



Ethical Trade Research Project: A strategic assessment of WIETA's role in promoting ethical trade engagement in the SA wine industry

Sustainable Livelihood Consultants

Client: The Wine Industry Ethical Trade Association (WIETA)



Consultants

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Assignment

In 2005 SLC was contracted to support WIETA in conducting research on the process of ethical engagement in the wine industry. There were two objectives:

1. To improve WIETA's understanding of the factors influencing membership, including an analysis of the 'business case' for engaging ethical trade in the South African wine industry.
2. To assist WIETA in identifying strategies that promote ethical trade and foster broad-based compliance with the base code.

Methodology

SLC undertook in-depth desktop and primary research. In order to gain the views of key stakeholders within the industry, SLC utilised a broad consultative process of information gathering. The research team met with stakeholders representing labour, civil society, government, industry, grower, producer and export interests. The findings were documented in a substantial report and supplemented by an oral presentation. Findings SLC found that WIETA was in danger of becoming marginalised within the wine industry and the overseas export market. Its relevance, in terms of its constitutional mandate, faced a number of challenges, including:

- The waning of support among social stakeholders, NGOs in particular
- Trade union attempts to use WIETA as a platform for advancing political issues and strengthening their position, organisationally, within the wine industry
- Industry ambivalence towards ethical trade and the lack of endorsement from SAWB towards WIETA's role in advancing this mandate throughout the industry value chain
- The poor level of support from WOSA, as evident in the transparency of ethical trade in the 'variety is in our nature' strategy
- The emergence of fair trade wines as an ethical alternative for producers seeking more direct commercial benefit and also fulfilling the moral objective
- Financial concerns, i.e. that in a highly competitive market the compliance costs and the stringency of the audit seriously disadvantages WIETA members.

The most serious challenge comes from the large buyers. While buyers are committed to ethical sourcing – and, by extension, ethical labour practices – their greatest priorities are quality and value. Retailers therefore give preference to suppliers able to meet basic standards (EurepGAP, BRC etc.) whose price is competitive and whose reliability can be assured. These suppliers need not present unreasonably high ethical risks, such as openly employing child labour. However, retailers should ensure that their suppliers are socially responsible and do adhere to the general terms of the ETI base code. In most cases, however, they do not demand absolute adherence. Instead, they merely expect that suppliers demonstrate ethical good intentions, and where there is non-compliance that they are willing to make a best endeavour commitment to rectify the situation. The growth in fair trade has enabled large buyers to ease ethical pressure within their supply chains. This outcome was unanticipated. As fair trade not only shifts the cost of compliance onto the consumer, but also the responsibility for advancing fairness in trade, large buyers' thinking, it seems, is that if consumers want fair trade, they must meet its costs. In other words, they can't expect low prices and still see a better (and more ethically fair) deal for developing country producers. Evidence suggests that global supermarkets have chosen fair trade as their risk-mitigation strategy. As a consequence, they seem willing to allow ethical trade to be marginalized within the wine industry. SLC therefore recommended that the 'ethical trade' agenda should be re-positioned within the wine industry's strategy for sustainability.