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Stereotypes cloud complex situation amid turmoil on Cape fruit farms

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REPORTS on turmoil in the Western Cape's fruit and wine farms over the past two weeks have hauled out some entrenched stereotypes. Besides being unhelpful, more crucially these cloud a complex reality.

Growers do not operate in a vacuum, but are part of global value chains subject to various pressures. Unless this broader context is understood there is little hope of resolving the current volatility.

The first stereotype is that most fruit farmers are cash rich. Research conducted by the Capturing the Gains project – which examined the possibilities of social and economic upgrading in value chains – found differently. Many farmers are struggling. According to industry data, 30 percent of grape farmers in the Hex River Valley, the fulcrum of the recent protest, sold their farms between 2007 and last year.

If, for example, we take a punnet (small light basket) of Hex River table grapes retailed in the UK last year, supermarkets captured 42 percent of the final retail price, 32 percent went to distribution, while just 18 percent was received by growers (26 percent if pack houses are included). In the wine industry, there are now 20 percent fewer farmers than 12 years ago and, according to industry reports, net income per 750ml of wine dropped from R1 to 38c between 2004 and last year.

Before deregulation of the fruit industry in the late 1990s, powerful marketing boards bargained on behalf of exporting South African fruit farmers. Since the disbandment of the boards, farmers' bargaining power has become fragmented. Also, supermarkets worldwide (including in South Africa) have gone through a period of consolidation. Supermarkets negotiate hard on price, and require a raft of standards regulating the quality of fruit, food safety, and also how ethically food is produced.

Government support to farmers has also declined. In the 30 Organisation for Economic Co-operation and Development countries, government support accounted for 32 percent of farm income, but it accounted for only 5 percent of farm income in South Africa. Farmers also face rising costs from inputs and higher standards. Labour costs have risen. One industry source estimated that for table grape farms as a whole, wages as a share of total farm costs had increased from 35 percent to 52 percent between 2003 and last year.

In response to various pressures, farmers have restructured their workforce: retaining a core of skilled workers on permanent contracts, while employing rising numbers of seasonal ones. Some are employed on a temporary basis, some casually or through brokers. Permanent workers fell from 28 percent of the total table grape workforce in 2007 to 20 percent in 2010/11.

This brings us to the second stereotype: that all agricultural workers are paid the same low wage. The reality is that agricultural workers are split into two groups. The core of permanent workers are better paid, usually have on-farm housing, vegetable gardens, crèches, provident funds, bonuses and training opportunities. Capturing the Gains research found that permanent workers could earn 20 percent to 120 percent more than seasonal workers. Conversely, a growing pool of seasonal workers receive only the agricultural minimum wage (unless they do piece work), do not have access to a provident fund and many live in poor accommodation.

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While farmers are casualising their workforce, meeting supermarket standards requires more skilled workers. But given the agricultural sector's low wages, those with skills are leaving for the city. The high turnover of seasonal workers calls for constant retraining. The result is a skills dearth and intensified pressures on workers. Better government resources are needed to support training of seasonal workers, and to halt the increasing exit of skilled workers, it is critical that they receive higher wages.

One stereotype that is probably warranted is that most farmers dislike unions. But in the absence of effective independent unions and social dialogue, farmworkers are without a voice and bargaining power. Frustrations become pent up and erupt.

Given the commercial pressures on farmers, their ability to pay higher wages is dependent on their negotiating better prices with supermarkets. A living wage needs to be factored into supermarket pricing and guaranteed to all workers.

All actors have a role to play in improving workers' remuneration and conditions in value chains. The government can act as a facilitator of this process, but also has to ensure that minimum wages reflect the rising cost of living. It should also provide better services and support to farmworkers. The government will also have to rethink its policy on general support for the sector if it is to be a node of employment growth, as stated in its National Development Plan.

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