Global retailers

steal from farm workers

The agricultural sector generates billions of rands worth of exports every year. ***Stephen Greenberg*** *and* ***Charles Mather*** *highlight the results of a recent report commissioned by the Stellenbosch-based Women on Farm Project (WFP) which shows how European retailers and the UK are benefiting at the expense of SA workers.*

Magrieta Pietersen (not her real name) is a seasonal worker on a fruit farm in Elgin in the Western Cape. She lives in a section of the township called Molteno Park bought by the farm for workers to stay in. Her husband lives in another province and does not send money to support their one child. Magrieta's brother and his two small children are staying with her, and so is her sister-in-law's 10-year-old child who is not attending school. She provides them with financial support and cares for them when they are sick. When her own children are sick, she takes unpaid leave to look after them herself, even though she knows she will be unemployed for three months of the year. She earns R840 a month with an additional R560/month for the household coming from social grants and other sources. On this money she must look after a household of six people.

Magrieta is employed in an agricultural sector that generates billions of rands worth of exports every year. But workers at the bottom of the value chain like Magrieta receive very little of this wealth. The report has shown how supermarkets in Europe and the UK are implicated in this.

In recent years, a growing consumer movement in Europe and the UK has started questioning the way retailers do business. A few years ago, consumer activists exposed supermarkets that sourced clothing from factories in Asia using child labour. This has put the spotlight on global sourcing practices.

Public perception is very important in the highly competitive retail industry in Europe and the UK. Retailers responded to the child labour exposé by adopting codes of conduct for sourcing and supply of products to be sold in their outlets. These codes cover issues of environmental responsibility, food safety and quality and labour standards. Today, a range of private and public codes regulates global food supply chains.

But despite these codes, retailers' purchasing practices undermine the very codes they have adopted. The WFP report – part of an international campaign led by Oxfam to highlight labour conditions in export sectors – reveals how retailers use their power to appropriate more value for themselves. Producers are being forced to accept greater risks and absorb more of the costs of supply chain functioning. The research has exposed a number of examples of these practices.

In one case, UK retailer Tesco contracted a South African wine estate to produce wines to be labelled under Tesco's 'buyers own brand' label. Their supplier sent their own winemaker to produce the wine according to UK consumer tastes and Tesco's requirements. The methods were not consistent with the way in which the wine would normally be produced on this farm. Tesco's buyers also insisted on using plastic corks rather than natural cork in the bottles. In the South African domestic market, plastic corks normally signal a lower quality wine. A year later, Tesco decided to discontinue the label even though the next year's supply was already bottled and corked.

The report shows how retailers manipulate prices and transfer promotional costs to producers. Price setting for wine products is highly regulated by supermarkets. Well defined

'price points' (eg £2.99, £4.99, £5.99) reflect the quality of the wine, but also the relative bargaining power of the supplier. Suppliers try to move towards higher price points because it indicates higher quality and assists in brand building. But raising prices requires a substantial 'promotional investment' by the producers. According to one South African wine producer: 'With the retailers it is really difficult. Just for them to take your wine from one level to another you have to give them £100 000 (about R1.15-million). That 'bracket' value can be as little as 50p. Tesco is like that – we basically have to subsidise our wine for them to sell it.'

At the same time, when sales for a particular wine are slow, retailers are very quick to discount the wine to move it off the shelf. Discounting a wine, a common practice amongst retailers, can have a disastrous impact on brand reputation. As one farmer noted: '£5.99 is an important price point. But they have little patience with it and if it doesn't sell, they will discount it. They will destroy your position in the market.' Producers carry the reduction in income.

Retailer pricing practices are determined independently of production costs. Wine is valued at the consumption end of the chain and not at the production side. Farmers are given the retail price and their returns are determined by deducting all of the various costs associated with exporting, including importer commission, duty, transport costs and so on. Whether this return is above or below production costs depends in large measure on the exchange rate at the time.

Retailers benefit from high quality as a point of difference, but force producers and packers to carry the costs of quality improvements. Quality requirements and adherence to protocols and codes of conduct are increasingly stringent, and meeting them requires additional investment and changes in production practices. Yet the prices producers receive for higher quality products do not rise.

In a situation where global markets are regularly oversupplied, and where retailer programmes are constantly being changed, growers and packers are in an extremely insecure situation. This insecurity, made worse by retailer buying practices, has a direct impact on labour hiring strategies. Rising input costs and stagnant returns mean farmers are cutting costs in the only place where they have some control – the workforce. As a result, even in agricultural sectors like deciduous fruit and wine which are export leaders, workers face deteriorating conditions of employment.

The WFP report shows that both deciduous fruit and wine farmers have either maintained a stable force or have shed labour despite the growth in both sectors. Labour shedding is either the result of reducing the area under production, or part of a process of 'natural attrition' of the workforce. When workers on farms leave, retire or are dismissed they are often not replaced with new workers. Instead, work for those remaining is restructured and intensified to increase labour productivity.

Permanent workers are being replaced with temporary workers. The length and frequency of the hiring period, at least for one farmer, was used to prevent expectations of a permanent position: 'We employ people as we need them. But you need to break their expectations of having a permanent position, so you hire for 2-3 weeks and then you let them off for a few weeks, and then you hire them again.' The fragmentation of work ripples into households that sometimes rely on the wage of a farm worker as the main source of income, like Magrieta's.

In these ways, producing for the export market is accompanied by work fragmentation and intensification. Despite formal adherence to codes of conduct, as a result of their purchasing practices European and UK retailers are contributing to growing insecurity of employment in South Africa.

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