

Sour Grapes

South African wine workers
and British supermarket power



Preface

The wine industry has truly gone global. Wines from Australia, New Zealand and Chile line up on supermarket shelves that were previously dominated by European producers. South Africa is part of this success story, exporting over 300 million litres of wine a year and now ranking as the world's ninth largest wine-producing country. New World wine has come of age, and European supermarkets have become its most important customers.

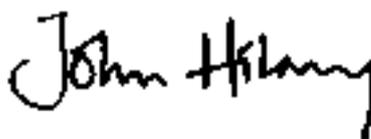
Despite its achievements and its importance to the South African economy, conditions for those working in the wine industry have deteriorated. Many wine workers come from the poorest sections of society and suffer from low wages, insecure working conditions, harassment and lack of housing. Due to the volatile nature of the wine market, wine workers must contend with irregular employment and face the constant threat of sudden dismissal. Women workers are particularly at risk as they are more likely to be on seasonal contracts, as well as suffering from discrimination in terms of pay.

This report is based on research undertaken by the International Institute for Environment and Development for War on Want and its South African partner, the trade union Sikhula Sonke. It examines the changing forces that impact on the global wine industry and highlights the crucial role that British supermarkets play. The report illustrates how workers producing the wine suffer the most from a supply chain that is squeezed to the

maximum, while supermarkets reap the benefits.

Sikhula Sonke is a women-led trade union which represents marginalised people working on the vineyards and fruit farms of South Africa's Western Cape province. Over 100,000 South Africans – mostly from the poorest sections of society – are employed in the wine industry. Sikhula Sonke's holistic approach of working with farmers and local governments to improve the situation on the wine farms has proved immensely successful. This report also highlights the positive change that grassroots movements like Sikhula Sonke can bring about.

War on Want supports trade unions such as Sikhula Sonke and campaigns in the UK against the exploitation of workers in supermarket supply chains. European retailers wield considerable power over small-scale producers trying to survive in a global wine market where supply still outstrips demand. The South African wine industry provides essential jobs for tens of thousands of workers. Now is the time for the UK government to ensure all supermarkets guarantee decent working conditions in their supply chains around the world.



John Hilary
Executive Director, War on Want

From Cape to consumer

Wine production has become a truly global industry as more and more countries have entered the market over recent years. Countries such as South Africa, Australia, Chile and New Zealand have become important players in the industry as European wine drinkers have diversified their tastes.

South Africa has established itself as a major wine producer, today ranking as the ninth largest wine-producing nation in the world. Wine also makes an important contribution to the South African economy, with exports now topping \$500 million a year. The diverse climate of South Africa means that it can produce a variety of wines that are popular in Europe. Its relative proximity to Europe, when compared with countries such as Australia or Chile, makes trade with South Africa even more attractive for European buyers.

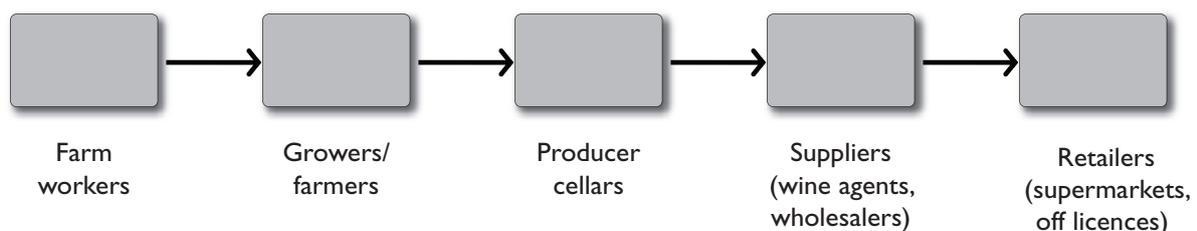
But despite the increased demand for wines from around the world, global production still outstrips consumption. By 2006 this had resulted in record levels of surplus wine, strengthening the bargaining position of wine buyers. With the highest demand for wine centred in Europe, large European retailers

dominate the market. Buyer power has become increasingly concentrated in the hands of a few large retailers, enabling them to set the terms for suppliers' negotiations with wine producers.

At the same time, the large number of wine producers competing for shelf space in our supermarkets means that retailers are increasingly turning to 'wine agents' or brokers to facilitate the buying process. Ultimately, it is inclusion in the portfolio of wines kept by these brokers that determines whether or not a producer gets any business.

Fully 90% of all South African wine sold in the UK comes through wine agents. While a few large producer-wholesalers such as DGB and Distell sell their products direct to UK retailers, most South African producers are reliant on intermediaries. These brokers are UK-based companies carrying a portfolio of wines from around the world, and just 12 agents deal with over 80% of all sales. Such concentration means that these brokers now wield immense influence, as they are often seen as the only way to enter the market. Consequently, wine producers in South Africa

South African wine supply chain



compete for inclusion on the agents' portfolios by trying to undercut each other.

Despite the power of these wine agents, it is still the supermarkets that hold the upper hand in negotiations over price and volume bought from producers. When the supermarkets make demands on the wine agents for discounts and marketing costs, these are generally passed on to the producers.

The UK wields particular influence over the South African wine industry. The UK is by far

the largest importer of South African wine, accounting for over 30% of South African wine exports by volume. This makes UK retailers and wine agents immensely powerful.

Competition for a place in the UK market is also fierce. South African producers have to compete with larger and technically more advanced exporters from the US, Australia, France and Italy. Currently South Africa is the fifth largest wine seller in the UK, holding 8% of UK market share. The table shown here lists the top 20 wine brands by UK sales; the top South African brand, Kumala, comes in eighth.

UK wine sales by brand (2007)

Position	Brand (country)	Position	Brand (country)
1	Hardys (Aus)	11	JP Chenet (Fr)
2	Gallo (US)	12	Concha & Toro (Ch)
3	Blossom Hill (US)	13	Montana (NZ)
4	Jacob's Creek (Aus)	14	First Cape (SA)
5	Stowells (Various)	15	Namaqua (SA)
6	Wolf Blass (Aus)	16	Rosemount (Aus)
7	Lindemans (Aus)	17	Piat d'Or (Fr)
8	Kumala (SA)	18	Oyster Bay (NZ)
9	Banrock Station (Aus)	19	La Gioiosa (It)
10	Echo Falls (US)	20	Fiordaliso (It)

Source: *Wine Report 2007*, Off Licence News, July 2007

Power in the hands of the few

Supermarkets control the biggest share of the UK wine market, selling over 80% of all wine imported into the UK from around the world. Demand is driven by a small group of major UK retailers: Tesco, Sainsbury's, Asda and Morrisons account for over 75% of all UK supermarket wine sales (see figure). The market for South African wine in the UK is similar, but with the Co-op (14%) as second largest importer behind Tesco (20%), followed by Sainsbury's (12%), Asda and Morrisons (both 9%).

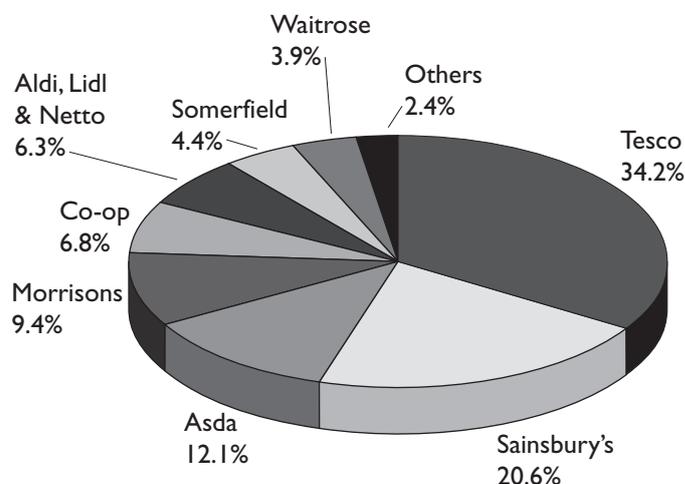
The UK government's Competition Commission began a series of inquiries into the dominance of UK supermarkets in 2000. The Commission's most recent report, published in April 2008, found that supermarkets have used their buying power to squeeze suppliers by transferring risk and costs onto them. In addition to struggling to earn a fair price for their produce, suppliers were found to be hesitant to speak out against

supermarkets for fear of being 'de-listed' (removed from the retailer product list) and losing vital business.

South African wine producers are particularly vulnerable to the whims of supermarkets because it is rare for suppliers to have formal contracts. The use of informal contracts means that producers can be de-listed at very short notice; it also means that supermarkets can change costs and prices as and when they like to suit their needs. A drop in sales could result in a last minute order cancellation, without any compensation for the producer.

The price the South African producer receives is not assured, which means that producers have no guarantee that they will be able to cover their own costs. Payment periods can also extend weeks after product delivery, with 120-day delays being increasingly common. This can cause significant cash flow problems, particularly for smaller suppliers.

UK supermarket wine sales by value (2007)



Source: TNS WorldPanel, cited in *Wine Report 2007*, Off Licence News, July 2007

Large discounts and two-for-one offers on bottles of wine are common tactics used by supermarkets to encourage customers to buy more. The shelf price of wine is often discounted during a 'sale' period and the cost of the discount passed on to the supplier, either directly in the initial contract or through pressure at a later date to 'promote' the wine through discounting its price. Retailers also demand extra payment in order to guarantee that a particular wine will be given a good position on the shelf. 'End of row' positioning of a particular wine can cost £15,000, while prime 'front of store' location can cost upwards of £100,000.

In addition, supermarkets often press suppliers to enter into exclusivity agreements with them, which ensure that the wines can be sold only in their stores and nowhere else. Once a

supplier has entered into such an arrangement, producers can find themselves entirely dependent on just one supermarket.

The UK is such a crucial market to the South African wine industry that producers are under heavy pressure to comply with the demands and conditions placed on them by the supermarkets. Coming on top of the other market pressures faced by South African producers such as the high cost of borrowing, stricter environmental and safety standards, rising production costs and fluctuations in the South African rand, the consequence of this compliance is that producers pass the pressure on to their workforce. Ultimately, as the next sections demonstrate, it is South African workers who pay the price for UK supermarket power and greed.



*Discounts in UK supermarkets are passed right down the supply chain
Photo: Mehmet Baylav/War on Want*

Paying the price

The power of the few supermarkets that dominate the UK wine market means that they have the ability to squeeze suppliers to ensure lower prices on their products. The price for cheaper wine is, however, ultimately paid by workers struggling on poverty wages in the vineyards. Small-scale producers have to reduce their costs in order to survive, and in turn are often forced to reduce their permanent workforce.

The volatility of the wine industry means that when wine producers lose valuable contracts at short notice, letting go of their workers is one of the most effective ways of cutting costs. Employing seasonal workers means lower labour costs because these workers are paid less and do not receive benefits such as sick pay or housing. They can also be easily dismissed, making producers more flexible. In many instances seasonal workers are only paid for the amount of grapes they pick, not for the hours they work. Consequently the seasonal workforce is growing at an alarming rate. In 1995 there was an equal number of seasonal and permanent workers engaged in vineyard farming. By 2000 this balance had shifted dramatically: over 65% of the workforce was employed on a seasonal basis, while only 35% had permanent contracts.

A lack of formal written employment contracts is commonplace, and means that seasonal workers can be replaced at the whim of the farmer. In addition, many South African farms are difficult to access, but low wages mean that workers are unable to pay for transport in a country lacking in effective public transport infrastructure. The irregularity of their employment also makes it difficult to organise or unionise workers, who

are only with the farms for a limited amount of time and are not even guaranteed employment at the same farm each harvest. Low levels of literacy and awareness of their rights means that seasonal workers are unable to tackle the problems of low wages and poor conditions themselves, further contributing to their marginalisation.

Additionally, just as wine is now sold through brokers, so is the workforce. Labour brokers negotiate with farmers, and this means that workers often lack any direct contact with their employer, blurring the lines of responsibility for their well-being. As a consequence, working conditions in the vineyards have deteriorated.

The workforce is not only divided between permanent and seasonal workers. Women suffer particularly heavily as a result of the ongoing deterioration in conditions – and if you are a seasonal woman worker, life is twice as hard. Permanent workers receive more rights and scrutiny of conditions, particularly under good practice initiatives such as the Ethical Trading Initiative and WIIETA, South Africa's Wine and Agricultural Ethical Trade Association. Some supermarkets subscribe to these voluntary schemes, but in practice enforcement is often lacking.

Traditionally, only men have received permanent contracts, which means that women make up the majority of seasonal workers. Women are paid less than men and are frequently subject to sexual harassment at work. Housing is often tied to permanent contracts, a crucial consideration given that housing near remote farms is nearly impossible to find. Consequently female

workers are forced to rely on male family members for housing, making them extremely vulnerable. This means women often stay in abusive relationships because they have nowhere else to live. Furthermore, if the man of the family loses his job and therefore his home on the farm, then the women and children are also evicted.

The complex history of South Africa and the political situation in neighbouring countries mean that further divides in the workforce are being created along linguistic and cultural lines. The increasing trend towards seasonal employment has been accompanied by a rise in employment of migrants who do not speak Afrikaans. Since Afrikaans is the predominant

language of the Cape region, many migrant workers struggle to communicate with their employers and their colleagues. Such linguistic and cultural barriers have made it more difficult for these workers to defend their rights.

Where traditional trade union representation does exist to fight for better working conditions for farm workers, it has been dominated by the interests of permanent male workers. The needs of women have been largely ignored, and despite the increase in seasonal migrant workers who do not speak Afrikaans, traditional trade union strategies have not been adapted to cater to the needs of these ever more marginalised groups.



*Women wine workers earn less than men and are vulnerable to abuse in the vineyards
Photo: Rodger Bosch/AFP/Getty Images*

Sikhula Sonke: We grow together

In the Western Cape province, where most South African wine is grown, exploited farm workers can now turn to Sikhula Sonke, a trade union run by women whose Xhosa name translates as: 'We grow together'.

Sikhula Sonke aims to improve the living and working conditions of farm workers by negotiating with employers on their behalf and lobbying local and national governments to ensure their rights are protected. It is the only trade union that is specifically designed to support the needs of the most vulnerable farm workers: women, seasonal workers, migrant workers and workers who do not speak Afrikaans.

Recognising that social and cultural factors can affect workers as much as the terms of their employment, Sikhula Sonke has adopted a holistic approach to labour advocacy. The union's methods have proven remarkably effective. Since its founding in 2001, Sikhula Sonke has successfully promoted much needed labour reforms, while at the same time increasing its membership to over 4,000 workers.

Sikhula Sonke campaigns to ensure that women workers can access the same basic rights which most male workers enjoy, such as a decent wage, job security and housing. The union challenges employers who practise gender discrimination either by depriving women of a minimum wage or by paying them less than male employees. Sikhula Sonke also speaks out against employers who single out women for dismissal, a common danger faced by many vineyard employees.

Sikhula Sonke does more than expose gender discrimination: the union also campaigns for real benefits which have a tangible impact on the daily lives of women workers. For instance, Sikhula Sonke has played a leading role in the struggle to implement a guarantee of paid maternity leave. Because of the union's efforts, women are no longer forced to return to work immediately after giving birth. Sikhula Sonke also successfully petitioned for the installation of crèches in a number of vineyards, a significant measure which allows women to earn more money to support their families.

Sikhula Sonke has recently started campaigning on behalf of seasonal workers, the majority of whom are women. Since they rarely belong to a trade union and are less likely to work under a contract, vineyard employers have been hiring seasonal workers in increasing numbers. In recognition of their precarious employment status, Sikhula Sonke has made securing regular and guaranteed jobs for seasonal workers one of its main priorities.

An important component of Sikhula Sonke's work supporting seasonal workers is its campaign to improve the lives of migrant workers who travel great distances for temporary employment. Many of these migrant workers speak regional languages but not Afrikaans, and thus have difficulty accessing available services. Since Sikhula Sonke's members speak a range of South African languages, the union is often called upon to foster dialogue between migrant workers and their local colleagues.



*The union Sikhula Sonke campaigns for the rights of South African wine workers
Photo: Women on Farms Project*

Achieving lasting change

In recent years Sikhula Sonke has played a leading role in securing an impressive array of labour victories for wine workers. Employing a two-pronged approach of grassroots activism and targeted political lobbying, the union has achieved critical reforms which have made a positive impact in all aspects of workers' lives, from safer working conditions to better pay.

Sikhula Sonke has also successfully intervened in a number of individual cases where employers had knowingly deprived workers of their rights. The examples below give an indication of the range of Sikhula Sonke's successes, and serve as a testament to the union's commitment to labour rights.

- In July 2006 Sikhula Sonke learned of a farm which was paying its workers R885 a month, well below the monthly minimum wage of R950. The union successfully petitioned the employer not only to increase the monthly wage to R1,048, but also to cover earnings lost in previous months. Sikhula Sonke monitors wine farms' compliance with minimum wage laws, while also petitioning the government to review legislation regularly to ensure that it reflects changes in the cost of living.
 - In October 2006 a total of 35 female seasonal workers were dismissed from a farm without being given an explanation. Shortly thereafter, women from a nearby settlement were hired to take their place. Sikhula Sonke intervened on behalf of the women who had been fired; one week later they were given their old jobs back.
- Sikhula Sonke takes action against illegal dismissals on wine farms by negotiating with the employer directly or, if that fails, bringing the case to the attention of the authorities.
- In June 2007 Sikhula Sonke completed negotiations on a landmark collective bargaining agreement with a large wine employer. This agreement guarantees employees a health benefit package which compels the employer to make payments towards as many as four doctor's visits a year; to pay for eyeglasses; to contribute towards dental costs; and to provide four months of paid maternity leave as well as five days of paid paternity leave. Sikhula Sonke has secured many other critical benefits for wine workers, including day care and education facilities for the children of workers and free transport to markets where workers can buy food.
 - To ensure the safety of vineyard workers who are regularly exposed to pesticides and other harmful chemicals used in wine production, Sikhula Sonke initiated a campaign in 2005 demanding that employers take appropriate steps to protect the health of their workers. In the following months, workers on several wine and fruit farms reported that their employers had begun providing each worker with protective suits complete with safety boots, hats, overalls and jackets. The union is currently engaged in a campaign to end the practice of spraying crops during working hours.

Sikhula Sonke's achievements have made a significant impact on the lives of wine workers, but many battles lie ahead. For example, Sikhula Sonke is currently campaigning against the eviction of farm workers from their homes, a practice which has forced many labourers into slums. Given the union's string of successes to date, there are grounds for hope with regards to this struggle and the many others which will emerge in the years to come.



*Sikhula Sonke has increased its membership to over 4,000 workers
Photo: Wendy Pekeur/Sikhula Sonke*

Take action

Cheap wine comes at a cost. While British consumers benefit from 'buy one, get one free' sales and discount purchases at supermarkets, wine workers in countries like South Africa are left to pay the price. To make a profit from promotional sales, supermarkets transfer the costs down the supply chain to farm owners, forcing them to keep wages low, extend working hours or even lay off workers.

Although supermarkets deal primarily through wine agents, War on Want believes that they must be held accountable for the effects of their business practices on farm workers at the very bottom of the supply chain. In particular, War on Want believes that workers overseas should have the right to seek redress when they are harmed as a result of the actions of UK companies or their suppliers.

The UK government, however, prefers to let companies monitor their own behaviour as part of the voluntary 'corporate social responsibility' model. Yet this alternative to corporate regulation has been shown time and time again to be ineffective. Until our political leaders show that they are willing to clamp down firmly on corporate abuses, it is up to us to apply the pressure. You can help by taking the following actions:

1. Call on the UK government to enact legislation which will empower workers overseas to seek redress when they are harmed as a result of the actions of UK companies or their suppliers. Please write to Rt. Hon. Lord Mandelson, Secretary of State for Business, Enterprise & Regulatory Reform,

calling on the government to switch its support away from the voluntary approach of corporate social responsibility and to implement a system of binding corporate regulation in its place.

Write to:
Rt. Hon. Lord Mandelson
Department for Business, Enterprise & Regulatory Reform
1 Victoria Street
London SW1H 0ET
mpst.mandelson@berr.gsi.gov.uk

2. Shop smart

War on Want encourages you to continue buying and drinking South African wine! If you wish to shop ethically, the Fairtrade label provides consumers with a guarantee that the producer is paid a fair price for its wine and that workers are better paid and treated more fairly. In 2003 South Africa's Thandi label became the first wine in the world to gain Fairtrade status, and the UK remains the most important market for Fairtrade South African wine. However, only 1% of all wine sold in the UK has Fairtrade accreditation, which underlines the need to press for a robust system of corporate regulation for all producers.

3. Join us!

War on Want relies on your donations to support the work of grassroots movements like Sikhula Sonke and to continue our campaigning on issues of food justice and workers' rights. Become a member today at www.waronwant.org/joinus

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* Informe disponible en español

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War on Want

War on Want fights poverty in developing countries in partnership and solidarity with people affected by globalisation. We campaign for workers' rights and against the root causes of global poverty, inequality and injustice.

Cover picture: South Africa wine workers during the harvest
Gianluigi Guercia/AFP/Getty Images

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