a privately owned producer-cellar producing packaged wines. Exports constitute more than 80% of its market. Sweden is Company A's biggest market and has expanded rapidly in the past 3 years.

Company A employs 30 permanent workers directly (9 in its own vineyards, 10 in the cellar and 11 in the pack house) and another 40 casual or seasonal workers who work for varying lengths on time in the cellar and pack house. Permanent workers are mainly men, except in the packing facility where there are more women. Casual and seasonal workers are overwhelmingly women. The company uses labour contractors for casual or seasonal work in the vineyards and for bottling in the cellar. Contract workers are mainly women. All workers live off the farm and only a few are provided with housing directly by the company. The company pays for transport and school fees. It is in the process of being accredited for Wieta and Fair Trade.

Company A produces some of its own wine grapes and also buys grapes from more than 20 grape producers. The average yield of the farms that grapes are bought from is fairly low in comparison with industry averages to produce higher quality grapes, for which growers are paid a premium. Company A has a very hands-on approach to the contracted grape production. The same applies to wine suppliers for wine that is bought in.

For those they work with closely, Company A attempts, in an informal way, to ensure they comply with all relevant labour legislation. For other farms they buy in from and for bulk wine, they inform the suppliers of the laws but do not monitor them in any proactive way. Compliance with basic conditions of employment was uneven, with contracts, sick and maternity leave and voluntary overtime issues of concern on supplier farms.

Company A also has its own vineyards, and they are likely to continue expanding their own production in future. Labour on the company's own vineyards is a combination of a core permanent workforce of nine people (2 women and 7 men) and split between coloured and African workers[3]. The monthly salary for permanent workers varies, but is substantially above the minimum wage. Company A also pays for transport and children's school fees.

[3] In apartheid classifications, 'coloured' refers to people of mixed race or to people who originate amongst the Khoi and San populations who originally inhabited the southern parts of South Africa. African refers to those who came from north of South Africa historically. The legacy of these racial classifications persists in the structure of the labour market and in social divisions in the population.

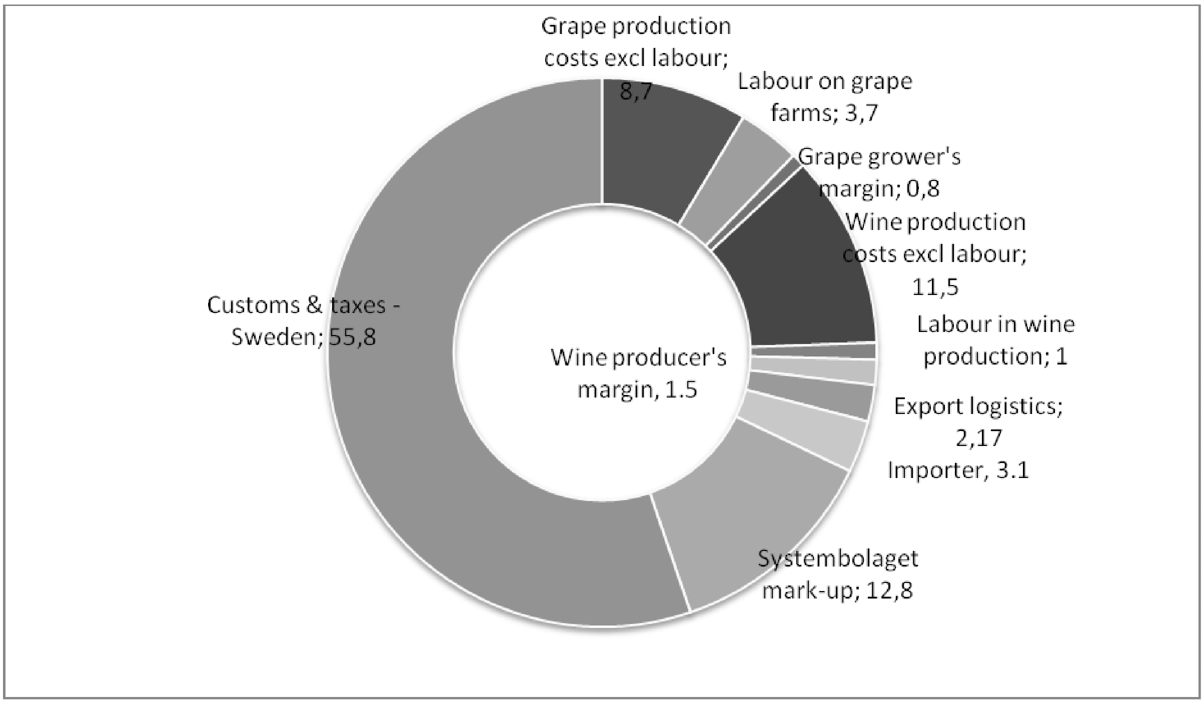
A significant amount of work in the vineyards is outsourced to a contractor who is paid to perform specific tasks. The contractor supplies his own tools and workforce. He has a team of 20 permanent and up to 60 regular contract workers, expanding to over 200 during harvesting. 75% of the core team are coloured, with the remainder African (Zimbabwe and Eastern Cape). 98% of the contract workers are women. They are on 11 month contracts and almost all are re-employed each year. Workers are generally paid piece rates and according to the contractor earn above minimum wages. Company A pays the contractor a fixed rate and the contractor takes a fee of slightly over 25%, including overheads.

Company A employs 8 permanent workers (all men) in the cellar plus 2 wine makers and an admin assistant. An additional 12 women workers work 3 weeks during the season. They are re-employed each season. The cellar also employs a bottling contractor with 8 workers (6 women casual, and 2 men permanent). Another 8 permanent workers (3 men, 5 women) plus a manager and 3 supervisors are employed at the packing facility, also owned by Company A. There were an additional 28 contract workers on the production lines at the time of the research, mainly women and overwhelmingly coloured. Workers in the packing facility work an average of 4 days a week, on a ‘no work, no pay’ basis, because the facility does not run at full capacity. All workers in the cellar and packing facility earned well above minimum wages, although women’s average wages were only 73% of men’s.

Terms of trade are free on board (FOB) Cape Town, meaning the buyer takes ownership of the wine and the risk after the product is loaded on the ship in Cape Town. Company A only uses one importer in Sweden, who sells the wine ‘on spec’ to Systembolaget. This allows Systembolaget to request the importer to take unsold stock back, and therefore the risk remains with the importer until the stock is actually sold.

It is impossible to work out precise costs in the chain without a financial audit, since each product and season will have its own unique features. However based on the information we have at hand, we can make some illustrative calculations. Between them, the Swedish state (customs and taxes) and Systembolaget take 69% of the value of the final product on the shelf (Figure 1). The remaining 31% is divided between all other actors in the chain. Labour in the grape and wine production nodes gets less than 5% of total value, and production costs excluding labour but including producers’ margins incorporate around 22.5% of value. The importer gets a small share of around 3%.

Figure 1: Illustrative distribution of value in chain A – packaged BIB



Value chain X

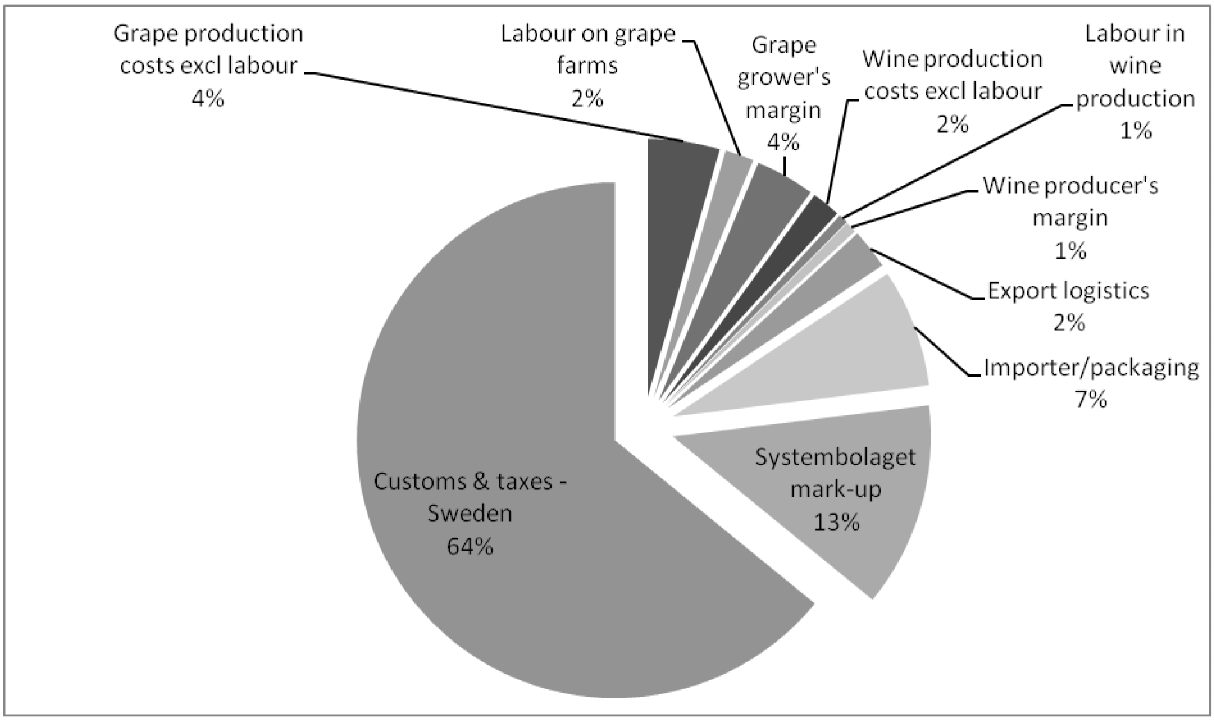
Value chain X emanates from Paarl district. It involves the bulk sale of wine for packaging in Europe. Company X is a producer-cellar with grape producing members. Most suppliers are shareholders of Company X. There are contractual agreements between individual growers and the cellar stipulating the terms of delivery. Company X is slightly less hands-on than Company A although it does provide technical advice to growers. Company X has no vineyards of its own, and doesn't own vineyards.

On supplier farms we surveyed in the district (not all of which supplied Company X, but whose conditions were similar in that they supplied grapes destined for export, including to Sweden, only by another company), average wages were only just above the minimum, and for women average wages were below the minimum. 64% of women on supplier farms in Paarl earned less than the minimum wage on average. Overall, women earned around 83% of men's wages on these supplier farms.

Company X employs 48 permanent workers directly and another 50 or so casual/seasonal workers who work for varying lengths on time. Permanent production staff is all men, as are casual and seasonal workers. The company does not have its own vineyards and does not use labour contractors. All workers live off the farm and the company does not provide housing for any workers. The company pays for transport. Wages of all workers in the cellar are above minimum and basic conditions of employment are adhered to. The cellar is Wieta and Fair Trade certified, but this does not extend to supplier farms.

The importer moves around and identifies wines it wants to buy and the cellars it will buy from, and then contracts the cellar to deliver according to specifications. Company X mostly gets specifications of the product, but there is no direct involvement from the importer. The relations of power in Chain X between wine producer and importer are therefore quite different to those in Chain A. Where the producer essentially contracts the importer in Chain A, the reverse is the case in Chain X.

Figure 2: Illustrative distribution of value in chain X – bulk wine



In most cases, Company X knows where the bulk product is going, although this cannot be realised in all cases. Traceability is more of a challenge for bulk exports than for packaged exports. Company X sells to about 15 bulk buyers, including corporate producer-wholesalers and exports. Terms are usually FOB Cape Town.

As with chain A, the Swedish state and Systembolaget absorb a significant share of the value of the final product on the shelf, at 77% of the total. The remaining 23% is divided between the remaining actors in the chain (Figure 2). Grape and wine production costs are lower than in chain A, at an estimated 11% excluding labour costs. Labour in the production nodes gets around 3% of the final value of the product, and the importer gets an estimated 7% including packaging and distribution.

Women workers in wine value chains

Historical relations between farm workers and owners in South Africa has been characterised as 'patriarchal paternalist', where owners treated workers as children and where women's social and economic dependence on men was reinforced through the way work was organised and housing was provided. Following agricultural sector restructuring (state deregulation and trade liberalisation) and the introduction of labour laws into agriculture in the early 1990s, a modernised labour relations system gradually emerged out of this paternalism.

Key features of this modernisation were the movement of workers off the farms, the casualisation and outsourcing of work and the 'feminisation' of this precarious work. Over the past 25 or 20 years women have become increasingly concentrated in casual and seasonal work categories. Their lack of access to housing in their own name continues, both on farms and off. The permanent workforce is declining, mechanisation is on the rise (although there are physical limitations) and outsourcing of labour is common.

Workers in the Western Cape are mainly 'coloured', a legacy of the labour preference policies of the era before apartheid and reinforced by the latter. African workers are mainly migrants[4] from the Eastern Cape (and a small but growing proportion from Zimbabwe) and these workers are also located in more precarious forms of work.

Wages

Labour costs are up to half of grape growers' input costs if provision for renewal is not taken into account. Labour costs are higher in the two districts we looked at than in other districts. A number of reasons for this are proposed, including closer proximity to the city, use of contractors (which increases costs because brokers also take a fee, but also increases flexibility), and high quality requirements especially in Stellenbosch. Labour is lower as a proportion of wine production costs because of greater capital intensity.

Our survey showed that on average workers were earning above minimum wages. 9% of workers in the sample earned below minimum wages, and these were all on supplier farms in Paarl. 97% of those surveyed did not know how much the minimum wage was, indicating a critical lack of information.

Women only earned 65% of men's average wages (R2,119/month for women compared with R3,245/month for men). For non-supervisory workers the gap narrowed to 78%. However, the average disguises significant differences between supplier farms and processing facilities. In the latter, wages were much higher and men also dominated permanent employment. Recalculated to a monthly comparison, casual/seasonal workers earned just 58% of permanent workers' wages.

However, these factors do not account for the wage gap. Permanent women earned 75% of their male counterparts. Women casual workers earned just 71% of the wages of men casual workers. Women vineyard workers earned just 67% of their male counterparts' wages, and 84% in processing. Type of work also did not make a big difference, because the survey showed that women doing similar types of jobs in two broad categories (one considered less skilled, although this is inaccurate) and another for sorting and packing still earned significantly less than their male counterparts. We can only conclude that women earn less than men for the same or similar work, however this is disguised through different forms of work. Despite management statements that women are better at doing certain kinds of work than men (e.g. picking grapes, labelling bottles), they still were paid less for doing these kinds of work than men were for doing other kinds of work. This raises a key issue of what kinds of work women are given to do, and how this work is valued and remunerated.

Housing and basic conditions of employment

In our survey 53% of respondents live on the farms they work on, and another 12% live on other farms in the neighbourhood. The other 35% live in townships or informal settlements. A quarter of respondents explicitly indicated that they lived in the house of their parents, grandparents or siblings, even though this question wasn't specifically asked. It highlights a reliance on family networks not only by the workers, but also by the companies, who do not have to pay a social wage for as long as worker's families are subsidising their accommodation. The gendered dimension of housing on farms was made clear by workers we spoke to. In a focus group on a supplier farm, one woman worker said "If the men die we women have to move from the house. That is when we move

[4] Migrants refers to workers who have homes in other parts of the country or continent but who have moved to the Western Cape to look for work. Although they may have settled in the Western Cape, they do move back and forth between the Western Cape and their original homes.

to town. The housing contract is in the men's name. The week that my husband passed away the farmer came to me and told me to vacate the premises even though I still worked for the farmer."

Generally, the cellars and packing facilities in the case studies abide by the Basic Conditions of Employment Act (BCEA). The main issue is with supplier farms, where conditions for a significant number of workers are below minimum requirements. Contracts, voluntary overtime and maternity leave stand out as key issues that need closer enforcement on supplier farms. Conditions for women are worse than for men across the board on supplier farms. Areas where the biggest gaps appear between women and men are sick leave, annual leave, voluntary overtime and written contracts.

The responsibility for child care falls largely on women. 86% indicated there is no crèche at their place of work, and 80% of those who indicated they pay for child care in the survey were women. When combined with poorer work conditions, more precarious work and lower wages, women's lives are far more constrained than those of men. The way employment is structured already offers very limited opportunities for farm workers to advance beyond farm work, except for the occasional supervisory position. For women workers, these opportunities are even more constrained.

71% of respondents indicated they needed protective clothing for their work, including 63% of men and 38% of women. This difference can be accounted for by the different types of work men and women do. Almost 22% of workers indicated they did not get the protective clothing they needed. Surprisingly, more workers in cellars and packaging (31%) said they did not get the protective clothing they needed than vineyard workers on supplier farms (22%). 58% of those who responded indicated they are exposed to chemicals at work. 57% of these were men, and 43% women. 68% were on supplier farms, and 32% in processing (cellars and packaging). 58% of those who responded said they had a First Aid box on site, and the same percentage said they had a safety representative.

Organisation and collective bargaining

There is a right to collective bargaining in South Africa, but only in the context of the ability of workers to organise collectively. Unorganised sectors, such as farm workers, essentially are left out of collective bargaining. In our survey 21% of respondents indicated they belonged to a trade union, of which two-thirds were men. This relatively high proportion can be accounted for by the fact that Company X was fully unionised.

For those who did not belong to any organisation, the answer varied as to why not, but about a third felt the unions provided no services, or took their fees and then went away. Trade unions have a very limited capacity to properly organise on the farms. Unions tend not to organise seasonal women farm workers, indicated by the fact that union membership is amongst permanent men workers. 22% of workers who were not in a worker organisation reported feeling intimidated or felt they were not permitted to form a union or associate freely with others. 19% felt they didn't have any need to join a union or form a worker's organisation, and some expressed it as having "no problem with the owner". 16% had never heard about or from trade unions, or hadn't heard about unions in the area.

Just 37% of respondents indicated they negotiated with management as a group. 71% of cellar and packaging workers said they do negotiate as a group, but only 19% of workers at supplier farms negotiated as a group. Just 25% of casual and seasonal workers said they negotiated as a group with management, compared with 41% of permanent workers. Company A has a worker's forum with reps in each unit of the company, which has monthly meetings with managers from all areas chaired by the general manager (GM). At Company X, trade unions negotiate with management on workers' behalf. There is a correlation between negotiating as a group and gender, since women are concentrated on the supplier farms. 72% of those who say they do negotiate as a group are men.

Conclusions

On average, worker's conditions in the two value chains hover around the minimum requirements, but there are important locational and gender differences. Workers in processing are generally more secure and have better conditions than workers in vineyards, especially where these vineyards are small supplier farms to the cellars. Conditions for workers on farms in Paarl are generally lower than for those in Stellenbosch, but this is not a hard and fast rule. Women workers are concentrated in more precarious and unstable employment, and their conditions of work are generally worse than their male counterparts, regardless of location or type of work. Men's labour is more highly valued than women's.

Both chains are clearly buyer-driven chains with a dominant retailer. Chain X conforms to the fairly straightforward hierarchical relationships of a buyer-driven chain. The retailer is dominant in relation to the importer, who is dominant in relation to the wine producers, which is dominant in relation to the grape and wine suppliers. Chain A, with a branded product emanating from the wine producer follows this general pattern except the relationship between wine producer and importer is more equal. This indicates that wine producers have greater power where they are producing a high quality branded product.

Whatever the degree of accuracy of the distribution of costs in the value chains shown above, we know with certainty that workers, farm owners and importers accrue a relatively small portion of the final value of wine that sits on the shelf in the Systembolaget store. If grape growers are actually getting more money for their grapes, others amongst these will lose by the same amount, since the final prices are fixed. The prices on the shelves do not reflect costs of production that are socially and ecologically sustainable.

A fundamental contradiction is that the codes aim to ensure certain minimum standards, but those standards are embedded in a history of wine production in South Africa which comes from a base of ultra-cheap labour. Give the current structure of the industry it essentially cannot pay a living wage, as opposed to a minimum wage.

Codes can be a step forward if they are implemented properly, and if they become the baseline for entry into the market. But at the same time, they do not in and of themselves lead to vastly improved conditions for workers, or change the underlying power relations between owners, managers and workers.

Recommendations

Swedish consumers

- Request Wieta or Fair Trade accredited wines from South Africa;
- Lobby for inclusion of workers throughout the value chain in monitoring the code;
- Lobby the Swedish government and Systembolaget to carry out the recommendations below.

Swedish policy makers

- Levy drawn from a portion of the taxes gathered from wine imports and sales in Sweden can be set aside to assist with: i) Wieta core costs; ii) monitoring of basic conditions; and ii) exceeding basic social, labour and environmental conditions over time.

- Since the high Swedish taxation is partly to discourage alcohol abuse, and the Western Cape in particular has its own legacy of alcoholism at least in part caused by historical practices on wine farms, it is recommended that a small portion of the Swedish taxation is set aside to establish an education fund on alcoholism in South Africa.

Systembolaget

- Develop mechanisms to increase transparency in value chains, with particular emphasis on bulk wine imports – to include traceability of wine to individual farms and blocks, and distribution of value in the chains;
- For South Africa, work with Wieta framework to adapt the code to South Africa. Wieta has done a lot of work in bringing all stakeholders together and developing systems, as well as in mainstreaming ethical trade in the wine industry with buy in from industry bodies, it is the only multi-stakeholder initiative in industry, it has transformative value and it does not make a profit on auditing;
- Include a clause on housing as an addition to the basic code;
- Provide resources for Wieta to operate, including for monitoring the code, with an emphasis on supplier farms and labour contractors;
- Insist on the direct involvement of workers (men and women, seasonal and permanent) in the monitoring of the code at all levels, and provide resources to build worker capacity to participate meaningfully;
- Centralised bargaining council for workers and suppliers to Systembolaget;
- Direct communication with farm worker organisations;
- Support to farm worker organisations to strengthen their capacity to be accountable and to serve members.

Swedish wine importing firms

- Provide farm worker organisations with information on who they are importing from, and allow these organisations to report directly to importers if violations of the code are discovered - direct communication with farm worker organisations;
- Support worker involvement in monitoring of labour conditions down to supplier farms.

South African wine producers

- Non-compliance specifically with maternity leave and contracts were identified in the research as key areas for consideration. Producers to focus on these aspects on basic conditions especially, and ensure compliance amongst their suppliers and contractors;
- Supplement the wage package with non-wage benefits, including water provision for those living on farms, crèche facilities, secure access to land for food production, and costs of transportation to health care facilities;
- Advanced training of health and safety reps;
- Land and mentorship to support black producers to supply grapes as a contribution to the South African land reform programme;
- Involve workers directly in monitoring the codes, with an emphasis on women and seasonal/casual workers.

South African policy makers

- Prioritise issues of housing, public transport, schools and medical facilities for rural and urban populations in the Winelands;
- Department of Labour and Department of Trade and Industry (DTI) to participate actively in Wieta;

- Consider ways of using land reform to open opportunities for workers to move up the value chain, with an emphasis on women workers – for example through using land reform to allow black workers to enter the value chain as grape producers under mentorship programmes;
- Strengthen Department of Labour monitoring systems, and inspectors to interact directly with workers on labour conditions;
- Require an improvement plan along the lines of Wieta in cases of non-compliance with minimum conditions;
- Partnership strategy with farm worker organisations on monitoring.

Farm worker organisations

- Unions to develop systems of accountability to members, and to commit to providing adequate service to members;
- Develop gendered strategies to target women workers, especially seasonal/casual workers.

INTRODUCTION

The Cape Winelands is world-renowned for its beauty. Historical towns with bright white walls and the unique Cape Dutch architecture, surrounded by ordered green rows of vineyards, nestle in the interstices of stark, black mountains that rise majestically from the valley floors. All appears idyllic.

However, on closer inspection, the vivid contrast between the austere mountain crags and the verdant tranquility of the towns and vineyards finds a match in the social and physical infrastructure embedded in this magnificent natural beauty. The cellars and wine farms exude health and prosperity. And set away from the farms, away from the centre of the towns and their tourist-oriented fashion and art shops, are the townships and settlements of the workers and the 'surplus people'. Kayamandi township and informal settlement, with shacks slipping down the slopes of the Papegaaiberg, as precarious as the working lives of its residents. Or the sprawling Mbekweni township connecting Paarl and Wellington, its ranks swelled with workers who have been retrenched or evicted from farms or who have gradually found themselves pushed off the farms to make way for higher value land uses for owners.

For many decades the relationship between farm owners and farm workers was a very close one, based on paternalism where farm workers were treated as children under the care of the father, the farm owner. Different owners had different understandings of what it meant to be a father. Some were benevolent while others were harsh and cruel. But changing economic and social circumstances have led to changing relations between owners and workers. There is increasingly an arm's-length relationship between them, a formalisation of the work relation based on an industrial relations model and a gradual erosion of the involvement of the farmer in the personal affairs of the worker, picking up pace as democratic pressure built up all around.

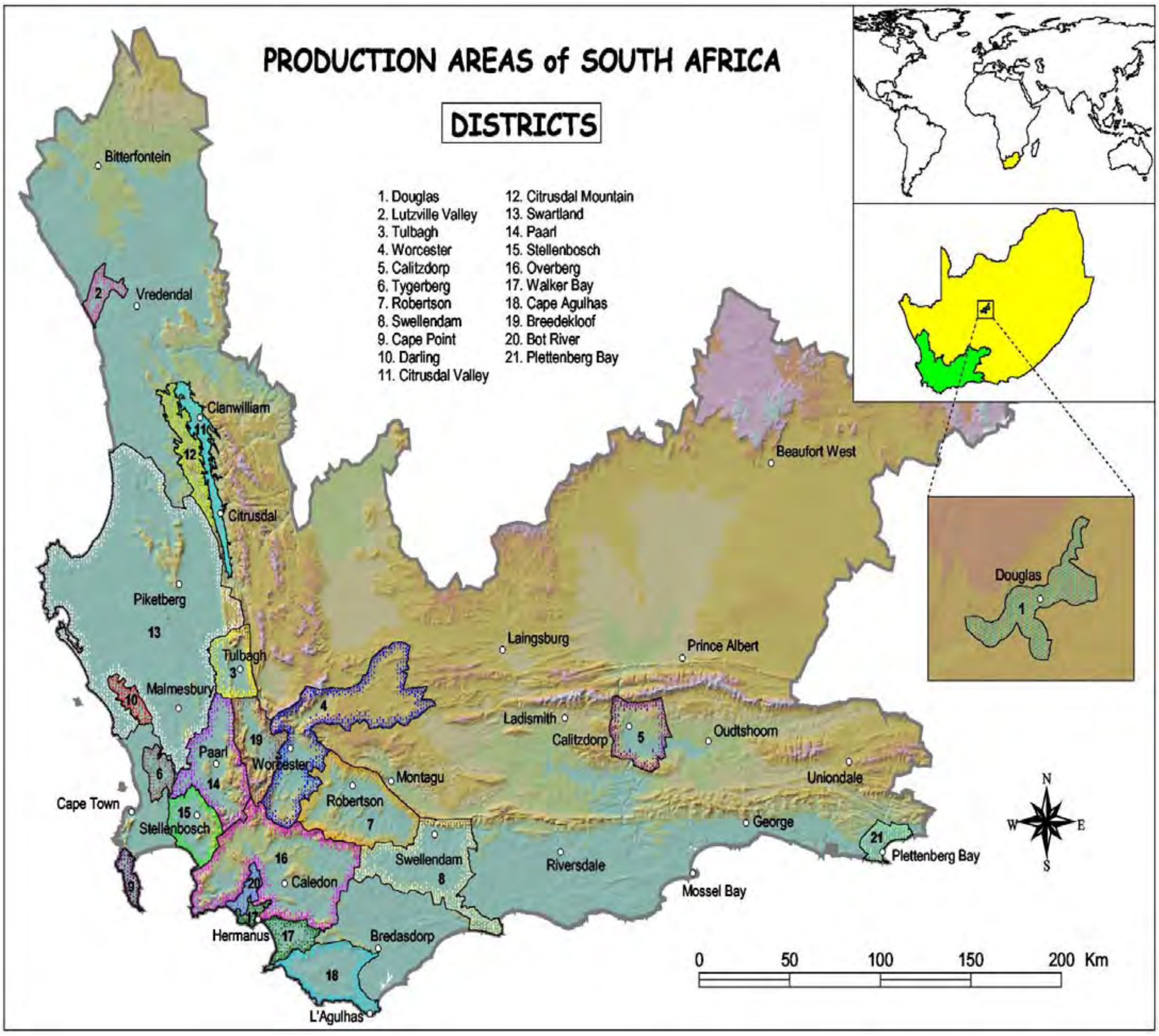
In some cases, contractors were set up as a buffer between farm owners and the workforce, for economic reasons of flexibility as well as for social reasons of control of potential disruption on the farms and cellars. Workers were increasingly recruited from off the farms, and workers who historically were housed on the farms were moved off. Again this was for a combination of economic and social reasons. Economically opportunities arose for land owners to use high value land for upmarket accommodation and tourism which generated greater profits than farm worker accommodation. Socially, moving workers off the farms eliminated old and new responsibilities owners had towards them including housing and services, and circumvented tenure rights established after political liberalisation.

This report considers some of these issues. The first part looks at the current state of the wine sector and wine trade between South Africa and Sweden. It also looks at codes of conduct, with an emphasis on the Agricultural Industry Ethical Trade Association (Wieta) and the Business Social Compliance Initiative (BSCI Code[5]) introduced by Systembolaget, the Swedish alcohol monopoly, in 2012. The second part looks at two export value chains from South Africa to Sweden. One of these chains emanates from Stellenbosch district (Chain A). In this chain, bottling and packaging occurs in South Africa before export. The other emanates from the Paarl district (Chain X) (Figure 1), where the wine is produced and shipped in bulk to Europe for packaging. Between them, Stellenbosch and Paarl districts account for one third of the total area under wine grapes in South Africa (Sawis, 2011:520).

[5] Business Social Compliance Initiative, an initiative of the Foreign Trade Association http://www.bsci-intl.org/

The third part of the report reviews the literature on the work and life conditions of workers in the wine industry, with an emphasis on women workers. Much of the literature has focused on primary production, with limited investigation of workers upstream or downstream of production. Results from a survey with 57 workers on vineyards and in cellars and packing facilities related to the value chains in the case studies and conducted as part of this research, are included here.

Figure 1: Map of Western Cape wine production districts



Source: DAFF, 2010:10

The report concludes with a set of recommendations on what might be done to support the more equitable distribution of value in the chain. It aims to understand the functioning of wine value chains from South Africa to Sweden, on three related issues:

i) The structure and dynamic of the chains and the distribution of value and power in the current global context;

ii) The possible role the BSCI Code for 2012 might play in the distribution of value and power in the chain;

iii) How workers throughout the chain will or might be affected by the BSCI Code.

The research uses value chain analysis to look at the distribution of power in value chains, and who the drivers are. In a nutshell, value chains have 'lead firms' that dictate terms of participation and can also transmit these upstream or downstream beyond first-tier suppliers (Ponte, 2007:3). Retailers are the lead firms in wine value chains, driving issues of quality and standards, although there is some difference depending on the quality of the product; higher quality wine gives greater power to wine writers and to producers, even if the balance still favours retailers.

Ponte describes two ways in which a chain might be driven. 'Hands-on drivenness' is direct, and includes vertical integration, long-term contracts, explicit control of suppliers, and regular engagement with suppliers or buyers. There are characteristics of this within the two wine value chains we investigate here, especially between grape growers and cellars (to a larger extent in Chain A), and between cellars and importers (to a larger extent in Chain X). 'Hands-off drivenness' is the use of specifications that can be transmitted in codified, objective and measurable or auditable ways, and the ability to set standards that are then followed throughout the value chain (Ponte, 2007:4). Codes of conduct are an example of hands-off drivenness, and the ability to introduce such a code is therefore an indicator of a driver. The differential power relations between grape growers, cellars and importers in the two chains we look at are contained within this broader power of Systembolaget as the monopoly retailer in Sweden. The key point is that, although the retailer is the overall driver, there are differential relations of power between other actors in each chain too.

It is useful to note one last consideration on value chains before turning to the methodology and an overview of the wine sector and the South African-Swedish wine trade. This consideration is that social responsibility itself must be seen as a 'quality convention' (Ponte, 2007:6). This means social responsibility is integrated into the definition of quality, and this may be used to raise barriers to entry in highly competitive markets.

METHODOLOGY

The research sought to make a gendered analysis of the chain and to develop a methodology about how to deal with issues in a gendered way. The brief included the development of an explicit approach to deal with gendered dynamics: institutional, and also intra-household and inter-personal power relations. However, in time available, it was not possible to get into too much detail on intra-household and inter-personal relationships. The main focus was on work, although some issues do arise especially around housing, and to a lesser extent transport and child care.

The research started off by identifying two specific companies that sold wine to Sweden. We drew from a list of the top South African brands, or top brands using South African wine, sold at Systembolaget. We identified two companies. One sold branded red and white wine, both bottled and 3 litre bag-in-box (BIB), a very popular package in Sweden. The other sold red and white bottled wine and red BIB but with packaging and branding in Sweden. Some digging allowed us to identify one of the South African suppliers. We approached managers at both these companies to see if they would be willing to participate in the research. Managers were initially reticent in both cases, and this is understandable. It was only a few months since the release of the Human Rights Watch report on farm worker conditions on Western Cape wine and fruit farms, and there was a heightened sensitivity about negative press, especially if brands or companies were identified. To their credit, however, both companies agreed to give us access to their facilities and workforces, although on condition of full confidentiality. The very fact that the companies were willing to give us access is a sure sign that their workforces are on the better end of the labour spectrum in wine production. In many cases it is impossible to gain access to farms or processing facilities for research or to speak with workers.

One of the importers indicated that their sources of wine and the terms of that sourcing was a "trade secret". It was very difficult to get precise and specific information because of this, especially on supplier relations and cost structure. As a result, we relied quite heavily on industry averages.

There is good statistical information from VinPro and Sawis, the industry service organisations responsible for this. It is possible to build up much of the cost structure, down to a district level on some issues, on the basis of this information. However, each value chain has a unique cost structure, and chains are dynamic, so some information had to be estimated. Where this is the case, it is indicated in the text. In Chain X, there was a long process of approval and by the time we finally got confirmation, harvesting had started and it proved difficult to speak to workers during work time. As a result, information on Chain X is less detailed than on Chain A.

A research team consisting of 6 women and 1 man met to develop the methodology and questions. We were joined by a member of the Swedish trade union organising at Systembolaget, *Sveriges Arbetares Centralorganisation* (SAC). The women all work for women's and worker's organisations and brought an explicitly gendered approach to the methodology. A questionnaire was developed for vineyard and processing workers with basic questions around wages, basic conditions of employment, health and safety and organisation. These topics form the basis of the BSCI Code with regard to social conditions. We then added issues considered to be more gender-specific, including child care, schooling and health and safety issues specifically relevant to women.

We conducted survey type questionnaires with 57 workers in the value chain, including workers in vineyards, cellars and a packaging facility. We selected respondents by gender. We initially aimed to select men and women roughly in ratio with their proportion of the whole farm workforce (based on our estimate of 2:3 i.e. a 60% women workforce). We found there were more men than we anticipated on the farms and especially in the cellars, in the latter where men occupied almost all posts. We also selected for permanent and casual/seasonal workers, and for workers living on-farm and off-farm.

Our final sample was drawn from 7 supplier farms and a cellar in Paarl district, and 3 supplier farms, a cellar and a pack house in Stellenbosch district. There were 27 women and 30 men in the sample, with slightly more men in Paarl and more women in Stellenbosch (Table 1).

Table 1: Breakdown of respondents, by sex and area

Area	Men	Women	Total
Stellenbosch	13	15	28
Paarl	17	12	29
Total	30	27	57
% of sample	52.6%	47.4%	100%

61% of respondents were on supplier farms, 2% (1 person) worked at a core vineyard and 37% of the sample was cellar and packaging workers (Table 2). We anticipated doing interviews with workers on vineyards directly owned by the cellars ('core vineyards') but found that the cellar in Paarl did not have their own vineyards. Ultimately we did not get interviews with core workers on farms owned by the cellar, expect for one man who lived on one of the supplier farms we did interviews on. However, we did have one focus group discussion with core vineyard workers in Chain A.

Everyone we interviewed was employed by the farm owner. We did not get to speak directly to workers for labour contractors in vineyard work and bottling in Chain A, although we managed to speak to contractor management. The reason was that we did not know there were contract workers until the research was already under way, and time constraints prevented us from widening the number of people we spoke to. The researchers who conducted the questionnaires went earlier than the management interviews, and focused on supplier farms where they could speak to workers without first waiting for confirmation from management we were talking to. This was purely for reasons of timing, because those researchers work full time in organisations and wanted to complete the research in their own time during the December/January holidays.

Table 2: Workplace of respondents

Area	Supplier farms	Core vineyards	Cellar and packaging facility workers	Total
Stellenbosch	15	1	12	28
Paarl	20	0	9	29
Total	35 (61.4%)	1 (1.8%)	21 (36.8%)	57

The sample includes 75% permanent workers and just 25% casual or seasonal workers. The survey was conducted just before the start of the harvesting season so seasonal workers were not on the farms. This was a constraint of the research because we still would not have had access to workers in the peak season, and we had limited timeframes. Women constitute 86% of casual/seasonal workers in the sample, and men constitute 65% of permanent workers in the sample. That we found fewer casual workers than permanent workers to speak to indicates the difficulties of getting to a body of workers who are constantly shifting in and out of employment and have little work stability.

All casual and seasonal workers in the survey were re-employed from one season to the next. In essence this means the workers themselves – primary women workers - have to carry the cost of flexible work. All casual and seasonal workers we spoke to had worked for 10 years or less, but they had been re-employed for the whole time they had worked for this employer, therefore a long-term flexible and precarious employment relation has been set up with these women. We heard a number of stories about 11 month contracts which do not recognise continuous service (supplier farms in Paarl), and about transfers from one unit of the same company to another or from one owner to another, but with a break in the contract, which was started afresh in the new unit or under the new owner.

To compliment the questionnaires and to try to get to a more qualitative discussion, we held focus groups with workers on two supplier farms in Paarl and one supplier farm and core vineyard workers in Stellenbosch. These included two mixed (men and women) groups and two women-only groups in an effort to get a better voice from women workers. A total of 22 workers (5 men, 17 women) participated in focus group discussions.

We also conducted interviews with managers at 2 cellars, the core vineyard manager in Chain A, 2 labour contractors in Chain A (Company X did not use contractors), a Swedish importer, a global freight forwarder and Wieta (the Agricultural Industry Ethical Trade Association, formerly Wine Industry Ethical Trade Association). In addition, we had ongoing contact with another Swedish importer, industry bodies and associations, trade unions and worker and women's support organisations, Systembolaget and company managers in the two chains.

In both chains, the cellars get most of their grapes from a network of grape growers (whom we call 'supplier farms' in this report), and they also buy in wine which they then blend or finish at the cellar. In Chain A, the company which owns the cellar, the packing facility, land and vineyards is privately owned by a few individuals. In Chain X, the cellar is under the ownership of shareholder members who have to be wine grape producers. Many members also produce other crops and animals, such as wheat, vegetables, table grapes and deciduous fruit. Amongst the suppliers are members of Company X, but cellars in both chains also purchase grapes and wine from non-members. At Paarl (Chain X), the research team started work on the supplier farms while awaiting cellar management's agreement to participate in the research. However, information was gathered from supplier farms for a different cellar. Nevertheless, we decided to keep them in the survey because according to Sawis, an estimated 90% of the other cellar's production was for export and, according to the cellar's website, they had sold to Sweden amongst other export destinations in the past 3 years. On this basis, and without investigating the cellar further, we felt it would be of value to incorporate these interviews rather than scrap them, since the conditions are very likely to be similar on all the supplier farms.

A note on racial categorisation: an analysis of power relations in the value chains cannot ignore the question of race as historically defined in South Africa and which continues to shape power relations in the country as a whole as well as in the wine sector. 'Coloured labour preference' policies and the use of migrant African labour, especially from the Eastern Cape, were used to divide the work force ethnically or racially and continue to do so today. Many people do not see themselves in ethnic terms although, as it becomes clear, there are some tensions in the workforce between 'coloured' and African workers at times, and even amongst different groups of Africans. 88% of our sample is coloured, with the remainder African (6 Xhosa and 1 Sotho speaker). Africans are more likely to be on labour teams under contractors, or in seasonal work. Our sample is thus more or less representative of the broader racial distribution of labour on Western Cape wine farms.

Respondents did a range of different activities on the farm, often more than one type of work. Most jobs were more routine (Table 3). The table starts to show a gendered division of labour, although it is a small sample. Women were almost entirely focused on vineyard work and sorting and packing. Men were also involved in these tasks, but more often in supervisory or heavy labour activities. Men were exclusively involved in driving, chemical application, cellar work and supervision or management, and dominated machinery operation.

Table 3: Type of work of respondents, by sex

Type of work	N	Men	Women
Driver	8	8	0
Weeding, planting, pruning, general maintenance, general, harvesting, garden, domestic, cleaning equipment & buildings	43	20	24
Chemical application	3	3	0
Operating machinery	11	9	2
Cleaning of produce, sorting, packing	19	8	11
Cellar work, lab assistant	6	6	0
Supervision, foreman, management, storeman	6	6	0

Respondents could answer more than one

38% of the respondents had worked for the same employer for 5 years or less; 59% for 10 years of less and 88% up to 20 years. 52% of men worked for more than 10 years, but only 30% of women worked for more than 10 years in the same place. This indicates that men stay in jobs for longer, and therefore accumulate both experience and increased income over time. If women are expected to stay at home to raise children, this acts against their opportunities at work.

BACKGROUND TO THE SOUTH AFRICAN WINE INDUSTRY

Current context of the industry

Wine grape production in South Africa has been fairly stable over the past decade, and stood at 1.26 million tons in 2010. A rising proportion is being used for wine (as opposed to brandy, distilling or grape juice), from about 64% in 2000 to just under 80% of crop in 2010. There was an increase in overall production, with the percentage of red growing rapidly (from 21% of wine produced in 2000 to 36% in 2010) (Sawis, 2011:522). In 2008, raw materials from the wine grape farms were beneficiated to five times their value through the value chain (Sawis, 2009:7). Total value of production stood at R21,743 million in 2008 (Sawis, 2009:8). This excludes the tourism value of wine farms, which is a substantial income earner. In 2008, wine tourism was equivalent to 22% of the total value of wine production from start to end (Sawis, 2009:7). Despite this apparent stability and growth, there is a sharp decline in the area under wine grape production. One cause of this is the long term declining demand for white wine globally, where South Africa has historically produced far more white than red wine. Reds are more expensive than whites, and the increase in the production of reds is a response to global rather than local demand. In the immediate term there appears to be a swing back to white. This just goes to show that a 5 year lead time is required to enter international markets, so vines can be planted and start producing.

There are many small grape growers. In 2004 South African Wine Industry Information and Systems (Sawis) indicated that 80% of wine farms crushed less than 500 tons of grapes a year (cited in Conradie, 2004:4). Wine farms are significantly larger than table grape farms by output and fruit produced, although table grape farms employ more workers (Conradie, 2004:3). In 2011 Sawis (2011:515) reported 2,846 (79%) of producers in this category. Individual growers sell grapes to producer-wholesalers, private cellars and sometimes to other growers. We should thus understand the supply chains more as networks of suppliers at the base.

There is an inverse relationship between grape quality and yield. That is, the better quality the grape is, the lower the yield will be. This is because during the growing season, some grapes are removed from the vine to allow the remaining grapes to grow optimally. The growers who focus on quality will receive a premium for their grapes. Other growers will go for volume rather than quality, and try to get the highest possible yield. They will be paid less per ton, but will have more tons to sell. The quality of the grapes is a key factor shaping value chains, because it determines the price of the final product on the shelf. In the words of the general manager (GM) at Company X, “you can make bad wine from good grapes, but you can’t make good wine from bad grapes”.

To ensure that good wine can be made, viticulturists from the cellar, and sometimes from the importers, provide close technical support to grape growers. Cellars seeking good quality grapes are increasingly involved in co-management with growers. A trend amongst producer-wholesalers is towards disengaging from grape growing and rather entering into closely managed contract relationships with growers (Ponte, 2007:38). However, as our case study of Chain A shows, the reverse can also happen, where cellars find that managing vineyards directly can give them greater control over quality. Amongst importers hands-on wine procurement is also on the rise, where the buyer ‘books a tank’ and provides specifications on how the wine should be made. The buyer’s winemaker may be involved in the process (Ponte, 2007:39). In the chains we investigated, this was the case, especially for Chain X where bulk wine was being bought.

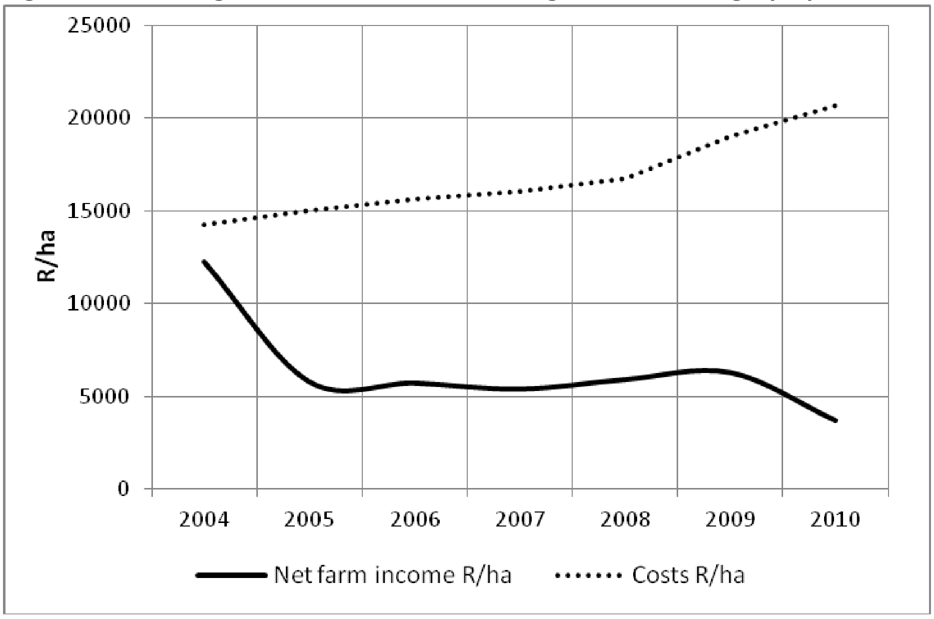
Grape quality is graded on the basis of the block it came from (terroir, viticultural practices, chemical analysis), rather than the old pool system operated by the co-operatives where all farmers bring all their grapes together to the cellar. In the past, all the grapes were mixed together and an often mediocre product resulted. There is a movement away from the pool system towards a form of contract farming where blocks are treated separately. This shift is especially noticeable in the former co-ops that have become companies with shareholder members (Ponte, 2007:37). The grapes are graded and kept separately from one another and grapes of different quality are not mixed together. This can ensure the production of at least some top quality wine.

Grape growers are experiencing very tough conditions. Over the past six to eight years in particular, there has been a sharply declining net farm income as a result of rising production costs which grew faster than grape prices (Figure 2). This has translated into smaller margins. "…Of the average retail (shelf) price of R24 per 750ml bottle of wine the producer at farm level receives only 44c, and this is in contrast to R1.07 per bottle (i.e. 4% of retail price) that is required for a reasonable and justifiable entrepreneurs' remuneration and return on capital" (Sawis, 2009:13). Although this refers to the domestic market, the producers are the same.

According to the GM at Company A, many producers are struggling to remain profitable. In the short term they might make it, but in the medium to long term it will be difficult for them to sustain their businesses. This will lead to consolidation, or to growers no longer producing grapes, rather taking out vines and planting the land to vegetables and fruit. This will shrink the industry which is already small. In Stellenbosch there are fewer vineyards this year than last year, and a smaller crop is expected because vineyards have been taken out and not replaced. Amongst the reasons he gave for this state of affairs are high cost inflation, especially labour, electricity and transport; the extremely competitive nature of the business both domestically and globally; the global economic downturn, where luxuries like wine are amongst the first items consumers forego; the relatively strong South African exchange rate; and the power of overseas buyers/retailers.

Grape growers are therefore under pressure and there is consolidation amongst fewer, larger producers, as well as decisions not to replant that have long term consequences for the industry. 'It takes at least 4 years to bring a vineyard into full production, and longer to produce a commercially viable wine", according to Willie Du Plessis at Standard Bank[6]. This means having a clear view of what the market will look like 5 years or more ahead. Market information is therefore critical, and successful value chains are those that are able to read longer term market trends and transmit this information down the chain, and where responses are rapid and flexible.

Figure 2: Declining net farm income and rising costs in wine grape production, 2004-2010



Source: NAMC, 2010:2

Some grape growers have wineries on their farms, and some only produce grapes and supply separate cellars. There are currently around 600 active wineries, many small ones that have

[6] http://www.standardbank.com/Article.aspx?id=-39&src=m2010_34385466

launched in the past decade. Processing is mostly centralised, reducing on-farm production costs in comparison with table grapes, where packaging mainly happens on the farm (Conradie, 2004:4).

The core of the SA wine industry is the producer-cellar, which are cellars that crush grapes. In 2011 there were 54 producer-cellars, crushing 77% of the harvest used for wine. These are mainly very large. Some producer-cellars are privately-owned companies that do not sell shares to those outside the company. Estates are not allowed to buy in any wine, and are mostly very small; others can combine their own production with wine bought in. In 2011 there were 493 private wine cellars, with 965 registered private wine producers in 2011. They crush 16% of the harvest, are mainly very small and can buy in all their grapes if they want to. Twenty six producing wholesalers crush 7% of the harvest (Sawis, 2011:515; DAFF, 2010:20). Corporate producing wholesalers, such as Distell, account for a small percentage of actual production, but handle a large amount of wine. They buy wine from other producers and make their own blends. They play a very important role in channelling grapes and wine through the supply chain, to the extent that Ponte (2007:2) considers them to be drivers in value chains they participate in. Bulk wine buyers consist of 60 wholesalers (including producing wholesalers) and 40 exporters, who buy for export only.

Consistency requirements have led to a trend for buyers to consolidate relations with a few big suppliers (Ponte, 2007:40). In some cases, producer-wholesalers are integrating some downstream functions in logistics, inventory management and replenishment through joint ventures with importing country agents (Ponte, 2007:42). According to Ponte (2007:2), South African wine value chains are driven by marketers and producer-wholesalers, although their power is limited by the need to deliver volume, consistency and quality to importers. Their focus is on branding, service delivery and assembly of orders, with inventory pushed to the co-ops and other large cellars and the grape growers, who carry the consequences of higher risk. This obviously varies by specific product and market, and it becomes clear in our study that the retailer fundamentally drives the chain.

The export market has saved the wine industry in the past decade (Sawis, 2009:7). Local sales have stagnated and an oversupply of wine threatened to put producers out of business. However, export markets have opened up, not least Sweden, which is now the third largest importer of packaged and bulk wine from South Africa. Exports of wine are now greater than domestic sales (around 52% of product used in 2010) (Sawis, 2011:514). Wine exports peaked in 2008, when the global financial crisis hit, but in 2010 were still 20% higher than 2007 (Sawis, 2011:533). Exports in 2010 were 60% packaged and 40% bulk. This varies by variety, with a greater proportion of reds tending to be exported in packaged form than whites (Sawis, 2011:534). High local bottling costs may mean it makes more sense for local producers to sell in bulk. But selling in bulk means producers lose control of quality and the loss of job opportunities in South Africa.

The price band between red and white narrowed sharply between 2005 and 2009, where the price of white wine grapes kept rising until 2009 while the price of reds was dropping. There are suggestions of an oversupply of red wine globally which is leading to a shift back to whites. South African producers are well placed to take advantage of this, since 64% of wine produced in South Africa is still white.

2008 is obviously the marking point of the onset of the global financial crisis. Export markets have dried up, and the emphasis is on consolidating what there is. But some markets remain lucrative, such as Sweden. In the 3rd quarter of 2011, South African wine constituted 20% of all wine sold in Sweden, and was the largest single source of wine to Sweden. The market is basically a high quality market with high global competition and hence high barriers to entry.

The trade regime and the Swedish wine trade

Much has been written on the global trade regime under the General Agreement on Trade and Tariffs (GATT) and later the World Trade Organisation (WTO), where rules were rigged in favour of wealthier countries, in particular the US, Canada, the European Union (EU), and to a lesser extent Japan. Essentially, the neo-liberal trade regime has permitted the expansion of a lopsided trade. Core capitalist countries that had developed industries through state support and protection in a different era used their power in global trade negotiations to secure the advantages of this historical development. Thinking particularly of Africa, peripheral countries whose industrial or agricultural development was historically hampered by colonialism and imperialism were forced to eliminate protection and to open their markets to the chronic surpluses from the core. These unequal terms of trade entrenched the power of the core in relation to the peripheries. Of course, the picture is not as simplistic as presented here. For example, the rise of China, India and Brazil as significant economic powers problematises this idea of core and periphery to some extent, and also raises issues of internal differentiation within countries both in the core and in the peripheries. South Africa is peripheral to the global economy, yet is able to find particular 'niches' within which it is globally competitive. Wine is one such niche.

But a better way to approach the question is to consider the dynamic of capital accumulation, the drive to increase growth and profitability for privately owned institutions. This can only be achieved on the back of the appropriation of value from others. Despite its peripheral role in global capitalism, South Africa – and any other country in the world, to a greater or lesser extent – is integrated into numerous circuits of accumulation. If we look at wine as just another commodity, stripped of all the subjective associations gathered around it, the values and qualities associated with it, we can begin to see how it serves as a way of increasing the value of capital in the world. Like any other commodity, raw materials are extracted from the earth using human labour. They are converted into a commodity with an exchange value (i.e. someone, somewhere, is prepared to exchange them for something else – money, as the universal mechanism of exchange), and when that exchange value is realised (i.e. when the commodity has reached its final destination, the end user, the consumer), the value of capital has expanded.

If the value of capital does not expand through this conversion of capital into commodity and back into capital again, this circuit of accumulation will die. Capital seeks its own expansion. When a grape grower or a wine maker expresses concern about their ability to make ends meet or to realise a profit, they are expressing a concern about capital's ability to expand. It is hardly a choice that they make. As we are thrust into the world without a choice in the matter when we are born, so are individuals thrust into economic relations that compel them to seek the expansion of capital. If a grape grower wants to produce grapes, they might choose to do this outside the circuits of capital accumulation. But agricultural production is shaped by the commodification of land and production inputs and labour. So in order to start, the grower needs to buy goods and services. And thereafter, in order to sustain production, he needs to ensure that the value of output is higher than the combined value of all inputs. This is the economic logic that a producer is compelled to follow.

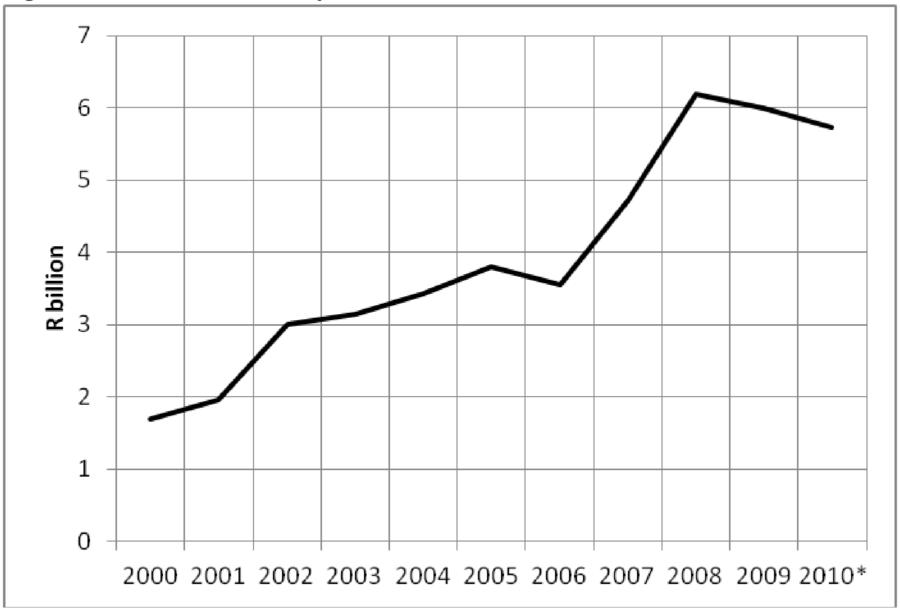
We need not debate whether this is the only possible logic, or whether it is the most efficient or best in order to acknowledge that each producer is driven by processes that are larger than their individual choices.

At the base of the trade regime is this relentless logic. Whether an interventionist state or a *laissez-faire* economic approach is adopted, the underlying compulsion is to expand the value of capital. For this reason constant growth, even in a world of finite physical dimensions, is non-negotiable. The neo-liberal trade regime was the outcome of the growing power of transnational corporations in alliance with state actors to pursue trade relations that maximised returns for them. Rather than a free market, it was the use of state and corporate power to secure sectional interests. Despite its current unravelling, this regime still remains dominant as 'the new struggles to born'. There are different possible paths ahead.

South Africa bought in to the rhetoric of free markets and was a signatory to both GATT, and the WTO Agreement on Agriculture (essentially concluded under the apartheid regime) which regulated global trade. Not only 'bought in to', but produced favourable outcomes for some interests within South Africa. It is not as if individual countries apart from the US, and more recently China, have a choice about whether they want to participate or not. Even those two are bound by certain logics, not least of which is the debt tie they are in. Each needs the other. As long as a country relied on exports to maintain their balance of payments, they were compelled to participate in the international trade agreements under threat of being excluded from global trade. And of course, many of these smaller economies had long been 'structurally adjusted' to a reliance on exports in the earlier stages of neo-liberalism in the 1970s and 1980s. Structurally, no country could afford to decide not to participate.

On the back of this, and with the advent of political liberalisation in South Africa, South Africa then signed a far-reaching trade agreement with the EU, called the Trade, Development and Co-operation Agreement (TDCA). The agricultural aspects came into force in 2000, and after much wrangling, the 'Agreement in wine' of 2002 was completed as a separate agreement. It allowed for a duty free tariff quota on wine to EU with increasing amounts up to 2011. Sanitary, phyto-sanitary and other technical requirements and rules of origin were stipulated in the TDCA. Disagreements on geographic names and descriptors meant the agreement on wine was never ratified, although the tariff quota system was put into operation (DAFF, 2010:72). Europe is by far South Africa's largest market for wine, with 70% of wine being exported to the UK, Germany, Sweden, the Netherlands and Denmark (Sawis, 2011:535). There has been some recent diversification, notably to China, but also the US, Brazil, India, and elsewhere.

Figure 3: Value of wine exports, 2000-2010



*Source: DAFF, 2011:85 *preliminary*

The trade regime opened up new markets for South African agricultural products, including wine (Figure 3). The flip side of the trade regime was that it also opened South African producers to imports from other places, where production costs were lower or subsidised. However, this has not had a major impact in the wine sector. Wine imports to South Africa averaged 16.5 million tons a year between 2005 and 2010 (Sawis, 2011:539), only around 2% of production.

Sweden is the third largest export destination for South African wines by volume, behind UK and Germany, with about 10% of exports. It is the largest export market by value (DAFF, 2010:43). Sweden was the sixth largest South African bulk export market by volume and second largest destination for packaged exports (BIB and bottled) by volume in 2010. It is by far the largest BIB export market, more than doubling the UK in second place, and is the seventh largest market for bottled exports (Sawis, 2011:537&538).

In South Africa, BIB is usually associated with low quality. But in Sweden, the base standard is very high because of a high degree of competitiveness and a monopoly retailer that insists on only high quality wine. It is an excellent market for South Africa because if high quality wine can be delivered in bulk, it cuts out major costs in the chain. Box wine is less expensive and more environmentally friendly to produce than bottled wine. It is easier to handle and transport, and less packaging mass is required. It also prevents oxidation of wine during dispensing, and is not subject to cork taint or spoilage if not consumed immediately. The main drawback is that it is not hermetically sealed and therefore has a shorter shelf-life than bottled wine.

Sweden had a state wine importing monopoly until 1995, called Vin & Sprit. Private businesses importers were still involved, but acted as agents to import and sell to Vin & Sprit which would then sell to Systembolaget. This was abolished in 1995 and wine imports were opened to private business which, however, still needed to contract with the state monopoly alcohol retailer, Systembolaget. Similar monopolies exist elsewhere in Scandinavia, in Finland, Norway, Iceland and the Faroe Islands. These monopolies are collaborating around the BSCI code of conduct. Systembolaget functions as regulator as well as monopoly owner of alcohol retail. It is the only retailer allowed to sell alcoholic beverages with more than 3.5% alcohol by volume[7].

Systembolaget publishes invitations to tender for particular wines in a particular price range, with specifications (e.g. South African wine, what blend, type of packaging), with about a 6 month lead time between the tender being put out and delivery of the wine. New products are launched twice a year, in April and October. This is a centralised process, with all stores launching the same base products. It is a very competitive process. There may be 100 or 150 tons of wine that could meet a specific tender coming into Sweden. Systembolaget then looks at the companies and selects 80 or 90 to send a sample. A blind tasting is set up and there is just one winner per tender. The GM of Company X believes there is some additional screening before putting the wine on the market. Systembolaget won't award a tender based only on tasting because maybe the winner can't supply the volumes required. Company X's GM recalls incidents where a brand name without vineyards or supply base wins a tender and only then tries to source the wines. Massive contracts are sometimes awarded to small suppliers who cannot supply, but the authorities are trying to stop that from happening.

Swedish importers act as agents for South African suppliers. They are specialists in tendering with Systembolaget (DAFF, 2010:79), i.e. in finding a market in Sweden. 770 companies are registered to import alcohol into Sweden, with 433 active in 2009 (CBI, 2010:2). Both importers in our case studies are in the top 10 importers by volume. The top 10 accounted for 55% of wine imports to Sweden in 2009 (CBI, 2010:2). There are two main types of import: packaged and bulk. In the former, the importer essentially acts as a marketing agent and distributor for a brand (Chain A in our case studies); in the latter, the importer packages the wine and distributes under its own brand (Chain X

[7] Info on Systembolaget from Wikipedia http://en.wikipedia.org/wiki/Systembolaget and interview with Importer A

in our case study). There are some packaging facilities in Sweden, but bulk importers also use facilities in Norway, Denmark, Germany and France.

Importers aim to get a ‘fixed assortment’, which means you are guaranteed a sales outlet if the wine continues to sell. Systembolaget delists wines that are not selling as they expected. It thus essentially buys ‘on spec’ with the importer carrying the risk of failure. It is also possible to get wine on the shelf via ‘order assortment’. A customer must ask for a specific wine in a store. If it sells a certain amount in a given period, then it gets a T9 listing and the product is allocated an article or stock number. This means it is listed, but is still not on the shelf. Producers or importers can then approach the store manager to indicate they have the listed product and that the manager can have it on the shelf. The store manager can decide whether to stock it or not. Another measuring period then follows to determine the level of listing. A T2 or T1 or base listing is the best. A base listing means the wine must be stocked in all stores. The producer or importer can then approach store managers and say they must carry the wine in their store.

Systembolaget also hosts consumer tastings, and consumers can ask for a wine to be in stores based on the tasting. Producers or importers can bring anything to the table (no tender is required) and if consumers like it and it sells then the product gets in to the stores. These are long processes, of around a year to 18 months. The on-trade market (restaurants, catering etc) is not controlled in Sweden, and importers can sell directly without the involvement of Systembolaget. There is also some encroachment by online trade, which was recently permitted in Sweden and is not regulated through Systembolaget. Buyers are supposed to pay alcohol tax on top of the online price, but importers expressed doubt that all internet companies made sure that happened. This creates unfair competition, since alcohol tax (SEK21.58/litre[8]) and VAT (25%) constitutes a significant portion of the final price of the product, as shown later. Many of these companies are registered in Sweden but are based outside its borders. Although this is still a negligible portion of the market, it poses a threat to the stable system of regulation.

Systembolaget sets price points in the tenders, but being a near-monopoly buyer “they know they can more or less set any price and still get tenders coming in. There is always someone prepared to sell” (Importer A). Price points in the stores are mainly shaped by quality considerations. Producers then target their product to a price bracket they feel they can fit into. They need to consider their own costs and see where they fit. The importer also indicates at what price point the product will fit.

Sweden has stringent advertising laws for alcohol. Advertisements can only show a pack shot and comments from genuine wine critics. There is a huge variety and choice so quality is the key to remaining in the market.

The monopoly makes a small profit but is not driven by profit maximisation. There is no current pressure to deregulate, as it appears that consumers and importers are satisfied with Systembolaget. Private sector retailers would not be able to carry such a wide range, quality is very high, and the system provides stability for importers and producers.

Systembolaget does not keep stock. Importers hold the stock at warehouses and service individual stores daily based on orders. There are 4 or 5 big warehouse and distribution companies in Sweden, of which Lagena is a dominant one. It was formerly owned by Vin & Sprit but was sold in 2010 to JF Hillebrand, a global logistics company that handles up to 55% of wine exports from South Africa, not only to Sweden but all destinations. JF Hillebrand has offices in Stellenbosch[9] and Stockholm (with another in Finland).

[8] R21.90 at an exchange rate of ZAR1=SEK0.985 (2010 average)
[9] http://www.jfhillebrand.com/Offices/SouthAfrica.aspx

Codes of Conduct and the Agricultural Industry Ethical Trade Association (Wieta)

As social responsibility has gained ground as a 'quality convention', there has been growth in ethical trade and Fair Trade which have their own value chain structures and functioning, and distribution of power. The basis of these initiatives is to ensure basic minimum social conditions are met as a minimum barrier to entry into markets. The underlying motivation is that ethics and fairness in our dealings with others will result in greater appreciation and value of others, thereby encouraging a wider and fairer redistribution of resources. They started out as marginal initiatives but have gained ground to the extent that there is a possibility that they could become industry standards in some industries.

Codes of conduct are developed, setting out the standards to be adhered to, and those who sign the code agree to some kind of verification process, sometimes external and independent, sometimes purely paper-based. There is no single way codes of conduct are formulated or function. In 2006 there were an estimated 10,000 privately regulated labour codes (Barrientos, 2008:979). While these can be seen as 'private sector self-regulation' (du Toit & Ally, 2003:49) they are linked to wider public standards through minimum standards and conditions in national law, i.e. the private sector does not just regulate entirely as it chooses, but is shaped by the dynamics in the society. Many of them arose in the context of globalisation where states were not always regulating minimum conditions, and are mostly related to ILO Conventions (Barrientos, 2008:979). However, Fatima Shabodien of Women on Farms Project (WFP) in Stellenbosch argues that private sector codes of conduct are most often responses to pressure, and are not purely initiated by retailers. They are thus often public relations or marketing tools and there is a role for consumers to ensure they are deepened.

In the value chains we look at in this report, neither of the companies had contracts that required audits down the value chain. Fair Trade and ethical trade, in particular Wieta (the Agricultural Industry Ethical Trade Association, formerly Wine Industry Ethical Trade Association), are both voluntary and pro-active codes. However the BSCI Code and the trajectory of Wieta suggest these codes may become standard industry practice fairly soon, for exporters at least. Companies have not always voluntarily moved in this direction, but have been induced under pressure to do so.

Fair Trade is a global ethical trading initiative that aims to increase the share of final value that goes to primary producers in value chains. Fair Trade includes agreement by buyers to purchase directly from producers, to buy at a price that covers the cost of production and a social premium to improve conditions, advance payment to producers to prevent small producers from falling into unsustainable debt, and contracts that allow for long term production planning. Conditions for certification of producers include allowing workers to engage in union activities, decent wages, housing and health and safety standards, and programmes to improve environmental sustainability (Renard, 2003:90). Fair Trade has had its critics who argue that money does not reach farmers and that retailers retain very high levels of power in the chains[10].

Wieta started off as a voluntary association for the promotion of ethical trade in the wine industry and then expanded to agriculture as a whole. The association had 182 members in June 2011[11], including 76 wine producer members (179 including members or shareholder-members) and 6 major supermarkets in the UK. It has a Board with representatives from the wine industry, trade unions and other civil society organisations. Although the Department of Labour and Department of Trade

[10] http://en.wikipedia.org/wiki/Fair_trade - accessed 9 March 2012
[11] http://www.wieta.org.za/members.html - accessed 17 Jan 2012

and Industry (DTI) have been invited to participate in Wieta, they have not done so in any meaningful way to date. It involves independent monitoring against its own local code (Barrientos, 2008:984) which requires adherence to minimum standards and conditions as laid out in the law. The Wieta code is based on the Ethical Trade Initiative (ETI) base code (incorporating core ILO Conventions) and South African legislation. It includes 'a living wage' – defined as "enough to allow employees and their households to secure an adequate livelihood", in turn defined as sufficient to meet 'basic needs' and have some discretionary income remaining, freedom of association, prohibition of unfair discrimination, freedom of association, compliance with the Extension of Security of Tenure Act (ESTA) and the provision of regular employment (Wieta, 2002).

Wieta is not more than a codification of existing law, incentivising industry to comply with the law. Meeting Wieta's standards therefore does not imply a transformation of labour relations in the industry but merely requires producers to do what they should already be doing by law. It is partly funded through the common customs tariff paid by UK importers, but this was not enough, and producers now pay levies to Wines of South Africa (Wosa), a representative industry body, which administers the fund to cover Wieta's costs[12].

Wieta goes a bit further than auditing companies in its monitoring. It doesn't just say yes or no to compliance, but works with producers to move towards full compliance. Independent consultants contract with Wieta to do the social audits. Most of them have worked previously with auditing companies, but individuals, not companies, are contracted. If members are not fully compliant, they are requested to develop and sign an improvement plan in consultation with workers. They are then given 4 months to substantiate the actions taken in the plan. There may be occasional verification by Wieta. The reports, plan and evidence are then submitted to a multi-stakeholder committee, comprising unions, civil society and producers, which reviews the extent of implementation to full compliance. Based on this committee's approval, the member is then certified.

Wieta currently only audits immediate members, but aims to audit the supply chain all the way to the grower. This is a crucial development since, as our case studies show, contravention of minimum standards is more prevalent on supplier farms than at the cellars, which have a reputation to maintain. The reasons for the greater extent of non-compliance on supplier farms will become clearer later when we look at the chain dynamics. Wieta started working with members' suppliers a year ago, but monitoring is lacking. Members may write out a contract and require compliance, but there is no requirement for an internal audit of contractors and this type of assessment is not yet carried out. In most cases, the site doesn't have the paperwork or even a signed contract with contractors stipulating requirements for compliance with ethical trade. They say the do it, but there is no implementation or monitoring, so Wieta is now seeking to focus on enforcement with suppliers.

Currently the only requirement in terms of suppliers is that members need to make suppliers aware of the code and requirements. Wieta meets with all suppliers to raise awareness, but there is no inspection of suppliers or any kind of assessment. Wieta is now in the process of developing an ethical seal (planned to be ready in the next 3-6 months). In the meantime, some members are going through the process. To be eligible to get the seal, members must meet a series of steps. First, the member and all its suppliers need to complete an assessment form which looks at their compliance status but also the nature of their ethical programmes if they have one. Wieta asks the member what monitoring mechanisms they've put in place to measure the extent to which suppliers are ethical e.g. do they do audits, or occupational health and safety checks. Suppliers will also be asked because have their own supply chains. It is not only asking for their opinion about whether they are

[12] Information on Wieta from Linda Lipparoni, Wieta CEO, interview, 30 January 2012, unless otherwise specified.

compliant or not, because everyone will say yes. The problem comes in with implementation, so Wieta will also ask how and to what extent.

The process requires everyone including suppliers to go through a compliance workshop outlining labour law and occupational health and safety requirements as a larger or smaller producer. Then they must get 100% of their suppliers audited. Systembolaget was looking for 10%, but according to Linda Lipparoni of Wieta, it is necessary to do all to ensure the seal is credible. The key challenge is the cost of the auditing process.

60% of suppliers must comply 100%, i.e. on every detail of the code. The other 40% require 60% compliance based on key compliance issues rated, such as contracts for all workers, minimum wage, basic conditions of employment (leave, overtime etc). There are 150 different criteria. The 60% compliance requires that the more critical compliances are adhered to. Based on the assessment, members can apply for an annual seal. Submissions have to be reviewed on an annual basis because many producers use different suppliers from year to year. Eventually you will get to a situation where most suppliers have already gone through the process.

Blended wine might also come from wholesalers who have their own suppliers, so Wieta will rely on access to the Sawis system where producers are required to submit their press registers, which allows traceability of every grape from the point of origin. If members receive blended wine, they must give the press registers of every individual producer. Some wineries have up to 90 different suppliers at a time, especially with blended wine, so each year exact origin must be verified. The seal might require more frequent audits. Currently the Wieta cycle is every three years. Violations will happen more often at suppliers than cellars.

The process started with 7 brands in 2011, and Wieta is now engaging with Wine Cellars South Africa, an industry body of 60 cellars representing the majority of growers. According to Lipparoni, this won't happen overnight. There are a limited number of auditors, even in commercial firms and limited capacity. Wieta is looking to train people who might not be auditors, especially in health and safety. Many of the consultants in the auditing field often charge a lot and don't understand the practical ways the law can be implemented. There is a shortage of qualified auditors and there are also challenges around the race and gender profile of existing auditors, with white men dominating. The power dynamics of white men, with their own sometimes unconscious biases and blind spots, going onto farms to speak to coloured or African women makes the gathering of accurate information difficult.

The key thing is to understand what happens down the supply chain and the extent to which people are aware of and exposed to information about their rights. Often the problem is simply lack of communication. It is not necessarily that growers are exercising tyrannical powers, but they have no formal mechanisms for building channels for communication. Lipparoni explains that the audit is an end in itself, but the means to get there is in shifting perceptions on acting ethically, and to assist in building these systems. Some farms are very poor on the administrative or documentation side. Growers need to get to speak to their workers both about work and family life if workers are living on the farm. Grievances spill over into daily life, in violence and sexual harassment. But if you trace back the disruptions, it is often festering in the workplace but there are no mechanisms to openly discuss issues.

The ethical seal can start to guarantee that a brand is ethical all the way down, and starts to set apart ethical wines from others, those who are making an effort and have proactive programmes. According to Lipparoni, although similar labour conditions exist in South America and Australia, South Africa has a specific legacy which needs to be embraced and overcome.

Lipparoni says Systembolaget eventually wants to only put fair and ethical product on their shelves, so they want a label. At the start of 2012 Systembolaget introduced a purple label on their shelves for ‘ethically produced’ wine, which for now is limited to Fair Trade and Fair for Life. However, in South Africa there’s not enough good quality certified Fair Trade and ethical trade wine to meet the demand. The retailer would play a part in marketing the seal and line of ethical product. Through that, consumers will become acquainted with what is ethical. Retailers have generally done first tier auditing but never said they want suppliers audited. This might be a result of less consumer awareness, or that retailers don’t want to put a premium on the wines.

Retailer practices can strongly influence ethical trade too. For example, contracts are sometimes reneged on, or retailers offer lower prices or take less than they agreed. So the ethical nature of how retailers operate and the prices they pay for wine is also important to consider. Retailers often push prices down, and as prices go down, the grower is squeezed. It is then hard to invest in training or infrastructure, or labour.

Most of the big producer-wholesaler corporations are going through the Wieta process. In their contracts they say suppliers must also comply within 2-3 years. They will look at their major suppliers first, a smaller number which produce a bulk of the product, and then later go to smaller producers. Some of the corporations are proactive and say they will cover the cost of audits, some will cover part of the costs (e.g. training), and others say they’re a brand and they want suppliers to be Wieta accredited but the supplier must cover the costs. Task teams led by industry bodies have been formed to fast track Wieta, and there is recognition that it must happen and must be driven by industry.

All wines for export need to be certified under the Wine of Origin (WO) scheme which guarantees origin, cultivar and vintage (DAFF 2010:81). This means traceability of grapes back to which farms supplied them. The cellars know exactly how many farms they are receiving from. It is essentially a subcontracting scheme along the old central unit model. This creates the institutional framework for monitoring of worker’s conditions in any code. However, traceability of bulk wines remains a challenge, since much bulk wine remains uncertified.

Industry is keen to have a fully integrated seal over time, combining wine quality and production, environmental and social standards. Integrated Production of Wine (IPW) is a wine quality and production code that is now required for certification. It is mainly technological, with no social aspect to it except on some health and safety issues. IPW started about 8 years ago based on an industry decision to set standards on environmental sustainability and production standards. It started as a voluntary process then in 2010 a compulsory process was started, which all cellars and suppliers have to go through assessment form. In the past 8 years most cellars and suppliers have gone through the IPW process of filling in an assessment form and random sampling for compliance.

Integrating Wieta’s code and IPW might require separate audits because each needs specialist auditors. However, in IPW, safety standards are not verified by workers. Wieta is also working on recognition of other audits, but as it emphasises worker participation in the process and others don’t, there is still some work to do.

In our case studies, Company X is a member of Wieta but only covering the cellar and not suppliers. The cellar is accredited, having gone through training and awareness and the audit process. Company X is also Fair Trade accredited, and is on Food Grade A standard on the British Retail Consortium (BRC). This is mainly product quality and health and safety. Fair Trade has an impact on cost and pricing, but for Wieta there is no price difference. It is a minimum barrier to entry: “If you can't adhere to Wieta, then you're basically outside the laws of the country and then you shouldn't be producing wine for the international market" (Company X, GM).

According to Company X, the Department of Labour doesn't have capacity or the industry knowledge, whereas Wieta is much closer to the ground to understand conditions better. Company X positively regards Wieta's support programme where a member must submit an improvement plan if there are areas of non-compliance. This is not so draconic and builds trust and stronger relationships. But, according to Company X's GM, "Most of these things, there's a financial implication and we don't have a lot of margin to work with." Meeting the codes is easier for Company X than on the farms, because they already have an administrative infrastructure, which is not there at farm level, according to the GM of Company X.

At the time of writing, Company A was registered to become a member of Wieta, and was waiting until after harvest for an audit. Its membership has been accepted, and it has completed a training and awareness session at its packing facility, cellar and vineyards. According to Company A's GM, codes of conduct have not been a contractual requirement so far. Even though they are already successfully selling to some of the big European retailers, no-one has required an internationally recognised code of conduct. Despite this, and even though they are not in a position to produce full documentation, Company A feels that practically on the ground they have many of the processes and systems in place, and it is just a question of formalising it through an external audit.

The BSCI code of conduct

BSCI is a European corporate social responsibility initiative, which Systembolaget joined in 2011, with the aim of integrating the BSCI code of conduct into their purchasing agreements as of 1 January 2012. The code aims to" attain compliance with certain social and environmental standards" (BSCI, 2009:1) based on national laws in supplier countries and UN/ILO Conventions. The stress is on freedom of association and the right to collective bargaining and prohibition of discrimination.

According to the code, "supplier companies, in addition, must ensure that the Code of Conduct is also observed by subcontractors involved in production processes of final manufacturing stages carried out on behalf of BSCI members" (BSCI, 2009:1). Members must make "the introduction of social standards and compliance with the BSCI Code of Conduct a condition of all contracts into which it enters with suppliers" (BSCI, 2009:5), and therefore applies to suppliers of any sort, whether subcontractors, members or in any other legal relationship with the BSCI member. Unless supplier companies are required to sign up as members, the code will be stuck at the first tier suppliers (the importers) who are in direct contact with the retail monopoly.

On wages the code requires that "wages paid for regular working hours, overtime hours and overtime differentials shall meet or exceed legal minimums and/or industry standards". Elsewhere there is a call for a living wage rather than just a minimum wage: "In situations in which the legal minimum wage and/or industry standards do not cover living expenses and provide some additional disposable income, supplier companies are further encouraged to provide their employees with adequate compensation to meet these needs" (BSCI, 2009:1). To 'encourage' companies does not suggest a very rigorous process. In both the BSCI code and Wieta, the emphasis on permanent workers brings its own gender bias, since most permanent workers are men.

Working hours must comply with national laws and the code also stipulates minimums for regular hours and overtime. Specific health and safety issues requiring regulation and standards are listed, including protective clothing, water, toilets and sanitation, and health and safety training. The gendered aspects of these are not brought out explicitly. In South Africa, according to WFP staff, even where companies do regular medical checks for workers to test for pesticide effects, often it is only men who are tested, and the results are not given to the workers but are kept in a file by management. Workers who live on farms have no escape from the effects of pesticides since they live where the chemicals are sprayed. The emphasis of the BSCI appears to be on the processing node of the value chains, and hence these issues will not be brought to light and solutions found for them. The code requires suppliers to develop a social accountability policy. Management is responsible for implementation.

The code is not voluntary: "All suppliers are obliged to take the measures necessary to implement and monitor the BSCI Code of Conduct" (BSCI, p.5 Terms of Implementation). In other words, anyone who intends to sell into Systembolaget must comply with these specifications. Suppliers must also allow "audits of their business premises and activities and those of their subcontractors to be carried out at any time with or without prior notice by organisations acting on behalf of BSCI members." (BSCI, 2009:5). Workers must be made aware of the code and its applicability to them.

Failure to comply warrants "necessary corrective measures", presumably to be defined in the specific situation. The penalty of non-compliance can be exclusion from the value chain. "A BSCI member may choose to halt current production, cancel corresponding contracts, suspend future contracts and/or terminate the business relationship with the non-conforming supplier. If an audit reveals less than full compliance with the BSCI Code of Conduct, the supplier must take the prescribed corrective actions without delay" (BSCI, 2009:6). Systembolaget has no liability to re-engage in a business relationship with that supplier after compliance, although there is no in-principle reason not to. According to one importer, although the ideas behind the code are good, they also "put a lot of pressure onto us, because they put everything over to our side to take care of".

Company A has indicated it attended an awareness session with Systembolaget and filled in what is understands to be unofficial questionnaires, but is still waiting for the formal process. The GM of Company A expressed his disappointment that "the Nordic block is doing its own thing. We are afraid they will not accept Fair Trade or Wieta, but in some places we will need these others too". He says the major impact will be on suppliers administratively and where systems are not in place or where suppliers are not complying. However, he feels that many of Company A's suppliers are in the same position as Company A: they are already subscribing to those ethics and have a lot of it in place, but need to formalise the process and have the appropriate documentation. They do not have any internal monitoring yet. The aim is to at least get contractors to sign a declaration without Company A checking for now, but that hasn't been done yet. When the viticulturalist and cellar master visit suppliers, if they see things where they feel there are compliance problems, they can raise them and company management takes it from there, but there is nothing formal. Currently they don't specifically look at the labour situation on the farms, but company representatives are in contact with workers and if they see anything they should take appropriate action, says Company A's GM.

For companies that already comply with the basic requirements in the code (minimum standards as defined in national law) and that have been through the Fair Trade criteria and standards, the current administrative processes will be able to absorb all of the costs of compliance. For Company A, there may be some capital investment required on the health and safety side (especially dedicated chemical storage) but apart from that, the impact will be minimal. According to the GM, "Worker's conditions are a company values or internal cultural or style thing. You can tell as soon as you walk into a place what the values and management style are. I'm confident because I know the value system of our management team and shareholders. We understand why it is necessary and we will do it."

According to the understanding of Company A's GM, there are only two aspects of criticism the Nordic block have against Wieta. First, there is no mark to distinguish the products; and the second, audits must be external and independent, but these are not 100% in place. Wieta indicated that these are minor issues to deal with, but they were too late and "there will probably be two different systems. It will be hard for Wieta to convince them to piggy back on the Wieta system."

There has been some discussion between Wieta and Systembolaget, and they meet every 3 months. Systembolaget do want to recognise Wieta, but the reality is that there is still not enough ethical wine or wineries that have finalised the process down to suppliers. The time is not right, and Wieta are also still dealing with getting the ethical seal into operation. Tenders can then go out for Wieta-accredited wines, but there is still not enough at the moment.

The key question is to what extent this code can be monitored for real implementation. It is reliant on the very people who are tasked with managing the implementation of the code, so there is no independent monitoring. Wieta's insistence on involving workers in monitoring might prove useful here, especially given that most of the provisions relate to them and their lives. Barrientos (2008) argues that the benefits of codes are limited for workers, especially those employed as casual or contract workers. According to du Toit & Ally (2003:48) ethical trade and trade unionism have tended "to privilege the concerns and interests of permanent on-farm workers". Barrientos goes on to argue that codes are simultaneously a point of pressure for workers to improve their working conditions and a driver of employment shifts that include the greater use of a vulnerable and insecure workforce. Another weakness with codes of conduct is that they tend to rely on minimum standards set by governments in producer countries. This means producers in countries with higher standards will be forced to apply higher standards in competition with those in countries where standards are lower. The use of UN and ILO conventions as base standards does at least provide some framework for comparison in this regard.

VALUE CHAIN A: PACKAGED AND BRANDED WINE FROM STELLENBOSCH

Value chain A emanates from Stellenbosch. Company A is a privately owned producer-cellar producing high quality packaged wines mainly for export. Exports constitute more than 80% of its market, although it is attempting to grow its presence in the domestic market to diversify risk. Sweden is Company A's biggest market and has expanded rapidly in the past 3 years. The main product is BIB composing the major part of exports. Figure 4 shows the basic structure of the export supply chain.

Company A employs 30 permanent workers directly (9 in its own vineyards, 10 in the cellar and 11 in the pack house) and another 40 casual or seasonal workers who work for varying lengths on time in the cellar and pack house. Permanent workers are mainly men, except in the packing facility where there are more women. Casual and seasonal workers are overwhelmingly women. The company uses labour contractors for casual or seasonal work in the vineyards and for bottling in the cellar. Contract workers are mainly women. All workers live off the farm and only a few are provided with housing directly by the company. The company pays for transport and school fees. It is in the process of being accredited for Wieta and Fair Trade.

Company A produces some of its own wine grapes and also buys grapes from more than 20 grape producers. The majority of the growers are from Stellenbosch but some grapes are also sourced from the West Coast, including a Black Economic Empowerment (BEE) farm sponsored by government to produce grapes. The cellar buys in a significant portion of its grape requirements per annum. The average yield of the farms that grapes are bought from is fairly low in comparison with industry averages as bunches are intentionally removed from the vine so the vines can put all their nutrients and energy into ripening the crop that's left. This produces higher quality grapes, and growers are paid a premium. According to Company A's vineyard manager and viticulturalist, "That's a reason why a lot of people [grape producers] are finding it tough in the Stellenbosch region, because with low yields you can't farm against the production costs we have these days".

Smaller producers selling to co-ops have to go for quantity to make ends meet. The co-op cellars do not compensate for crop control so producers don't do it. "In areas like Robertson, if producers are not getting 13 or 15 tons a hectare, they'll just take out the vineyard." (Vineyard manager, Company A)

Company A buys in grapes of a required quality and style from more cost competitive areas than their own vineyards. They buy from further out areas, e.g. West Coast, Robertson, Worcester, etc. These areas have a cool climate, and the coastline is good for sauvignon blanc. Robertson's agro-ecological conditions are good for chenins and chardonnays.

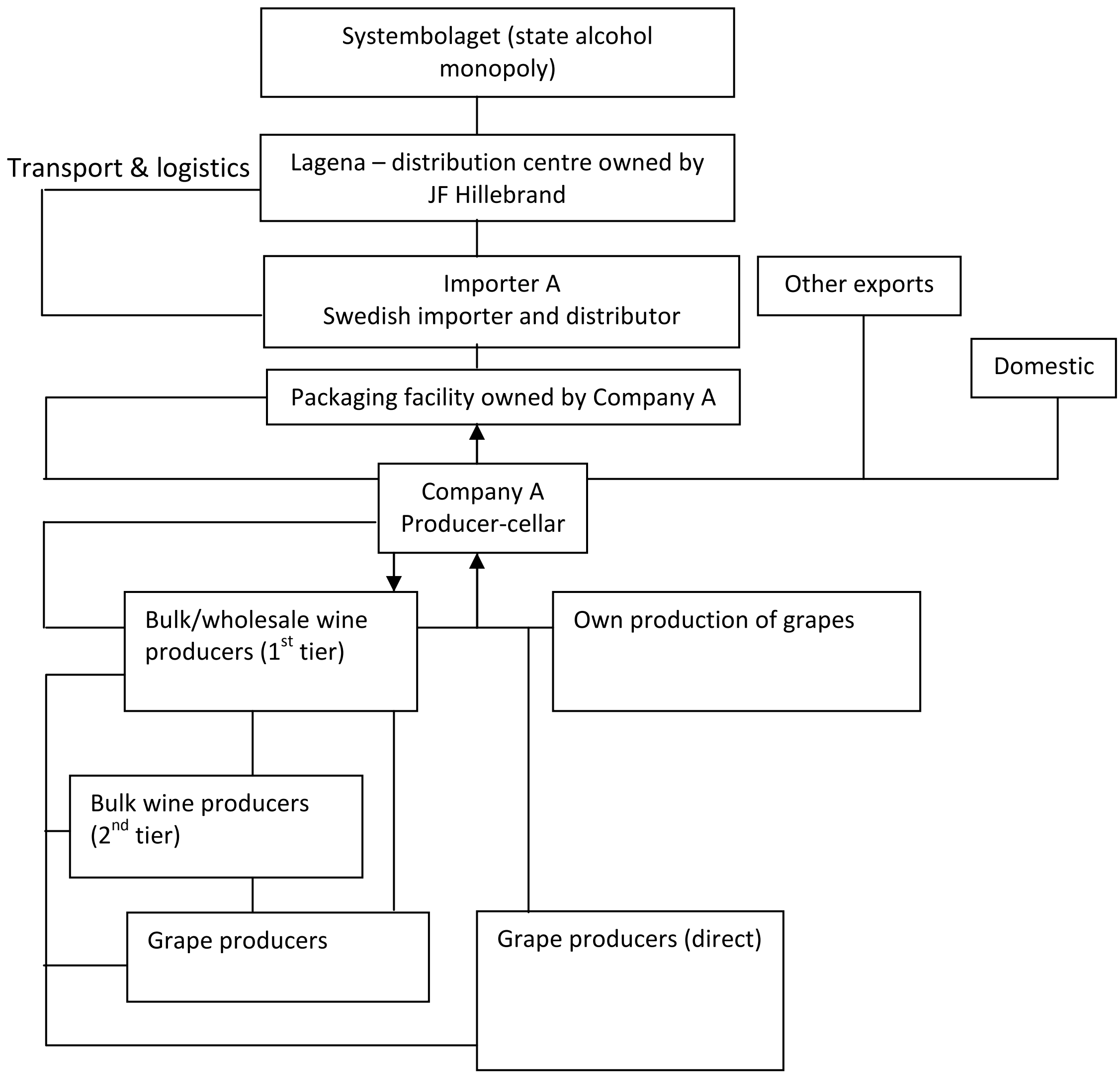
Company A contracts the grape producers on the basis of the amount and variety of grapes the cellar will require to meet expected market requirements for the year. Growers are contracted a year ahead of time. Company A has been running Swedish tenders for 7 years now, so they have a rolling forecast on the amount of wine to be delivered.

Because of the emphasis on quality, Company A has a very hands-on approach to the contracted grape production. Both the viticulturalist and the cellar master work very closely with the producers to ensure that the grapes are up to standard. They identify a block on a farm that is considered high quality. Before even contracting with the producers, the latter are given a programme, and told into which brand the wine will go. They therefore know exactly how much they must harvest from that block. It is all set up in advance. The vines are then inspected, with evaluations 6 times a year: after harvest, before pruning, after pruning, before suckering (shoot thinning), after suckering, and at ripening of the vines. If growers comply with all the rules, they get top prices for the grapes. If they don't comply, the price shifts downwards depending on quality. The wine is then steered into the quality level it is appropriate for. Grapes are evaluated into 3 categories (A, B and C classes, with A being top quality). Company A paid on average higher prices than the average of R2,870/ton for all producers in 2010 (Sawis, 2011:527).

Company A has had a relationship with many of the supplier farms for 10 or 12 years, although they remain on yearly contracts. Producers supplying grapes for Company A are driven by the requirements for Company A's wines. For the Swedish market Company A uses their own grapes and wine and supplement with grapes and wine from suppliers to blend the volume to the specific quality level requested.

The same process happens with wine suppliers. Before production the wine maker goes to the cellar managers to indicate what he wants, which yeasts to use, style of fruit, type of vine and so on, so they know already what the requirements to sell to Company A are. Then the bulk wine supplier (agent or broker) goes to the producers to explain the requirements and invites producers for those particular wines. Only these wines are presented to Company A for consideration, not all the wines in their cellar, so it is a targeted process. Company A does not have a buying team. The winemaker interacts with suppliers directly. He goes and tastes the wine that will be bought in on the basis of a blind test and the best is selected.

Figure 4: Value chain A



Out of more than 80 suppliers, about 15 are corporate suppliers and the others are smaller estate suppliers that only have their own grapes. The smaller estates mostly use about 30% of their own crop and the rest they sell out in bulk. To buy quality, Company A offers a varietal price rather than just a standard white price. This gives a premium to producers: it needs to be financially viable for producers and to ensure quality.

For those they work with closely, Company A attempts, in an informal way, to ensure they comply with all relevant labour legislation. For other farms they buy in from and for bulk wine, they inform the suppliers of the laws but do not monitor them in any proactive way. Bulk wine is mainly bought in via big companies like the co-ops. Company A makes sure producers are certified in terms of IPW.

Workers on supplier farms to Company A in our small survey of 15 workers on 3 supplier farms) that we visited have an average wage of R2,703/month, but women are paid substantially less than men, at only 47% of men's average wages (Table 4). Nevertheless, average wages were above minimum wages, and even women's average wages were 36% above the 2011 minimum wage.

Table 4: Average wages on supplier farms to Company A (N=15)

All	R2,703.34
Men	R3,956.87 (N=6)
Women	R1,867.65 (N=9)
Women as % of men	47.2%

Compliance with basic conditions of employment was uneven, with contracts, sick and maternity leave and voluntary overtime issues of concern (Table 5). There was 100% compliance with pay slips and working hours, and over 90% compliance with annual leave, family leave and UIF deductions.

Table 5: Compliance with BCEA on supplier farms to Company A (N=14)

Pay slip	100
Work hours	100
Voluntary overtime	71
Contracts	47
Annual leave	93
Sick leave	64
Family responsibility leave	93
Parental/maternity leave	67
UIF deductions	93

Workers did have some complaints about fairness in payment of wages. According to women workers at one supplier farm, they lose a day's salary and the bonus (R5 a day) if they come late, even if it's five minutes late. "It is not that we come late on purpose. It is because we are mothers and have children, and need to make sure that the children are sorted out. Sometimes it is a child not feeling well and that is also cause for me or the other women to be late. The manager doesn't care about the reasons for being late. He just deducts the money despite the fact that you have worked the whole day".

When asked if they got protective clothing required, 100% of men on supplier farms said yes, and 63% of women said yes. When asked if they were exposed to chemicals during work, 25% of men said yes and 27% of women said yes.

Company A also has its own vineyards, with approximately 50 ha located at the cellar and other land leased outside Stellenbosch on a 9 year contract. According to managers, the trend towards expanding their own production is likely to continue. This goes counter to the trend identified by Ponte of increasing outsourcing of grape production. The impression is that own production allows greater control over quality, but also ensures supply in conditions where smaller farmers are struggling to make ends meet.

The company's vineyards and the cellar are treated as two separate business units: the cellar contracts the vineyards to produce grapes for them. Company A also incorporates accommodation, a restaurant, and conferencing facilities which are also separate business units.

Labour on the company's own vineyards is a combination of a core permanent workforce of nine people (2 women and 7 men) of which 50% are Xhosa-speaking Africans from the Eastern Cape but who live around Stellenbosch, and 50% are 'coloureds'. Company A employs the core workforce, and casual workers are occasionally brought in to supplement this core workforce and are also employed directly by the company. The core team at the company's vineyards is shrinking. It currently consists of a foreman and specialists (tractors, implements, irrigation and a storeman). Other normal activities are sourced in. There were workers living on the farm more than 10 years ago, but no longer. Workers live around Stellenbosch. The company provides transport or financially reimburses farm workers their transport costs.

More mechanisation in the vineyards is a possibility in the future, not with the purpose of cancelling labour out but because some tasks require mechanisation for the activity to be performed on time. According to the vineyard manager, "labour is very expensive, and we need to be competitive. We can lower our labour requirements in the vineyards and utilise it elsewhere. We don't lose the labour, but shift it elsewhere in the enterprise".

The monthly salary for permanent workers varies, but is substantially above the minimum wage. On top of normal basic salaries the company pays for transport and 80-90% of children's crèche or school fees and clothing, and an annual bonus. Workers get an annual increase usually above inflation. The vineyard manager puts in a request but the decision is taken by Company A's management team. Casual workers are paid weekly, also well above the minimum wage. Their contracts include leave and other basic conditions of employment. Only UIF is deducted from wages, unless agreed in writing. A focus group we held with five Company A vineyard workers (2 women, 3 men) revealed average monthly wages substantially above the average wages of workers on supplier farms, although it does depend on which people you get to talk to. For example, if we speak to a foreman, this will increase the average wages in a small group. Company A has a human resources (HR) policy aligned with the BCEA. It covers all core workers but not those on supplier farms or working for contractors.

A significant amount of work in the vineyards is outsourced to a contractor who is paid to perform specific tasks, including pruning, suckering, harvest control, harvesting, planting of poles and setting up of vineyards. They also do tree felling, debushing and drainage. According to the contractor, "You must be able and willing to do everything. Especially in the quiet time, if you don't have work, you lose your people. And we try to keep the core people." The vineyard manager at Company A explains the logic behind using a contractor: "If you calculate per hectare, the contractor will cost you maybe R100 or R200 more per hectare per year, but then there is flexibility during quiet times. At the moment labour is 45% of the [vineyard's] yearly budget, so if you can bring your labour costs down, you can be more viable in the vineyards."

The contractor supplies his own tools and workforce, and also contracts with other “high profile clients” in Stellenbosch and further afield. He has a team of 20 permanent and up to 60 regular contract workers, expanding to over 200 during harvesting. Some workers have been with the contractor for 12-14 years. 98% of the workers are women, and 90% of them stay in Kraaifontein, just outside Stellenbosch, and are transported to and from home every day by the contractor. According to the contractor, “We found that women are better workers than men. The men you can use for the hard labour, like using the shovels and carrying and that stuff. But the women tend to be better workers… because the men only work for enough money and their own needs and so on, whereas the women have got children, they’ve got responsibilities. You can also see it in attendance figures. The men will stay out on a Monday and a Friday, whereas the women will be there Monday to Friday, consistently.”

The team has 2 men and 2 women team leaders (1 Xhosa man, the others are coloured). The team leaders are fixed (i.e. there is no rotation) and they report directly to the contractor. There are 15 coloured workers, and the remainder are an even split between Xhosa-speakers and Zimbabweans, although it depends on the season, because there are more Xhosa-speakers at harvest-time. The contractor says he finds the Zimbabwean workers are better at the more skilled work such as pruning or selective crop control. There is some racial tension or xenophobia in the workforce: “Last year and the year before we had a lot of racial tension, especially this time there was this xenophobia stuff running… We tried to explain that no matter where they come from, everyone has a right to live in this country and to earn income and make a living for himself. Strangely, the tensions were not between the Xhosas and the coloureds, but between the Xhosas and the Zimbabwean people.” Racial or ethnic divisions amongst those with the least secure foothold into formal work indicate how historical differences in access to types of work are reproduced in the present. Although this may not be a deliberate strategy on behalf of management in this particular case, it highlights how historical fragmentation of the workforce is recreated on a daily level as a result of differential access to types of work.

Workers are on 11 month contracts. In April there is no work as a rule, although in some years there is work. 98% of contract workers come back at the start of May. According to the contractor, “we pay top wages but expect top quality work”. Permanent workers get 2 weeks leave in December and the whole month in April. For permanent workers, the leave is paid for. With contract workers, leave and public holidays are paid out. This means they do not get the leave during the contract period but are paid for it instead.

Contract workers work on a combination of piece work and day work e.g. harvesting or carrying baskets, where there is no way of calculating a piece work tariff. Sometimes workers are used by farm management for general farm work and are then paid a daily rate because piece work requires a worker to remain on a block to be able to see what they’ve done in a day. Workers tend to do more piece work than day work and prefer piece work because can be paid more. The contractor asked workers if they would want to go to a day rate or continue with piece work, and 70% responded that they prefer piece work. Workers might earn up to R350/week doing day work, but with piece work they could earn up to R1,000 a week during the season. The contractor pays R80/day minimum wage, and piece work R100-R200/day depending on the pace of work and the season.

Generally the contractor does not work weekends or public holidays, but sometimes finds it is necessary. According to the contractor, all BCEA requirements are complied with for all contract workers. Company A ensures health and safety. There is a paper trail on compliance with the BCEA and Company A checks the paperwork on an annual basis. According to the contractor, a Code of

Conduct is good for those who are already meeting minimum standards, because it eliminates competition from those who cut corners on minimum standards in order to charge less.

The contractor negotiates rates with a client beforehand. Once a year he gives the client a price list of major activities and then they negotiate rates from there. He must also negotiate with the workers to make sure they are happy to work with what has been agreed: “You always have to keep the people [the workers] happy, because if they’re not happy they’re just going to get onto another truck. They’ve got no problems jumping from one truck to another… We have got to get people to commit.” (Labour contractor, Stellenbosch)

Company A pays a day rate to the contractor[13] per worker all included, and piece rates are set for tasks. Transport, diesel, tools, safety gear, taxes and administration are all incorporated into the quote. “Slightly more” than 25% of the amount goes to the contractor, including a share to cover levies, taxes, leave etc. The remainder is used to pay the workers. According to the contractor, “there’s nothing I’ve got that I can hold onto them [the workers]. The only way is by treating them fair and paying them fair wages. And that’s how the people have stayed with us all these years. I’ve seen other contractors where the people jump around… There is no loyalty. The only loyalty is how you treat them and how you pay them.”

There are around 10-12 wine traders in the market who buy bulk wine and then sell it on. Company A don’t use these much because of quality issues. Often more inexperienced people going into new markets with specific product requirements tend to use the traders more, but it can result in the delivery of a poor quality product. Traders can have a role to play in supply, for example introducing new products and giving wine makers a sense of what’s out there, but Company a prefers not to use them if it doesn’t have to.

The cellar has a figure it must meet to make sure it is financially viable. It aims to rather “oversupply on quality at a specific price point”, according to the cellar master, which means maintaining quality and style. This strategy has led to a growth in sales. He says consumers will pick up if you put a B or C quality at an A price point, and it is better to focus on quality than reduce prices to sell quantity. Total cellar production has increased over the past few years. According to the cellar master, “the more we can put through our own hands, the better for the quality of the product”.

Transport to get grapes and wine in is outsourced. The supplier is liable for the cost of transporting grapes but the cellar covers the transport costs of bulk wine. Wine is collected and assembled at two off-farm wineries, not owned by Company A, which have the facilities to filter and cold-stabilise the wines. The wine is then finished off and then sent to Company A’s packing facility for BIB packaging. All bottled wines done at Company A’s cellar and bottled on the premises by a contract bottler with a mobile facility. That the facility is on the premises plays a big role in improving quality. Company A doesn’t want to send the wine to someone else, because quality declines as handling increases.

The bottling contractor is a small, independent company that gets about 90% of its work from Company A. It has its own workforce of 8 workers (6 women, 2 men). According to the bottling contractor, women are much better at inspection than men. Two workers are permanent and came from previous employment with the father of the contractor. The rest are seasonally employed for 10.5 months/year. The contractor can’t pay piece rates[14] because there are sometimes problems with the line outside the workers’ control. The men will start the machines, and the women do quality control before and after bottling. They work 4.5 days but are paid for 5 days a week and get regular breaks, according to the contractor. Although we did not get to speak to bottling contract

[13] Figures removed on management request
[14] Wages removed on management request

workers, the contractor indicated that workers take a train from Paarl where they stay, and are given transport back. If they work after hours they are dropped at home. The contractor gets a filling fee per bottle which excludes labour costs. According to the cellar master, the quality control of the contractor is very good and the cellar does not have the labour to do it themselves.

Company A's production has increased significantly in the past 5 years with exports to Holland, Sweden and UK supermarkets in particular. In the Swedish market, Company A had a white BIB and expanded into red BIB. Some bottled wines also go to Sweden.

The Swedish importer is not heavily involved in the production process. Samples of every new vintage are sent to Systembolaget for approval, but the importer also provides feedback on how the wine has been received. The decision on what wine to produce is determined by Systembolaget tender requirements.

The cellar has 8 permanent workers, all men. Five are coloured and live in Jamestown, and 3 are African (Xhosa) and live in Kayamandi but also have homes in Transkei in the Eastern Cape. The cellar master says the workers are all men because the labour is very physical, such as pulling pipes or loading out skins from the tanks. In addition to these workers is the head wine maker, the assistant wine maker (a woman) and an admin assistant (a woman). They may make use of one or two casual workers on 6 month contracts now and then to help with cleaning or filling of barrels. Hand sorting of grapes is done by 12 women workers for 3 weeks in a season when the cellar receives up to 7 deliveries a day. These workers get breaks at regular intervals and are paid for their breaks. The team leader recruits people herself and the same person is the team leader every year. According to the cellar master, it is expensive to do hand sorting, but it is for icon wines so the quality is critical.

Bottled wine is transported in wooden bins to the packing facility where it is placed in cold stores. Unlabelled wine is labelled and packaged and the facility also does warehousing and storage and loads containers for export. Transport of the bottled product to the packaging facility, which is owned by Company A, is outsourced. Two companies are contracted, since they have different size trucks, and one also takes wine to agents and warehouses. Bulk wine transportation is outsourced to two contractors, one located in Paarl, and another in Worcester/Robertson. They were selected for their proximity to the farms where bulk wine is sourced. Company A arranges all the transport. Bulk delivery goes directly to the packing facility and the cellar master is responsible for that. The bulk wine arrives at the packing facility ready to be filled. For BIB, the bulk wine is stored at the facility and then the bags are filled according to orders. Constant volumes go to Sweden throughout year, but there is a peak season of 3-4 months a year. Buyers place orders and the packing facility works with their orders. The facility does not carry much stock and filling is done on a just-in-time basis.

The facility, located between Stellenbosch and Cape Town, opened about a year ago. A separate packing facility was established primary because there was no space on the farm for expansion any more. The main consideration for setting up the packaging facility was for BIB. This used to be outsourced, but the volumes made it such that Company A could do it themselves and control it effectively in-house. Company A decided not to take on third party work so they could focus on their own products. But they are now starting to look for outside work to fill the plant to use assets and labour to full capacity.

Workers were moved from the cellar to the packing facility. The plant employs 8 permanent workers (3 men, 5 women – 1 Xhosa man, the rest coloured), plus a manager and 3 supervisors (1 white man, 1 coloured man, 1 white woman). At the time of the research there were an additional 28 contract workers (1 Xhosa woman, 6 coloured men, 21 coloured women) working on two filling lines and labelling line. Workers rotate during the day, though the heavier physical work is given to men (loading containers, pack pallets) and women are used for work requiring greater accuracy (e.g. labelling), according to the facility manager.

If there is not enough work every day of the week, then workers don't come in for those days, on a 'no work, no pay' basis. This is written into the workers' contracts, which are 3 or 6 month contracts, usually from January to June, but only if work is available. Workers work an average of 4 days a week, with some months having full weeks, and others 3 days a week.

There are 10 workers on the labelling line. Eight are contract workers and 2 are permanent (they were transferred from Company A). Seasonal and permanent workers do the same work on the line. The BIB lines have 11 workers on each line with one permanent worker for quality control. Another two workers are in the cellar area, there are two forklift drivers and one permanent worker does the overprinting (changing of labels if destinations change). If there is no work in overprinting, this worker fits into the lines.

From our survey of cellar and packing facility workers, average wages were R4,597/month for men and R3,360/month for women (Table 6), with women earning 73% of men's average wages.

Table 6: Average wages, cellar and packing, Company A (N=12)

All	R3,978.57
Men	R4,596.90 (N=6)
Women	R3,360.23 (N=6)
Women as % of men	73.1%

The Company A contract also applies to workers in the packing facility. Workers walk to the train station. Permanent workers who were transferred from Company A get a transport allowance, and other workers do not. Seasonal workers are mostly from the local area, although 5 or 6 are from Stellenbosch. These were previously seasonal workers at Company A and were transferred. There is currently no worker's forum but management says it wants to implement it, on same principles as Company A.

Sweden is Company A's biggest market and BIBs are more than half the Swedish business. It also has small amounts of BIB elsewhere. Most of remainder is bottled exports to Sweden and elsewhere. Growth is in new products and markets rather than expansion of existing business. Company A does not do bulk exports. It is not a bulk wine seller except to remove surpluses, and sometimes exchanges with other producers.

The freight forwarder which ships the wine as sea freight and provides export and import documentation services such as the provision of certificates and customs clearance[15] is contracted by the importer. The same freight company is contracted to manage warehousing and distribution in Sweden. Terms of carriage for Company A are FOB Cape Town on the Swedish BIB. This means the supplier carries the costs until the product is on the ship. After that the product is owned by the buyer, although the supplier may still carry responsibility for certain quality issues later on. Once on the ship, the risk is carried by the importer. The supplier makes an invoice on the date the product leaves the pack house. Payment terms may range from 60-120 days.

Company A only uses one importer in Sweden. The importer uses Lagena for warehousing and distribution to Systembolaget and to the on-trade. 80-100 wine importers use Lagena's facilities. For

[15] http://www.winediva.com.au/supply/freight.asp

its part, the importer has other South African products, but not competing in the market. It does not import in bulk in general, but buys products that are already branded and packaged.

Company A sells the wine to Importer A, who essentially sells it 'on spec' to Systembolaget. This means that it remains the property of the importer until it is sold. This allows Systembolaget to request the importer to take unsold stock back, and therefore the risk remains with the importer until the stock is actually sold. At times a listing might not work (although this has not happened with Company A so far), and then the importer needs to find alternative markets for the product. The key role of the importer is as a conduit between Company A and Systembolaget. The importer understands the market and the requirements very well so plays important role in targeting product to the right market. It applies for tenders, it manages the tenders and it manages distribution and merchandising. The importer also adds value through advertising and promotions (A&P). Company A and Importer A have a separate arrangement to share A&P expenses in Sweden.

Company A does not pay a fixed fee to Importer A. The relationship is closer to a partnership. The end price is sensitive as are costs on the production side, therefore the aim is to try to keep the shelf price as stable as possible. There are major exchange rate risks for both parties. The importer carries the exchange risk from Swedish krona (SEK) to Euro. Margins are very thin and very sensitive to exchange rate fluctuations. Because product prices can only be changed twice a year before Systembolaget launches, a supplier to Systembolaget can be left with stock selling for low prices for 6 months before they can adjust for exchange rate changes. There is another exchange rate risk in the conversion of South African rand (ZAR) to SEK, which the producer carries. As a result, Company A and Importer A have an agreement to share the risk in extreme circumstances.

High volume products have a fairly low mark-up, while slow moving products might have a higher mark-up to cover costs. So there is no fixed agreement about how much the importer gets, but ongoing information sharing and discussion to work with each other. Company A and Importer A each constitute a big portion of one another's business, so this is a mutually beneficial relationship.

Illustrative costs in value chain A

It is just about impossible to work out the precise distribution of value in each chain without a financial audit. Each individual product has its own cost structure, which is dynamic and fluctuates season by season.

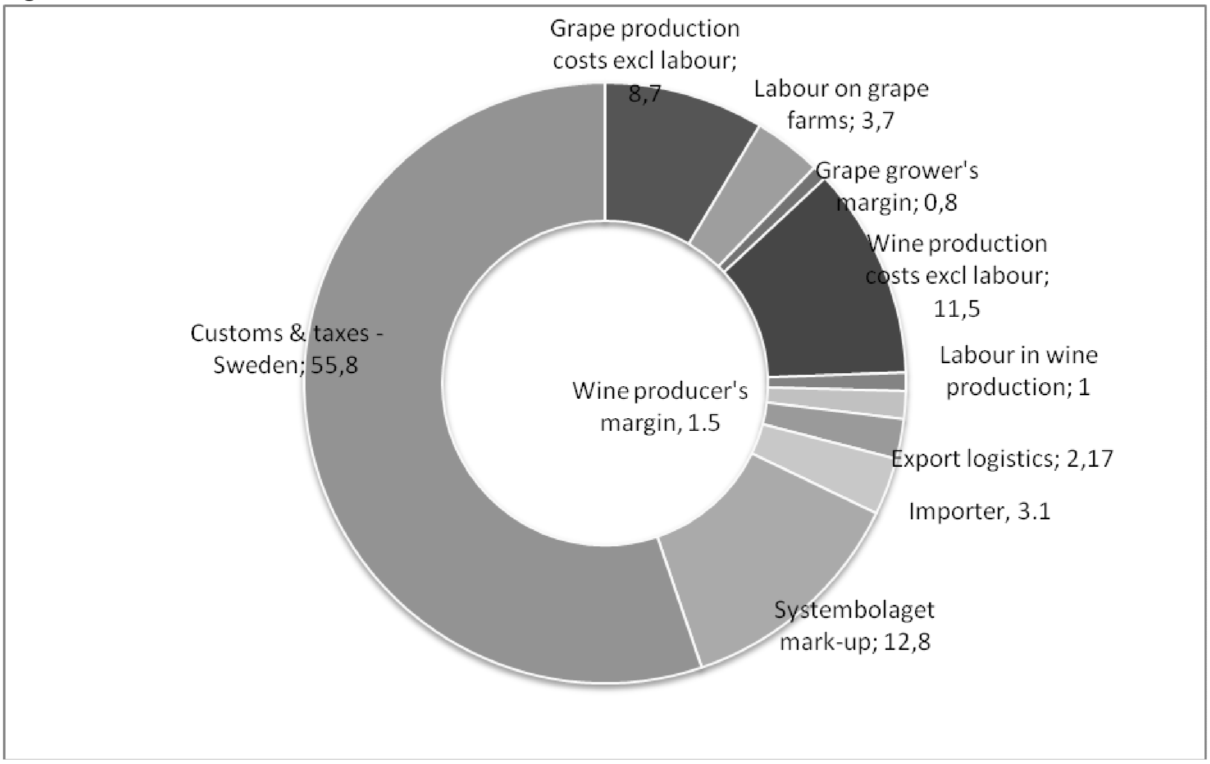
Figure 5 gives an illustration of the distribution of value in the chain. The amounts are in percentages but add up to a bit more than 100% as a result lack of specific information at critical points, in particular about the value of products sold on to the next stage. This is not entirely an issue of lack of transparency. Even for producers it is not easy to provide this information. It can be worked out with a close financial audit, but we didn't have that luxury. For example, for how much do cellars buy wine grapes? The answer varies from season to season and from block to block and depends on the quality of the grapes produced. One thing we can say for sure is that grape growers get a very small proportion of the final value. In Chain A (branded BIB, 2010), grape growers add around 13% of total value of final product. We've attempted to calculate farmers' margins, but it really is impossible to calculate without doing a financial audit. Regardless of the precise figure, we also know for sure that if the grape producers get more, then either the wine producer or the importer gets less. The cake will not grow because the grape grower gets a bigger share. And the size of the cake is determined by Systembolaget's prices and by the very large slice taken by the Swedish government and Systembolaget.

Producers may only sell a portion of their grapes or other products into this particular product chain, so they will earn income elsewhere too. This can allow them to survive on low margins in wine grape production as long as other parts of the farm enterprise are making better margins. Therefore an enterprise analysis at the supplier level will help us to better understand the extent to which grape production is a 'loss leader' that adds value in other ways (e.g. tourism and hospitality), or whether grape growers are fighting a desperate battle against bankruptcy and shutting down.

Based on VinPro estimates of the cost of production, vineyard workers get around 3.7% of the total value of the final product on the shelf, despite constituting up to 50% of on-farm costs. As we have heard from the viticulturalist and cellar master at Company A, there is a trade off between quality of grapes and yields: higher quality means less yields, but also higher prices. The price of grapes was therefore a thumb-suck calculation based on a reasonably high price for grapes, since these growers are producing for quality.

Wine production takes up about 14% of the final cost of the product. Labour is a smaller proportion here, at only 1% of final value, with the cellar making an estimated margin of 1.5% of cost of final product. Again, the data is very thin here. Using averages from industry bodies is inadequate to break down costs for an individual product in a specific season for a specific company with its own investments and cost structure. Given that there was a disconnection by a few percentage points in the calculations between selling costs up to point of distribution to Systembolaget, and the final costs in the stores (which are known), this suggests that the wine producer and the importer probably have costs slightly lower than the average. But whatever the case, this goes to show how tight margins are all along the chain.

Figure 5: Illustrative distribution of value in Chain A - Branded wine, BIB



Source: Own calculations (detailed information removed on producer's request for confidentiality reasons)

Export logistics and importer's fees, including warehousing, distribution, advertising and promotions in Sweden appear to take up only around 5% of final cost of product. The distribution of value between grape producers, wine producers and importers will certainly vary somewhat from the information indicated here. What we do know for certain is the Systembolaget mark-up (for overheads plus a profit) and Swedish taxes. These two accrue 68.6% of total value of the final product, leaving everyone else in the chain to scrap over less than a third of the total value of wines they've produced and distributed.

VALUE CHAIN X: BULK WINE FROM PAARL

Value chain X is bulk wine exported and packaged in Europe. Figure 6 provides a representation of the basic flow of the export chain. The importer told us that who they source from and the costs in the value chain are a "trade secret". This information gives them a competitive advantage down to the level of where grapes and wine are sourced from. Company X is a producer-cellar with grape producing members. Most suppliers are shareholders of Company X.

Company X employs 48 permanent workers directly and another 50 or so casual/seasonal workers who work for varying lengths on time. Permanent production staff is all men, as are casual and seasonal workers. The company does not have its own vineyards and does not use labour contractors. All workers live off the farm and the company does not provide housing for any workers. The company pays for transport. The cellar is Wieta and Fair Trade certified, but this does not extend to supplier farms.

There are contractual agreements between individual growers and the cellar stipulating the terms of delivery. Growers are allocated tonnages, and they can sell off anything above that, although even this must be in the agreement. The viticulturalist gives technical advice, but apart from that, there is no involvement of Company X in their activities. Overall it appears to be less hands-on than Company A's relationship with grape and wine suppliers. Some of the farms are diversified and only one enterprise on the farms is growing grapes or making wine. They may also have table grapes, wheat, livestock and other farming activities. Wine grape production thus might be only a small proportion of that shareholder's business. The cellar doesn't have control over that, according to Company X's GM. As a result, Company X feels it cannot take responsibility for labour conditions on the farms. Company X was unwilling to name shareholder members: "They are private companies. If I name some I must name all of them. I can't see if it's got any bearing on what we are discussing here." (Company X GM)

There is no dividend on shares for shareholder-members. They get paid out on grapes delivered. Theoretically at least, shareholders are exactly the same as the producers who deliver grapes. Shareholders only have voting rights if they deliver grapes, and a person or entity can only become a shareholder if they are a *bona fide* grape farmer. Like in chain A, there are quality streams for grapes and wine of different qualities that are channelled towards serving particular contracts. The cellar also buys in and blends other grapes and wine as required.

The cellar has no production of its own, and doesn't own vineyards. "We don't have the expertise. We know how to make wine but don't know how to farm grapes", says Company X's GM. Grapes are delivered from over 60 farm units with an average yield of about 10 tons/ha. According to our survey on 7 supplier farms (not all supplying to Company X, although conditions are likely to be very similar, as discussed above), average monthly wages for men were R1,586/month and for women R1,321/month (Table 7). Averages were only just above minimum wages as a whole and were below minimum wages for women. 64% of women on supplier farms in Paarl earned less than the minimum wage on average.

Figure 6: Value chain X

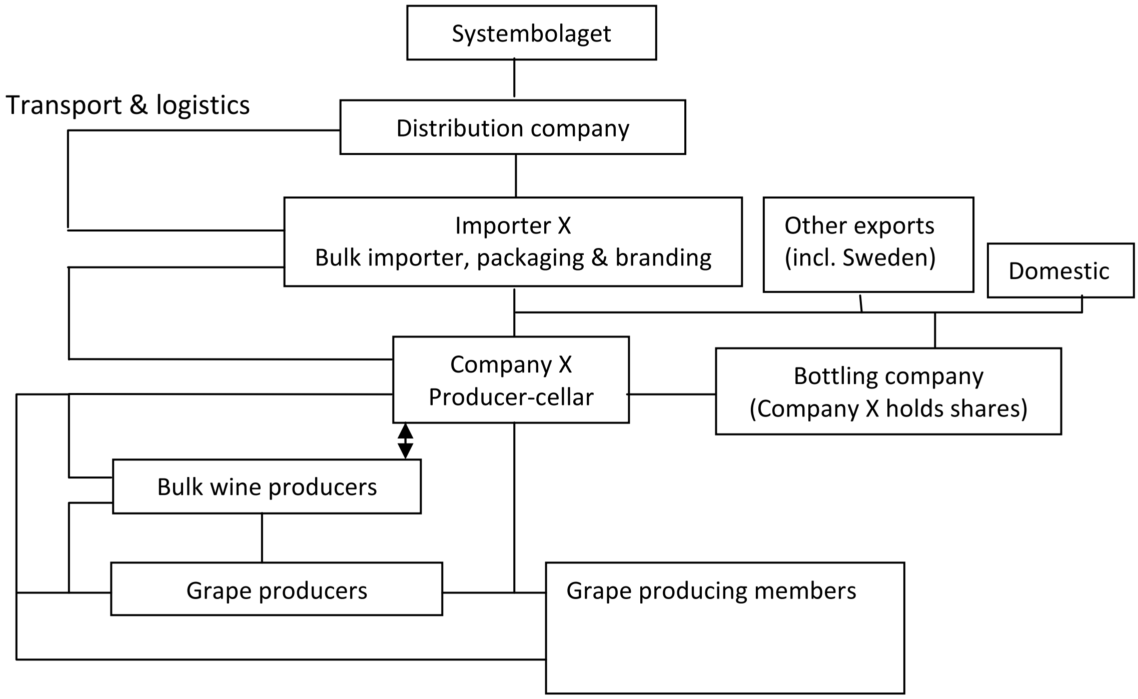


Table 7: Average monthly wages on Paarl supplier farms (N=20)

All	R1,440.19
Men	R1,586.21
Women	R1,320.71
Women as % of men	83.3%

"We can't understand how they can sell for these cheap prices. For us it is totally unbelievable. If you calculate backwards, I can only imagine what price it will be from the producer. Next to nothing. How do they pay for that? And how do they pay for *their* workers? Someone has to suffer along the way if things are that cheap", says the South African buyer from Importer A about some bulk wine buyers. Farm workers are amongst the parties to suffer along the way. The survey shows that vineyard workers in Paarl got only half what vineyard workers in Stellenbosch got.

Workers expressed a number of grievances in relation to payment, including on gender disparities. On Stellenbosch supplier farms we heard about workers complaining that pay was deducted if workers were even 5 minutes late. Workers raised the same issue on Paarl supplier farms. On one of the supplier farms where we did a focus group and interviews, workers living on the farm were permanent and other workers were employed as seasonal or casual workers even though they had been working there for more than 7 years. Women also said: "There is some work that we do that is the same, but the men get more. We feel that it is unfair and we are very unhappy about that." Other workers said: "We get minimum wages, but without any employment contracts and without housing contracts."

There were differences in opinion about living in town. Conditions of on farm housing are questionable: "There are no toilets here. The roof does not have ceilings. The floors have holes in it." On another supplier farm in Paarl, some women workers said the people living in town have better living conditions than them. Some of the women had applied for housing in town but were still waiting. On the other hand, some workers prefer to remain living on the farms: "I was born on a farm, I grew up on a farm and I want to die on the farm. When you move to town you have to pay for everything. We get our wood and our water for free on the farm. When you live in town you have to fix everything yourselves." (Focus group, mixed workers, supplier farm in Paarl) And a woman worker said: "I think that it is not worth it to apply for a house. Life on the farm is better we still get free water and free housing even though the houses are not in the best of shape."

Compliance with basic conditions of employment is weak on the supplier farms (Table 8). Of particular concern are contracts, family responsibility and maternity leave, and voluntary overtime.

Table 8: Compliance with BCEA on supplier farms in Paarl (N=20)

Pay slip	80%
Work hours	100%
Voluntary overtime (N=19)	68%
Contracts	30%
Annual leave	85%
Sick leave	70%
Family responsibility leave	55%
Parental/maternity leave	55%
UIF deductions	80%

When asked if they got the protective clothing they required, 57% of men on supplier farms in Paarl said yes, and 33% of women said yes (however, there was a very small number of women indicating they needed protective clothing, so the numbers are too small to have any statistical significance). When asked if they were exposed to chemicals during work, 89% of men said yes and 89% of women said yes. This is significantly higher than Stellenbosch, where the figure was around a quarter.

The cost of mechanisation is high on farms, and no machine can do everything. Managers felt there are families living on the farms for so many years, that there is an obligation to employ the next generation. There is mechanisation on the farms, but not full blown where the grower can replace all the workers. Mechanisation is not a solution to labour issues, according to the GM of Company X, but has more to do with increasing harvesting capacity. Some canopy management and harvesting is done mechanically, but otherwise not a lot.

Some wine is bought in, and the amount varies from year to year, depending on what contracts need to be serviced. As a rule the cellar tries not to buy wine in. The cellar and growers jointly service a particular agreement and they buy on secured demand rather than speculation. The cellar wants to do business with reputable producers, and the cost of transport must also be considered when selecting who to buy from. In all cases, the agreement must be financially viable or they will go elsewhere. “We can’t put the risk on our own shareholders by wheeling and dealing in wine”, says the Company X’s GM. In most cases where Company X buys in, it has the intention to supply from their own sources the following year, so there are not year in, year out fixed amounts: “why would we try to sell someone else’s wine, if we have our own?” Buying in wine is thus only on the basis of need only and Company X is unable to supply from their own production. In the past Company X has bought in a maximum of 10% of total production, though it is generally less.

As with Chain A, the cost of transport of grapes to the cellar is borne by producer, and the cost of wine bought in covered by the buyer, unless stipulated in the contract. Growers bring grapes in at zero value. The wine is then made and sold, the cellar’s costs are deducted and the proceeds go to the growers. The GM says they aim to pay the maximum they can to the growers.

The cost of buying in wine is market related and it is hard to provide a single average. Company X samples, selects and then makes a price offer, and if this is not agreed to, they go to the next best sample. The blend determines which wines can be used and the selection is based on that.

Production has been stable for the past 5 years, apart from a seasonal variance. The cellar would like to grow its business but replantings on the farms are lagging. According to Company X’s GM, it is a financial issue: the wine industry is not making money and farmers are being pressured. “The bigger farmers will go bigger, and the smaller guys will struggle more. The problem is the vineyards for now might still be in production until the end of their lifespan, but replantings are a problem. Last year we planted more than 100 ha simply because we had to. This year it will go down again. There are uncertainties and it is the individual decision of farmers. The cellar can’t force anyone to plant. In my opinion, too much time is being spent on trying to work out what a sustainable unit is. If you tell me your cost of living, I’ll tell you how much grapes you can produce”.

He continues: “But there are small growers that get by, and they replant and they move forward, and there are bigger growers that struggle. There is no general rule, but overall it will become increasingly more difficult to sustain a small farming unit. The cost of land has gone up so consolidation is difficult. More people are coming from outside and buying small farms for ‘lifestyle farming’. Non-members or non-shareholders have bought farms recently. Some continue with grape farming, but not all, although grape farming is part of the aesthetic, even though the vineyards are not always making money”.

Company X is making a conscious effort to have a balanced portfolio between direct exports and the local market. They are aiming for 50:50 but it currently stands at around 30:70. From the local sales, most gets exported in the end, with local companies buying the wine and exporting, mainly in bulk. Company X currently sells 10% packaged (bottled/BIB) and 90% bulk.

The Swedish market is growing quite rapidly, but this year indications are that it will be stable with a bit of volume going down. The volume of red taken by the buyers has gone down this year, and the GM doesn't know if they're buying from others or what the reasons are. The market is not getting bigger, so it is more a question of the distribution of market share in the existing market. Company X does sell into other export markets too, and Sweden is only around 10% of total volume.

The buyer comes at the beginning of every season and they have a discussion on volumes and pricing from the previous season and for next season. "It is only an annual deal. There is no security, no guarantee that we will have it for the next season as well." (Company X, GM) The importer moves around and identifies wines it wants to buy and the cellars it will buy from, and then contracts the cellar to deliver according to specifications. Company X mostly gets specifications of the product, but there is no direct involvement from the importer. Sometimes the importer sends a wine maker for tasting, comments on styles, to discuss what is doing well in the market, and what they're looking for. The relations of power in Chain X between wine producer and importer are therefore quite different to those in Chain A. Where the producer essentially employs the importer in Chain A, the reverse is the case in Chain X.

Company X has some branded products in both local and export markets. It had a tender for its own branded product a few years ago with Sweden, but nothing presently. However, they are continually submitting wine for tenders if the price in right.

The wine is made at the cellar. Different blocks are kept separately and the wine is made separately. If they need to blend, they do equal qualities with equal qualities, i.e. don't mix good and bad wines into the same blend. Once the wine is finished, a quality rating and pricing is done by a panel of wine buyers based on a tasting audit on each tank and variety. This is done once a year for whites and once a year for reds. The wine is then allocated to different contracts. Ideally this should be a cost-plus exercise (costs plus margin), but "we operate in a free market where we agree on the prices, and in some cases we don't get the prices we want. This is the way the bulk market operates", according to Company X's GM.

Company X employs 48 permanent workers and another 50 or so seasonal workers, some on contracts of 3-4 months, and some 3-4 weeks, depending on the workload. The production staff is 100% men. Admin is 50:50, but overall workers are 90% men. As in Chain A, the reasoning is that the activities in the winery are physical, for example carrying bags or dragging pipes, and this is difficult for female workers to do. In the packing shed, female workers "are much more skilled and do the job better," According to Company X's GM. He says that even female wine makers tend to work either at smaller estates or at the bigger companies where other people can do the physical work. Seasonal work in the cellar is also 90% male. Only data capture and administration is mainly female.

The workforce is split evenly between white, black and coloured, both in seasonal and permanent work. African workers have housing in the Western Cape, mostly in Paarl and also have family connections in the Eastern Cape. The GM says Company X stays clear of employing any foreign workers, and cites problems with working permits. He indicates that there are not many Zimbabwean workers in the wine sector, and suggests this is because the work is seasonal and thus only for a short period. Company X has received work applications from Zimbabweans in the past, but not many. The workforce is consolidating. The numbers went down 5 years ago, and new people are only employed now if there is an opening. There is no expansion of the workforce.

Company X does not employ labour contractors, saying they prefer to recruit and train their own people. Most key positions are filled by retired teachers and others in town, according to the GM. This leads to continuity. The company encourages permanent workers to bring the back same person who did seasonal work in the last year. Although these workers need to be given increases each year, the company knows the quality will be better. Reliability of contractors is an issue: "If someone doesn't pitch, we have no recourse. Rather, we have a closer relationship with our workers, we do training better, and we know the people because it's the same person every day. Contracting would not work for us." (Company X GM)

Workers are paid monthly and there is a formal job grading and pay scale system. The company pays 30-40% above minimum wages: "We want to pay more because we need to attract good people. Most people have been working with us for about 13-14 years. We have a stable workforce." Our survey showed average wages in the cellar of R3,458/month – all men (no women working in production). Seasonal workers are paid on a weekly basis with a pay slip, and there is no piece work. It is the company's policy to belong to the South African wine industry pension and provident fund. Salaried workers have a contribution rate of 20% of their pension-bearing salary but no more than 23.33% of total wage. For wage workers, workers contribute 10% and the company 6%. All workers must belong to the fund.

Bottling is outsourced to a separate facility. Company X holds 12% shares in the bottling company. The wine is then stored at the cellar, depending on the specific agreement. The cellar prefers to get wines out of the system over 24 months and pay out to growers. Ideally this should be around 18 months, but it is usually longer for the higher price points where the cellar is a vintage or two vintages behind, and the wine is only released after two or three years following maturation, oak treatment etc. But this is only for the higher priced, more expensive wines. For bulk, the cellar needs to get the wine out of the system as quickly as possible. For whites this is around 12 months. The cellar normally goes onto the next vintage around mid-year, but they also need to keep stock until the following year to ensure a supply for the full 12 months. Reds take longer – around 18-24 months. The bulk red season is also a bit longer than the bulk white season. For reds it is not too much of a problem to change vintage, but for whites the cellar does not want to sit on the previous year's vintage when new season starts.

The cellar therefore aims to contract the surplus before next crop comes in. At the moment they are achieving goal, and all wine is contracted and allocated to particular buyers at particular price. One challenge is that there is no removal date, so the cellar doesn't know when the wine will be moved. They only invoice once the wine is removed, which is a challenge for cash flow, especially for growers, who have to wait until the cash comes in before they can be paid. According to Company X's GM, this is one of the flaws in the system, where there are no fixed agreements. The system also needs to be fair: "If a buyer agrees to remove wine by September and they move it before then, there needs to be a discount. But if they move it after, there needs to be an interest or storage component."

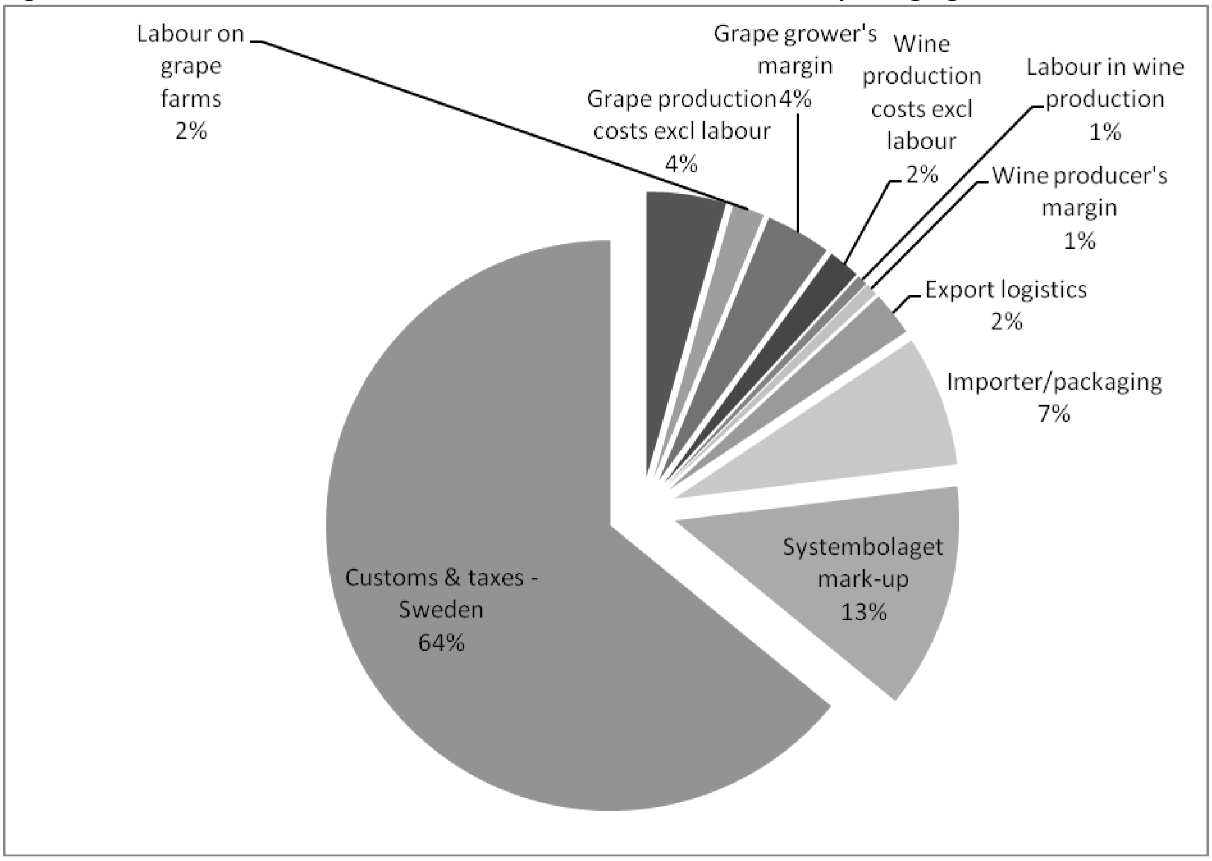
Bulk wine is drawn on as necessary. If it's moved from the cellar it will just have to sit elsewhere. Storing bottled stock or finished stock is even more expensive that storing bulk, so the wine stays with the primary producer for as long as possible. It is then treated and exported, and only in sufficient volumes for the bottling that's planned.

In most cases, Company X knows where the bulk product is going. They prefer to know what the final product is, to be able to taste it, and see how sales are doing. They do try to keep track, "even to point where each grower knows where his grapes went into which wine and that wine ended up in a particular product, so there's a sense of belonging, a sense of contribution… It's not all places where we achieve that, but that's the direction we want to go into" (Company X, GM). Traceability in the chain is obviously a challenge for bulk wines.

Company X sells to about 15 bulk buyers, including corporate producer-wholesalers and exports. Terms are usually FOB Cape Town. This ends responsibility in terms of logistics, but the company still need to ensure quality. Transport is outsourced and the importer normally contracts the shipping agent and they have contractual agreements with logistics companies. Making wine and transportation costs the same per litre, regardless of the quality of the wine, so with lower end pricing these costs rise as a percentage of total cost.

The importer plays a very important role in communicating about styling and packaging, and generally providing market information: "We are not in the market all the time so we rely on their information." All suppliers into the Swedish market will work with an agent. It needs to be a solid, well-oiled relationship to get the right information. Company X also uses other agents in Sweden for their bottled wine. The agent's fees are based on a percentage of actual sales and a retainer.

Figure 7: Illustrative distribution of value in Chain X: Bulk red for BIB packaging in Sweden



Source: Own calculations (detailed information removed on producer's and importer's request for confidentiality reasons)

Although the Swedish market is fairly stable once a company has a base listing, a company can't tender if they don't have the wine. This means they must keep the wine on risk in case they win a tender. If the tender fails, the producer is left holding the wine without a market. As fresh produce market analyst Mike Cordes recently said, the first rule of marketing of a perishable product is that "good markets exist only where demand precedes supply" (Farmer's Weekly, 17 February 2012, p.61). Although wine makers produce in anticipation of winning a tender in Sweden, supply still precedes the demand.

As with Chain A, it is difficult to work out a very accurate distribution of value in Chain X without a financial audit. The major difference between the two chains is the location of packaging costs, which in Chain X are incorporated into the importer's share. The illustrative distribution of value in Chain X (Figure 7) indicates that vineyard and cellar workers accrue around 4% of the value of the final product. We estimated grower's margins to be higher than in Chain A mainly because of higher yields, although this is questionable because otherwise there wouldn't be much reason for producers to go to all the trouble of producing higher quality grapes. But the amounts are relatively small. As with Chain A, Swedish taxes and the Systembolaget mark-up take by far the biggest portion of the final value of the product. This is even higher in Chain X, at 77%, because the final product sells for less and alcohol tax, one of the biggest slices of the final cost is a fixed amount per litre, regardless of the final cost of the product. This results in a reduction in the price gap between cheaper and more expensive wines. In Paarl labour is cheaper than in Stellenbosch, and transportation of bulk wine is cheaper than transportation of packaged wine. Margins are tight throughout the chain.

WOMEN WORKERS IN WINE VALUE CHAINS

The labour force on wine farms

South African wine farms historically functioned on a low productivity-low wage model for bulk production of cheap wine mainly for the domestic market. The notorious *dop* system (payment in cheap wine which led to alcoholism) was one manifestation of this model. It was characterised by poor labour relations and 'patriarchal paternalism'. Paternalism refers to "an 'organic' conception of the farm as a family, with the farmer occupying, a central position of unchallengeable authority" (du Toit, 1993:314). This functioned within a 'totalising universe', where farms were "hermetically sealed off from the outside world that farm workers [did not] come in contact with any competing or alternative definitions of society or self" (du Toit, 1993:316). This concept of paternalism had an additional gendered dimension to it, where women's social and economic dependence on men was reinforced through the way work was organised and housing was provided. The worker family was the unit of employment, and women had no independent claim to either employment or on farm housing (Barrientos, Kritzinger & Rossouw, 2003:116).

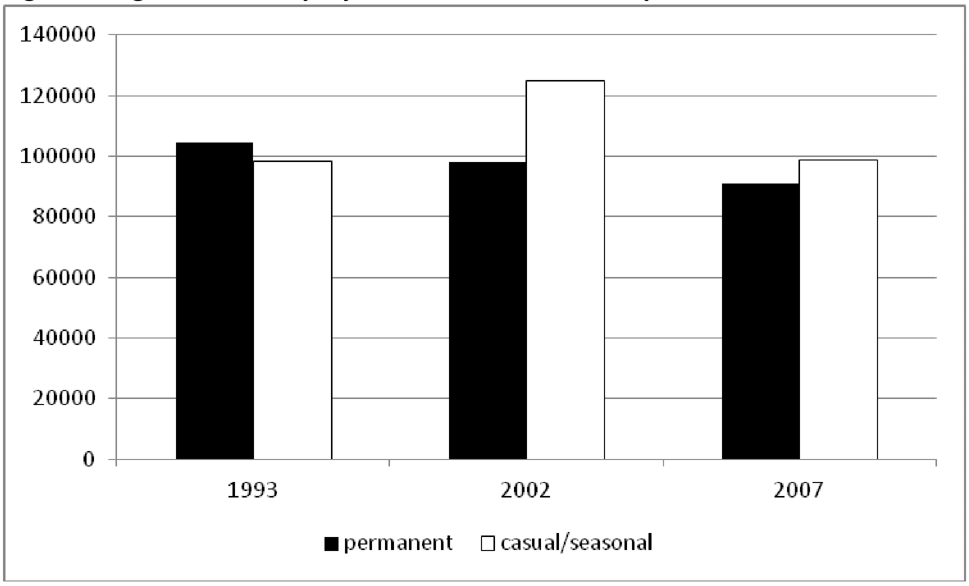
Historically, permanent workers were men who lived on the farms. Additional labour was drawn from their families, and for this reason amongst others, seasonal work tended to be women – the spouses and other family members of permanent workers. It was only in the 1990s that this began changing, especially with the extension of labour laws onto the farms and laws on tenure security. These included incorporation of farm workers into the new Labour Relations Act and BCEA (farm workers were previously excluded from both), and minimum wages legislation from 2003. Under the rubric of 'modernisation' – in agriculture and labour relations alike – law and practice converged on industrial-type agriculture with industrial-type unionism as the main response (du Toit & Ally, 2003:44). There was a growing capitalisation of farms especially to fit into global markets, with a concomitant impact on labour.

There were two core impacts of this restructuring on labour. First, it reduced the workforce, and second it fragmented work into short-term, precarious forms including the casualisation of the workforce, with the associated externalisation of work in space and fragmentation in time. Yet there was "an underestimation of the persistence of the cultural, political and social frameworks that accompanied farm workers' subjection, *and* the flexibility of farmers' strategies under new conditions" (du Toit & Ally, 2003:44). The restructuring was shaped by a history both of the forms of interaction between workers and owners and by the logic of capital accumulation that drove business decisions.

There was significant restructuring of employment in the wine sector, which was a result both of the extension of laws onto the farms but also the deregulation of agricultural marketing and trade. The opening of export markets, which gave producers an outlet for overproduction, but required improved quality. This meant a different type of production, and a shift (although not entirely or everywhere) from an emphasis on yield to quality. There were new plantings in the 1990s as a result, and employment levels where this maintained, despite the reduction of workers per hectare.

Men continue to dominate full time employment. Women initially started in the workforce as domestic workers, and over time getting into farm work as well, mainly in weeding, harvesting, sorting and packing. These tend to be seasonal jobs. This is a contentious issue. On the one hand, farm worker support organisations argue that there are barriers for women in entering the type of work that is made permanent, a form of 'job reservation' that still exists. On the other hand, management is taken aback at suggestions that women should be pushed into doing dangerous or hard physical work. There are physiological differences between men and women that make some types of work more difficult for women to perform. But at the same time, these physiological differences can become the basis for the reproduction of divisions in the labour force.

Figure 8: Agricultural employment in the Western Cape, 1993-2007



Source: Murray, 2010:3

The feminisation off the workforce is related to the shift to off farm employment and increase in seasonal and casual workers over full time workers. The actual work may be of a similar character (Barrientos, 2008:982), with some only labelled seasonal, even if they do work on a regular basis over years, and do similar work. Changes in the wine sector are in the context of a decline in agricultural employment, although less pronounced in the Western Cape than in other parts of the country (Figure 8). There were around 190,000 workers in Western Cape agriculture in 2007, of which about 52% were seasonal/casual (Statistics South Africa, 2009). The 2011 Labour Force Survey (Statistics South Africa, 2011:16) shows a vacillation between 121,000 in the peak fruit season (Jan-Mar) to 100,000 in April-June.

54% of wine farms in du Toit & Ally survey (2003:19) indicated they had decreased their permanent workforce since 1997. In Paarl 67% of all farms surveyed had decreased their workforce, and in Stellenbosch 27% had decreased theirs (du Toit & Ally, 2003:19), although 50% of respondents in Stellenbosch indicated future plans to reduce their work force and just 17% in Paarl indicated the same. Almost half of all respondents indicated they were likely to decrease their permanent labour force in the immediate future.

There is a possibility of mechanising wine grape harvesting, especially canopy management and harvesting. 10% of wine farmers in du Toit & Ally's survey (2003:19) indicated plans to mechanise the harvesting process. In Conradie's survey (2004:6), "35% of respondents already owned a grape picking machine and another 20% rented a quarter of a machine on average". According to the National Agricultural Marketing Council (NAMC, 2010:1) mechanised harvesting accounted for 51% of grape tonnage on the farms surveyed (covering 20% of total area under wine grapes in 2009). The likely impact of mechanisation is a reduction in employment and a rise in average wages. Since the types of work mechanisation will eliminate are mainly seasonal jobs in the vineyards (harvesting, canopy management), women workers who are concentrated in these jobs will be the first to lose their jobs.

Elsewhere the Department of Agriculture, Forestry and Fisheries (DAFF) indicates the wine industry as a whole (which includes upstream and downstream nodes and associated services) supported approximately 200,000 jobs in 2008 (DAFF, 2010:5). In 2009, Sawis (2009:8) claimed total employment of 275,606 in the wine industry as a whole (including trade, catering, accommodation and transport), with 58% unskilled, 29% semi-skilled and 13% skilled. It also says that in the Western Cape, the wine industry in total is responsible for 8.8% of total employment (168 102) (Sawis, 2009:9). The wine sector is thus clearly not only the vineyards, although by far the most research has been done on this node. But we must also include cellars and packaging, warehousing and transport. There is very limited research on workers in these parts of the chain. Cellars and processing are more capital intensive than the primary production of grapes. Despite this, du Toit & Ally (2003:12) found that farms with packhouses or cellars provided 44% more employment than other farms in total and an average of 80% more permanent jobs/ha.

In a survey of 77 fruit and wine farms in the Western Cape, du Toit and Ally (2003:10) found a mean of 0.53 permanent jobs/ha, 0.79 'regular' jobs/ha and 1.25 harvesting jobs/ha. They categorised 'regular' jobs as permanent jobs plus work done 'as needed' but on a regular basis by on-farm workers (mostly women). The averages generally decreased as the farm sizes increased, though this was uneven. Du Toit and Ally (2003: 12) found that wine farms had a lower average number of permanent workers/ha than other types of fruit (including table grapes) and there were also fewer seasonal workers required.

In the same survey, the ratio of off farm temporary (i.e. seasonal) workers to permanent workers on wine farms was 109.77 (du Toit & Ally, 2003:11), i.e. around 53% of the workforce were seasonal. There were very different results from Conradie (2004:5) who argues that seasonal workers are less important on wine farms than on table grape farms, with an average of just 7.5% of the workforce in Conradie's research in 2003. It should be noted, however, that many farms produce both wine and table grapes, as well as other products and thus the composition of the workforce is not entirely shaped by whether they are producing wine grapes or not.

Female workers and seasonal workers, of whom the majority are female, are more likely to be employed on table grape farms than wine farms, and full time men dominate on wine farms (59% of the workforce in 2004) (Conradie, 2004:3). Three-quarters of permanent workers were men in du

Toit & Ally's survey (2003:12). Elsewhere Conradie (2004:5) shows that resident men constituted 56% of the average workforce on wine farms in 2004 and women workers also living on the farms and tied to these men (i.e. without permanent employment and housing contracts in their own name) constituted 34% of the workforce. Murray (2010:6) reports that 43% of the farm workforce in Stellenbosch district was permanent and 35% were permanent in Paarl district, based on 2002 figures (Table 9). The figures show that women constituted 55% of casual/seasonal workers in Stellenbosch and 63% in Paarl, and consequently were a larger part of the overall workforce in Paarl (53%) than Stellenbosch (48%). The industry has undergone substantial change since then, but these are indicative. Farm workers in the Human Rights Watch report (2011:26) indicated that women workers who worked throughout the year were still considered seasonal workers and did not receive the benefits of permanent workers.

Table 9: Farm employment by sex, Stellenbosch and Paarl districts, 2002

	Permanent			Casual/seasonal			Total
	M	W	T	M	W	T	
Stellenbosch	3,928	2,344	6,272	3,653	4,518	8,171	14,443
Paarl	7,585	3,990	11,575	7,774	13,492	21,266	32,841

Source: Murray, 2010:6

In du Toit & Ally's survey, almost 89% of permanent employees were coloured (du Toit & Ally, 2003:12) – both for the whole sample and for the wine farms. The remainder were African, although there were regional variations. There was a low proportion of African workers in Paarl (around 9% of total workforce) but higher in Stellenbosch (20.5%, with African women forming two-thirds of this amount) (du Toit & Ally, 2003:12). In Stellenbosch, uniquely in du Toit and Ally's survey, African women were almost as many as coloured women (13.3% compared with 18.4% of the workforce) (Table 10). In the same survey, 70% of the harvesting workforce were coloured (du Toit & Ally, 2003:16). In Stellenbosch 63% were coloured and in Paarl 69%. Generally the image of a coloured and (increasingly) African workforce with a white management overlay still holds true.

Table 10: Racial and sexual composition of workforce (fruit and wine farms), 2003

	Permanent women			Seasonal women		
	Coloured	African	Total	Coloured	African	Total
Stellenbosch	18.4%	13.3%	***31.7%***	41%	31%	***72%***
Paarl	19.4%	0.3%	***19.7%***	58%	26%	***84%***

Source: du Toit & Ally, 2003:12&16

In du Toit & Ally's survey (2003:15), the main source of seasonal workers on Stellenbosch and Paarl farms was from the areas immediately surrounding the farms, with no workers being employed directly from the Eastern Cape (one of the main sources of migrant labour in the Western Cape). However, this is not to say people living in the surrounding areas did not move from Eastern Cape, or do not have homesteads in both places. Our own survey reinforces this statement.

Little work has been done on processing workers in cellars, packaging facilities or warehouses, or in transport in the wine industry (or in any other agro-food sector). Packaging may be a separate function from the cellar in the value chain, and there may also be vertical integration between packaging and production – as in one of our case studies (Company A).

Outsourcing and labour broking

Outsourcing of labour and labour broking have gained ground in the post-1994 era in particular as employers have sought ways to bypass labour legislation, and as the need for greater flexibility in production operations has deepened. In labour contracting or labour broking, management enters into an agreement with a third party to supply labour. The employment relationship is between the third party (the contractor or broker) and the workers. Labour brokers provide only labour, while work contractors may be contracted for specific tasks and bring their own workers in to do the tasks (du Toit & Ally, 2003:17). Outsourcing means another company takes responsibility for labour conditions. Brokers are seen as providing employers with a way of externalising labour relations. Because labour brokers are usually small operations and workers have limited security, it was almost impossible for workers to organise in them. This is a key criticism of labour broking, that it fragments the workforce into small units that makes it impossible to regulate labour conditions. According to Linda Lipparoni at Wieta, "There is a tendency to contract in labour because it means employers don't have accommodation or transportation issues. But in many cases, there is no control over what is being paid over to workers. Money gets paid to contractor and you don't know what they are paying to workers".

Closely related to union demands of minimum conditions for all workers, labour broking has come under the spotlight in the past few years. At the time of writing this report, the Congress of South African Trade Unions (Cosatu), the country's biggest union federation, held a very well-supported national strike against labour broking. It called for an outright ban on labour broking and made demands for a direct relationship between worker and employer where the latter takes direct responsibility for ensuring minimum conditions of employment are adhered to. The African National Congress government wants to regulate labour broking but remains unwilling to ban it outright. Industry raised objections to Cosatu's call, arguing that contracting is an essential part of flexible business models required to remain internationally competitive.

A recent report on labour broking for WFP and the Centre for Rural Legal Studies (CRLS) in Grabouw, a fruit farming district in the Western Cape, identified a number of legal gaps with regard to labour broking. These include the lack of definition of casual or seasonal workers; collective bargaining that does not cover casual or seasonal workers; the lack of a clear distinction between an employee and an independent contractor; no clear legal imperatives for the employer and contractor regarding liability; inadequate protection for farm workers who are recruited by labour brokers; and the lack of an adequate registration and regulation process for labour brokers within the current legal framework (WFP and CRLS, 2009:2). The research found that all labour brokers were previously farm workers, that seasonal workers did not get the same advantages as permanent workers, and that workers employed by labour brokers were paid below minimum wages. Transportation and accommodation for seasonal workers was a key issue.

The WFP/CRLS report (2009:37) makes the point that the relationship between the broker and the farm owner is not an equal partnership, but that the farm owner who employs the labour broker is the stronger party, thus creating an additional hierarchical relationship between farm owner and workers. This solidifies an overall picture of a very fragmented labour market with many different structural relationships not only within the labour force (permanent, casual, seasonal, migrant, 'foreigner') but also amongst employers (contractors, farm owners, cellars etc). This makes it more difficult to unite workers around common issues.

Du Toit & Ally (2003:17) found that 57% of wine farms contracted out some traditional farming tasks, slightly higher than the average across all deciduous fruit and grape farming types (53%). Contracting consisted mostly of work such as harvesting, considered less skilled, although on some farms highly skilled work such as trellising was also outsourced. Only around 17% of all farms in du Toit & Ally's survey used labour-only contractors. The rest used contractors that also provided management services, i.e. who managed a work team to carry out specific tasks. Casual and seasonal work is subcontracted to some extent. Conradie (2004:5) found that contract workers constituted an average of just 8% of workforce on wine farms.

Wages

Table 11: Minimum wages 2011 and 2012

	2011	From March 2012
Hourly	R7.04	R7.71
Weekly	R317.51	R346.95
Monthly	R1,375.94	R1,503.90

Table 11 shows the current minimum wages. According to Linda Lipparoni, CEO of Wieta, "the sectoral determination [minimum wages] for farm workers is extremely low, and we'd like to see it a lot higher. We are demanding a living wage. Of course there are huge debates about what constitutes a living wage and how you calculate it. NGOs tried to calculate a food basket and came to an amount of just over R6,000 a month. But of course that's unrealistic because there's absolutely no way you're going to get any business to say we're able to afford payment of R6,000." She goes on to say there needs to be recognition that the minimum wage is paid plus a range of other provisions are made, including housing, electricity and water, and money bonuses (e.g. weekly bonuses for attendance or productivity bonuses). Wieta encourages these additions to ensure producers are exceeding the minimum. Farm worker support organisations agree with the need to provide these non-wage provisions as part of the employment package, but highlight the historically poor quality of housing on many farms. It is not only a question of providing housing, but of assuring minimum standards of housing too. Fatima Shabodien (2007) of WFP argues that farm employment is different to factory employment because of the distance between the workplace and residential areas. Therefore housing is "inherently a production cost" and should be incorporated into calculations. With rising costs of food, transport and housing in particular, workers will be hard pressed to make ends meet on the minimum wage, especially where there are only one or two employed people living in a household. There used to be different minimum wages by region depending on proximity to urban areas, but that has been scrapped and a single minimum wage now applies to all areas.

Table 12: Labour as % of grape production costs, 2010

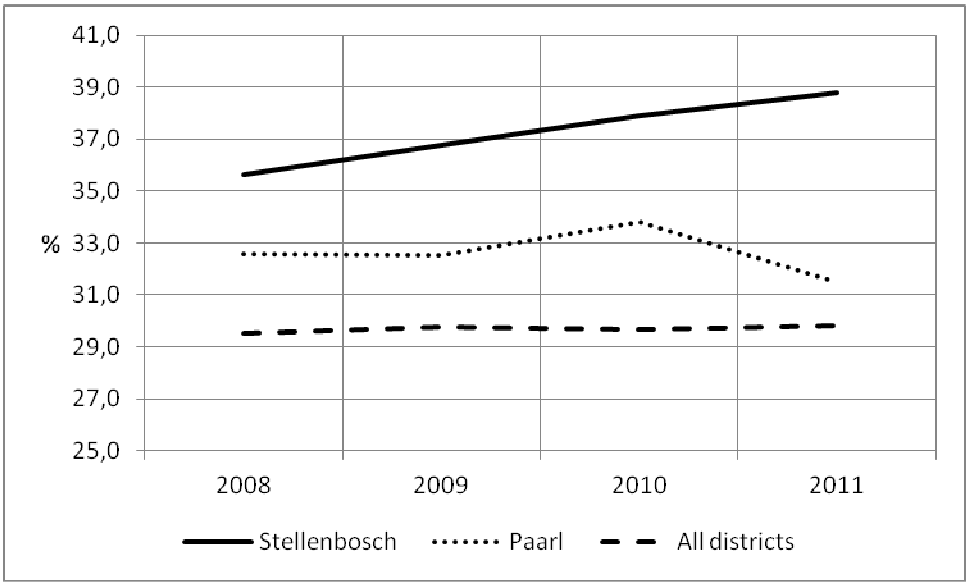
	Stellenbosch		**Paarl**		**Avg for all districts**	
		inc. provision for renewal		inc. provision for renewal		inc. provision for renewal
Supervision	10.1	7.7	7.1	5.1	7.1	5.2
Permanent	23.5	17.8	25.9	18.7	23.5	17.2
Seasonal & contract	16.4	12.4	13.8	10.0	10.0	7.3
Total labour	50.0	37.9	46.8	33.8	40.6	29.8

Source: VinPro, 2010

Although minimum wages are very low, labour constitutes a high proportion of the cost of grape production (Table 12). In Stellenbosch and Paarl labour costs were 47-50% of costs of production. This drops to between 34 and 38% if provision for renewal (including replanting) is included. Appendix 1 shows that labour is by far the biggest single cost on the grape farms.

Labour costs as a proportion of total grape production costs in both Stellenbosch and Paarl production districts are higher than the average across all districts. These figures include supervision, as well as permanent, seasonal and contract work. Labour costs as a proportion of overall grape production costs between 2008 and 2011 stood at around 30%, but was a rising proportion in Stellenbosch (Figure 9). However, there is only four years of data readily available, so it is difficult to get a sense of longer term trends from this. If we strip out supervision and management costs, the overall proportion of permanent, seasonal and contract labour remains static overall at just below 25% of all costs (including provision for renewal). In Paarl, the share of these labour costs in overall costs fluctuates around 28% of overall costs, and in Stellenbosch they rose from 28% to 30% and then plateau there over the past 3 years.

Figure 9: Trends in labour costs as % of grape production costs (including provision for renewal), 2008-2011



Source: VinPro, 2008-2011

Stellenbosch's labour cost structure is therefore significantly higher than the average across all districts, whether supervision is included or not. VinPro economist Gert van Wyk proposes some reasons for this[16]. First, the cost of labour is simply higher because of Stellenbosch's closer proximity to Cape Town city, which means workers have greater alternative work opportunities than in some of the more distant rural areas. Second, there is a greater use of contractors in Stellenbosch, because the land is of higher value and can be used more profitably for tourism and high-end accommodation purposes than for worker accommodation. As a result workers are moved off the farms, and contractors are hired to organise them into work teams. This increases the overall cost because co-ordination is being outsourced and there are other associated costs such as transport to the farms. But it also eliminates labour 'problems' and gives the producer more flexibility in their operations. In most of the other districts, farmers retain a permanent workforce on the land, and this increases their capital structure and maintenance costs of buildings. In the production statistics, these are written off over a 60 year period, however, and therefore have a limited impact on yearly costs.

Third, Stellenbosch generally produces higher quality wines that target higher price points. This is more labour intensive and requires more management and supervision. In VinPro's production plans, the owner's remuneration is not included in supervision or management costs if the owner manages the workforce directly. The quality of labour required is also higher and therefore more expensive than in districts where the focus is on mass production of grapes with an emphasis on

[16] Telephone conversation, 26 January 2012

yield. A labour contractor in the Stellenbosch area concurs with this analysis, in particular that quality of labour is more critical in Stellenbosch: "If I would go work in Paarl or outside Stellenbosch along the Bottelary road, those guys want the vineyard pruned, but they don't care if it's the most upright shoot. They are farming for quantity." Workers get paid less but can be required to do significantly more work. A worker might get 20c on average to cut a vine. In the Stellenbosch area she might get double, but will be required to do less work, because more precision is required. You have to study the vine first, so the worker must be compensated more for their time. He also says that Stellenbosch has fewer fly-by-night contractors, which means quality is better but costs are also higher as a result. In real terms, there are rising labour costs per hectare across all farms, though this is steeper in Stellenbosch than Paarl or than the average across all production districts.

In wine production, labour costs are lower as a proportion of overall costs (Table 13 and Appendix 2). For bulk production, labour costs were 23% of overall costs and for packaged production, labour costs were 8% of total costs. This indicates the high capital investment required for packaging in particular, but also increased transport costs.

Table 13: Labour costs as % of wine production costs, 2007-2010

	2007		2008		2009		2010	
	Bulk	Packaged	Bulk	Packaged	Bulk	Packaged	Bulk	Packaged
Permanent	20.51	7.66	19.27	9.93	19.76	7.91	20.28	6.30
Temporary	2.32	1.31	2.49	1.52	2.19	1.69	2.57	1.55
Total labour	22.83	8.97	21.76	11.45	21.95	9.60	22.86	7.85

Source: PwC, 2011:11

For agriculture as a whole, women earned less than men, except for the bottom 5% (Statistics SA, 2010:5, cited in Human Rights Watch 2011:29). In 2007, average monthly wages for all farm workers were R1,384.83/month for full time workers and R328.15/month for seasonal and casual workers. In the Western Cape, average wages were R1,859.48/month for full time and R410.22/month for seasonal/casual workers, so they were slightly higher than the national average (Statistics South Africa, 2009:5). We should keep in mind that this is for all sectors, and all employees (including skilled and management), and seasonal/casual is an average spread over 12 months, so workers earned more than this in the individual months when working, but then nothing (from this source) in the months they did not work. As shown earlier, there is a tendency for women workers to occupy seasonal work. According to Conradie (2004:19), there is low wage elasticity on wine grape farms. This means that even if wages rise fairly rapidly, farmers will still use a similar amount of labour.

Spot surveys seem to suggest that a core of the commercial farmers do meet minimum wages and minimum conditions legislation. Minimum wages and unionisation were not considered major factors by growers in du Toit & Ally's survey. There was slightly more concern in Paarl but low in Stellenbosch (2003:21).

In 2004, "farm workers were still receiving a significant portion of their wages in kind" (Conradie, 2004:19). There is an expectation that rising minimum wages will be offset by fewer other benefits (Conradie, 2004). In the cellars, 85% of cellar employers felt their compensation was fair and competitive in 2010 (PwC, 2011:23).

The next section draws on our own survey of 57 workers in vineyards, cellars and packaging facilities in the two chains we looked at. 53% of respondents were paid weekly or fortnightly, and one third were paid monthly. The remaining 14% were paid hourly or daily. We did not speak to any workers who were paid piece rates, although this was widely used by the labour contractor in the vineyards at Company A. There is more on this below, when we look at the specific value chains. There was some gender difference in regularity of pay. 59% of women were paid weekly, while 50% of men were paid monthly. 71% of casual/seasonal workers were paid weekly. This shows that less secure workers are paid on a more regular basis, and these workers are more often women.

Table 14: Weighted average monthly incomes[17]

	All	Ex. Supervision/ management
All workers (N=55)	R2,653.85	R2,345.03
Men (N=28)	R3,245.13	R2,718.57
Women (N=27)	R2,119.16	R2,119.16
Women's average monthly wage as % of men's	65%	78%

Table 14 shows average wages amongst 55 workers we got data for. For men the average wage was R3,245. Women earned just 65% of the wage of men, at R2,119/month. As the note on Table 9 indicates, all wages were scaled up to monthly equivalents. Excluding supervisory and management workers, the average for men was R2,719 and average wages for women stayed at R2,119 since no women we spoke to were in supervisory or management jobs. Non-supervisory women's average wages were 78% of non-supervisory men's wages, so the wage differential narrowed.

The wage gap can partly be explained by the type of work, with men in the cellars where there is higher pay and more women in the vineyards. It also has to do with the employment status of men and women workers (Table 15). Unsurprisingly, permanent workers had higher wages than casual or seasonal workers, and more men were permanent workers and more women were casual or seasonal workers. Permanent men earned an average of R3,160/month compared with R2,360 for women. Permanent women thus earned just three quarters of the wages of permanent men on average. Women casual workers earned just 71% of the wages of men casual workers. Overall, casual and seasonal workers earned significantly less than permanent workers, recalibrated to a monthly equivalent. Average casual/seasonal wages for men and women workers was R1,698/month, or 58% of the average amount permanent workers earned.

Table 15: Average monthly wages by type of employment and sex (N=55)

	All	Men	Women	Women as % of men
Permanent	R2,949.68	R3,160.08	R2,360.28	74.7%
Casual	R1,758.12	R2,381.40	R1,688.87	70.9%
Seasonal	R1,498.00	-	R1,498.00	-
Casual/seasonal combined	R1,698.09	R2,381.40	R1,641.15	-

A further consideration in determining why the wage gap exists is in what node the workers were employed (Table 16). Vineyard workers earned just over half the average wages of processing workers. The gap was smaller for men than women. Women working in the vineyards earned around two-thirds of the average wages of their male counterparts, and in processing the gap narrowed to 84%.

[17] Hourly rate x 178.5; daily rate x 21; weekly rate x 4.2; fortnightly rate x 2.1 and monthly rate x 1 weighted for number of cases

Table 16: Average monthly incomes by location of employment and sex (N=55)

	All	Men	Women	Women as % of men
Vineyard workers	R2,051.91	R2,534.47	R1,707.22	67.4%
Cellar/packaging workers	R4,005.15	R4,027.62	R3,394.49	84.3%

Women thus earn less than men in all cases, but the gender gap is smaller between permanent workers and between workers in processing. These are also the jobs women find it hardest to access. To see if workers are paid similar amounts for similar work, we took the responses from the two categories of work where most women in our survey worked. The one category is general labour, including planting, pruning and harvesting. Women in these jobs earned 64% of the average wages of men in these jobs (Table 17). The other category was cleaning of produce, sorting and packing. Here women earned 82% of their male counterparts' wages.

Table 17: Average monthly incomes by selected types of work and sex

Type of work	**All**	**Men**	**Women**	**Women as % of men**
Weeding, planting, pruning, general maintenance, general, harvesting, garden, domestic, cleaning equipment & buildings	R2,267.95	R2,833.43	R1,820.28	64.2%
Cleaning of produce, sorting, packing	R3,044.62	R3,877.05	R2,489.67	81.8%

Women workers we spoke to were not all satisfied with this state of affairs. "Men and women get R64 a day, but the men get an extra R64 at the end of the week. We understand that they get more because the women start later then the men. All women are casual workers it is only the kitchen woman who is permanent. We are not happy that the men get more money than us." (Focus group discussion, supplier farm in Paarl) Other women said: "There is no equality when it comes to being drivers because if I could get the opportunity to become a driver I would accept if they are willing to give me the necessary support." (Woman worker, focus group, Company A vineyard workers) Management of Company A commented that the company policy is always followed whereby all vacant or new positions are advertised internally in the company and that all employees are free to apply. In this specific case no females applied for the position. And in Paarl: "Women do not get the opportunity to do the things that the men get to do like drive tractors. They don't even ask us if we want to." (Focus group, women workers, supplier farm in Paarl) These jobs are higher paid, but are reserved for men, on the belief that the work is too physical for women.

Table 18: Average wages by area

	All	Men	Women	Women as % of men
Paarl	R1,968.66	R2,335.06	R1,510.65	64.7%
Stellenbosch	R3,437.33	R4,295.20	R2,455.93	57.2%

Our survey corroborates the discussion above that workers are paid more in Stellenbosch than Paarl (Table 18). We found that workers across all categories in Paarl earned an average of 57% of those in Stellenbosch, although we did interview a higher number of processing workers in Stellenbosch. What is more surprising is that Stellenbosch, with its higher wages, also has a higher gender disparity in wages than Paarl. On average across all employment categories, women earned just 57% of what men earned in Stellenbosch. In Paarl the figure was 64.7%, still very low. It should go without saying that it is against the law to pay women less than men for the same work.

Overall, the average pay for workers is above the minimum (Table 19). Five cases (9% of the total sample) were not getting paid the minimum wage. A third of hourly paid women and 15% of weekly or fortnightly paid women earned below the minimum wage, but there are few cases so we can't really make any generalisation about this. 10% of men earning a weekly or fortnightly wage earned below the minimum. In all cases where workers earned below minimum wage, this was on supplier farms in Paarl. All monthly paid workers earned above the 2011 minimum. 97% of those surveyed did not know how much the minimum wage was, indicating a critical lack of information.

Table 19: % of workers earning below 2011 minimum wage

Frequency of pay	2011 minimum wage	% of men earning below minimum	% of women earning below minimum
Hourly*	R7,04	-	33.3%
Weekly*	R317.51	10%	15%
Monthly	R1,375.94	-	-

**Daily wage converted into hourly and fortnightly converted into weekly for comparison*

Housing

Housing has always been a big issue on farms. As mentioned above, workers mostly lived on the farms during the apartheid era, but two processes shifted this: i) decline in agricultural employment over the decades with mechanisation, information technology and farm consolidation, which meant there were people living on the farms that were no longer working there; ii) legislation that sought to grant permanent tenure rights to farm dwellers who had stayed on the farm for more than 10 years and were over 60.

Women were and largely remain tied to men for access to housing. It has been said so many times it hardly bears repeating, that if a man leaves, the women attached to this homestead must leave too. The Extension of Security of Tenure Act (ESTA), passed in 1996 and amended on numerous occasions since then, has not dealt sufficiently with this aspect of tenure insecurity. It tries to secure land for the 'head of homestead', with the assumption that this is a male. Security of tenure for 'secondary' household members is not included, including mostly women.

Du Toit & Ally's survey of 77 farms found 79% of housing was being used, 11.5% was empty and the remaining 7.5% was 'dead', i.e. it was occupied by someone without a formal relationship with the farm business (with tenure rights through ESTA, or by tacit agreement with management). In Stellenbosch 83% of on farm worker houses were occupied, and in Paarl 78% (du Toit & Ally, 2003:13). 78% of houses on wine farms in their survey were occupied, with 17% empty and 6% 'dead'. So there were slightly more empty houses on wine farms than the average across all types of farm enterprises.

More than half of all the farms (57%) in their survey reported at least one empty house on the farm. There were a low proportion of female-headed households on the farms (an average of 4-5% in the two districts) (du Toit & Ally, 2003:14). 23% of respondents in their survey indicated they would charge rent for housing, 21% said they would demolish empty houses and 12% said they would change the function of the infrastructure away from workers' housing. 23% said they planned to renovate houses (du Toit & Ally, 2003:22). 55% of respondents in Stellenbosch and 35% in Paarl indicated their intention to demolish or change the use of houses, and 33% of all respondents on wine farms said the same. According to a labour contractor we interviewed, people living on the farms but not working there and who don't want to work there are "actually forcing farmers to use outside labour… there is no way to get those workers out of the farm." He argues there is a trade-off between accommodation on the farms but no freedom to choose where to work, or living in informal settlement but with the option to work where the pay is best.

One of the Wieta provisions is based on ESTA, which recognises the rights of a farm dweller whether they are a worker or not, and also recognise the rights of the farm owner. There is a provision on housing standards, unlawful evictions are prohibited and even if a grower is going through a legal eviction process, they are required to communicate that process with all relevant parties and engage in a joint consultation on the outcome of the process. There are uncorroborated stories of Fair Trade recently scrapping land ownership as part of their compliance. It was challenge because producers said they don't have money to build more housing or to refurbish existing housing. On some Wieta accredited farms, farm committees are monitoring houses and conditions are very good. In other areas, according to Wieta, housing is abysmal and there is neglect and decay. Producers have argued they are on the verge of going bankrupt. Wieta has a sub-committee on housing. Building contractors elsewhere have managed to get government subsidies and bring housing but not on farms. It is already a challenge to get bulk services from the municipality. There is a gap between housing and services and individuals on the farms do not have access to information. Some land owners have developed agri-villages and even handed over land and housing to workers, on the basis of monthly repayments. However, there is also anecdotal evidence of owners controlling access to agri-villages, with security checkpoints, which gives them the feel of camps or even prisons rather than homes for workers and their families to live.

According to Wieta, housing and land use planning is not properly done. Although they have found some interest in government, there are no champions to drive it: to access the housing subsidies, and talk to the municipality about the provision of services so that the cost is not just on producer, but is a shared cost. "The intention of legislation was to improve standards of living conditions on farms," says Company X's GM, "but since then more housing has been demolished than built. The laws are draconic and there is no recognition for the role farmers play. There are no government subsidies, no support programmes, poor standards of schooling, no transport to school, poor medical facilities. It then all goes back to the owner of the farm. But we as a company who supplies no housing have none of that to contend with." As mentioned in the section on wages above, housing historically was provided as part of the remuneration package farm workers received, although the quality of housing was mostly very poor. WFP makes the point that housing should be considered a part of agricultural production costs and thus incorporated into financial planning since farms are far from residential areas. This should also be considered in the context of government subsidisation of farm worker houses in many instances, and of workers having given their lives to the farms historically. Housing stock on farms should therefore not be seen merely as the property of the farm owner to be used or removed as they wish, but as a shared asset.

The geographical dichotomy of good conditions in Stellenbosch and poor conditions elsewhere is too simplistic, according to Wieta. Linda Lipparoni argues that there are also appalling conditions on some wine farms in Stellenbosch. A myriad of variables must be considered on why some sites are compliant or conditions are good, and why violence and poor conditions characterise others, even neighbours of those farms sourcing for the same co-op. Lipparoni argues it is not only economics, but might also be personality, that it boils down to the kind of relationship there is between growers and workers. Younger farmers who have entered farming as a business may also have a more professional relationship with workers, replacing the paternalism of old.

In our survey 53% of respondents live on the farms they work on, and another 12% live on other farms in the neighbourhood. The other 35% live in townships or informal settlements. Workers move between farms, with 46% of the sample having lived on another farm previously. Women tend to move from one farm to another slightly less frequently than men, but it's a small sample and this must be mediated because people most often move as households, not as individuals. This is evident from the interviews, where a number of women indicated moving with their families. Reasons for moving from a farm varied, but the majority were based on household decisions. In 4 cases (20% of those who responded to this question), conflict with the farmer was the cause of the move in the past. In the case of Chain A, no workers live on the farm and none had ever lived there under the current owners.

Around 30% of respondents (N=54) said they owned their own houses (37% of men and 23% of women). We did not delve into any detail on what kind of housing was provided or what type of ownership this entailed. 48% of workers said they paid rent. The remaining 22% got their housing free. 23% of those living on the farms rented. 18% of all workers had rent deducted from their wages. Two-thirds of these lived on the farms, thus some people living off the farms had rental deductions from their wages. In the cellars at least, this is by agreement between managers and workers. The average rental amount is R283, including those who paid no rent, with a median of R120 (equal number of cases falling either side, indicating some paying relatively high rentals). There was some expression of dissatisfaction about off-farm company housing. Workers rented at high rates (up to R2,000/month) but there was no transfer of the housing to workers over time. Says one worker: “My biggest fear is when I die what will become of my family that I am leaving behind as the house still belongs to Company A despite the fact that it is built in the township. I don’t have any child that works on the farm and I am lying awake at night finding it hard to sleep as I am worried about my family.”

A quarter of respondents explicitly indicated that they lived in the house of their parents, grandparents or siblings, even though this question wasn’t asked. It highlights a reliance on family networks not only by the workers, but also by the companies, who do not have to pay a social wage for as long as worker’s families are subsidising their accommodation. One worker says “It would have been impossible to survive if I was the only one working in my house. I am working for the rent of my house.”

Just 2 respondents reported no electricity. In 49% of cases, the farm owner provided electricity, and the other half was provided by Eskom or the municipality. It is difficult to say how much was spent on electricity every month, because some respondents indicated amounts based on time (monthly or weekly) while others indicated amount based on usage (‘units’). Some paid up to R450 a month, with a median of R78 (either per month or per 100 units). 22% did not pay anything for electricity.

70% of those who responded said their housing contract was in the name of a man, but the question did not ask who the man was, so the information doesn’t tell us much. There were a number of missing cases and in at least some of those cases, the farmer did not provide housing contracts to workers. The gendered dimension of housing on farms was made clear by workers we spoke to. “If the men die we women have to move from the house. That is when we move to town. The housing contract is in the men’s name. The week that my husband passed away the farmer came to me and told me to vacate the premises even though I still worked for the farmer. The men are the only one who gets the housing contract on their names. We suffer when our husbands die we have nowhere to live.” (Focus group, mixed workers, supplier farm in Paarl) Another woman worker on a different supplier farm in Paarl concurred: “If my husband looks for work he gets a house for his family, so the house is in his name. That is why I do not understand why I don’t have a house when my husband dies, they put you - the wife and kids - out of that house.”

Nevertheless, women may retain some decision-making authority within the household. Says one woman worker on a supplier farm: “I control the money in my house. I buy food, clothes and pay accounts and then I give him money for his wine.” Another says: “The women make the decisions in the house, we are the ones that do the cooking and cleaning, buy clothes, food, policies, school fees and school tickets for functions."

50% of respondents walked to work. This makes sense in the context of just over 50% living on the farms. 28% were provided with transport by farm management, and 16% used public transport. A few got private transport. Around 20% of respondents paid for transport, at an average of around R11 a day. Transport is gendered in the context of women workers being concentrated in seasonal and casual work, where these workers are increasingly living off the farms. Women are therefore more exposed to poor transport conditions, witnessed in regular deaths of farm workers in road accidents (Shabodien,2007). Nevertheless, 89% of those in our survey who answered (N=44) said they felt safe getting to and from work.

Basic conditions of employment and social protection

South Africa has a very good social grants system, reaching about 13-14 million in 2011. The social grant system is a fundamental support structure for the rural economy. Pensions and child support grants are the most important, and provide monthly payments to those defined as poor and to the old. These grants keep the entire household alive as one of the basic sources of income for the household. This is true in the Western Cape as much as anywhere in the country (Tshintsha Amakhaya, forthcoming). Child feeding schemes at schools are also important. However, there is a relationship between state grants and dependency on the state as the primary income provider. Government's aim is to try to expand employment so that some of this dependency can be transferred to capital. There has been a major shift in relations in the provision of social services since 1994. The old system was paternalist where the farm owner provided many basic services such as housing, school and water, sometimes very poorly. Not all farm workers had access to these, or it varied. This responsibility is increasingly taken over by the state, especially as workers move off the farms. However, the state has also largely failed to provide these services.

The BCEA was extended to include farm workers in the 1990s. However, monitoring of compliance is weak, and casual and seasonal (and hence women) workers are more at risk of being left out of these provisions. "International experience shows that temporary employment often involves systematic violation of these rights, for example when women are refused the right to maternity leave, or are dismissed or not re-employed when they are pregnant" (du Toit & Ally, 2003:49). In our survey, one third of respondents were aware of Department of Labour officials being on the farm, and some workers indicated the official only spent time with the farmer and did not speak to workers. According to Wieta, the Department of Labour goes out for inspections but requires very little feedback if there is no compliance.

Table 20 indicates the results of our survey and shows that across the board, women were less likely to have their basic conditions met than men. There were four cases where no pay slip received, of which three were women. For work hours there was compliance across the board. The average work time was 8 hours and 15 minutes a day, with workers receiving lunch and tea breaks. There was an insignificant difference between daily hours worked by men and women. The majority of workers started work between 7 and 8am and knocked off between 5 and 5.30pm. These are standard work hours.

We encountered very limited work on weekends or overtime, but this is possibly because workers were responding to their present hours and not their hours during peak season. 79% of those workers who responded indicated they did get paid for overtime, although only 46% of all workers knew how much overtime pay they are entitled to, again highlighting a lack of information. Very few respondents indicated how much overtime they earned. Of those who did, it was mostly a daily amount for Saturdays that was not much higher than their ordinary pay, but this is out of high season. One domestic worker on a Paarl farm said: “When I work overtime I do not get money. She [the owner’s wife] exchanges the hours then I can go home earlier”.

Table 20: Meeting minimum conditions according to the Basic Conditions of Employment Act

	Terms of Act	All	Men	Women
Pay slip	Written pay slip showing hours worked, wages and deductions	93%	97%	89%
Work hours	45 hours a week on normal pay (with some flexibility); 9 hour working day for 5 day week; a rest period of 1 hour for every 5 hours worked; normal work cannot be spread over more than 12 hours in a day	100%	100%	100%
Voluntary overtime	Overtime must be voluntary	66%	73%	56%
Contracts	Written contract stipulating terms of employment	61%	67%	56%
Annual leave	15 working days paid leave a year	68%	83%	61%
Sick leave	Permanent: 30 days paid leave over 3 year cycle Seasonal/casual: 1 day paid leave for every 26 days worked	50%	67%	23%
Family responsibility leave	3 days a year for those who work more than 4 days a week	72%	81%	61%
Parental/maternity leave	Women: 4 months unpaid leave, can draw from UIF during this time	41%	*	41%
UIF deductions	UIF to be deducted by law, and employer to contribute 1% of wage	91%	93%	89%

**No statutory paternity leave*

Two thirds of workers indicated they had a choice whether to work overtime or not. 73% of men said they were given a choice, compared with just 58% of women. The BCEA states that if the written contract states overtime must be worked, it is then compulsory. At Company X, overtime is written into the contractual agreement. But we must recognise that the power relations underpinning a contract are extremely unequal and almost entirely in favour of the employer. Contracts are not actually negotiated between a person selling their labour power on the one hand and a person wanting to buy it on the other, as if this relationship is isolated from the social context. In the same way as Systembolaget can essentially impose its terms onto suppliers, agricultural employers can impose whatever terms they like onto potential employees. In the context of high structural unemployment, employers can afford to adopt a take it or leave it attitude. Contracts are therefore standard templates with adaptations at the employer’s discretion. The worker doesn’t really have a choice about whether they want to do overtime or not.

Women workers in a focus group on a Paarl farm said: “We can’t tell the employer that we can’t work, he arranges himself with the crèche if he wants us to work. He doesn’t ask us to work overtime but just tell us that we must work overtime.” At Company A’s core vineyards, there was a different experience: “We are working overtime when it is high season and the farmer asks us beforehand to work overtime. Here we are always more than willing to work overtime because it means more money in our pockets.”

Just over half of workers who responded (N=42) said they could arrange child care if they worked overtime. In 79% of cases where there was an answer (N=38), respondents said the employer did not contribute to child care when they worked overtime. In 4 cases (7%) the employer paid for aftercare when workers were doing overtime.

Nearly a third of workers had no contract, whether written or verbal – a slightly higher percentage of men than women had no contract. The majority of the remainder had written contracts (4 respondents had verbal contracts). Overwhelmingly it was the supplier farms where workers had no contracts – 94% of those without contracts were employed on supplier farms, and 50% of all those working on supplier farms had no contracts. Just one worker at the cellars/packing facilities did not have a contract.

Although 93% of workers get annual leave, only 68% get 15 days (the BCEA states 3 weeks a year for full-time workers, and 1 day for every 17 days worked for casual/seasonal workers). 25% get 10-12 days. Men tend to get more annual leave (average 14.48 days a year compared with 13.36 days for women) as result of their employment status and length of time worked. This is indirect discrimination against women in the sense that, formally, men and women may be entitled to the same leave but in practice women's work circumstances mean they are less likely to build up continuous service that is used as the basis for increasing the amount of leave granted. There was a general lack of knowledge about types of leave and the amounts either entitled to or actually given.

78% indicated they get sick leave, but just 50% got 10 days or more a year (the BCEA states 30 days in 3 year cycle). Nearly half of those with sick leave were not aware of the amount they got. Far fewer women got the full allocation of sick leave they are entitled to. However, it was also clear from the responses that many workers were not aware of how much sick leave they were entitled to so we should treat these results with caution. WFP staff indicated more generally that they regularly encounter cases (not in these particular supply chains but more broadly in their work) that farmers require proof (e.g. a doctor's letter) from the first day when the law only requires proof from day three. 81% of respondents indicated they get family responsibility leave, but only 72% got the stipulated 3 days a year or more.

Table 21: Compliance with BCEA on supplier farms in Paarl and Stellenbosch

Pay slip	88%
Work hours	100%
Voluntary overtime	52%
Contracts	40%
Annual leave	88%
Sick leave	68%
Family responsibility leave	71%
Parental/maternity leave	59%
UIF deductions	85%

73% indicated some kind of parental or maternity leave. 5 men indicated they got 3 days leave. 77% of women who responded got 3 months or more, and 41% got the stipulated 4 months. However, women did indicate that they came back to work as quickly as they could for fear of losing their jobs. Women were also generally unaware that they could claim UIF during this time and therefore returned to work early because they had no income. Once again there is a question of awareness of rights. There was not any significant difference between permanent and casual/seasonal workers with regard to leave, but with only 11 workers in the seasonal/casual category answering the question the sample is too small to make any meaningful generalisations. Anecdotally, according to workers on a supplier farm in Paarl, “Seasonal women do not get maternity leave. They are not paid. They do not deduct UIF from our pay.”

Compliance is less likely on supplier farms. Contracts, voluntary overtime and maternity leave stand out as key issues that need closer enforcement on supplier farms (Table 21). Generally, the cellars and packing facilities in the case studies abide by the BCEA. The main issue is with supplier farms, where conditions for a significant number of workers are below minimum requirements.

Schooling, health and safety

73% of respondents in our survey have children, and in 85% of the cases the children go to school (others are infants or children who have finished school).

There is an average distance of 7.7km to get to school, but it became clear from the interviews that different people have different impressions of distance, e.g. some people talked about 20km being a 40 minute walk, which is impossible, so we don’t have a real sense of the distances. 41% of children walk to school, and the others get public transport (34%) or farm transport (25%).

44% of respondents do not pay for school – the average for those who do pay is R1,390/year or R846/year if one big outlier (R9,000) is excluded. This works out to an average of R116/month or R71/month excluding the outlier.

Of those who answered (N=36), 86% indicated there is no crèche at their place of work. Who looked after children when parents were at work varied with no particular pattern. Women workers on a supplier farm in Paarl said: “There is no crèche on this farm we have to ask the women that does not work to look after our children. If we cannot find someone we have to stay out of work and we lose a day’s wages.” 26% of respondents indicated that they pay for child care, with an average of R217 a month. 80% of those who indicated they pay for child care are women. From the surveys, it appears that women, more often than men, take on child care as their responsibility even when they work. This is reinforced by a comment made by the GM of Company X, who said of child care: “We have a male workforce so we don’t have that issue.” Child care is thus seen to be an issue for women. This has a major impact on the possibilities for women to work overtime if they choose, to earn more money and to be available at times when work is available. This is not to say that the need to be permanently available and ready to work at the drop of a hat is acceptable. But if men took greater responsibility for child care, demands might be formulated around the need for flexibility in the way work is organised, driven by workers’ life circumstances, rather than by companies’ economic calculations.

We encountered the same problem mentioned above regarding the subjectivity of distance when we asked about the distance to the nearest clinic. Some people said the nearest hospital in Paarl is 120 km away, but even Cape Town is not this far. For people who mostly walk, distance is not measured in kilometres, it is measured in time: how long does it take to walk or ride there? But even perceptions of time are subjective, so this kind of issue needs to be measured objectively by locating the farm and the nearest clinic or health care facility on a map.

88% of those who responded (N=42) indicated they do not pay for transport to get to the clinic. Most walk if the clinic is close, or get farm transport if it is further away. In a number of cases, the company provides access to a doctor. Both cellars provide annual check-ups for workers at the company’s cost, and Company A has annual checks on chemical build-ups for tractor drivers. If workers are ill, they can go to the doctor retained by the company but the amount is deducted from their wages. If workers need to go to the doctor for a work-related injury or illness, the company pays for this. 40% of respondents said there was a mobile clinic that came to the place of work. In 47% of these cases, the clinic came weekly or more regularly. Only 7% of respondents get medical aid that the employer contributed to.

71% of respondents indicated they needed protective clothing for their work, including 63% of men and 38% of women. This difference can be accounted for by the different types of work men and women do. 73% of respondents indicated they get all the protective clothing they needed, and another 5% said they get some of the protective clothing they need. Almost 22% of workers indicated they did not get the protective clothing they needed. Surprisingly, more workers in cellars and packaging (31%) said they did not get the protective clothing they needed than vineyard workers on supplier farms (22%). The number of cases starts getting too small to generalise about from a gender point of view: there were 9 cases, more or less evenly split between men and women.

There was a question about training in the use of chemicals, but it is not clear whether workers understand which chemicals require training for their handling, and which require protection. 49% of respondents said they got the training they required. According to the viticulturalist at Company A, chemicals in use in the vineyards have become ‘softer’, i.e. with less physical impact on the environment or users. Company A is also looking at investing in full cab tractors with carbon filters which protect drivers from chemicals during spraying. Both companies undergo independent audits for IPW, which includes chemical use. Nevertheless, there does seem to be an issue of other workers being exposed to chemicals. 58% of those who responded (N=48) indicated they are exposed to chemicals at work. 57% of these were men, and 43% women. 68% were on supplier farms, and 32% in processing (cellars and packaging). According to women workers on a farm supplying Company A: “We are working in the vineyards whilst the men are spraying pesticides in the same vineyards and we know it’s wrong but are too scared to go against the manager.” In Paarl, workers said: “We are not safe. The women work where they spray poison.”

58% of those who responded said they had a First Aid box on site, and the same percentage said they had a safety representative. Company A has monthly meetings with all units indicating risks and to prioritise health and safety issues to be dealt with. 77% of those who responded said they felt comfortable approaching the safety rep where there was one. 83% of men and 70% of women felt this way.

Health and safety is definitely better at the cellars and core vineyards than on the supplier farms. According to a woman worker at Company A’s core vineyards: “We are safe because if an injury occurs we have a health and safety rep that can take care of minor cuts but when serious we are taken to the medic in the city. We have a women health and safety rep, and a man, and it is very easy to approach them for anything in relation with this.”

Organisation

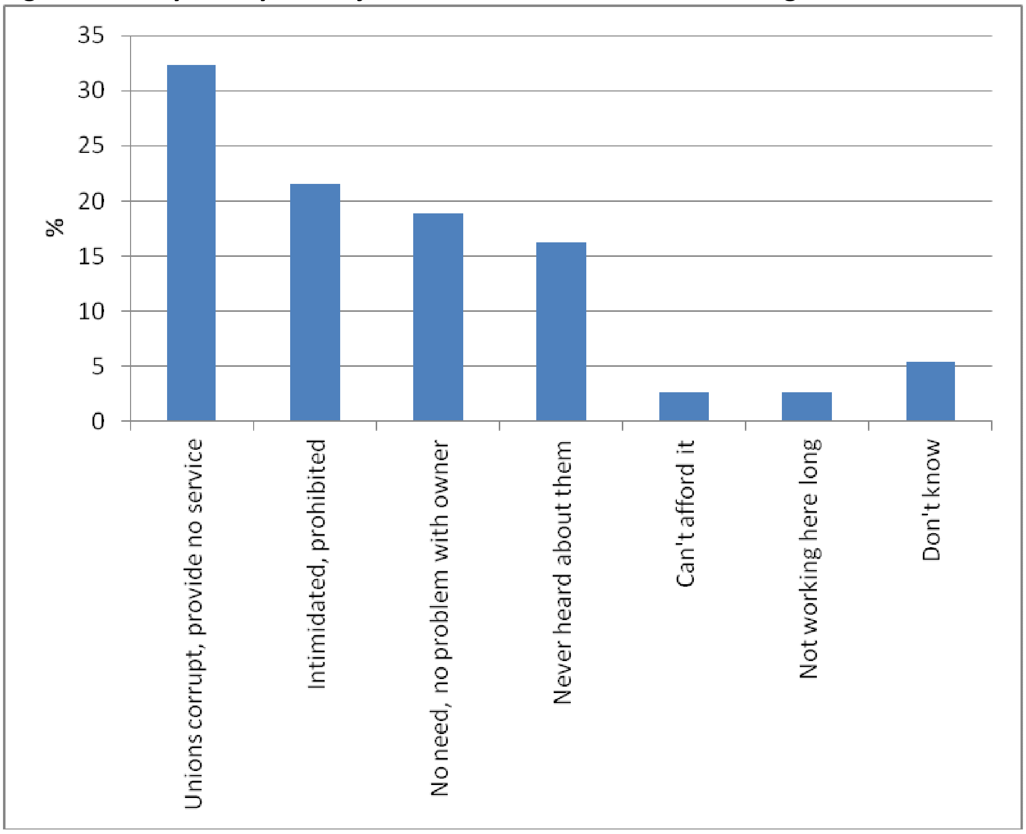
There is a right to collective bargaining in South Africa, but only in the context of the ability of workers to organise collectively. Unorganised sectors, such as farm workers, essentially are left out of collective bargaining. Farm workers are formally covered by the legislation, but in practice this does not happen.

According to PriceWaterhouseCoopers (PwC), which started an annual survey of cellars there has been a shift in labour relations from a ‘paternalist’ to a ‘transactional’ approach (making sure of adherence to laws), with the gradual emergence of a more interactive approach in some cellars where human resources are viewed as an asset. The PwC survey of cellars in 2010 found that of all staff turnover during the year, 44% left because of dismissal, and 13% because of retrenchments, with the highest turnover in operational/technical activities (PwC, 2011:19). The survey also found that 53% of training budgets on average are directed to the operational/technical level (PwC, 2011:21).

In our survey 21% of respondents indicated they belonged to a trade union, of which two-thirds were men. There were three unions - one Cosatu affiliate and two independent unions. This relatively high proportion can be accounted for by the fact that Company X was fully unionised, with 2 unions each organising half the workforce. The cellars are factories, so they are more amenable to unionisation. 91% had been in the union for 2 years or more, but none reliably for more than 4 years.

For those who did not belong to any organisation, the answer varied as to why not, but about a third felt the unions provided no services, or took their fees and then went away (Figure 10). The history of farm worker unionism in South Africa is a history of fly-by-nights, and only a few organisations have managed to establish themselves with any credibility. Trade unions have a very limited capacity to properly organise on the farms. Unions tend not to organise seasonal women farm workers, indicated by the fact that union membership is amongst permanent men workers. More generally there is a trade union bias against women implicit in the focus on processing and permanent workers. There is also a male bias in union structures, according to WFP, and women on the periphery of labour on the farms and their issues are not considered important. There is need for a different structure and strategies to respond to the needs of these women.

Figure 10: Why have you not joined a trade union or worker's organisation?



According to Wieta, a criticism that often comes from workers is that they pay their dues but then never see a union organiser, or maybe see them once a year. Unions lack the capacity to spend time with workers on how to organise a meeting or how to negotiate. "So you get the situation where workers say they don't want to go with a union. There might be other reasons for that, like in some cases intimidation from management. But in many cases where workers haven't seen organisers they are reluctant to go that route again." (Linda Lipparoni, Wieta) For their part, trade unions point to the difficulties of getting access to workers on the farms, either to organise or to service their members. These include lack of resources to cover large distances and land owners or farmers preventing union organisers from coming onto farms (Colette Solomon, WFP).

Workers are concerned about their lack of collective strength. According to women workers on a supplier farm in Stellenbosch, "We have a problem on the farm; the workers don't stand together and don't take up the issues. There are two unions on the farm. We don't have a workers committee and if we experience problems, every one goes to the relevant person and talks [individually]. Should it be a union matter we speak to the shop steward. On this farm there a consultant and he's the one who deals with the people. We are not the majority as we are divided on this farm therefore we can't bargain so that we can make impact."

22% of workers reported feeling intimidated or felt they were not permitted to form a union or associate freely with others. Management of Company A indicated they found the remark regarding possible intimidation very surprising and commented that it might be from new workers that have had unpleasant experiences at previous employers. 19% of survey respondents indicating a reason why they had not joined a worker's organisation felt they didn't have any need to join a union or form a worker's organisation, and some expressed it as having "no problem with the owner". 16% had never heard about or from trade unions, or hadn't heard about unions in the area.

Just 37% of respondents indicated they negotiated with management as a group. 71% of cellar and packaging workers said they do negotiate as a group, but only 19% of workers at supplier farms negotiated as a group. Just 25% of casual and seasonal workers said they negotiated as a group with management, compared with 41% of permanent workers. Company A has a worker's forum with reps in each unit of the company, which has monthly meetings with managers from all areas chaired by the GM. At Company X, trade unions negotiate with management on workers' behalf. There is a correlation between negotiating as a group and gender, since women are concentrated on the supplier farms. 72% of those who say they do negotiate as a group are men.

Workers were fairly evenly split on whether they can meet independently of management if they want to. Some say they are allowed to but only during their break times. Both companies permitted workers to meet with us, although this was slightly more controlled at Company X, and less anonymous for the workers. But participating in the research was voluntary, and both companies did give us access to workers.

A fairly high proportion of workers (31%) indicate they have had some engagement with Codes of Conduct. It is likely this is through Wieta process. Both companies are also involved in Fair Trade. 71% of those who said yes were in processing, 60% of processing workers we spoke to say they have been involved at some stage. 77% of those who said yes are men, and only 16% of women said they have had interaction with codes of conduct in the past. This is a bias towards processing mainly, where men are predominant. Both Wieta and Fair Trade currently focus on first tier suppliers, and this just shows the how women in particular on the supplier farms are excluded from monitoring of codes.

Wieta is developing a worker-based monitoring mechanism, with quarterly meetings going through issues that have gone well and current issues. Workers are actively involved in monitoring. Focus groups with workers are part of the auditing process, with target groups such as seasonal or women workers. Wieta also aims to encourage management to recognise a representative group of elected people, and to work together with this group to develop a plan.

The current challenge in involving workers in monitoring codes is lack of organisation independent of the companies. The unions and support organisations that exist are very weak or thinly spread. A significant number of workers expressed fear about speaking openly or associating with their work colleagues separately from management around work issues. Not everyone wanted to or was interested in forming a collective association, but many others had never even heard of a union operating in their area. This signifies a passive relation to organisation as something outside, and as long as this persists, management will be able to dictate the terms of engagement. That there are generally enlightened managers on these farms does not remove this power relation. There is an issue of the lack of accountability and capacity of unions. Freedom of association and organisation remains a paper right.

CONCLUSIONS AND RECOMMENDATIONS

Previous studies and our own research show that women tend to have worse conditions than men on average. Women are concentrated in lower paying and less secure jobs, and in areas where codes of conduct and government policy cannot always reach very easily. They are often still tied into historically structured relations of dependency that reduce their independence and ability to 'upgrade' their own conditions of existence. Conditions in processing are generally much better than on supplier farms, but men occupy the better paid jobs in the processing nodes.

In our survey worker's conditions in the two value chains on average hover around the minimum requirements, but there are important locational and gender differences. Workers in processing are generally more secure and have better conditions than workers in vineyards, especially where these vineyards are small supplier farms to the cellars. Conditions for workers on farms in Paarl are generally lower than for those in Stellenbosch, but this is not a hard and fast rule. Women workers are concentrated in more precarious and unstable employment, and their conditions of work are generally worse than their male counterparts, regardless of location or type of work. Men's labour is more highly valued than women's. Despite all managers agreeing that women are better at precision work, they are still paid less.

Chain X conforms to the fairly straightforward hierarchical relationships of a buyer-driven chain. The retailer is dominant in relation to the importer, who is dominant in relation to the wine producers, which is dominant in relation to the grape and wine suppliers. Chain A, with a branded product emanating from the wine producer follows this general pattern except the relationship between wine producer and importer is more equal. This indicates that wine producers have greater power where they are producing a high quality branded product.

At the base of each chain is a wide network of suppliers, who are a mixture of small and large grape growers and wine producers. This network is not static although there are long term relationships between some growers and primary wine producers and the cellars. Workers on these farms can be reached, but it is a painstaking process, especially to reach seasonal and casual workers living off the farms. Conditions of work in the cellars are far better than on the farms and the work process is more akin to factory work than farm work, although seasonality persists. The cellars are mainly closed to women except for short-term seasonal work. There are many other segments and nodes in the chain that we did not reach with this research, particularly packaging in Sweden, and transport and logistics workers, who constitute an integral part of the chain.

Whatever the degree of accuracy of the distribution of costs in the value chains shown above, we know with certainty that workers, farm owners and importers accrue a relatively small portion of the final value of wine that sits on the shelf in the Systembolaget store. If grape growers are actually getting more money for their grapes, others amongst these will lose by the same amount, since the final prices are fixed. The prices on the shelves do not reflect costs of production that are socially and ecologically sustainable. The result is that grape growers will cut corners in the short term to make ends meet. They may skimp on insurance or repairs, they may reduce their workforce, and they may defer replanting of vineyards until profitability has improved. This signifies the slow death of wine grape production in South Africa. It might be drawn out over 20 years, but there may come a time when wine grapes are imported from Argentina or Chile or elsewhere and the wines are merely produced and exported from South Africa. This has already happened to the wheat industry, where cheap, low quality imports have displaced local production. There will always be the small estate farms, but the future that looms up is of one where the wine industry is a small part of what it has been or could be.

We must come to the issue of the amount of value that accrues to the Swedish state and Systembolaget – between 69% and 77% of the value of the final product. This we know for certain, even if we cannot get precise information on the distribution of the remaining 25-30%. If grape growers and wineries, and even importers have very thin margins, there is little room to meet higher standards in labour or in environmental sustainability. This is not to argue against state taxation. Alcohol is more often a social ill than a social benefit, to which the history of wine production in the Western Cape and alcohol consumption in Sweden both attest. The public sector often carries the cost of the social break-down that occurs from alcohol abuse. High taxation is therefore sensible. Yet if the taxes remain in Sweden alone, it creates pressure on South African producers to cut corners in their dealings with workers or with the environment. This creates a downward cycle of impoverishment for the most vulnerable in the value chain, the unorganised and fragmented workers in the vineyards and cellars. As the research shows, these are more often women. A levy, drawing on taxes coming from South African wines to Sweden and managed by the Swedish state, could feasibly be implemented to ensure at least that the costs of monitoring and compliance with the BSCI code are covered so that the code can spread throughout the value chain from the smallest supplier up. This somehow does not seem to be enough. Anything beyond that, however, will essentially require a subsidisation of production to enable growers and cellars to meet all the social and ecological commitments contained in the code.

A fundamental contradiction is that the codes aim to ensure certain minimum standards, but those standards are embedded in a history of wine production in South Africa which comes from a base of ultra-cheap labour. To try to change that cost structure seems almost impossible without fundamental changes in the way goods are produced and exchanged. To pay someone R6,000 a month cannot happen, even though that is what a household needs in order to survive and keep their families alive. The realisation of truly ethical practices requires the demolition of the whole cost structure of the industry. Give the current structure of the industry it essentially cannot pay a living wage, as opposed to a minimum wage. The industry is built on cheap labour and can only survive in its current form on the basis of the continuation of cheap labour, the immiseration of workers and the foreclosing of opportunities to expand their lives in directions they choose.

This is not to say there is absolutely no use in developing and implementing ethical codes. “It makes us glad that people come to speak to us about these things as it is important to us,” says a vineyard worker in Stellenbosch. The codes can be a step forward if they are implemented properly, and if they become the baseline for entry into the market. But at the same time, they do not in and of themselves lead to vastly improved conditions for workers, or change the underlying power relations between owners, managers and workers.

Recommendations

Swedish consumers
- Request Wieta or Fair Trade accredited wines from South Africa;
- Lobby for inclusion of workers throughout the value chain in monitoring the code;
- Lobby the Swedish government and Systembolaget to carry out the recommendations below.

Swedish policy makers
- Levy drawn from a portion of the taxes gathered from wine imports and sales in Sweden can be set aside to assist with: i) Wieta core costs; ii) monitoring of basic conditions; and ii) exceeding basic social, labour and environmental conditions over time.
- Since the high Swedish taxation is partly to discourage alcohol abuse, and the Western Cape in particular has its own legacy of alcoholism at least in part caused by historical practices on wine farms, it is recommended that a small portion of the Swedish taxation is set aside to establish an education fund on alcoholism in South Africa.

Systembolaget
- Develop mechanisms to increase transparency in value chains, with particular emphasis on bulk wine imports – to include traceability of wine to individual farms and blocks, and distribution of value in the chains;
- For South Africa, work with Wieta framework to adapt the code to South Africa. Wieta has done a lot of work in bringing all stakeholders together and developing systems, as well as in mainstreaming ethical trade in the wine industry with buy in from industry bodies, it is the only multi-stakeholder initiative in industry, it has transformative value and it does not make a profit on auditing;
- Include a clause on housing as an addition to the basic code;
- Provide resources for Wieta to operate, including for monitoring the code, with an emphasis on supplier farms and labour contractors;
- Insist on the direct involvement of workers (men and women, seasonal and permanent) in the monitoring of the code at all levels, and provide resources to build worker capacity to participate meaningfully;
- Centralised bargaining council for workers and suppliers to Systembolaget;
- Direct communication with farm worker organisations;
- Support to farm worker organisations to strengthen their capacity to be accountable and to serve members.

Swedish wine importing firms
- Provide farm worker organisations with information on who they are importing from, and allow these organisations to report directly to importers if violations of the code are discovered - direct communication with farm worker organisations;
- Support worker involvement in monitoring of labour conditions down to supplier farms.

South African wine producers
- Non-compliance specifically with maternity leave and contracts were identified in the research as key areas for consideration. Producers to focus on these aspects on basic conditions especially, and ensure compliance amongst their suppliers and contractors;
- Supplement the wage package with non-wage benefits, including water provision for those living on farms, crèche facilities, secure access to land for food production, and costs of transportation to health care facilities;
- Advanced training of health and safety reps;

- Land and mentorship to support black producers to supply grapes as a contribution to the South African land reform programme;
- Involve workers directly in monitoring the codes, with an emphasis on women and seasonal/casual workers.

South African policy makers

- Prioritise issues of housing, public transport, schools and medical facilities for rural and urban populations in the Winelands;
- Department of Labour and DTI to participate actively in Wieta;
- Consider ways of using land reform to open opportunities for workers to move up the value chain, with an emphasis on women workers – for example through using land reform to allow black workers to enter the value chain as grape producers under mentorship programmes;
- Strengthen Department of Labour monitoring systems, and inspectors to interact directly with workers on labour conditions;
- Require an improvement plan along the lines of Wieta in cases of non-compliance with minimum conditions;
- Partnership strategy with farm worker organisations on monitoring.

Farm worker organisations

- Unions to develop systems of accountability to members, and to commit to providing adequate service to members;
- Develop gendered strategies to target women workers, especially seasonal/casual workers.

APPENDIX 1: PRODUCTION COSTS FOR IRRIGATED WINE GRAPES (R/HA), 2010

	Stellenbosch	Paarl	Average all districts
Weight	19.60%	19.10%	100%
Cost structure	**Rand / ha**		
Direct cost			
Seed	198	48	77
Fertilizer	532	611	1017
Organic material	29	194	233
Pest control	1995	1637	1758
Weed control	558	434	544
Repair & binding material	410	205	292
Subtotal	***3721***	***3129***	***3920***
Labour			
Supervision	2575	1293	1425
Permanent labour	5994	4729	4920
Seasonal labour & contract work	4172	2522	2132
Subtotal	***12741***	***8544***	***8477***
Mechanisation			
Fuel	1501	1420	1533
Repair, parts & maintenance	2274	1402	1983
Licences & insurance	414	288	419
Transport hired	123	390	207
Subtotal	***4311***	***3501***	***4142***
Fixed improvements			
Repair & maintenance	741	362	540

	Stellenbosch	Paarl	Average all districts
Insurance	228	140	201
Subtotal	***968***	***502***	***741***
General expenditures			
Electricity	1008	1152	1339
Water costs	648	416	720
Land-, property- and municipal taxes	272	164	177
Administration	1809	865	1131
Subtotal	***3736***	***2597***	***3367***
Total cash expenditures	**25478**	**18273**	**20648**
Provision for renewal			
Vineyards	4179	4259	4263
Fixed improvements	984	544	730
Loose assets or production means	2970	2206	2944
Subtotal	***8132***	***7009***	***7937***
Total expenditures	**33610**	**25281**	**28585**
Average area planted (ha)	99.83	91.09	79.26
Area irrigated (%)	84%	92%	95%
Cash expenditures (rand/ton)	***3956***	***1930***	***1402***
Total expenditures (rand/ton)	***5219***	***2670***	***1941***

Source: VinPro, 2010

APPENDIX 2: AVERAGE INCOME FROM WINE GRAPES (R/HA), 2004-2010

	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Avg price/ton (R)	2383	1916	1763	1766	1807	2113	2192
Avg yield/ha (tons)	13.11	13.79	15.34	15.58	16.31	15.55	14.73
Producer income R/ha	31236	26424	27043	27513	29479	32857	32281
Less costs R/ha	14221	15010	15599	16017	16702	19039	20648
Gross margin R/ha	17015	11414	11444	11496	12777	13818	11633
Less provision for replacement R/ha	4779	5633	5733	6108	6876	7541	7937
Net farm income R/ha	12236	5781	5711	5388	5901	6277	3696

Source: NAMC, 2010:2

APPENDIX 3: BULK AND PACKAGED WINE PRODUCTION (PROCESSING) COSTS, 2006-2010

	2006		2007		2008		2009		2010	
	Bulk	Packaged	Bulk	Packaged	Bulk	Packaged	Bulk	Packaged	Bulk	Packaged
	R/ton	R/L	R/ton	R/L	R/ton	R/L	R/ton	R/L	R/ton	R/L
Labour										
Permanent	*127*	*0.87*	*140.86*	*0.41*	*139.56*	*0.59*	*160.42*	*0.7*	*196.89*	*0.57*
Temporary	*13.4*	*0.02*	*15.93*	*0.07*	*18.03*	*0.09*	*17.79*	*0.15*	*24.97*	*0.14*
Insurance	8.82	0.06	10.71	0.02	10.58	0.02	13.08	0.03	16.79	0.03
Marketing & sales	17.45	1.89	19.16	1.3	31.86	1.18	27.49	1.48	34.14	1.15
Bottling & packaging	1.7	2.95	11.27	2.67	2.03	2.72	4.99	4.26	-	5.03
Chemicals, cleaning & filtration materials	88.48	0.14	105.01	0.08	128.18	0.15	154.35	0.16	164.12	0.14
Distribution	23.54	0.43	19.26	0.21	24.79	0.23	18.38	0.37	30.32	0.34
Sundry admin expenses	42.82	0.58	68.13	0.16	53.46	0.15	64.89	0.63	84.38	0.71
Sundry cellar expenses	34.15	0.06	32.62	0.03	28.19	0.2	38.2	0.28	43.7	0.32
Electricity & water	23.58	0.04	26.93	0.03	29.86	0.06	36.48	0.08	54.25	0.07
Finance charges	63.53	0.39	94.8	0.17	114.35	0.26	101.53	0.22	107.22	0.2
Rent paid	17.99	0.03	5.12	0.02	6.97	0.04	9.11	0.03	6.37	0.03
Repairs, maintenance & cellar consumables	43.99	0.12	53.26	0.09	53.41	0.12	76.51	0.21	87.68	0.15
Telephone & postage	4.78	0.03	5.34	0.01	4.55	0.01	4.54	0.03	4.77	0.02
Depreciation	71.45	0.18	78.43	0.08	78.38	0.12	84.07	0.22	115.09	0.15
Total	***582.68***	***7.79***	***686.83***	***5.35***	***724.2***	***5.94***	***811.83***	***8.85***	***970.69***	***9.05***

Source: PwC, 2011:11

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