

FROM THE DESK OF THE CEO (46/12)

Justin Chadwick (23 November 2012)

QUOTE OF THE WEEK *"It is by the goodness of God that in our country we have those three unspeakably precious things: freedom of speech, freedom of conscience, and the prudence never to practice either of them"* Mark Twain

CGA ELECTIONS

At the CGA Board meeting on Tuesday Pieter Nortje was re elected as Chairman, Piet Smit as Vice Chairman and George Hall, Graham Piner and Hoppie Nel as Executive Committee members.

LABOUR UNREST

All those involved in the agriculture sector would have been concerned about the labour unrest that broke out in the Western Cape. An article in Business Report (22 November 2012) by Margareet Visser (Labour and Policy Research Project, University of Cape Town) and Stephanie Barrientos (Institute of Development Policy and Management, University of Manchester) makes an interesting read – this is an extract from the article *"Reports of 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 importantly 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 done by 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% of grape farmers in the Hex River Valley, the fulcrum of the recent protest, sold their farms during the period 2007-2011.

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

Before deregulation of the fruit industry in the late 1990's, 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 have gone through a period of consolidation (including in South Africa). Supermarkets negotiate hard on price, and require a raft of standards regulating the quality of fruit, food safety, and also how ethically fruit is produced.

The rest of the article outlines how government support to farmers has declined, how input costs have risen, the difficulties associated with employing seasonal labour and the role that all in the value chain have to play. Although there are many opinions and allegations about what started the unrest and how it was fuelled and kept going; the unfortunate truth is that it has many unintended consequences. Farmers who have some of the best employment conditions (which have lead to excellent worker relations) are now wondering if it is all worth it, and the spectre of mechanisation hangs over an industry that employs almost half of those employed in agriculture. And the biggest loser has been the workers – the lost salaries and lost work opportunities run into millions of rand's. Some farmers have abandoned their crops, meaning lost work opportunities on those farms. Government has started a process of reviewing the sectoral determination of wages for the agricultural sector – a process that includes employee and employer representation. Growers are urged to attend these meetings or to make written submissions; dates for the meetings can be found on the CGA website www.cga.co.za. Although there are some who have pledged to ignore this process, it is hoped that those who hold South Africa dear will come to the fore and thrash out a workable solution. Good must trump evil.

PACKED AND SHIPPED (Slight change to Valencia figure)

To Week 47 Million 15 Kg Cartons	Packed	Packed	Packed	Original Estimate	Latest Prediction
SOURCE: PPECB	2010	2011	2012	2012	2012
Grapefruit	12.5 m	14.5 m	12.8 m*	15.2 m	12.8 m
Soft Citrus	7.5 m	6.9 m	7.6 m	7.6 m	7.6 m
Lemons	9.6 m	10.7 m	10.6 m**	11.1 m	10.6 m
Navels	22.9 m	20.7 m	23.6 m	22.9 m	23.6 m
Valencia	46.6 m	41.4 m	47.3 m***	46.1 m	47.3 m
	99 m	93.9 m	101.9 m	102.9 m	101.9 m

* RSA 12.1 m; Swazi 0.6 m; Zim/Moz 0.1 m ** RSA 10.5 m; Swazi 0.1 m; *** RSA 44.4 m; Swazi 0.9 m; Zim/Moz 2 m; ****All Oranges