

What are the conditions of small-scale Rooibos farmers in South Africa – a study of Rooibos production within FLO*

by Monika Jansson, Eléonore Elfström Fauré and Katrin Öberg, Red Cross Community College, September 2007

¹ *FLO Fairtrade Labelling Organisation

We would like to thank all of you in South Africa who took the time to show us around and answer our many questions. It is you who made our visit such a great experience!

INTRODUCTION

We had quite a hard time deciding what to focus on in our report. To choose what product to investigate was the easiest part. Since we are three keen tea drinkers, Rooibos was a natural choice, but there were far too many interesting aspects to be thought of connected to fair trade regardless of product.

Our final decision was made after arriving in South Africa and we were again presented to the problem with small and large-scale farming within the FLO system. We had been made aware of the problem when listening to some of the importers in Sweden, but the problem became more obvious when hearing about it from the actual producers' point of view. We felt that it was an important issue to address that the feeling among small-scale farmers was that they did not only compete with the conventional Rooibos producing market, but that they also had to compete within the Fairtrade segment in an unfair way. Something they felt made the competition even harsher for their group.

Our main goal then became to answer the question: *What are the conditions of small-scale FLO farmers in South Africa?* This in turn raised questions like, if the problems presented to us by the small-scale farmers are true, how can their conditions be improved? Can FLO somehow help in making the competition fairer? What is FLO's attitude when it comes to small versus large-scale farming?

Visits

We had already in Sweden decided to visit Paardekop, a large FLO-certified farm and Wupperthal. Wupperthal is a community, which consists of a village and 15 outstations. There are about 150 farmers growing Rooibos there. We also had planned to visit two packing factories: the small-scale and FLO-certified Fair Packers and the quasi-monopolistic Rooibos Ltd. We also knew that we wanted to visit more farms and we had an idea that Ysterfontein could be an option. We did visit that farm and Zeekoevlei farm. In addition we also went to the Community Development Association Citrusdal (CDA), which proved to be an interesting and important introduction into the farming community and its community projects in Citrusdal. Our visit ended with the participation in the meeting arranged by Fair Trade in South Africa in connection to the implementation of the B-BBEE scorecard into the FLO criteria.

Limitations of the study:

We unfortunately didn't have the time to visit Heiveldt, the other cooperative, which is the third co-owner of Fair Packers. We have only had second-hand information from there. It could have been interesting to compare both Heiveldt and Wupperthal and discuss with the farmers there as well.

SWOT

We have made a so-called SWOT (Strength-Weakness-Opportunities-Threats) analysis on Wupperthal Tea Association to present the complexity of the diverse problems small-scale FLO-farmers in South Africa face. The analysis is based on our experience at Fair Packers, Wupperthal Tea Association, Paardekop, Rooibos Ltd and two non-FLO certified large-scaled Rooibos farms Ysterfontein and Zeekoevlei. The upper left box presents Wupperthals' strengths, the upper right box, its weaknesses, the bottom left one tells about the opportunities and the bottom right one the threats Wupperthal Tea Association is facing.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Organic and FLO-certified • Fair Packers is the channel out to the international market • The whole chain is FLO compliant • There are a few people inside and outside Wupperthal who love farming Rooibos and for whom it is a tradition and the only livelihood. Some of them have ideas and knowledge they will bring back to Wupperthal • Excellent quality of their Rooibos • People are devoted to Wupperthal, they want to come back to their community 	<ul style="list-style-type: none"> • Infrastructure and transportation problems • Their land is not as good as that of large-scale farmers • People are submissive • They are dependent on one product: Rooibos • It is a seasonal work • They fight with Heiveldt about price • They have to compete in terms of price with large-scale farmers • The certification cost is very high
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • There are more products than Rooibos and by-products to be marketed • Organic baby food is a coming project • Tourism • People return to Wupperthal with new ideas 	<ul style="list-style-type: none"> • They are dependent on a few people • Is there anyone who is willing to continue farming Rooibos? • Internal rivalry within the Wupperthal community (some question the fact that some people act as if they owned the land, although the land belongs to the church) • FLO-certified plantations have more products • FLO's new National Guidelines for South Africa

Below we give further explanations to the different parts of the SWOT, to show the different aspects a small-scale FLO-farm can face in South Africa.

Strengths

One of the advantages of the Wupperthal Rooibos is the quality. It doesn't matter what certifications you have- if the quality is bad people won't buy it and especially not at a higher price. Good quality is an important key factor that Wupperthal can live up to, but there is also the notion that the world is getting more aware of the fact that we need to change our consumer habits and sustainable development is something that is discussed in many different forums around the world. Being both an ecologically certified and FLO-certified Rooibos producer can therefore be seen as something of an advantage for Wupperthal and its tea court. Wupperthal Tea Court is also one of the co-owners of Fair Packers. This makes the majority of the supply chain comply with the FLO-certification in a way that most FLO-producers don't and it helps strengthen the credibility of the Rooibos as a FLO-product, which could be used to gain market shares if promoted correctly. Fair Packers is also a trustworthy distribution channel. It is important to have the connections to ease up the distribution of the products on the European and US markets. The enthusiasm that can be found among the founders of the tea court and Fair Packers is a great asset, where knowledge, ideas and experience is gathered, and which can be used and taken back to the community of Wupperthal. There are indications that show a great dedication to the community among people working outside Wupperthal and many seem to have the goal to go back and invest their gained knowledge into businesses located in the area.

Weaknesses

The most obvious weakness of Wupperthal is its geographical location. It is situated, due to historical reasons, in a remote place in the Cedarberg Mountains close to Clanwilliam. The road access is very poor and consists mostly of untarred roads, which get deteriorated every time it rains, making the transportation of Rooibos less reliable than its competitors', whose plantations are often located close to the valley and with better road access. Right now it is unlikely that the South African government will fund the tarring of the road because of the scarce population located in that area and of its present lack of tourist attractions.

Large-scale farmers have the best land and the best water supply as a remaining of the expropriation measures from the time of apartheid. At Paaderkop for instance, the soil is of such a good quality that they don't have to grow seedlings and replant them later as in Wupperthal, they can plant the seeds directly, which represents a lower cost for them.

During apartheid, the common message from the government was that some people are better than others and black and coloured people were treated as inferior races/people. This has greatly affected those people's self-esteem who now think that white farmers, for instance, are much better than them. Many of Wupperthal's inhabitants, who consist mainly of so-called coloured people have therefore poor expectations for the future and regard themselves as victims. This mentality needs to be changed so that people can take their lives into their own hands and take initiatives to make a change.

Unlike large-scale farmers, Wupperthal is dependent on one product only, which is Rooibos. Paaderkop, for instance, is also farming, besides Rooibos, citrus, dried fruits and wine grapes. This means that if one year the Rooibos harvest is very bad, they still have other products to rely on economically.

Rooibos is a seasonal product and here again this constitutes a weakness for Wupperthal. The harvesting of the Rooibos, which takes place from January until the middle of April gives work to the rest of the community during those months but after that people go unemployed again. At Paaderkop, on the contrary, the Rooibos workers can work with oranges or wine grapes once the harvesting process of Rooibos is over.

Unlike for other products such as coffee or bananas, Rooibos farmers do not get a guaranteed price for their Rooibos within FLO. Both Wupperthal's and Heiveldt's Rooibos are packaged and marketed at Fair Packers. Both communities are co-owners of Fair Packers (one third each). Nevertheless they are competing on price. Wupperthal's Rooibos volume is greater than that of Heiveldt. Last year Heiveldt could sell all of its Rooibos (30-40 tons) to a very high price per kilo. At the same time Wupperthal's production was much higher (around 100 tons) and although their Rooibos was cheaper they couldn't sell their whole production. This year was an outstanding year for the whole Rooibos industry. Heiveldt produced 65 tons Rooibos, which means overproduction for them but they still want to keep their price up. Mr. Starling the owner of the remaining third of Fair Packers and the farmers at Wupperthal are trying to organise a meeting so that both Heiveldt and Wupperthal can agree on a common price level but due to internal political issues, it is still problematical.

If we compare these prices to those of large-scale farms, the difference is even bigger. Large-scale farmers can produce larger volumes and benefit from better growing conditions (soil and water as mentioned earlier). They can keep their costs down, sell cheaper, win market shares and still make a good profit on their fair trade Rooibos.

The FLO certification costs are very high to bear for small-scale organisations. Though they can apply twice for a reduction of the cost of inspection, they then have to pay quite a big amount of money to remain FLO-certified. This is something that should be revised within FLO so that the cost for inspections is more in proportions to the size of the farm and to its sold production. Today the difference in fee between a farm with less than 100 workers and a farm with between 100 and 500 workers is marginal. Nevertheless there is a huge difference in terms of financial means between a very small farm with 10 workers and one with 100 or more workers.

Opportunities

The soap factory located in Wupperthal proves that Rooibos can not only be drunk, but it can be used in beauty and spa products, which could expand to a wider range of products than just soap and shampoo. The tea court could also serve as a connecting point not only for Rooibos products, but other products as well. There are synergy effects to be thought of like logistics, export channels etc. The project presented to us by Mr. Starling and a member of the community of producing

ecological baby food, is such an idea and goes well with the whole ecology and FLO aim.

Walking around Wupperthal made us realise that the community is not taking advantage of the beautiful surroundings and how this could be developed into new businesses. There is a big potential in promoting Wupperthal as an eco tourist destination. You usually appreciate and see the potentials in the ordinary after being away from it for a while. Therefore we see this as an area of development where the knowledge of the people coming back after working outside Wupperthal can help.

Threats

Looking at the whole chain of the Rooibos production, from planting the seedlings to shipping the Rooibos out into the world, one can find a possible threat to Wupperthal's surviving possibilities: they are dependent on a few key persons and one in particular; Mr. Starling at Fair Packers in Cape Town. If he leaves the company, for one reason or another, there is a big risk that the entire production chain will collapse. Mr. Starling is the one who has the most experience and knowledge in the business and he has a lot of connections vital for Wupperthal's Rooibos production. He is the one who gets in touch with people that might be interested in buying and selling not just the Rooibos from Wupperthal, but also the organic baby food, skin products that contain Rooibos, lemongrass and other herbs and vegetables.

Today there is no one who is able to fill Mr. Starling's place if he decides to leave Fair Packers. This would be a big problem (i.e. is a big threat) to Wupperthal since they are dependent on getting their Rooibos packed and sold via Fair Packers. Without Fair Packers they would most likely have a problem in reaching the international market and diversify their products.

Another threat, that is similar to the one just mentioned, is whether there is anyone who is willing to continue farming Rooibos in Wupperthal and the out-stations when the generation who is doing it now gets old and needs to retire? When we asked the children who are going to school in Wupperthal, if they were interested in farming Rooibos, no one raised their hands. It is easy to understand if they want to see the world outside of Wupperthal before they make up their minds, but it is still alarming that so few of the young seem to be willing to continue the tradition of growing and farming Rooibos, like so many generations before them have done. This is also something we asked the older generation in Wupperthal, people in the out-stations and two younger people who are involved in the Rooibos production today and according to them there is not much interest in farming Rooibos among the young. So what will happen to Wupperthal and its surroundings if there is not enough interest in keeping farming Rooibos? The worst-case scenario is that the little village will diminish and soon just be a memory. Hopefully some of those who have moved away from Wupperthal and the out-stations to Cape Town (and who are now working at Fair Packers or somewhere else) will return when they have collected more knowledge and skills, and resume farming Rooibos and other products related to the plant.

Within the community of Wupperthal, we could also realise that there were some rivalry between the farmers and the rest of the community. Some people were enterprising and you could find their names on every single board of trustees (the Tea Court, the project within tourism etc.) and this caused jealousy and envy. As we

have heard, they were also some people questioning the fact that some farmers acted as if the Rooibos plantations were their own land though the plots belonged to the Moravian church.

Wupperthal is dependent on their Rooibos, which is quite a small production (approximately 105 ton/year) but is supposed to feed many people via the better price they get when they sell their Rooibos to the Tea Court and later on, to buyers in the North who also will give them the FLO-premium. Wupperthal Tea Association must set a high price on their Rooibos in order to be able to survive on the Rooibos farming only. A big (FLO-certified) plantation hasn't got the same problem, because it usually has more products, like winegrapes, citrus fruits and so on to sell, which gives them an advantage when it comes to setting a price on their products and salaries for their workers. Would there be even more FLO-certified Rooibos plantations in South Africa, Wupperthal would then have greater difficulties in selling their Rooibos, since they have to set a higher price on their Rooibos in order to survive on their one single product.

Since July 2004 South African FLO-certified producers (mainly companies/plantations with hired labour) have been forced not only to comply with the Generic Standards (and Product Specific Standards) but also to a National Guidance including the following auditable indicators:

Legally protected interest

- Shareholders' agreement indicating share allocation which could include land ownership
- Share certificates
- Trust deed indicating 25%+ of the beneficial interest

Skills transfer

- Written workplace skills development programme has been submitted to the Department of Labour and is regularly updated and audited (internally)

Management Participation

- Employees participate in approval of budgets
- Regular consultative meetings with employees
- Employment Equity Plan has been filed with the Department of Labour, and is regularly updated and audited (internally)

The national guidance was created due to demands from FLO-producers in South Africa, who opposed some of the companies that became FLO-certified. Because of the history of South Africa and the problems that followed, they wanted stricter criteria on ownership and rights for black workers and therefore FLO created this special guidance. The producers have had three years to comply with them (deadline July 2007), and FLO representatives in South Africa have made an evaluation to establish whether the FLO-certified producers have fulfilled them or not. The result shows that it has been difficult to comply with the first indicator of the guidance, the one about ownership. The producers have interpreted it in various ways and this might be due to the fact that they do not only have to adjust to FLO's different criteria, but also to the Broad Based Black Economic Empowerment programme (B-BBEE), a program initiated by the South African government to get black and coloured people into better positions in economic life, as well as to different kinds of industrial codes, that put other demands on ownership. FLO has made a suggestion to the FLO-

certified producers and other participants in the Fairtrade movement (different NGO's etc.) to adopt the B-BBEE-criteria into the national guidance to harmonise with the demands within the South African (governmental and industrial) initiatives to minimise the segregation in South Africa, i.e. empower more black people.

The B-BBEE is based on seven core dimensions:

- Ownership
- Management control
- Employment Equity
- Skills Development
- Preferential Procurement
- Enterprise development
- CSR

These seven dimensions are evaluated on a scorecard and they weigh differently due to their importance. Every business is evaluated and gets a total score, the higher the score, the better the company. The only problem is that companies can choose between the dimensions: fulfil some of them and skip others, and still get a good score. For instance: a company can omit ownership and management control (for black people who also in most cases are the workers) and concentrate only on the other dimensions and still get a good result on the scorecard. We question whether this is a good a good way to empower the black people.

This is not a question to be answered in this report, but instead one can ask how the above-mentioned issues are a threat to FLO-certified small-scale farmers like Wupperthal? How will a harmonisation with the B-BBEE-program affect them? Most likely not in a positive way. Let us give an example showing what this assumption is based on. Up until now FLO-certified plantations and other companies have been obligated to have 25%+ one worker represented in ownership, in one way or the other (like giving them shares in the company, rental agreement on land, partnership agreements etc). The intention of this guidance has been to empower the workers, give them the possibility to have a say in the companies' board. Within the B-BBEE program, plantations/companies can choose to leave the matter of ownership out and only focus on the other dimensions. This might lead to the fact that it will be easier and more tempting for plantations, that today are not FLO-certified (maybe because they do not want to give ownership to the workers) to become FLO-certified since they can keep the board "clean" from workers, which they cannot do today. If FLO decides to harmonise with the B-BBEE dimension and the B-BBEE score card, and not make an extra demand for ownership, there is a risk that companies/plantations will continue to have all management control and still be able to become FLO-certified i.e. receive a better price for their product. What will then happen to the small-scale farmers like Wupperthal? Will this benefit those who are dependent on their one single product? As we have mentioned earlier small-scale farmers like Wupperthal already have a problem to compete with the plantations since the latter can offer a lower price on their FLO-product (for example Rooibos) and it will be even harder for Wupperthal if more Rooibos plantations will enter the FLO-market. One can then ask the question what FLO's intentions really are. Who do they want to promote: big plantations or marginalised small-scale farmers?

DISCUSSION

This SWOT-analysis on Wupperthal raises many questions concerning the situation of small-scale FLO-certified farmers in South Africa and it all comes down to the following: small-scale versus big scale; what is FLO's aim today?

A small-scale farm like Wupperthal is dependent on their one single product and it is vital for them to get that product out on the world market, make good money so they can reinvest in the Rooibos production and in new products, like organic baby food, their own lemongrass, more products that derivates from Rooibos and so on but also improve the infrastructure and expand tourism. A fair price and market access (i.e. the core of Fair Trade and FLO) are essential for Wupperthal to survive and their biggest threat concerning this are the big FLO-certified plantations who have the possibility to set a lower price and in most cases have better connections and channels out on the world market (mostly because of the former monopoly on Rooibos, today Rooibos Ltd, a company all the other farmers still go through when they sell their Rooibos both inside and outside South Africa). Fairtrade is about helping the farmers and workers in the South so theoretically it is not a bad thing to allow big plantations in the FLO arena. The problem is that these plantations can get away with very small concessions to the workers and we wonder whether the conditions for the plantations workers would have differed that much if the plantations had just been conventional (i.e non FLO certified).

FLO's new National guidance for South Africa seem to make it even easier for large-scale farmers to become FLO-certified which will threaten small-scale farmers like Wupperthal even to a greater extent. The companies (and consumers) in North, who aren't familiar with the spirit of Fairtrade and only look for the logo, want to buy Rooibos at the cheapest price possible, will naturally choose to buy Rooibos from a big plantation and not from Wupperthal. Even though the demand for Rooibos will increase due to its health aspects and trend factor, this might not affect Wupperthal in a positive way, on the contrary, unless FLO is to create new criteria and demands that would promote small-scale FLO-certified farmers or put more pressure on the big plantations with stricter criteria.

The problem is supposedly, as hinted above, that Wupperthal and Heiveldt are not able to produce enough Rooibos to meet the demand on the world market for FLO-certified Rooibos, which is the reason FLO gives to argue that they also have to certify large-scale Rooibos farmers. This makes it hard for Wupperthal and Heiveldt to sell their Rooibos, since their price is higher, because of higher production costs and also because of its finer quality on their Rooibos. With the introduction of Fairtrade products in supermarkets, demands on Rooibos have evolved. Consumers want the product to be Fairtrade but at a low price, which is why they choose to buy it from large producers. FLO has to take actions and help small farmers in their dilemma.

Here are our suggestions on how to achieve that.

One way is to create a rule that gives small-scale farmers advantage to sell their Rooibos first, and after that let the plantations sell theirs. Or, quite similar to this is to allocate quotas and through those give Wupperthal and Heiveldt an advantage on the FLO-certified Rooibos market.

Another alternative could be to make two different kinds of certifications and marks/labels (not only on Rooibos but all the FLO-certified products in the world): one for small-scale farmers (which was FLO's idea from the beginning) and one for plantations. Since there already are different standards for small-scale farmers and hired labour this might not be too difficult for FLO to do. The problem with this kind of separation then lies with the Fair Traders in the North who have to market the differentiation in a clear way for buyers and consumers, which might be problematic.

Some FLO-products (like coffee) have, as mentioned earlier, a lowest FLO-price, a guaranteed price for the producer to get when selling his or her product on the FLO-market, a price that at least covers the production cost. Rooibos doesn't have that, but maybe that could also be a way to help small-scale farmers to sell more of their Rooibos, because then they would not have to compete about the price, just quality. A fixed guaranteed price could also stop the competition and quarrel amongst the small farmers (between Wupperthal and Heiveldt for instance).

Another option could be to classify Rooibos as an herbal tea, under the herbs category. No farmers with hired labour are allowed in that category. In that way, small-scale farmers could have their Rooibos production sold and to palliate with the shortage of Rooibos, this could be an incentive for other small farmers to take over Rooibos production.

Last but not least, a very simple and appropriate solution would be as follows. If FLO wants to certify large farms then FLO should set higher demands on them and require that they pay a living wage to the farmers (which is what Fairtrade often tells consumers in Europe) and not only a minimum wage which often is not enough to make a living. FLO should facilitate and even cooperate with unions in the producing countries wherever there are free union rights so that workers' rights are really a priority. This would ensure that workers get better living conditions and it would limit the amount of large plantations to those genuinely interested in improving worker's lives.

A last question concerning the SWOT is whether it is relevant for FLO to adopt the B-BBEE-program into the national guidance. Harmonising with the demands and dimensions in the B-BBEE program is a good thought, but the program is founded on the question of colour and FLO is based on the question of (small marginalised) workers. Although colour and working class are clearly connected in South Africa (most workers are coloured or black) it is essential that FLO focuses on workers empowerment and not on "colour empowerment". That is why we believe that the new national Guidance has to involve a criterion that requires workers ownership, so the workers will have the possibility to influence the company and its business. What should be FLO's priority: make it easier for large-scale plantations to join fair trade by replacing the present national guidance by the looser B-BBEE scorecard, which makes it easier to pass by the criteria about workers ownership? Or to try to promote workers' empowerment, which is one of the main goals of Fairtrade?

CONCLUSION

As a conclusion, we can say that we are rather sceptical to the outcome of the new national Guidance. Fairtrade markets itself in the North as an alternative economical system that gives small farmers a decent wage and a decent life. Fairtrade is experiencing a growing success in many countries and seem to put at risk its credibility when choosing bigger volumes and cheaper prices rather than sticking to its original principles. We feel that Fairtrade has to remain faithful to its promises otherwise it could be devastating for the whole movement once unveiled by media. There is still hope, especially with the establishment of Fairtrade initiatives in the producing countries but will this guarantee a voice for the small-scale farmers?