

FTSA Workshop: Group Discussions and Feedback

Following the presentations the participants were invited to form discussion groups. Four questions were posed by the researchers as the focus for those discussions. Each group was then asked to provide feedback to the audience. This component of the event was extremely interesting as it brought stakeholders from very different backgrounds into direct dialogue. It was clear at the time and from individual's comments after the event that this opportunity to engage in an informal way with people speaking from differing perspectives was much appreciated by the participants.

The main points of the feedback are outlined below. Different text colours are used to indicate the contributions of different individuals. Plain black text represents the main speaker who gave feedback on behalf of each group. Please note that some minor editing has occurred to improve clarity.

Group 1: Who pays (or should pay) for ethics in the supply chain?

We don't have an answer! Research has been going on for years and no-one seems to have an answer.

Payment is complex concept – everyone pays in some way to be part of an ethical supply chain whether it is the retailer, the producer, the packshed or the consumer. Fairtrade is an ethical product whereby consumers make a decision perhaps to pay a little more.

It is important to look at all actors in a supply chain and see what they are paying for. The Waitrose Foundation is an example, when they set up a fund which could go back to those producers who were supplying the product in the first place. It is important to look at all actors in the chains and to see what they are paying for.

Often a producer is not in a situation to negotiate that type of decision. They are approached by a retailer who says we want to supply you with Fairtrade fruit and then they say OK, and they get locked into that chain.

It is also about producers being more autonomous and breaking paternalistic bonds between themselves and their market.

We are uncomfortable with the fact that there are too many standards out there and too many retailers that are not accepting each other's standards. So it becomes an egotistical issue between retailers. In these cases the ethical costs are embedded in the product so the consumer perhaps does not get the choice.

Where do the profits from an ethical supply chain go? Do retailers feedback extra profits into their CSR and if so, does it have anything to do with that ethical supply chain?

Is it all a marketing game – at the price of who? Is it the guy down at the pack house? If so, then that is unethical by itself.

A good point was also that there are always typical % or price categories within a supply chain, so for example, the producers got 10%, the distributors got 10%, the exporters got 25% etc, so supply chain are locked into that %s they take and what they put onto their profits or you know, or take their own cost from that. So you have to start trying to break that down. Why do the producers only get 10%? Why cannot they get 20% and the distributor only get 10%? Those are the types of challenges to need to be considered.

And the last thing was about the industry as well. Industries can also start taking responsibility for ethics. For example, the wine industry in South Africa and the rooibos industry are trying to develop their own ethical standards to say to the world 'we are an ethical industry'. So we can take that to the world, rather than them bringing down their standards on us.

The principle of paying for ethics does not sit right with me. Something is wrong with 'paying for ethics'. Everything I am buying should be ethical. But obviously it is not.

Ultimately we believed that workers are paying for ethics or the lack of ethical performance, whether on a farm, at the pack house or further up the supply chain. Ultimately all producers are accountable for complying. You have to start paying to ensure that you are ethical, the fact that you have to demonstrate that you are ethical is the reason why we are all sitting around here now.

Group 2: what challenges do commercial pressures pose for ethical/fair trade and how are these best overcome?

Commercial pressures actually sharpen producers up. There is this idea that something that hurts you gets you better organised kind of idea. For example, the issue of orders being cancelled at the last minute poses problems for the producers which they then have to try and solve, but we agreed that is a problem about transparency in planning. Within the supply chain often there intermediaries between producers and retailers, is a 'just in time' thing, there are delays. Timing can be such that producers cannot cope with the pressure. The problem of Just-in-Time is that the pressure is transmitted to the workers who are told basically we need to supply so much product by so and so and you are paid to do it.

The other issue is about quality of products and the kinds of design requirements around agricultural products. It leaves a good performer being trashed – the example given being the double banana – those beautiful bananas that come in a pair in the same skin. It is a question of re-educating consumers. The retailers have educated consumers that a really good banana looks like this; it is yellow and shaped this way etc. Good bananas look green as a matter of fact. Re-educating

consumers really needs to happen as it is causing vast amounts of wastage. Not only that, it is causing huge environmental problems, use of pesticides just for purely cosmetic purposes. It is well known in SA that it is a problem. So, the question is how transparent are questions about quality and design? We just get it handed down that we need this, and we need it to look like this. It is not transparent. On what basis, on what commercial basis are those decisions being made? That kind of information should be communicated up and down the ethical supply chain.

Commercial pressures are for ever increasing output. The issue here is the pressure for increased production when the market is rising. Can also create problems which can work against the ethical rationale, such as causing over exploitation of natural resources.

Transparency and pricing – there should be more transparency. People want to be able to argue more about the elements in the commercial decisions being made.

The agents are not accountable to anyone, they are a law unto themselves. There is a situation we know of where this agent coming to source flowers from SA, there is no ethical auditing as there is no pressure. That person comes in and checks. There is no pressure to operate ethically.

There is the question of scale, which is another aspect. The retailer only wants to buy a certain amount but the producer has to comply across the whole of their production for this scheme but the retailer will only buy this amount as they are scared to swap their whole range. The ethical product will be on the side as the retailer only needs a bit of this idea on the shelves.

Group 3 – What are the possibilities for growing ethical consumption (environmental, ‘fair’, ‘ethical’, developmental, BEE, localism etc) in South Africa’

The buying market in South Africa is poor. It is something that is a market niche.

Part of the whole BEE discussion is something that is going to change the situation quite drastically around this whole thing, like for companies there will be a need for this component. So, they know what is coming to them.

There is a case for ethical consumption in South Africa. There is something you have to do to shift the volumes, one of them I think, is we have make the middle class feel duty.

At my company it is all about BEE, we don't talk ethics. We think of it as one and the same. We want all our suppliers to be at the same level as we are, which is Level 4, it starts at Level 8 and you go down. But we think we are doing the ethical thing by pushing our suppliers to Level 4 and as the scorecard morphs a little bit and puts more emphasis on enterprise development then the more enterprise development we will push. If you want your bonus at the end of the year then that is what you want to achieve. Then we do it, BEE is institutionalising ethics to an extent.

Which makes the whole thing a political issue, so if you are going to corner that market then don't call it ethical, call it something else.

Group 4: Is there a need to move 'Beyond Audit'; if so, why and how? If not, why not?

Yes, there is a need to move beyond audit now. The focus should be on continuous improvement and we looked at the role of the auditing firms and are there shortcomings in the way audits have been conducted to date? Should we expect audit companies to play a more supportive role? But would that be a conflict of interest? There would be the auditing and a training component, so another side to the audit companies could exist. The principle was that if we cannot rely on audit companies, then we have to provide a more supportive role. Really, there is this issue of whether there should be an ethical champion, someone who drives the ethical role in that company.

This raised the question of what happens to the smaller companies where you don't have that kind of capacity. So again it goes back to the idea that audit companies need to diversify. From the fruit industry side looking at creating regional capacity, working with NGOs and working with individuals round the country who can provide that kind of support. Then there is the question of whether we need a qualification for someone who is going to receive that training or that the training would be recognised as such. That needs to be housed somewhere and there needs to be consistency in the training. The message going out needs to be consistent. Then we looked at the question of audit frequency, there is a great variance of how often retailers are asking for audits, some 2 years, some 3.

The question is whether we should move from a model that looks at risk to one that focuses upon improvement. The whole focus changes. How do you build in those safety checks between audits? How do we ensure that something is happening between audits? So it is all about improvement and not about fixing what is wrong but is actual improvement. How do you monitor that? That is the big question. So, there are various ideas that are put forward. You can set objectives for improvement at the outset of the audit and then assess those objectives at the next audit so you can see if there has been a shift. Then there's the question of companies that do internal checks, word has got around and you send someone to do a random check, not necessarily an audit but could precipitate an audit.

A rating system could be put in place, so that bronze could be just compliance and then silver and gold the next levels. But then one would need to identify what would incentivise a supplier to move towards goals. There is far more in between that needs to be focused on.

To me the whole beyond audit question is a far more fundamental question about how are you starting the transformation happening at the level of the producer? It is not just about going out and doing training programmes and going out and telling people what the audit encompasses and starting looking at the whole corrective action thing. It is about fundamentally changing perceptions of people about the way the business needs to happen, it is about changing mindsets. It is supporting that and mentoring that and a lot more effort needs to happen all the way down, at the

level of government, at the level of various industries, at the level of civil society and trade unions, it is about saying what role do each of us need to play in actually starting to shift that transformation process, the changing of relationships and the building of trusting relationships going. And that to me is working beyond the audit level and we are not there yet.

If we are going to talk about Beyond Audit, I mean if we cannot even bring ourselves to comply with South African legislation, if you as a producer cannot see yourself doing the right thing, you are a citizen of this country, but you want to cut corners around legislation. The legislation we have in this country, many people have issues with it, but it really covers the basics so why would you want to cut corners on it?

So why am I not hearing about these problems in the media more, why are we not naming and shaming these people? Why are we not bringing it out into the open?

There are two things; civil society and trade unions did try the naming and shaming in the industry to the extent that many civil society and trade union organisations were blocked from farms and those were the things that are not reported. The strategy has now changed with civil society and unions saying, they are now blocking us so let's not do the naming and shaming. Let's see if we can sit around and discuss this. Then you find that something as open as the Human Rights Watch report. You just have to trace the ways that producers responded, it was extremely defensive. The Department of Labour.... I was in rural area recently and those producers cannot even remember the last time the Department of Labour was there and they are not worried as the Department of Labour is not going to drive 350kms just to get to the town and then another 100 to get up the mountain. You know that, so why worry? I think if all the auditing firms closed shop and went to work at the Department of Labour then we would see it. That is the kind of game that some of the industry has played, making use of the weaknesses of some of the players in the industry. But it would be unfair not to say that there are very good farmers out there who are going beyond.

Beyond Audit is all about how we supplement, what is the use of going in and auditing a farm year on year and finding the same results? We are not moving, we are not benefitting that farm. We need to look at what other strategies we can use to complement an audit that are stronger and can produce much more improvement for those workers. Improvement for me is not about checking that non-compliances are closed off, it is about shifting that business either fundamentally in terms of ways of thinking and doing business but also about how do we improve at farm level for those workers. That for me is about Beyond Audit, it is not about replacing an audit.

Just because we have it (auditing) and people are inspecting it does not mean that it is all right.