

The Meaning of the Fair Trade in the Context of the Republic of South Africa

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1. Introduction

Fair Trade is drastically expanding to mainstream in the 2000s. In 2005, the total amounts of commodities certificated by Fairtrade Labeling Organization International (FLO-I) reached 1.14 billion Euros from 830 million Euros in 2004. Even in the Republic of South Africa (South Africa) has the Fair Trade Movement appeared. Agricultural and food sectors in South Africa have provided several kinds of Fair Trade commodities such as citrus, teas, wines and so on. This paper aims at evaluating the meaning of Fair Trade of agricultural products in the context of South Africa.

South Africa is a member country of Cairns Group, a coalition of 19 agricultural exporting countries. In general, agriculture of South Africa is more competitive than in any other African countries. However, the agriculture of the native South Africans is less than subsistence-agriculture. The dual structure of agriculture is one of the most severe problems in South Africa. The government of South Africa has been putting a priority on the land reform in agriculture so as to settle the large disparities between white farms and the self-consistent farms.

Accordingly, the government of South Africa has been carrying out a variety of land reform programs. However, they have rarely succeeded, and many farms established after land reform have not been well managed so that they are now called “ghost farms”¹.

One challenge to settle out such failure of land reform farms is an adoption of Fair trade. The first Fair Trade commodity was from a land reform farm in South Africa. These days, some local governments are introducing a Strategic Partnership Approach (SPA), which means the method of management reform of a land reform farm through using know-how of a private company. Some management companies are adopting Fair Trade certification and labeling system for promotion of their products. Furthermore, some white farms are also producing agricultural commodities with Fair Trade labels.

Management companies and white farms are not marginalized people, who are major target of Fair Trade movement in general. Why are management companies and white farms involved in Fair Trade movement? We cannot know the answer without

¹. Philip Du Toit, 2004, pp.250-251.

analyzing the relationship between Fair Trade and land reform in agriculture. In this regard do peculiar features and meanings of Fair Trade in South Africa exist.

2. The Birth and the Extension of Fair Trade in the South African Agriculture

The Fair Trade movement has recently emerged in South Africa. The discussion regarding possibilities of Fair Trade in South Africa started in the latter half of the 1990s. Wynberg was asked to research possibilities about trading farm products through Fair Trade channels. Finally, he concluded that Fair Trade should focus on smallholders and farm workers, and that large farms were not suitable for the basic concept of Fair Trade.

However, Capespan, one of the largest exporters of fresh fruit in South Africa, was holding an intention to sell their products through Fair Trade channels. In 2001, Capespan started to introduce a separate label for fruits produced at the farms involved in land reform projects. This label was called “Thandi” and was proposed for the certification of fair-trading products. According to the suggestion on Max Havelaar Netherlands, the inspection of “Thandi” Farm was certified in terms of the FLO Hired Labor Standard in 2002.

The adoption of Fair Trade labels caused significant growth of sales amounts of their citrus. Such a great success of “Thandi” Farm raised strong concerns about Fair Trade labeling system among some producers, and they rushed to get certification of Fair Trade. At last, 19 producers were accredited under the FLO FT labels in 2003. Most of them are composed of large commercial farms, and others are Trusts/CPAs (Communal Property Associations), cooperatives, or assemblies of Trusts/CPAs, African group farms, and farm products’ packers². Such an involvement of many farms required establishment of a coordinating body, Fairtrade Producers’ Support Network in 2003, which was taken over by Fair Trade of South Africa Trust in 2004.

Trusts/CPAs³ are founded as organizations for land reform projects, details mentioned later. The initial founders of Trusts/CPAs are called beneficiaries. They are actually shareholders of Trusts/CPAs and have to run them. However, according to my research in 2004, the number of beneficiaries was higher than the number of actual agricultural workers in most Trusts/CPAs (Table 1). This was because beneficiaries could not expect sufficient wages and returns due to poor performance, and they were staying outside of their farms, explained later. Fair Trade seemed to give better situation and accordingly to be more attractive for concerned Trust/CPAs.

Another type of major players of Fair Trade is a large commercial farm. Most of them are owned by white South Africans. They are very sensitive to political pressure which forces white owners of large farms to sell their land. Accordingly, they are willing to adopt any kind of activities

² The Riverside group in the Eastern Cape is a good example.

³ The difference between a trust and a CPA lies in the administrative structure, the legal status, and the way of decision-making.

that help them reduce pressure toward land reform.

In brief, land reform can be called an engine for promoting Fair Trade in South Africa. Therefore, it is necessary to mention about land reform policies and their results. I have carried out a research in South Africa so as to understand the actual performance of land reform projects and the relationship between land reform projects and Fair Trade.

Table 1 Numbers of beneficiaries and actual workers by gender (persons)

Farm Number	No of beneficiaries		No of actual workers	
	male	femail	male	female
Farm 1	26	62	7	6
Farm 2	43		1	
Farm 3	7	30	5	13
Farm 4	24	25	4	1
Farm 5	45		3	2
Farm 6	27	33	7	3
Farm 7	68		5	1
Farm 8	N/A		1	5
Farm 9	8	45	3	2
Farm 10	55		3	8
Farm 11	21	9	9	6
Farm 12	10	27	2	4
Farm 13	60		11	2

Source) Field Survey in 2004

3. Actual Results of Land Reform Program and Adoption of New Approach

3.1 Policy Framework and the result of Land Reform

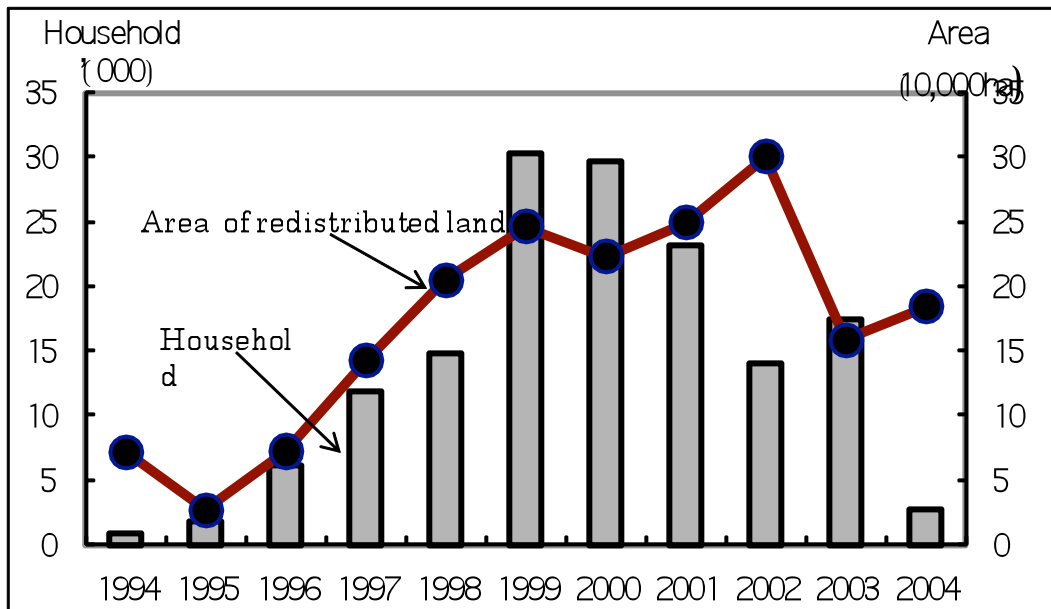
The dual structure of agriculture is one of the most important and the most urgent problem to be tackled in South Africa. Great disparity of land hold structure is initially originated from Apartheid policy. Although it was abolished in 1994, such disparity still remains and is considered as a major reason of poverty, especially in rural area. According to Adams⁴, 72 % of the poor lived in rural area and 71 % of the population in rural area was left in the poverty. Adams also explained that only 1 % of white population was poor, while 61 % of African was poor.

For agriculture in South Africa, the dual structure is a severe problem as well as the national economy. The South African agriculture is composed of a commercial farm

⁴ Adams, M., Cousins, B., and Manona, S., 2000, pp.111-128.

sector and a subsistent agriculture. The former is operated by white people and the latter is practiced in the former homeland by native Africans. 82 million hectares out of 122 million hectares of total national arable land is possessed by white owners⁵. The only 33 % is for native Africans. In general, white farms are fertile and equipped with irrigation facilities, while the land in the former homeland is less fertile and is under rain fed. Such conditions are considered a major reason for the poverty in the rural area..

From this context, the land reform is essential for poverty alleviation in South Africa. Land reform is also considered to provide job opportunities with unemployed people to generate income from the economic point, while politicians are insisting that land reform is the way to recover fairness in South Africa.



Source) Department of Agriculture and Department of Land Affairs, 2005

Figure 1 The change in the area of distributed land and the number of beneficiaries

In 1994, Department of Land Affairs (DLA) was established to cope with problems regarding land reform. The framework of land reform was consisted of three ways, namely land restitution, land redistribution, and land tenure reform. Land restitution meant that those who could show that they had possessed the land previously had rights to take legal action for restituting the land in question to them. Distinct proofs such as documents are necessary to show land ownership. It was very difficult for rural

⁵ Koichi Ikegami, 2006

people to meet this requirement. Land tenure reform included the improvement of job conditions for farm workers, as well as joint management of farm owners and farm workers. Accordingly, land redistribution is adopted as a major policy so as to reduce huge gap of land ownership.

Figure 1 illustrates the change in the area of distributed land and the number of beneficiaries. According to this figure, although the area of distributed land increased rapidly until 1999, it decreased in 2000. Then, the Government decided the new target of land reform in 2000. It was set at 25 million hectares, approximately 30 % of farm lands, by 2014⁶. This target is so ambitious that it is very difficult to realize it, judging from the past result of land reform. More than 3.1 million hectares was delivered to 1.2 million persons since 1994 up to 2005⁵. The average area of transferred land per year was only 280,000 hectares. Thus, a new idea and strong leadership of the Government is necessary to achieve the goal. Involvement in Fair Trade movement is related with such a political background.

3.2 Setting Up the Group Farm through Land Redistribution

Land redistribution aims at giving landless people opportunities to buy farm land. On the contrary, the Government doesn't force white farm owners to sell their lands. In brief, land redistribution is carried out under the principle of "willing-seller, willing-buyer", which means that the price of land is determined by market mechanism.

This mechanism makes it difficult for native Africans to purchase the land on the individual base. Of course, the DLA prepares a support scheme to progress the land redistribution program. This scheme was based on the concept of so-called cost sharing. The DLA provides subsidy of 20,000 Rands⁷ to native Africans, while they have to pay 5,000 Rands in cash or in kind such as tractor, labor, and so on. However the amount of subsidy is not enough to buy the land. Therefore, native Africans have to set up a collective body in order to obtain bigger grant and to get easier credit access than in the case of individual base.

Trust and Communal Property Association (CPA) are typical collective bodies. CPA is controlled under the Communal Property Association Act of 1996. The purpose of this act is to bring the principle of fairness and democracy into the organizational management so that CPA can avoid conflicts regarding property such as land. Once administrative problems or land conflicts occur, the DLA in each Province dispatch a conciliator appointed by Director General of the DLA. The major role of conciliator is to

⁶ Department of Agriculture, 2005, p7

⁷ 1 Rand = 0.12 US dollar (in 2008)

analyze fact-finding, and to make a recommendation for coping with issues. A trust need to pay for lawyer and the proceeding to a suit, while a CPA doesn't have to owe to any costs because the CPA Act obligates the DLA to help CPAs without any payment.

Another difference between Trust and CPA lies in the way of decision making. While Trust members confides the administrative authority to the council of Trust, CPA members hold a general meeting to decide by the principle of one member one vote. Due to such a way of decision making, Trust can act and response more quickly, while there is a possibility of high-handed. On the other hand, CPA members can reflect their opinion to the policy of their group farm, but it takes more time to agree with each other. Which type they choose depends on their social tradition.

3.3 Actual Performance of Group Farm under Land Reform

In 2004, the DLA in Limpopo carried out 77 land redistribution schemes. The total area of redistributed was 45,181 hectares, and the number of beneficiaries was 6,714⁸. However, the DLA office in the Limpopo Province could not identify clearly how many Trust/CPAs were organized. The distinct division between Trust and CPA seemed not to be the major concern for officers, and even beneficiaries did not know whether legal status of their farms was Trust or CPA. According to the DLA, few farms chose CPA in Limpopo, and most farms were set up as Trust. The beneficiaries were likely to prefer Trust, because Trust was similar to the way of decision making in their tradition.

Those who set up a trust or a CPA are called beneficiaries. Although the DLA supposed beneficiaries who received the land under a land redistribution program were willing to work at the group farm newly set up, beneficiaries were not always involved in farm activities. They regarded the redistributed farm as a residence rather than as a work place. Accordingly, the Central DLA changed the name of land redistribution program of "Settlement/Land redistribution and Development" to "Land Redistribution and Development" (LRAD), which focused just on agricultural production, in the process of review of land reform policy in 2000⁹.

In addition, we found the fact that most beneficiaries left the land reform farm to look for job opportunities somewhere outside, by a field survey in the Limpopo Province in 2004. This fact indicated the severe situation of the farm management. Initially, beneficiaries expected to get the wage for farm works and, moreover, the share returns, because they had rights to receive the profits, if any. However, in fact, most farms could

⁸ Ruth Hall, 2004, p.38

⁹ As to land for residence, responsible authority moved to the Department of Housing. The stance changed from demand-driven policy to supply-driven one. The Government expected the change would lead to low price of land.

not raise profits and could not pay even wage.

We practiced an interview research using questionnaire sheet to the responsible persons or workers of 14 land reform farms. The area of the biggest was 1,400 hectares, while that of the smallest one was only 27 hectares. The area per capita varied from 26 hectares to 0.45 hectares. Main crops were tomato, cabbage, carrot, spinach, maize, beetroot, butternut and guava etc. There were 5 farms keeping chicken or cattle and selling their products.

Table 2 Changes in the sales amount of selected Trusts/CPAs in the Limpopo Province
(Rands/year)

Trust/CPA	products	2000	2001	2002	2003	2004
Levavile	avocados	84,000	67,000	22,000	0	-
	oranges	Not ready	13,000	3,000	5,531	-
	naarfjes	1800	8,000	4,000	0	-
	chicken	0	0	21,000	0	-
	total	85,800	88,000	50,000	5,531	0
Marobala	avocados	50,000	32,000	0	0	-
	maize	0	0	0	0	-
	total	50,000	32,000	0	0	0
Matshla	maize	-	11,600	0	0	3,895
	vegetables	-	-	4,000	0	-
	butternuts	-	-	9,000	-	-
	total	-	11,600	13,000	0	3,895
Makgato	maize	-	0	19,000	0	-
	butternuts	-	-	900	-	-
	chillies	-	-	1,800	-	-
	total	-	0	21,7000	0	0

Source) Interviews with persons of Trusts/CPAs conducted in August and September, 2004

At the beginning, most farms planted various crops and some farms practiced animal husbandry. They bought agricultural inputs such as fertilizers, chemicals, seeds and paid electric fee for irrigation facilities. They could also distribute farm income, as well. However, the sales amount from their products gradually decreased in the most farms, as is shown in Table 2. This led farms a financial problem, followed by the shortage of agricultural inputs and finally the supply stop of electricity for pumping machines. Although beneficiaries received farm lands in their hands by a subsidy, they

could not secure sufficient money for running farms to sustain. Thus, not a few farms stopped their agricultural activities and had collapsed in fact. The beneficiaries or the workers who remained in the farm struggled to survive in terms of small business such as selling woods or charcoals.

There are variable reasons why the land reform farm failed to continue their business. One reason is the lack of know-how and knowledge concerning farm activities. Another reason is the lack of good market access and the market structure to block native Africans to sell in a free way. They cannot help without accepting a low price which middlemen or traders offer.

3.4 New approach to conquer the restrict factors

The DLA proclaimed a new initiative which intended to utilize the know-how of private sector to resolve the stagnation of the land reform farm. This initiative was called Strategic Partnership Approach (SPA). The mechanism of SPA is illustrated in Figure 2. The procedure of SPA can be explained as follows.

- (1) A trust or a CPA which hope to be involved in SPA establishes a council or a board of trustees.
- (2) A council or a board of trustees makes a contract with a private managing company which meets some criteria decided by the Provincial Government.
- (3) A council/trustees' board and a managing company forms a joint fund. A trust/CPA capitalize their land to this joint fund, on the contrary, a managing company pays land rents to a trust/CPA through a joint fund.
- (4) Permanent and casual workers of a trust/CPA, including both original beneficiaries and workers from neighboring communities, organize a workers' trust.
- (5) The representatives of the council/trustees' board and a managing company sets up a joint commission for administration, where a workers' trust takes part in as a commission member.
- (6) A managing company submits a report to the LDA every three months.
- (7) The role of the LDA is selecting the suitable managing company and monitoring the scheme.
- (8) A managing company practices agricultural production, marketing and processing their products, as well as on the job training and transferring know how of farm management and related technology towards members of joint commission for administration.
- (9) A managing company provides money for capacity building, social development,

and improvement of social infrastructure. A joint commission for administration discusses and decides how to use this money and which factor to be prioritized.

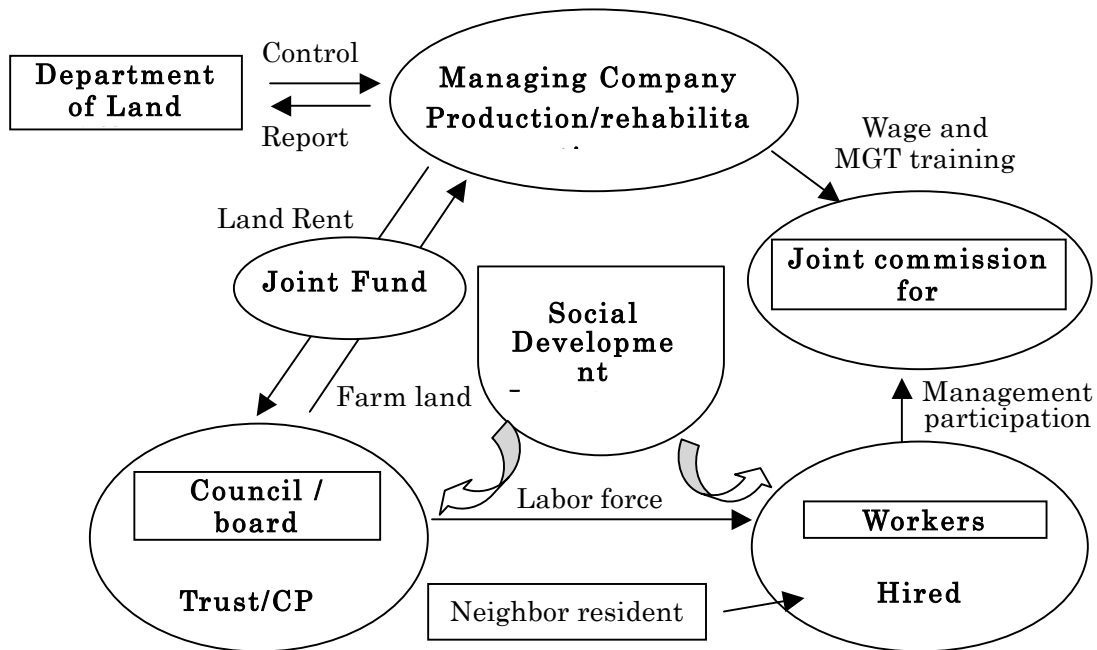


Figure 2 The mechanism of Strategic Partnership Approach

The SPA is a contract based scheme, utilizing the power and capital of private sector. Private companies involved in the SPA take part in this scheme because they are allowed to use sufficient land without the fear of condemnation for relatively long period, varying 10 years to 15 years, under a stable contract. Moreover, the SPA's involvement may improve the reputation of a managing company. The advertising effect is fairly large. Finally, the ninth procedure is similar to the concept of Fair trade movement. Thus, it is possible to get Fair Trade certification for the products from the SPA's farm. In fact, Zebediella farm in the Limpopo Province, which we visited in 2005, was involved in the SPA scheme in 2003. This farm has already shipped 200 tons of oranges per day with Fair Trade labels.

Boy's Group running Zebediella farm takes part in this scheme because Boy's Group considers SPA profitable. This company is allowed to use sufficient land without the fear of condemnation for relatively long period, varying 10 years to 15 years, under a stable contract. Moreover, the SPA's involvement may improve the reputation of a managing company. The advertising effect is fairly large. They can also expect Fair Trade certification for the products because the SPA procedures mentioned already are similar to FLO Hired Labor Standards.

Finally, and this is the most important, managing company can meet the political demands for empowerment of black people. The Government is conducting 'Broad-Based Black Economy Empowerment' (BEE) policy. The Government requests the economic sector to reflect the concept of empowerment into all the economic activities. Thus, white owners or managing companies are obliged to supply opportunities for capacity building. In addition to this, the Company Law provides that the 25 % of properties of company, including share, stocks, profits, etc., should be distributed to native Africans.

Because of these policies, they have to invest into social and economic infrastructure or capacity building. Due to this investment, workers can enjoy improvement of their social life and working conditions. However, we should take a notice that they can compensate for this expenditure if they get social premium from FT organizations. Then this is called 'win-win relationship' among stakeholders.

4. Features and meaning of Fair Trade in South Africa

4.1 Features of Fair Trade in South Africa

The purpose of Fair Trade movement is initially to support the self-reliance of the marginalized people in the Southern countries. Small landholders and women in the rural area are the main target among the marginalized people. However, as mentioned in the section 2 and the section 3, Fair Trade movement in South Africa has been initiated by large farms and an exporting company.

In 2005 and 2006, we visited the farms and the companies involved in Fair Trade movement (hereafter Fair Trade farms/companies). Fair Trade farms/companies are categorized into five types by the character of leading actor, namely (1) Land reform farm originated from Trust/CPA, sub-categorized into a collective body of agricultural workers and an SPA farm, (2) Cooperative of small producers including local food processors, (3) Commercial white farms depending on hired workers, (4) Large food processing company which possesses their own farm and operates it, (5) Packing and trading company which organize small landowners to secure agricultural products.

The most important feature of Fair Trade movement in South Africa is not to support small producers but to promote sales of products and to open the marketing channel which can achieve high added values. This means that Fair Trade in South Africa is done under the market oriented tendency or as a strategic method for profit generating. In other words, Fair Trade movement in South Africa is building a business model depending on market mechanism rather than mutual help and cooperation between the South and the North. Therefore, a commodity certification and labeling system is focal point for large scale of farms/companies so as to achieve this purpose.

It is impossible for them to be certified under the standard for small producers of the Fairtrade Labeling Organization International (FLO-I). Accordingly, as mentioned earlier, the inspection of Fair Trade farms/companies were certified in terms of the FLO Hired Labor Standard.

In short, a licensing body practices the certification process according to the FLO Hired Labor Standard. This standard requires establishment of a joint committee, which consists of hired workers, including casual workers, and democratic administration of a joint committee.

Democratic administration means that a joint committee can decide how to use the Social Premium Funds, which Fair Trade Organizations such as Max Havelaar and Fair Trade Foundation in the North provide in order to improve the life and working conditions or capacity of hired workers. Fair Trade farms/companies we visited are using the Social Premium Funds for building workers' houses and a clinic, running schools and kindergartens for the children of workers, operating a community radio service, improving social activities like a sports festival, training for computer operation, and so on.. Here we have to take a notice that the Social Premium Funds cannot meet sufficiently the necessary amount for doing what hired workers request. The owner of farm or a responsible person for company provides the deficit.

Such improvement of infrastructures and capacity building are useful for permanent workers, but casual workers tend to want immediate effects. Therefore, there sometimes occur conflicts between permanent and casual workers. This situation can give negative impacts on the autonomy of workers' trust. No clear way has so far been found to solve this problem.

4.2 The double face of Fair Trade in South Africa

It seems that the major beneficiaries of Fair Trade movement in South Africa are hired workers in large farms/companies. Is this true? Of course, the living conditions of hired workers improved and they realized partly a so-called participatory management in their farms/companies. However, such a judgment is based on surface. This judgment cannot explain why white owners or private company dare to pay the cost for improvement of infrastructures and capacity building.

Understanding of socio-political background is necessary to answer this question. The first aspect is the empowerment policy of the central government for native Africans. The Government is conducting 'Broad-Based Black Economy Empowerment' (BEE) policy. The Government requests the economic sector to reflect the concept of empowerment into all the economic activities. Thus, white owners or private companies are obliged to supply opportunities for capacity building. In addition to this, the Company Law of 1973 provides that the 25 % of properties of company, including share, stocks, profits, etc., should be distributed to native Africans. Such a regulation is higher barrier than the conditions the FLO Hired Labor Standard requires. It is quite easy for white owners or private company to get a certification of FLO, compared with BEE policy and the 25 % provision. In this case, Fair Trade organizations in the North pay the cost required politically from the Government instead of white owners or private companies. The Social Development Premium from the North substitute the burden which white owners or private companies have to owe to in accordance with BEE policy by themselves.

It may be helpful to explain the stance of the local governments on Fair Trade movement. Some local governments are willing to assist Fair Trade movement as a way to empower native African economically through the enlargement of export markets. Fair Trade is expected to be a method for attaining greater added economic value than common products, and to be a marketing strategy for differentiation among international competitors. Generally, Fair Trade organizations accept higher price because price premium goes directly to hired workers or marginalized people and contribute to realizing fairer society. However, price premium belongs to white owners or private companies under the FLO Hired Labor Standard. In short, Fair Trade would help white owners or private companies, not hired workers, in this case.

The second aspect is the social pressure to progress land reform. White owners of large farms are worrying about compulsory condemnation of their land by the Government, especially since farm raiding under government's guidance had occurred in Zimbabwe. Their psychological stress is very strong and they are struggling for attaining good reputation such as providing hired workers with fair treatment so that they can avoid the social pressure. In other words, they are expecting Fair Trade can play a role of seawall against the wave of land reform. Then, there exists possibility of leaving dual structure in agriculture as it is.

Therefore, Fair Trade movement in South Africa has a double face; one is the aspect of contributing to improvement of living conditions, social infrastructure, and capacity building of hired workers, the other is the aspect concerning the incentives of white owners or private companies. It is very tough issue to integrate such double face of Fair Trade movement in South Africa.

5. Conclusion

Figure 3 shows the flow structure of issues regarding land reform and Fair Trade movement in South Africa. South Africa is facing a difficult problem on how to reduce the poor-rich distinction in agriculture. From this context, land reform should be urgently and strongly promoted. However, actual result of land reform was less than expectation. Group farms established through land reform scheme failed to continue production and turned into 'ghost farms' all over the country.

Land reform gave impacts by way of two courses. One is the necessity of economic sustainability by introducing a concept of 'fairness' as appealing new added value, followed by initiating Fair Trade farms and Strategic Partnership Approach. The other is the politico-psychological pressure to secure good reputation of 'fairness', which was caused by social pressure of land reform and domestic policies seeking for reduction of disparities between rural-urban and agriculture-industry relationships. This aspect led expansion of Fair Trade farms/companies. Fair Trade organizations in the North provide both price premium and social development premium. At the moment, who will

receive profit from such premium among farm owners, hired workers, and private companies, including managing companies, on the context of not only socio-economic aspect but also political aspect should be discussed as a focal point.

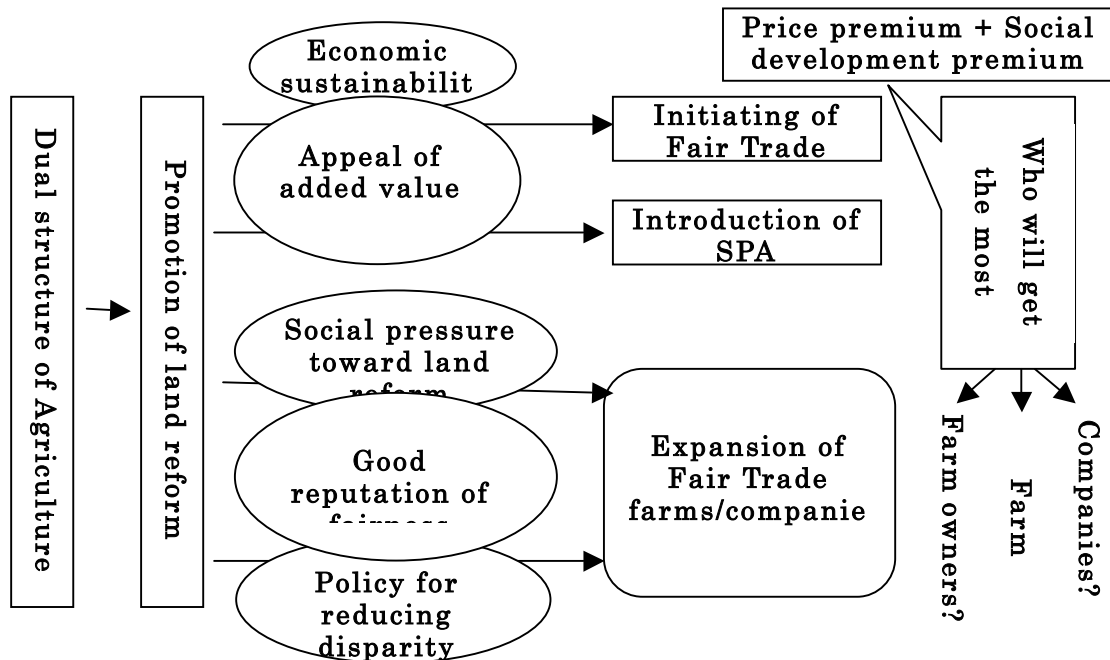


Figure 3 The flow structure of issues regarding land reform and Fair Trade movement in South Africa

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