

Shifting South: Horticulture Regional Value Chains and Decent Work in Africa

Brief Summary

- The horticulture trade is shifting away from Europe as the main export destination and towards the global South.
- Supermarkets in Africa source via global value chains (GVC) and regional or domestic value chains (RVC/DVC).
- African supermarkets apply private food standards but rarely social standards (on decent work). They mainly rely on enforcement of labour legislation by the state.
- Research focus of the Shifting South project: South Africa and Kenya fresh fruit and vegetables (FFV).

Research question: what are the implications of RVC/DVCs for private-public governance for decent work?

- Large producers supplying both GVC and RVC/DVCs apply food and social standards.
- South African fruit workers: Private social standards mainly cover permanent workers in farms and packhouses exporting to Europe. Increasing labour casualisation and low unionisation in the sector. Labour legislation is poorly enforced by the state.
- Kenyan vegetable workers: On large farms supplying Europe – some wage workers benefit from social standards and are unionised. On smallholder farms – wage workers are mainly informal and lack protection.

Kenyan smallholders: Small Producer Organisations (required for certification of standards) have better bargaining positions and prices. Women benefit from greater recognition. Independent producers face market volatility and risk value chain exclusion.

Public-private initiatives

- Ethical Trade Organisations (ETO): South African private social standard SIZA involves European but few African supermarkets. Kenya currently has no similar ETO.
- Government value chain initiatives include:
 - South Africa: Value Chain Round Table involving industry, trade unions, civil society organisations and the state, but no South African supermarkets to date.
 - Kenya: public standard KS1758 replicates private food safety and social standards.



- UN Guiding Principles on Business and Human Rights (UNGPR) linking state duty to protect, company duty to respect, and worker remedy implemented in Kenya, with development beginning in South Africa.

Key policy challenges to enhance decent work outcomes

- Greater private-public synergy on governance of food safety standards needs to be replicated for social standards. Better government enforcement of labour legislation needed across global and regional FFV value chains in African countries.

2. Shifting Horticulture Trade and Value Chains

- European supermarkets directly coordinate and govern fresh fruit and vegetable (FFV) supply. They apply strict private standards on food safety (e.g. GlobalGAP). Many also apply social standards covering workers (e.g. ETI Base Code and SIZA code) relating to decent work.[1]
- The horticulture trade, which previously flowed mainly to Europe, is expanding rapidly to the global South; particularly to Africa, Asia, and the Middle East.
- Significant shifts are taking place in supermarket retailing and sourcing within sub-Saharan Africa (SSA) (see Das Nair and Dube 2016).
- South African supermarkets operate in many countries in SSA. Global supermarkets have entered Africa (e.g. Walmart) [Table 1]. The Kenyan supermarket sector has seen a significant transformation over recent years, including the entry of Carrefour and the demise of some Kenyan retailers.

Table 1: Retailers from Deloitte Global Ranking operating in Africa (2019)

Deloitte retail rank (sales)	Company name	Country of origin	Retail revenue 2019 (US\$ m)	No. of countries operating in (Total)
1	Walmart Inc.	USA	523,964	27*
107	Shoprite Holdings Ltd.	South Africa	9,995	15
139	The Spar Group Ltd.	South Africa	7,621	9
179	Pick n Pay Stores Ltd.	South Africa	6,173	7
224	Woolworths Holdings Ltd.	South Africa	4,601	14

Table Source: Deloitte (2021) Global Powers of Retailing Top 250

* Walmart purchased a majority stake in South African company Massmart Holdings in 2012. Massmart is the second-largest retailer in Africa, operating in 12 other SSA countries in 2019.

Note: The French-owned global retailer Carrefour entered Kenya in 2018. At the company's request, it is not included in Deloitte's global rankings.

- African regional and domestic FFV value chains supplying supermarkets within SSA have expanded. They coordinate a part of their FFV supply chains in similar ways to European supermarkets but *also* source through more diverse RVCs/DVCs, as well as arms-length market channels.
- African supermarkets source *some* FFV from producers that also supply European supermarkets requiring private food safety and social standards. Most also source from producers in RVCs/DVCs where only private food standards and limited social standards apply, as well as open wholesale markets where no private standards apply.
- Global, regional and domestic FFV value chains increasingly overlap (see photos below). They also intersect with traditional wholesale and wet markets in Africa.
- Few African supermarkets (an exception is Woolworths) enforce private social standards. Public legislation alone provides the basis for minimum conditions of work for farm workers and protection for smallholders.
- Covid-19 disrupted global FFV value chains, and suppliers diversified more into African markets (Partner Africa 2021). European supermarkets should be aware of the future resilience of their FFV supply.

[1] Decent Work is applied by the International Labour Organisation. It involves opportunities for work that is productive, provides rights, voice and social protection that is equally enjoyed by all men and women workers. <https://www.ilo.org/global/topics/decent-work/lang-en/index.htm>

South African fruit sold in Kenyan supermarket and in open markets



Export standard Kenyan vegetables sold in Kenyan and South African supermarkets



3. Research Summary: African Horticulture

This research asked: *What are the implications of expanding regional and domestic value chains for public-private governance of decent work?*

Research was undertaken between 2019-2021 in South African fruit (apples) and Kenyan FFV (avocados and green beans) that supply African supermarkets.

The research found:

Producers have long been under pressure from European supermarkets' stringent terms and conditions of supply. They now have more market options globally, often with less demanding requirements but lower prices.

Producers able to sell into diverse value chains and end markets are more commercially successful (see Pasquali et al. 2020). Suppliers meeting strict European private food safety and social standards, that also supply African markets, *de facto* apply the same standards to all end markets.

Workers in South African fruit are increasingly casualised due to greater commercial pressures and labour costs. Rates of unionisation are very low, particularly for casual workers (often women and migrants), who have limited bargaining power. Government labour inspectors lack sufficient resources to implement labour legislation. Private social standards applied by European supermarkets offer some protection to workers, but these are not enforced by most African supermarkets. Labour rights violations are more likely to occur amongst producers that do not also supply European supermarkets.

Workers in larger Kenyan FFV farms often have more regular employment and benefit from private social standards required by European supermarkets. A significant proportion are unionised, offering some protection via collective bargaining agreements. But informal workers employed by smallholders are more casualised, and food safety standards applied rarely include social issues. The precarious nature of informal FFV work denies workers any social protection.

Smallholders in Kenya supplying European supermarkets often apply private food safety standards. Expansion of domestic supermarkets enhances value chain access for smallholders. Joining small producer organisations (SPOs) is required to meet private food standards. This leads to enhanced bargaining power, better prices, group certification and training. Women benefit through greater recognition of their role in smallholder production. Independent smallholders who are not covered by private food standards experience greater market price volatility and poorer returns, perpetuating poverty.

4. Policies Promoting Decent Work

Ethical Trade Organisations (ETOs) that link private and civil society actors prevail in South African fruit exports and involve European supermarkets. Most African supermarkets do not participate in ETOs (except Woolworths and very recently Shoprite). There is currently no similar body in Kenya.

Governments are advancing more public initiatives relating to global and domestic value chains. These include:

- **South Africa:** Fruit Industry Value Chain Round Table and the Agriculture and Agri-processing Master Plan. Both include fruit producers and organised labour.
- **Kenya:** Registering and supporting smallholders to form SPOs. Public Kenyan standard (KS1758 part 2) introduced in 2019 replicates European private food safety and social standards. This applies to all export and domestic value chains.

UN Guiding Principles on Business and Human Rights (UNGPs) link-state duty to protect, company duty to respect and remedy for workers. UNGPs are growing in influence amongst international companies and governments. The European Union (EU) in February 2022 adopted a regime of 'mandatory supply chain due diligence' that aligns with the UNGP. This will apply to African FFV value chains supplying large retailers in the EU

- Kenya launched its UNGP National Action Plan in 2019.
- South Africa does not to date have a UNGP National Action Plan, but one is in the process of development.

In sum, research indicates increasing synergy between private and public food safety standards in African FFV value chains, but less in relation to private social standards. Governments play an important role nationally in the governance of labour standards, but lack of enforcement remains an issue. Public policy on value chains is expanding in Kenya and potentially South Africa. EU legislation on human rights due diligence in supply chains drawing on the UNGP will increase pressure for synergy between public and private social standards.[2]

[2] By 2021 Kenya and Uganda were the only African states that had launched their UNGPs National Action Plans (NAPs). Whereas Mauritius, Morocco, Mozambique and Zambia are in the process of developing a NAP or have committed to developing one. In Ghana, Nigeria, South Africa and Tanzania the national human rights institutions or civil society have begun development of NAPs. [https://www.ohchr.org/en/issues/business/pages/nationalactionplans.aspx, accessed January 2022]

5. Policy Recommendations

The Shifting South project team hosted a policy workshop in October 2021 involving South African and Kenyan policymakers, government, company and civil society representatives. The workshop generated discussion and policy recommendations on: *What role African governments, private sector and civil society organisations could play to enhance benefits for producers, workers and smallholders across global, regional and domestic FFV value chains.*

The research and workshop discussion inform the following policy recommendations.



3. Organisation of workers and smallholders

- Need to address power imbalances inherent in the **organisation of smallholders**, for example by organising them into small producer organisations that are better able to bargain with downstream actors such as supermarkets and exporters
- Need to enhance independent **worker organisation** and increase awareness of rights among smallholders and workers.

1. Role of different actors

- **Government** has a critical regulatory role, but **enforcement** of legislation must improve. Governments need to strengthen support for compliance with labour regulation and private social standards. Also regulate business practices of producers and retailers.
- **Civil society** must bolster worker representation; train farm workers; monitor enforcement of labour standards; and campaign for African producers and retailers to apply private food safety *and* social standards.
- **African retail** must make a bigger commitment to improving purchasing practices, payment terms and stable supply relationships with farmers.
- **Consumers** play a key role in terms of demand for social standards, but there is a difference in pressure between Sub-Saharan African and Northern markets

2. Private-public standards:

- **Graduated system** from food safety to social standards required **and** need to harmonise standards to decrease burden on smallholder farmers.
- **Flexibility** in terms of compliance with public-private standards for smallholder farmers for whom such standards constitute an entry barrier to value chains.
- **Raise awareness** of Kenyan KS1758, and enhance collaboration involving all public, private and civil society actors (nationally and internationally).
- **Assist farmers** in complying with private standards, which are very costly. Need for more compatibility between labour inspection and audits of private social standards.

4. Enhancing public-private governance synergy calls for:

- **Private-public collaboration** is key. Public actors need to understand private sector operations and standards; and greater trust is needed between private-public actors.
- **Government subsidies for cost of private and public standard certification** for small-scale and smallholder farmers.
- **Bolster synergy between public-private governance** to achieve decent work outcomes. Involve **all** value chain actors, including retailers and civil society.

UNGP National Action Plans provide a mechanism for enhancing public-private governance synergy on human rights and decent work. Requires greater buy-in from national governments. EU regulation on human rights due diligence will increase pressure to apply UNGPs.

Resources

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Read more: bit.ly/Shifting-South

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The authors alone are responsible for all research findings reported here.



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