

Impact research in the supply chain of citrus from South Africa

1. Introduction

In 2021, Albert Heijn commissioned non-governmental organization ICCO¹ to carry out an impact analysis in our own brand chains of citrus fruits from South Africa. This product was chosen due to high volume sold in our supermarkets and South Africa showed a high level of social risk factors in our risk tool. Besides we have a long-term relationship with the supplier with mutual trust, which offers the opportunity to mitigate adverse impacts together if they were found.

The research team consisted of people with knowledge and expertise in the field of impact analyses, the guidelines for human rights and the environment of the OECD and UNGP, chain development and relevant themes such as working conditions, living wage, gender and child labour. The research team was assisted by a panel of experts from ICCO, Oxfam Novib, Solidaridad, SOMO and World Wildlife Fund (WWF). They provided additional expertise on, for example, environmental issues, certifications and political situations in both countries.

Data collection

The research consisted of a desk study and subsequent interviews during a field visit to personally speak to employees and local stakeholders in particular. After the desk study, the expert panel was consulted about the risks and possible impacts that the further research should focus on. The experts also provided feedback on the draft report. At the end, the findings and recommendations were discussed with the companies in the chain during learning and feedback sessions. The first data collection started in January 2021. The company could be visited a few months later, after which the investigation on the citrus fruit chain was completed in June.

The interviews were semi-structured. Based on the desk study and the suggestions of the expert panel, a specific questionnaire was drawn up for each group of stakeholders. 40 to 50 people were interviewed at all three chains; usually in the form of individual interviews and a few times in groups. Interviews were held with employees, management, union representatives, members of the employee representation, key people from surrounding communities, NGOs, and experts. With regard to the employees, the division between permanent employees and seasonal workers and the best possible representation of the various activities was examined.

The interviews with employees were anonymous, those involved were informed in advance about the purpose and everything necessary was done to guarantee confidentiality. No supervisors were present during the interviews.

Next steps

The risk and impact analyses that have been carried out are part of our due diligence policy. Important human rights and environmental issues and/or risks have been identified and the researchers present a series of recommendations to prevent, mitigate or remedy them where

¹ In 2021, ICCO joined the Cordaid organisation

necessary. These insights and recommendations have been used to develop and implement an action plan.

2. The supply chain

South Africa produces 2.9 million tons of citrus fruits annually. Two-thirds of this, worth more than 1 billion euros, is exported. South Africa is the second largest exporter of citrus fruits in the world after Spain. In 2020, the country exported 80 million boxes of oranges, 29 million boxes of lemons and limes, 24 million boxes of mandarins and other soft citrus fruits, and 16 million boxes of grapefruit.

The supplier is one of South Africa's leading citrus growers and exporters. The company has farms and a packhouse located in Citrusdal Municipality in the Western Cape Province of South Africa, some 160 kilometres north of Cape Town. In 2020, the company exported more than 5 million dozen (75,000 tons) of citrus fruits, of which 580,000 dozen (12%) were to Albert Heijn. Of this, 65% came from their own orchards and 35% from growers who work with the supplier, mostly on an exclusive basis.

In 2020, the company employed 320 permanent employees and 1880 seasonal workers. ICCO's risks and impact analysis focused on the cultivation and packaging of citrus fruits at two farms in particular. They were chosen because it is where the headquarters and packhouse are located and seasonal workers are housed there.

The company also has structured itself to give ownership to the employees. The workers trust acquired 12.5% shareholding in the company with a loan from the company itself. All permanent employees become beneficiaries of the trust after 1 year employment. Employees receive annual dividends and are represented at board level of the company.

All farms, including those of partner growers, are certified by the Sustainability Initiative of South Africa (SIZA) and meet the guidelines of Global GAP and the packhouse is certified by the BRC Global Standard for Food Safety. The supplier also meets the Fairtrade Standard for Hired Labour.

3. Context

South Africa has high income inequality and high unemployment. Half of the population lives below the poverty line. The economic situation has deteriorated further due to the COVID-19 pandemic: unemployment in the country rose to 32.5% in the last quarter of 2020. In the Western Cape, 21% of the labor force was unemployed at the beginning of 2020. Women bear the greatest burden of poverty, which makes them vulnerable to abuse.²

Citrus cultivation is an important economic activity that generates many jobs. It is estimated that the sector employs more than 100,000 people, most of whom work in orchards and packaging plants. A large part of the work is seasonal, because of the seasonal nature of the crop. The COVID-19 pandemic has further increased the number of employees with temporary jobs. A seasonal labour force offers companies more flexibility, but places strain on social support structures and available infrastructure if there is a large population influx in rural areas during harvesting time. However, citrus cultivation is an important sector for seasonal workers, as the harvest takes place in the winter months after grapes and other fruits have already been harvested. Seasonal workers travel from

² Department of Statistics South Africa

other geographical areas within the country where there are no work opportunities to come and work on citrus and other fruit farms in the Western Cape.

Climate change is also affecting citrus production in South Africa. The expected rise in temperature and the drier weather could be very detrimental for citrus cultivation in the Western Cape, and more irrigation water will be needed to produce citrus fruits.

4. Risk and impact analysis

According to ICCO's risk and impact analysis, human rights are respected on the farms surveyed. Management adheres to international guidelines and conventions and no adverse effects were noted in most areas. According to the research team, measures are required in a number of risk areas to prevent or reduce (future) negative consequences. Below we provide an overview of the investigated risks. After that we provide an overview of the (potential) adverse impacts and the recommendations made by the research team.

Working Conditions

- **Freedom of association** – Trade union membership among farm workers is low in South Africa: 22% are members. At the company, only three employees are members of a trade union. Reasons given for this are the level of the membership fee, people do not see the point or find unions too politicized. One worker said in the interview that “I was approached years ago but was not interested. It is not necessary to belong to a union as I am in a safe place and it is not necessary to involve a union”. The company has a workers representative committee, with representatives from all farms as well as from the packhouse, that meets every month. The representatives are elected democratically every two years (by permanent as well as seasonal workers who are directly employed as well as those who are employed through the labour broker). The workers committee meets with the HR department on a monthly basis about complaints and issues such as housing and wages. Overall workers felt that they are well represented, that they know their representatives, and that they are free to approach them with their issues.
- **Working Hours and Contracts** – These comply with South African law (including the 45-hour work week). Overtime is paid according to the rules. During the interviews, employees confirmed that the content of the contracts, as well as the policies and procedures are explained to them during the induction process (if needed via a translator). However, a number of employees indicated that they did not have a copy of their employment contract. Those contracts are written in the African language, with most of the employees speaking Xhosa. The management intends to change the contracts to Xhosa. As indicated earlier, the company employs a large number of seasonal workers. In 2020, the company hired 70% of the seasonal workers itself and 30% through the Labour employment agency, which has a SIZA certificate. The employment contracts for both groups of seasonal workers are the same. They are hired six months a year. 75%-80% of seasonal workers return every year, some for 14 years already. Most are men, who travel to the Western Cape every year and leave their wives and children at home.
- **Discrimination** – The company adheres to the provisions of the Employment Equity Act aimed at combating discrimination. They are active in providing training and promotion opportunities to black employees. No cases of discrimination were identified during the interviews with employees. Because of the physically demanding work, mainly men are employed in the

orchards. In the packhouse, more than half are women. Overall, 45% of the employees are women and 55% are men. Working parents are helped with the care and education of their children. The company has recognised the importance of assisting women workers specifically, and through its activities it continuously supports early childhood education, youth development and offers parental educational support. The foundation also assists through its various educational programs working parents with childcare, after care and nursing facilities.

- **Housing** – Under South African law, farm workers can continue to live in their company provided house with their families after they retire and have lived on the land for 10 years or more. The law also protects housing rights in case of disability, but when an employee dies, the other family members have to move. The company is considering elderly care facilities as a Foundation project. In 2020, 95% of the 320 permanent employees lived with their families in a house of the company; the houses are of good quality; one or two bedrooms per family with a shared bathroom. Interviews with employees revealed that they value the peaceful environment and safety that life on the farm provides, which is important, considering the high level of gender-based violence in recent years in the country. Also, alcohol abuse is not a big problem and if it occurs, it is dealt with promptly. The other 5% of the workers lived in one of the communities nearby.
Seasonal workers are housed in communal living units with a shared common room but separate bedrooms with two bunk beds each. The quality of the accommodation for seasonal workers could be improved, given the limited space in the bedrooms and workers do not have satisfactory space to store their personal belongings. In April 2021, the company started asking for rent for the accommodation of permanent employees and seasonal workers due to the sharp rise in wage costs. This was related to the 16% increase in the minimum wage for agricultural workers. Their minimum wage has always been lower than in other sectors but has now been levelled. Permanent employees pay 50 rand (2.75 euros) per week and seasonal workers 20 to 30 rand per week.
- **Occupational health and safety** – All required occupational health and safety procedures and regulations are adhered to at the company. Measures are followed, workers are equipped with the necessary protective gear and regular training has been organized. Also, COVID-19 rules were strictly enforced. This has been confirmed during the interviews with the workers. Besides relevant promotional material relating to health and safety procedures visibly displayed throughout the common working areas. Some workers commented during the interviews that they were not sure of the procedures in case of injuries happening at work (for example, what to do when a colleague gets hurt, and who pays which costs). The researchers recommend organising refresher training. Employees and their families can go to a mobile medical clinic that the company provides and is regularly present on the farms. Workers pay a personal contribution of 30 Rand for a visit plus medicines.
- **Complaints mechanism** – The interviewed employees were aware of applicable complaints procedures. Complaints can be made known in various ways: via the employee representatives, the HR department or a complaints box. Although workers are aware of the procedures and are free to approach the HR department directly if they wish so, they usually address pressing issues by contacting their workers representatives. During the interviews there were no concerns found in relation to personal safety of workers at the workplace, and there were no sexual harassment cases reported, as per HR staff and the conversation with workers.

Wages

- **Wage and bonus schemes** – The salaries that the company pays to its permanent and seasonal workers are in accordance with South African law, and they increase with the annual increase of the minimum wage. Hourly fees are the same for permanent and seasonal workers, and for men and women, if they are in the same job category. In 2020, the minimum wage for agricultural workers was 3,288 rand per month (185 euros). In February 2021, that was increased to 3,817 rand (215 euros) per month. In addition, permanent employees are entitled to benefits and allowances, such as free transport, subsidised housing, an annual bonus, performance bonus and contribution to the pension provision and funeral costs. Seasonal workers do not receive such contribution for pension provision, nor do they receive an annual bonus. However, they can use the mobile clinic, free transport, just like permanent employees. Additionally, seasonal workers earn a good weekly performance bonus, instead of the annual bonus.
- **Living wage** – Based on the IDH Salary Matrix, it was investigated to what extent the income of employees (wage plus allowances and in-kind benefits) is at the level of a living wage. This is based on a benchmark of the Global Living Wage Coalition (GLWC). It set the living wage for the Western Cape province in 2019 at 4,280 rand (265 euros) per month. Using the IDH salary matrix, it could be calculated in 2020 all permanent employees earned a living wage and all seasonal workers earn a living wage in the months they are contracted, when their income is compared with the benchmark from 2019. Adjusting to an updated benchmark – which was not yet available at the time of the study – a number of permanent and seasonal employees could fall below that level. Permanent and seasonal workers receive a performance bonus at the end of the season. In the past five years, it has always been 1.5 to 2 times a week's wage. However, because this bonus is not contractually defined, it is not included in the calculation of the living wage. The research team recommends including a (minimum) bonus amount in the contracts. The calculation for seasonal workers is different in that housing at the company is not included in the income of this group, because they are put to temporary employment and at that time also have to pay for their home elsewhere.

Forced labour and child labour

- **Forced labour and child labour** – No indications or instances of child or forced labour were received during the survey and interviews with employees. All interviewed permanent and seasonal employees confirmed that they can freely move around in their free time. Workers also confirmed that their identification documents were verified prior to employment, and that the documents were returned to them.

Land use and property rights

- **Land** – The company owns the land it uses. They have been expanding by acquiring new farms by purchasing from willing sellers and the employees from those farms are also taken over by the company. There are no known lawsuits in cases where this would have happened illegally.

Environment

- **General** – The supplier is measuring and managing its carbon footprint, 68 and the company is investing in solar energy and is equipping the packhouse with solar panels. To prevent the erosion and compaction of the soil, careful soil preparation methods are followed when starting the new development. Erosion-sensitive areas are identified and closely monitored. Also cover crops (small grains and seeds) are planted in between the trees in orchards to assist

with prevention of soil erosion and to promote enrichment of soil. The soil is also enriched with pruned branches and windbreaks that are cut and left on the orchard floor to add the organic material and to retain soil moisture.

- **Water** – In terms of water management, the company is taking care to effectively manage the water usage. The grower recognizes the fact that South Africa is a water-scarce country and considers water the first factor to be considered when planning new developments. If necessary, the company engages experts to design and build dams and draw up water balance measurements to estimate water availability during the growth season for the trees and beyond, considering the legal water rights. Before dams are built, the necessary approvals are obtained from the state department for water and the environment. For irrigation, the company sources water from a local river that is shared with a neighbouring community. Strict water usage records are kept and flowmeters are installed in all pump houses. The company uses water-saving irrigation techniques and closely monitors its use. Water quality is managed on a constant basis and samples are taken regularly to be tested. Also waste water management is strictly monitored to prevent water pollution.
- **Pesticides** – The company has developed an integrated pest management system that ensures the use of agrochemicals in a responsible way to minimize risks to people and the environment. They are vigilant in ensuring soil health and preventing over-application of herbicides to minimize the damage to the natural ecosystem and ensuring optimal microclimate and biodiversity between trees. The farms surveyed have strict procedures for the safe application of chemical pesticides. Employees are trained, wear protective clothing and indicated during the interviews that they were aware of the prescribed procedures and dosages. There is no aerial spraying, there is a 10 meters buffer zone to prevent spraying in the areas where there is human activity and in windy weather the spraying is stopped. A positive development is that more and more biological control methods are being used. They do use Buprofezin, only when absolutely necessary, during the flowering season before there are any fruit on the trees (many months before harvesting). This is legally allowed in-country, but in the EU the use of Buprofezin is restricted to non-edible products only and produce with Buprofezin residue is not allowed to be imported into the EU. Residue tests are performed prior to harvesting to ensure the citrus fruit does not contain traces of the Buprofezin.
- **Waste** – The assessor team has found that the farms have a reasonable waste management system. Organic waste does not go on a compost pile; instead, it is buried due to the risk of fermentation and pests. Most plastic has been replaced by cardboard as packaging material. Empty containers for chemical material are kept separate from other waste and removed once a month by a specialised recycling company.

Local communities

- **Local employment** – The company is one of the largest companies in the region and employs many people (most of the employees in the packhouse are from the local area).
- **Community Development** – The company invests in the education of employees' children and also supports a dozen schools, sport clubs and other charitable organisations in the area. It funds the construction of sports fields and internet for employees and sponsors various projects and activities in surrounding communities.

5. Recommendations and actions undertaken

The recommendations of the research team focus on four areas with (potentially) negative impacts: contracts, housing, health and safety training and living wage. These recommendations and the actions undertaken so far are listed below.

Contracts

- Recommendation – Translation of contracts to Xhosa, the first language of most (seasonal) workers.
- Actions undertaken – Contracts for seasonal workers were translated to Xhosa. From 2022, all contracts are available in Xhosa, Afrikaans or English, depending on the persons first language.

Housing for seasonal workers

- Recommendation – Expanding the available amount of square meters per person, provide adequate storage space for personal belongings and provide chairs in the common living area so that people can sit down while eating.
- Actions undertaken – In 2022, consultation with seasonal workers was organised about the housing. Participants indicated they were generally satisfied with the bedrooms and space of the rooms, except for the lockers. They were mostly spending time together in the common living area and this should have the focus for any renewal. In 2022, the accommodation for seasonal workers was updated with suitable storage space for personal belongings, and trees were planted and some basic renovations were done in the common living areas. In 2023, in cooperation with AH Foundation, the common living areas will be improved with benches, fire pits, paving and spotlights before seasonal workers come in.

Health and safety training

- Recommendation – Refresher training for employees on health and safety measures.
- Actions undertaken – In 2022, the content of the induction training on health and safety has been improved. Besides, the training has been divided into two sessions with two to three weeks in between to make it less of an information overload and give employees time to put things into practice and come back with questions. All permanent and seasonal workers go through the same refresher training process.

Wages

- Recommendation – In case the new GLWC living wage benchmark will be higher than the current benchmark, it is recommended to investigate if the workers in the lowest paid job categories are at risk of falling below that benchmark.
- Actions undertaken – Base salaries have increased more over inflation since the living wage benchmark was done. The plan is to again benchmark wages with the GLWC benchmark in 2023. The focus for living wage will be on the lowest paid workers, those whose base salary is below the GLWC benchmark.