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CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY IN THE SOUTH AFRICAN FOOD AND DRINK INDUSTRIES

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1. Introduction

Food is of importance to all. To survive we need its nutrients. To secure its supply we need to engage in productive and service activities all along the food chain. Those not connected to the food chain need other resources to command access to its products. Its consumption goes beyond health and nutritional concerns, and is invested with all kinds of cultural meanings, preferences and taboos. Its mass production has commodified it, leaving consumers dependent on global trading, pricing and marketing decisions far from their control.

The world experiences overproduction of food on the one hand and hunger on the other. Developed countries subsidise their food producers and stockpile what cannot be sold, while developing countries are faced with the question of ensuring basic food security - access by all their citizens to sufficient amounts of healthy food at all times. Yet the developing countries simultaneously have to deal with the challenges of inequitable land ownership, mass unemployment, open access to more competitive imports, declining terms of trade, and steep food price inflation. The gap between the rich and the poor is growing.

This unevenness is a symptom of the commodification of food. Despite huge trade liberalisation, farmers in developed countries are still highly subsidised, having persuaded their governments to restrict market access, and allow stockpiling and dumping. The intensification of agriculture has led to high input factory farming, impacting on animal health, and leading in some areas to the spread of diseases such as BSE and foot-and-mouth. Applications of industrial chemical inputs and processes into agriculture and food production have also led to serious environmental problems such as water contamination, air pollution, and soil degradation. The application of modern biotechnology

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to the food chain has raised questions about the environmental, medical and ethical impacts of genetic modification of crops, as well as challenges to the patenting of life forms by large corporations seeking to extend their control over the food chain. Products of the fast-food industry, whose franchising is only beginning to slow down after huge expansion, have supplanted more traditional and local foods, reduced nutrition, raised rates of heart disease, obesity and diabetes in developing countries, and have an extensive adverse ecological and social footprint. The impact of modern patterns of industrialisation have led to serious climatic changes, impacting on agriculture and the availability of crucial inputs such as water, with Africa being particularly prone to higher incidences of drought and desertification.

Therefore the challenges to the development of social and environmental responsibility in the corporate food sector are complex and numerous.

Although this paper will largely discuss the food processing industry in South Africa, the picture cannot be understood without considering backward and forward linkages into agriculture and retailing. Each link in the food chain helps to form an understanding of a range of issues – from those of food security, nutrition, and health to those of productivity, social equity and environmental sustainability. The sector has porous boundaries: it usually includes beverages, but not always tobacco. However, this study has taken cognisance of the tobacco industry because of its backward linkages into agriculture in the Southern African sub-continent, and because it makes particular kinds of claims to social responsibility.

South Africa has, since 1652, been a provider of agricultural commodities to the rest of the world. Its crop exports include wine, wheat, fruit, tea, tobacco, groundnuts and sugar. Meat, wool, hides and fish products also contribute to exports. Although the country's staple food crop is maize, 6.7 million tonnes are consumed annually, whilst production ranges from between 2 and 10 million tonnes, depending on the vicariousness of rainfall. Under drought conditions it becomes necessary to import, whilst in good years there is sufficient excess production to export.

The country's racist past continues to be reflected in its agrarian structures. The majority of black peasants had progressively been dispossessed by the late 1930s, and white farmers were allocated the most productive land. Currently there are approximately 60 000 commercial farmers, still overwhelmingly white. During apartheid they enjoyed preferential access to agricultural credit, were major beneficiaries of state irrigation schemes, and also gained from price controls, protectionism and subsidisation. Black people were confined to cultivating only 13% of the land and effectively excluded from full participation in commercial agriculture. Efforts are under way to redress this racially skewed situation, but land and agrarian reform has been slow and not yet made a radical difference to land ownership. The harsh legacies of slavery, indentured labour, migrant labour, sharecropping, labour tenancy, child labour and the tot system (part-payment in alcohol) have all made their mark on social relations in the countryside. Currently employers are resisting the implementation of a statutory minimum wage of R650 (R800 in some areas) for farm workers, despite this being pegged at a level below that of a living wage.

Food and beverage processing has become a major part of manufacturing in South Africa. The industry developed in tandem with the needs of the mining industry, which grew after the discovery of diamonds (1866) and gold (1886). Technologies of food preservation improved during the 19th century, with canning and bottling making room for the application of refrigeration to safeguard fresh meat and fish products over time and distance. Advances in chemistry also assisted with food preservation problems, although in the late 20th century, affluent consumers began to question chemical residues in food, and to develop a preference for more organic products. The South African food processing industry grew from local efforts at dairy production, at milling and baking of cereal products, and at canning of fruit and vegetables. The mineral revolution also made it possible for foreign investors to gain scale advantages by setting up local plants: Unilever, Reckitts & Colmans, Coca-Cola and others blazed the trail in the food sector. Levels of direct investment grew in the period after 1945, reaching a peak with the boom of the 1960s and contracting by the 1980s due to consumer boycotts and sanctions. By the mid-1990s, South Africa's democratic transition led to a new wave of investment in the sector. A number of local operations sold out to foreign brand leaders, particularly in the dairy and tobacco industries. Trade unionists have contrasted the harsher behaviour of some of these new entrants against that of longer-established transnational corporations.

This paper is in the form of a preliminary working draft open to comment and critique. It forms part of a close analysis of the role of corporate social and environmental responsibility (CSER) in South Africa, being undertaken by the Sociology of Work Project at the University of the Witwatersrand, on behalf of the United Nations Research Institute for Social Development (UNRISD) in Geneva. UNRISD is implementing a broader research project on 'Promoting CSER in Developing Countries', which includes similar research programmes in Mexico, the Philippines, and other developing countries.

The paper will attempt to assess the size, shape and importance of the food sector in South Africa. It will examine how principles of CSER are understood and applied in the sector. It will raise strategic questions about the nature of partnerships in and around the sector. While it could not comprehensively survey every initiative in the sector, the study relied on published material from key companies, the business press, government, researchers, and other stakeholders, as well as in-depth interviews with key role-players from the corporate, trade union and research communities.

2. The food sector in the South African economy

As humans living in the early twenty-first century, we generally consume very little that we cultivate ourselves. We have become dependent upon a vast agricultural and industrial production chain which is global in its dimensions, and keeps many millions of people employed.

2.1 Industry dimensions

South Africa has a significant place in global food production, with exports consistently exceeding imports. It currently derives over 3% of its GDP from agriculture and over 18.5% of its GDP from manufacturing, of which food manufacturing accounts for 5% (valued at R 44,4 billion in 2001) and beverages for 1% (valued at R8,9 billion in the same year).[2] This compares with 7,5% of GDP from mining. Trade, including retail food sales, makes up a further 13% of GDP.[3]

Manufacturing inputs into the food industry (packaging, chemicals, machinery) amounted to R24,8 billion in 1997, whilst the sector spent R3 billion on transport, R3 billion on financial and business services, and R1,25 billion on energy and water.[4] The value derived from activities comprising the food chain is thus considerable. Between 1990 and 2001, the food and beverage industry had average sales worth R59 billion; this culminated in sales of R83 billion in the year to June 2001, of which the beverage market was worth over R20 billion.[5]

'Food manufacturing' is often shorthand for the food, beverage and tobacco industry. The food component of this can further be broken down into sub-sectors of food production and processing; dairy; milled grains and starches; and baking, sugar and confectionery products. Each of the sub-sectors has its own institutional, social and economic dynamics, and data for each is collected separately under the Standard Industrial Classification System. It should also be noted that the sector does not include unprocessed foods such as fresh fruit and vegetables.

In general, manufacturing has experienced a decline, relative to the tertiary or services sector, and with it, the food, beverage and tobacco industry. Nevertheless, it remains the third largest manufacturing sector by gross value of production (18%) after metals (23%) and petrol refining (around 20%).[6]

2.2. Extent of employment

In terms of employment, the industry accounts for 3,9% of all non-agricultural jobs in South Africa, and for 14,4% of all manufacturing jobs. Numerically this amounted to an estimated 185 728 jobs in June 2000.[7] The calculation of the estimated workforce should be regarded with caution, however, since it

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[2] 2001 figures derived from SA Reserve Bank and reproduced in *South Africa Yearbook 2002/03*.
[3] *Ibid*.
[4] WEFA, *Provisional Social Accounting Matrix*, 1997.
[5] From statistics produced by Stats SA on www.dti.gov.za
[6] 2001 figures extracted from tables on the SA manufacturing sector on www.dti.gov.za
[7] Stats SA, STEE, June 2000. Unsourced CIAA figures are 216 000, comprising 2% of the economically active population (2002:14). Most recent figures of the Compensation Fund (covering the year 1997) showed that there were 263 762 'workmen' registered in the food, drink and tobacco sector (2002: table 8B).

does not account for those workers in unregistered casual jobs, nor those in the informal sector, nor does it take into account those in related upstream or downstream industries. With these caveats, it should nevertheless be noted that the formal statistics indicate a secular declining trend in employment in the sector since 1990. Official figures have estimated this at a net loss of 52 000 jobs between 1990 and 2000. This could be attributed to factors including a decline in consumption, the impact of mergers and acquisitions, the installation of less labour-intensive technologies, outsourcing of services, or the increasing use of unregistered casual labour (through labour brokers). The decline occurred in all sub-sectors, but was sharpest in beverages and food processing.[8]

The formal wage bill has been estimated at just under R8,5 billion, with 55% allocated to skilled occupations and 44% to semi-skilled and unskilled workers. Breadwinners, on average, are likely to be responsible for five dependents each, and therefore the formal industry is likely to provide livelihoods for up to 930 000 people.[9]

2.3 Employment conditions

It is extremely difficult to get a comprehensive picture of employment conditions in the industry. There is likely to be a wide range of different experiences. For example, Unilever claims not to pay unskilled workers below R3 000 per month,[10] whereas the evidence in a sample of 397 respondents in the industry, contained in the 1999 October Household Survey, indicated that most weekly-paid workers who were surveyed (except in the beverage sub-sector) reported earnings of below R8 per hour (<R320 per 40 hour week). The survey indicated that only 75% of workers in the industry are employed full-time (cf. 92% in the auto industry), with 12% of women workers employed seasonally. Two-thirds of the sample spent over 40 hours on the job (20% over 51 hours a week).[11] From this sample, it is possible to deduce that the majority of workers in the sector are earning below the necessary minimum to maintain a household of up to five dependents. In addition, the surveyed workers reported that benefits were rudimentary, with only 24% of workers having medical aid contributions paid by employers, only 49% having a pension contribution from employers, and only 57% being granted paid leave in their jobs.[12] Conditions at work are said to deteriorate in smaller enterprises and in rural areas, where there is less unionised labour and higher risks associated with unemployment.[13]

The Compensation Fund, which deals with occupational injury claims, reported 5 951 claims in the sector during 1995, of which 5 076 were the result of accidents resulting from machinery, lifts or vehicles. There were 23

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8 Based on NPI Productivity Statistics (1960-96); Stats SA P0242.1 (1993-6), P0271 (1997-2000).

9 Analysts of the Coca-Cola ‘system’ have calculated that the multiplier is 11 times the number of formally employed bottling plant workers.

10 Interview with Mr Ed Hall, Unilever Foundation (9 May 2003).

11 Statistics South Africa, *October Household Survey* (1999)

12 *Ibid*.

13 Interview with Mr Katishi Masemola, Deputy General Secretary, Food and Allied Workers’ Union (12 May 2003)

fatalities that year.[14] Two years later, the figures were 4 472 claims out of a base of 263 762 workers, estimated at a frequency rate of 0,09. These figures indicate that, whilst not as dangerous as mining (frequency rate of 0,3), employment conditions in the industry are often unsafe, and happen three times more frequently than in the chemical industry (0,03).[15]

3. Production, ownership and concentration in the South African food sector

3.1 Productive activities in the sector

Food processing in South Africa is highly diversified due to the variety of resources, crops and other agricultural commodities that the country produces. This ranges from the processing of dairy, fish, meat, fruits and vegetables, grain milling and baking, sugar refining, and the production of sweets and confectionery, tea and coffee, oils and animal feeds.

South Africa's climate varies, with essentially three zones: winter rainfall, with a Mediterranean-type climate in the Western Cape, allowing for the cultivation of grapes, olives, wheat, barley, hops and deciduous fruits; the grasslands in the central highlands, where maize, potatoes and sunflowers predominate; and the sub-tropical zone in the KwaZulu-Natal, Limpopo and Mpumalanga lowveld areas, suitable for sugar, cotton and tropical produce. This climatic variation thus favours a wide range of secondary food processing industries, of a range of sizes. Exports of canned fruit, vegetables and juices are well established, destined mainly for European and Asian markets. The sector also produces a wide range of processed foods for the domestic retail and food service markets, as well as for agriculture largely in the form of animal feed.

The beverage industry, particularly beer brewing and wine, has expanded continually. The sector has a wide product range, including conventional and sorghum beer, natural and fortified wines, spirits, as well as non-alcoholic soft drinks, which have experienced a recent boom (sports drinks, iced teas, and bottled mineral water being some of the innovations). Despite expansion in the domestic market, the average per capita consumption of alcohol is just under 9 litres per year. South Africa is therefore ranked fairly low by international standards (cf. Australia 20 litres, France 60 litres). Of total production in 2001, beers accounted for 45% of the market, non-alcohol 30% and wines and spirits for 25%.

Wine is a relatively developed industry in South Africa, ranked seventh in terms of world output, with a global market share of 3,4% in 1999, producing three times the Australian harvest. There has been a recent expansion of the number of cellars as well as export volume (1993: 20 million litres; 1995: 70 million litres). Despite its reputation for export, only 11% of total production

[14] Compensation |Fund (1999), *Report on the 1995 statistics of the Fund* .
[15] Compensation Fund (2001), *Report on the 1997 statistics of the Fund,* table 8B.

goes abroad. Wine employs about 50 000 workers, who support 250 000 dependents.[16]

South African Breweries (now SABMiller) has become the world's second largest beer brewer, with interests in Africa, Central America, North America, Europe, India and China, selling brands such as Castle, Miller, Pilsner Urquell and Nastro Azzuro. Its beer interests in South Africa continue to be managed by SA Breweries Limited in Johannesburg, but it has received bourse listings in London and New York, and has located its head office in London. SAB Limited has over 95% of the share of the local market in beer, and usually manages to undercut and squeeze out budding rivals.

Overwhelmingly dominant in the soft drinks market, the Coca-Cola stable includes its own brands as well as those of Cadbury-Schweppes (purchased 1999) and Appletiser (2000). Coca-Cola distributes its products through a number of local bottling companies, most prominent of which is Amalgamated Beverages Industries (ABI) in Gauteng, in turn majority owned by SA Breweries.[17] Recent studies have estimated that the Coca-Cola 'system' directly employed 16 500 bottling workers in 1998 but that 178 200 jobs were supported directly and indirectly by the same system in South Africa, amounting to a multiplier of 11. Of the larger total, 42% or 74 800 workers are located in the informal sector.[18] Rival Pepsico failed in 1997 in establishing local production after the lifting of sanctions, but some of its products bottled in Namibia enter the market through a customs union agreement. Nestlé recently entered the growing bottled water and iced tea markets. There are numerous local soft drink producers who together enjoy only a small fraction of the market.

In the case of tobacco, a single firm dominates, with over 90% share of the market in which one in every four adults smokes. This is British American Tobacco South Africa, with its origins in the United Tobacco Corporation. In 1999 the parent group merged with Rothmans International, owned by South African entrepreneur Dr Anton Rupert, who retains a 25% share in the BAT group. BATSA is a wholly owned subsidiary which employs 2 600, half of whom work in its two cigarette factories in Paarl and Heidelberg (Gauteng).

Although not strictly speaking part of the sector, this study also sought to understand retail activities insofar as they impact on the food chain and on food prices. To this end, the focus was on Pick'n Pay, one of the larger retail chains, and one which has been engaged in social responsibility activities for over three decades. Pick'n Pay inhabits a retail landscape in which there are a few other large competitors (Shoprite-Checkers-OK group, Spar stores,

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16 *SA Wine Industry Report* at www.tradeport.org

17 On Coca-Cola in South Africa, see, Ligthelm and Martins (1998), Van Seventer (1998) and University of South Carolina (1999).

18 University of South Carolina (1999: iii-iv.).

Woolworths[19], etc.). It sells fresh and packaged foods, and operates in-store bakeries, as well as stocking non-food consumer items. With their considerable buying power and scale of operations, supermarkets are able to charge lower prices than convenience stores (referred to as general dealers, “corner cafés”, spaza shops, and tuckshops in South Africa) and as a result command a large share of consumer spending on food.

3.2 Types of firms

3.2.1. Scale

This study was unable to assess CSER activities in the medium, small and micro-business fields. Since at this scale there is little documentation, very limited participation in networks, and less intensive trade union organisation, it was not easy to develop an accurate picture of such activities. At this scale, CSER is less likely to be significant, with giving likely to be very localised, and less pressure to improve corporate governance or environmental performance. However this scale of activity may be significant at an aggregate level in its unwillingness or inability to conform to labour or environmental standards. Larger-scale firms have brand reputation concerns and have more incentive (and resources) to devote to improving their corporate citizenship profiles. Nevertheless smaller producers or service providers often have to conform to ethical and other responsibilities demanded by their larger partners. This is often the case in the food sector where larger corporations may demand that their smaller raw material suppliers do not engage in child labour, or do not supply them with genetically modified crops. Therefore the small, medium and micro firms’ positions will not be considered other than in relationship to the larger corporations.

3.2.2. Ownership structure

<u>Foreign wholly owned subsidiaries</u> in the food sector tend to respond to broader head office visions with regard to CSER. In most cases, this vision is an extensive one which has been carefully crafted, stresses the triple bottom line, and makes efforts to live up to codes of conduct on labour and environment. However, our research also noted that, with some of the newer entrants to the South African market, there was a close correlation between weak CSER initiatives and poor or combative relationships with the workforce, in the wake of mergers and local acquisitions. Wholly owned subsidiaries are responsible only to their head office and not to local shareholders, therefore there are no statutory obligations to report on their activities locally. Those who have been transparent about their activities, and issue socio-environmental reports aimed at accurate accounting for these activities, are therefore to be commended. A further issue with respect to these firms is that, by virtue of being wholly owned, they are not in a position to offer shares in their companies in order to diversify ownership to enhance black economic empowerment.

[19] Woolworths is the South African equivalent of Marks and Spencer plc, with which it has strong links. It has no ties with its namesake, F W Woolworth & Co. Woolworths appeals to the more affluent end of the South African consumer market.

Companies quoted on the JSE Securities Exchange [20] include some of the larger players in each of the sub-sectors of the food industry. In May 2003, the JSE listed 5 beverage firms and 19 food producers and processors (2 of the latter had been suspended) under the category "non-cyclical consumer goods". Retail supermarket listings were placed under different headings: 2 were listed under "non-cyclical services: food and drug retailers", whilst the remainder fell under "cyclical services: general retailers". Most of the listed companies in food and retail are firms engaged in meat or poultry production, grain milling, sugar milling and manufacture, fishing, agriculture, food and confectionery processing, or supermarket operation. Surprisingly few of the locally listed firms have CSER programmes in place. Apart from beverage companies S A Breweries, ABI (Coca-Cola bottler, majority owned by SAB) and Distell (30% owned by SAB),[21] retailers Pick'n Pay and Woolworths, and sugar millers Illovo and Tongaat-Hullett,[22] the remainder of the listed companies on the JSE have no significant CSER profiles. The same group (without Distell) are the only food-related firms profiled in the latest edition of *The CSI handbook*. [23] and the only listed firms to participate in membership of the South African Grantmakers' Association.

The JSE is in the process of launching its FTSE/JSE Socially Responsible Investment index, which will develop measurements for corporate social and environmental performance. Although participation is intended to be voluntary, there is an expectation of a good response, as firms seek to demonstrate their sincerity in supporting triple bottom line accounting. The index has potential to provide firms with a competitive edge. Leading firms in the sub-sectors may create a demonstration effect amongst their smaller rivals in setting the trend for participation.[24]

Listed firms are also one of the targets of the King II Report, a significant initiative by the Institute of Directors to improve corporate governance, with a stress on sustainable development and triple bottom line accounting.[25] King II follows on an earlier, narrower attempt which looked largely at boardroom ethics and practice. King II has met with wide acceptance among listed companies, the financial services community, and the public sector, and its principles are also likely to have an extensive impact outside these entities.

While it is true to say that shareholder activism is not a strong feature of South African society, it is also true to say that there is a very vigilant financial

[20] JSE Securities Exchange is the main bourse in South Africa and was formerly known as the Johannesburg Stock Exchange.
[21] A merger of interests between Distillers Corporation's local operation and Stellenbosch Farmers' Winery. For a report on its social responsibility activities, see Distell Group Limited (2002), *Annual Report 2002,* pp.25ff.
[22] Individually and through the SA Sugar Association in which they are major players.
[23] Rockey (ed), (2002). The same holds for the previous edition (2001) in which there was also some participation by Guinness UDV, a foreign wholly-owned subsidiary of Diageo plc.
[24] *Sunday Times*, Johannesburg, "Survey on corporate social investment", 9 February 2003; presentation on 'Introducing the FTSE/JSE SRI Index' and discussion with Nicky Newton-King, Deputy CEO, JSE Securities Exchange, November 2002.
[25] King Committee on Corporate Governance (2002).

press, and growing pressure from the NGO community for financial, social and environmental probity.

Local unlisted firms are perhaps the most numerous in the sector. Some of these are sizeable and have significant market share, particularly in sub-sectors such as grain milling, where Genfoods-Premier and Pioneer (former Bokomo-Sasko merger) are key role-players. While Genfoods has directed its support to nature conservation initiatives, Pioneer has emphasised community development. Pioneer is an example of an unlisted firm which has aligned its corporate social investments with the principles of King II.[26] Unlisted companies are not obliged to report their results to the public, hence there is less leverage from public shareholders. Nevertheless unlisted firms are not always immune to a range of pressures for transparency, not least from consumers.

Does the nature of ownership over-determine CSER responses of firms? It is clear from the brief ownership typology above, that the diversity in responses to CSER is fairly independent of the ownership structure of the firm. This will be confirmed in some of the more detailed appraisal of CSER practice below.

3.2.3. Concentration

What characterises the industry is the high degree of capital concentration. Of an estimated 1 800 firms in the sector, it is dominated by the 'top ten companies which are responsible for 68% of the industry's turnover'.[27] High concentration occurs, as we have seen, in each of the sub-sectors. This usually means that there are a few dominant producers for each category, and in some cases a single dominant firm. This level of concentration carries certain implications for the nature and extent of corporate social and environmental responsibility activities. It creates the usual expectations of consumers and shareholders of large-scale enterprises in relation to CSER. However, some of these are likely to be resisted, particularly where they pose a risk to monopoly or dominant position in the sub-sector. For example, SAB has always vigorously resisted attempts by smaller firms to enter beer manufacturing. In discussions, notions of corporate responsibility in the sphere of extending black economic empowerment are restricted to diversification of service providers (distribution, taverners, etc.) rather than permitting new-entry competitors to access SAB's monopoly market share.[28]

4. Meanings of and approaches to CSER in the South African food sector

In examining CSER in a very diversified sector, it is important to understand how some of the practitioners interpret how their activities achieve corporate and societal goals.

4.1 Visions and guiding documents

[26] Interview with Faiza Steyn, Executive: Corporate Affairs, Pioneer Foods (30 April 2003).
[27] CIAA (2002: 16) based on information supplied by 'food and drinks associations'.
[28] Interview, Nolitha Vukuza-Linda, Corporate Relations Manager, SA Breweries, 23April 2003.

Invariably firms that are seriously engaged in CSER bind themselves to certain principled commitments or guiding philosophies.

Some firms have issued their own codes. For example in April 2002 Unilever issued a revised Code of Business Principles[29] which upholds values of honesty, transparency, diversity, human rights and legality, and sets out its obligations to different stakeholders and the environment. It includes sections on product development ('we will respect the concerns of our consumers'), competition ('vigorous yet fair'), anti-corruption, ethical responses to conflicts of interests, and steps necessary to monitor of the code. At its Durban office, headquarters of the local operation and soon to be head office for the African region of Unilever, the Code is given great prominence. A hyper-enlarged version graces the entrance, and leaflets containing the document are distributed in the foyer. Unilever has also issued a Mission Statement on its sustainable agriculture initiative, buts stops short of a refusal to prioritise organic farming methods over the cultivation of GMOs.[30]

Coca-Cola --- as part of the Coca-Cola Promise --- has issued ten explicit priorities against which 'clear, disciplined action' will be taken. These include values of diversity, human resource development, innovation, trusting relationships with 'all our constituents', rejuvenation and building of brands, good corporate citizenship and 'clear leadership and innovation in sustaining the environment'.[31] As noted earlier, the corporation appoints locally owned bottling firms to undertake production and distribution. In the Promise, this relationship is referred to in the following words:

> 6. We will work with our bottling partners with clear respect for the independent nature of our relationship, actively supporting their efforts to evolve business structures that work best for them.[32]

Is this meant to imply that the bottlers are not bound by the Coca-Cola Promise, nor by standards of employment, environmental management, and good citizenship set by the corporation? Unlike the Unilever code, the Coca-Cola promise contains nothing explicit about ethics, corruption, transparency and human rights. It does speak of a 'focus on brand Coca-Cola' without considering the health implications of this high-sugar, high-caffeine product when explicitly marketed to young people.

SAB has a values statement which includes the assertion that: "We are a responsible corporate citizen."[33] SAB networks in the US, where it is a member of Business for Social Responsibility, in the UK, where it has joined AccountAbility, and in South Africa, where it is a member of the SA Grantmakers' Association. In addition, it has a set of guiding principles that covers relations with different stakeholders, numbering future generations as

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[29] Unilever NV/plc (2002), *Code of business principles*. Rotterdam and London: Unilever.
[30] Unilever NV (2002), *Growing for the future II: Unilever and sustainable agriculture*. Rotterdam: Unilever.
[31] See the Coca-Cola Promise at www2.coca-cola.com/ourcompany/theactions_include.html
[32] *Ibid.*
[33] SAB plc (2002), *Corporate accountability report 31 March 2002*, p. 9.

part of this, in a way which allows for dealing with sustainable development including the natural environment.

The Pick'n Pay philosophy rests on a central metaphor which founder and chairman, Raymond Ackerman, derived from educators and mentors such as Prof W H Hutt (commerce, University of Cape Town) and Bernardo Trujillo (a US marketing expert). Ackerman speaks of applying Trujillo's concept of four legs of a table, supporting a healthy business: people, merchandise, promotion (incorporating social responsibility) and administration.

> Each leg is vital to maintaining a healthy balance but the consumer atop the table and the principles of consumer sovereignty are always paramount, always providing the *reason* for the existence of the structure below.[34]

Hutt's influence included erasing the difference between caring and making profits. Says Ackerman, "It is an absolute fact that the more we ploughed into staff benefits, the more we gave to charity, the more profits rose."[35] Pick'n Pay estimate their social responsibility programmes at 8% of post-tax profit.[36]

Proctor & Gamble, or P&G, is Cincinnatti-based, and has a portfolio of around 250 brands, mostly non-foods, in areas of detergents, health, hygiene, beauty and baby care. However, it also markets some food and beverage brands (Pringles being the most prominent in South Africa), which amounted to 13,8% of 2000/1 production by value.[37] P&G claims that its Principles, Values and Statement of Purpose document is central to its organisation, and that embracing the concept of sustainable development has been done in a way which is consistent with this document.[38] Part of the corporate culture is a comprehensive system of measuring performance at all operational venues, so that most data are reported on a global basis. Each business unit is responsible for the accuracy and consistency of its own data, and collection systems are user friendly. This data-based approach assists in validating annual results in all the measurable areas. The sustainability performance led the Dow Jones Sustainability Group Index to rate P&G first in the non-cyclical consumer products sector in 2001.

Other corporations have aligned themselves with externally-derived sets of principles. Amongst these, the King II report is the most significant benchmark in South Africa. King II is mindful of the classic Brundtland definition of sustainable development but offers its own understanding of the concept of sustainability:

> In a corporate context, "sustainability" means that each enterprise must balance the need for long-term viability and prosperity – of the enterprise itself and the societies and environment on which it relies for its ability to generate economic value – with the requirement for short-term competitiveness and financial gain…(N)on-financial issues – social, ethical and environmental issues – can

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34 Ackerman (2001: 62), reiterated in a personal interview (5 May 2003).
35 *Op. cit.*, 39-40.
36 Interview with Wendy Ackerman, Director, Pick'n Pay (5 May 2003).
37 Procter & Gamble (2001), *2001 Sustainability report*, p. 31.
38 *Op.cit.*, pp. 4, 12.

> no longer be regarded as secondary to more conventional business imperatives.[39]

Drawing on work of the Commonwealth Business Council Working Group on Corporate Citizenship, the report outlines a set of principles underlying sustainability reporting and governance. The report draws attention of practitioners to existing codes such as the Global Compact, the Global Reporting Initiative, the Global Sullivan Principles, and the AA1000 framework[40], and goes so far as to reproduce key information on these codes. In addition it also recommends the implementation of standards such as ISO 9000 (quality control), ISO 14000 (environmental management), SA 8000 (social accounting) and OHSAS 18000 (health and safety).[41] There is great stress on sound relations with stakeholders and on dealing with social transformation issues such as employment equity, diversity management, black economic empowerment and social investment.

Because the King II Report is home grown, and revises an already familiar Code of Corporate Practices and Conduct, and introduces local firms to a range of external codes, there has been a great deal of interest in its content. In the food sector, Pioneer Foods stated that they have aligned all their social responsibility objectives with King II.[42] British America Tobacco South Africa uses the AA1000 and the Global Reporting Initiative guidelines, but also explicitly incorporates the principles of stakeholder dialogue contained in King II.[43] This trend is likely to be extended, and is by no means confined to the food and beverage sector.

4.2 Commercial benefit

CSER tends to be managed from within Public or Corporate or External Affairs divisions as stand-alone operations, and budgets for pure sponsorship are usually seen as part of a marketing division's activities. Nevertheless there are considerable commercial gains to be made from CSER spending. Key gains include extending brand recognition and reputation enhancement.

Parmalat, which in recent years acquired a number of local dairy enterprises, including Bonnita and Towerkop, has as one of its CSER emphases the question of children. "Our milk products are to do with nutrition and child development, and so we find our support going to projects that are dealing with these themes," said Werda Biesenbach, Parmalat's head of corporate communications and editor of *Parmalat Pulse*. Parmalat also supports an environmental school which runs short courses for children from disadvantaged backgrounds. "We see our products as close to the environment and to children, so we took time and trouble in selecting a project that would reflect these concerns."[44]

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39 King Committee on Corporate Governance (2002: 91-2).
40 *Op. cit.*, pp. 226-75.
41 *Op. cit.*, p. 101.
42 Interview with Faiza Steyn (30 April 2003).
43 BAT SA (2002), *Social report: first edition June 2002*, p. 6.
44 Interview with Werda Biesenbach, Corporate Communications, Parmalat, Stellenbosch (29 April 2003).

Pioneer Foods links specific CSER project support to specific food brands in their stable. According to corporate affairs executive Faiza Steyn, "We support early childhood development projects, because at a young age our beneficiaries can start to recognise our products."[45] Twinning of projects with specific brands has paid off for Pioneer in terms of raising brand awareness and sales in particular communities.

The 'business case' for CSER has often been raised by proponents, and has come to be one of the key drivers of CSER in the South African food sector.

4.3 Priorities for support

Tensions exist around how to deploy the limited resources that corporations devote to their CSER programmes. There are more than enough worthy causes and potential partnerships in a country like South Africa, where the challenges of social and environmental transformation are considerable.

Companies tend to prioritise their stakeholders, starting with those who are in their employ and communities surrounding local plant. The South African Sugar Association (an amalgam of cane growers and sugar millers) devotes its attention to the sugar cane growing areas of KwaZulu-Natal and Mpumalanga. Its activities include skills training, HIV/AIDS support, cholera prevention and extension support for small cane growers.[46]

Unilever's activities in South Africa date back to 1887 when the Sunlight brand was first registered, and exports began in 1890. W H Lever, known for building model worker housing at his Port Sunlight factory outside Liverpool, waited until the formation of Union before establishing soap factories in Durban, Cape Town and Johannesburg in 1911-12. Lever Bros merged with the Dutch Margarine Unie in 1930 to form Unilever.[47] Its brands have become household names in South Africa. It chose not to disinvest during the sanctions period, but the post-apartheid period has seen global co-chairman Niall FitzGerald invited onto President Thabo Mbeki's International Investment Council. Unilever has also seconded support to President Mbeki's International Marketing Council to assist in the process of branding South Africa.

Its local CSER programme, administered through the Unilever Foundation for Education and Development, provides focussed support to a few large projects. While a number of these have local application, there are also those located outside KwaZulu-Natal. "Our strength is that precisely because we are a global player, we are multi-local as well as multinational", claims corporate affairs director Ed Hall.[48] The Foundation amplifies existing corporate strengths in areas like marketing, ethics, water management and chemical engineering to endow centres of excellence in these disciplines at local

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[45] Interview (30 April 2003).
[46] South African Sugar Association (2002), *Annual report 2001/2*, and interview with Joy Mills-Hackman, Development Manager, SASA (9 May 2003).
[47] Wilson (1954, I : 198-202).
[48] Interview with Ed Hall, Corporate Affairs Director, Unilever (9 May 2003).

universities. It uses company-based mentors and employee volunteers to support under-resourced schools, to build home-based AIDS-orphan fostering projects and clinics, and to participate in environmental education projects. The prestige Nelson Mandela Scholarships project (consuming an investment of over R30 million) supports 50 postgraduate students to undertake degrees in the UK. “While we are sometimes criticised as being elitist – since the funds could provide many more local scholarships – we firmly believe that one of the most fundamentally formative experiences in leadership training is study abroad,” Hall argues.[49] Returning students are not obliged to work for Unilever, but they are expected to return to apply their skills locally.

Nestlé is another multinational that has a very focused, limited list of key partners in its CSER operations.

Pick’n Pay is less focussed in its project support profile, and backs an extensive range of community initiatives. These range from small-scale local interventions (a pensioner’s birthday cake) to large event sponsorship (the Pick’n Pay Argus Cycle Race, attracting 35 000 entrants over 105km) and even support for Cape Town’s abortive bid to host the 2004 summer Olympics. Store managers have some discretion over what to support, and larger decisions are left to head office. The Ackerman Foundation was also established recently to undertake philanthropic projects, but these are not necessarily linked to the priorities of Pick’n Pay.[50]

4.4 Foundations or integration?

The diversity of approaches to CSER activities (scale, focus, spatiality) reflect the diversity of interests of the role-players in the sector. In some quarters there is a debate about whether a distinct CSER trust or foundation (such as that established by Unilever) segregates these activities from the mainstream of corporate functions. There is a strong argument that these functions should be integrated into normal line function activities. However, there seem to be few disadvantages in using a foundation approach, especially if there is clear CEO buy-in, expectations of employee voluntarism, good communications with other line departments, and solid alignment with corporate values and purpose.

4.5 Depatriation – is it a factor?

As we have seen, the food, beverage and tobacco sector contains a range of different corporate players, foreign multinationals, large listed and unlisted local corporations, and a range of medium, small and micro-enterprises. The only example of depatriation in this sector has been that of SAB plc (now SABMiller) which gained its primary listing on the London Stock Exchange in March 1999. Once the core of its activities, the South African beer division (or SAB Ltd) is now only one component of a global beer empire. The local South African CESR programme, based on the South African beer division still maintains its own structure and priorities.[51] Nevertheless there is a

[49] *Ibid.*
[50] Interview with Wendy Ackerman, Director, Pick’n Pay (5 May 2003).
[51] Interview with Nolitha Vukuza-Linda, Corporate Affairs Director, SAB Ltd (23 April 2003).

strong correlation between depatriation and global adherence to new standards of corporate governance. Prior to 1997, CESR was dealt with in an ad hoc fashion, but from the time that primary listing on the LSE became imminent, SAB plc paid greater attention to developing a broader accountability and CSER function, with a full review of corporate values, and corporate accountability functions incorporated into the firm's governance process with the establishment of a Corporate Accountability Working Committee in 1999/2000. Corporate citizenship reporting, confined mostly to the South African operations, began in 1997/8. By 2000/1 it assumed a triple bottom line format and was using GRI indicators. SAB plc adopted its group environmental policy on 17 April 2002. This commits the corporation to develop a group-wide environmental management system in line with ISO 14000 principles and has the long-term objective of independent certification of all its operations.[52]

How much of this new approach to governance and reporting can be attributed to the fact of depatriation? Quotation on the LSE carries some obligations for good governance, and SABMiller is now included in the Dow Jones and FTSE indices of the most socially responsible companies.[53] In its efforts to reposition itself as a global player, it is likely that these developments motivated the corporation to take governance and CSER issues much more seriously, and to begin to adhere to world class principles. Ironically the ISO 14000 series is based on subjective standard setting, and many environmentalists feel it is not sufficiently stringent in ensuring corporate minimisation of environmental impacts.

5. Controversies and challenges

5.1 Empowerment

Despite the occurrence to date of numerous empowerment deals in South Africa, this sector experiences such high levels of concentration that space for admission of new empowerment entrepreneurs seems limited. Foreign corporations (BAT, Unilever, Parmalat, SAB, Nestlé, P&G, etc.) have little incentive to give over shareholdings of wholly owned subsidiaries to empowerment groups. Some have an overwhelming monopoly (BAT, SAB) and would not want to encourage new competition with their own operations. Both Coca-Cola and SAB have, instead, placed emphasis on the types of partnerships that they have created with distribution networks. For example, SAB prides itself on stimulating support for 'owner-drivers' formerly employed by the company. Some companies have placed empowerment leadership figures on their global boards (e.g., Cyril Ramaphosa is a non-executive director of SAB plc). Others, like Pick'n Pay, have offered staff opportunities to take up equity in the company. The SA Sugar Association has

[52] SAB plc (2002), *Corporate accountability report 31 March 2002*, p. 22, which outlines the group's environmental policy.
[53] *Op. cit.*, p. 3.

set a target for black ownership of 30% of total hectares of cane grown.[54] However these gestures are not a substitute for addressing the key empowerment issue of substantially diversifying equity ownership in the different sub-sectors of the industry.

The larger fishing companies (e.g., Sea Harvest, I&J, Oceana) have retained the bulk of the allocated quotas, without having to cede much market share to smaller players. In conditions of a diminishing resource, and accompanying redundancies, the inability of government to reallocate the quotas is likely to have dramatically adverse consequences for traditional fishing communities.

5.2 Regulating the sector

Liberalisation of the South African economy helped to do away with the former marketing boards which covered particular agricultural commodities. Part of their role was to set commodity prices in advance, usually covering a period of a year. This assisted producers, processors, wholesalers and retailers to plan with a limited amount of stability and predictability.

Despite liberalisation of the markets, there is a profusion of regulatory instruments and institutions covering the food, beverage and tobacco industry. Industries like sugar and liquor are each governed by their own acts. Currently both the Sugar Act and the Liquor Act are under revision, and the SA Sugar Association and SAB are active in asserting their position before parliamentary portfolio committees, and, in the case of sugar, at the World Trade Organisation. The tobacco industry is highly regulated, and BAT itself admits its products are risky and need 'sensible regulation'.[55] In the case of tobacco, the Department of Health is the primary regulator, whereas in the case of sugar, this role is assigned to the Departments of Agriculture and Trade & Industry.

Tobacco is also keen to assist the regulators in ensuring that contraband and counterfeit products do not enter the market. To this end BAT South Africa, acting through the Tobacco Institute of South Africa, works closely with the excise authorities, seconding personnel to the South African Revenue Services.[56]

Food safety regulations and legislation are weakly enforced. Their administration is devolved to provincial and local government authorities. Recently the SABC3 television documentary team, Special Assignment, undertook food tests on poultry bought from a range of outlets – from street stalls to hygienic supermarkets. The results found that all the chickens were in some way contaminated.[57] The programme evoked widespread concern about

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[54] Interview with Joy Mills-Hackman, Development Manager, SASA (9 May 2003). The industry has already reached the 27% mark, according to SASA Vice-President Rodger Stewart. See SASA (2002), *Annual report 2001/2*, p. 4.

[55] BAT South Africa (2002), *Social report 2002*, p. 34.

[56] *Op. cit.*, p. 35.

[57] Special Assignment, broadcast on 26 November 2002

food safety, prompting Woolworths to issue disclaimers validating the integrity of its cold chain and organic hormone- and antibiotic-free products.[58]

While the mining industry has a single integrated safety inspectorate, and new dedicated regulatory agencies have been established for the electricity and telecommunications industries, there is no call for a one-stop regulatory agency for the food, drink and tobacco sector. Until that occurs, the industry will continue to deal with a proliferation of regulatory agencies, including national and provincial government departments as well as local municipalities. This carries implications for efficiency and global competitiveness.

5.3 Sugar

South Africans enjoy their sugar, consuming an estimated 31kg per capita in 2001/2[59]. Sugar is a sweetener and a preserver of foods. It provides a cheap form of energy, tastes good, and creates a temporary feeling of well-being. Its use in the food chain in South Africa is extensive. People add multiple teaspoons of sugar to their coffee and tea. Most canned vegetables and soft drinks contain high percentages of sugar. Part of the cuisine involves adding sugar to cooked vegetables. We sweeten our dairy products, our fruit juices, our breads and our stews. We are large consumers of confectionery. The evidence is visible in high levels of obesity, dental caries, high blood pressure, heart disease and diabetes amongst our population. None of these health costs are borne by the industry.

This link is, of course, contested by the sugar industry, which is not only one of the most important funders of nutrition and dental research in South Africa, but is also involved in generic advertising and promotion of the product. The South African Sugar Association uses its own Nutrition Department to "address misinformation about the link between sugar and health", targeting journalists, health workers and patients in state hospitals and clinics. It produces educational materials to "correct the message about sugar and assist in the overall education of the patient". It also sponsored a Nutrition Society of South Africa symposium on the "misinformation about sugar" which it feels is spread in HIV/AIDS education.[60]

Globally the industry has a vigorous lobbying style. Currently the US Sugar Association is attempting to challenge the World Health Organisation's guidelines on healthy eating,[61] which state that sugar should account for no more than 10% of a healthy diet. Unless the WHO revises this to 25%, the US Sugar Association, along with six other big food industry corporations, has undertaken to pressurise the US Congress to end its US$406 million funding for the WHO. The accusation is that the guidelines are based on 'faulty

[58] 'The difference between Woolworths food and what you saw on Special Assignment', *Sunday Times* (Johannesburg), 1 December 2002, p. 38.
[59] Illovo Sugar Ltd (2002), *Annual report 2002*, p. 42. The world sugar year runs from September to August.
[60] SA Sugar Association (2002), *Annual report 2001/2*, p. 22.
[61] See WHO (2003), *Diet, nutrition and the prevention of chronic diseases* at www.who.org.

science'. WHO has rejected the sugar lobby's criticisms, claiming that a team of 30 independent experts had considered the scientific evidence and found its conclusions to be in line with the findings of 23 national reports, which, on average, set targets of 10% for added sugars.[62]

The industry's dimensions are considerable. During 2001/2, it crushed 21,2 million tons of cane to produce 2,4 million tons of sugar, amounting to 1,8% of world production of 134 million tons. 52% of domestic production was consumed in the domestic market. The industry's gross revenue was R5,4 billion, and it sustained '350 000 jobs, both directly and indirectly, mostly located in the rural areas of the country'.[63] Of these there were 52 360 registered growers, of whom 50 561 were small-scale growers.[64] The industry's CESR is focused on areas of educational improvement, skills development, HIV/AIDS, cholera prevention, and increasing the number of black commercial sugarcane farmers.

In contrast with the tobacco industry (in its current phase), the sugar industry cannot admit that its product is the direct cause of health problems. As a product, sugar still enjoys an unassailable position in the hearts of consumers. Yet, sooner or later, as the obesity and heart disease pandemics mature, more thorough attempts may be made to control its use. Will the industry wait until then to exercise its social responsibility in relation to the health of its consumers?

5.3 Tobacco

The tobacco industry now openly admits its product is risky. It argues that despite this, the product is legal for adult consumers, and one-quarter of South African adults continue to smoke. Whilst not a major employer (2 600 people), the industry relies for its raw material from 600 local tobacco growers who provide around 46 000 jobs in Limpopo, North-West and Mpumalanga provinces. The industry earns R11 billion a year, half of which it pays over to the excise authorities. It claims that there are advantages in the country having a responsible industry, one that respects the ban on advertising, that co-operates in stopping sales to young people, and that encourages tobacco growers to end child labour.[65] BAT, with over 90% of the local and 15% of the global market, works with the South African authorities to end the smuggling and counterfeiting of its brands. It equates its contribution to the fiscus through excise and VAT payments with a quarter of the country's current health budget or an eighth of the education budget.[66]

In order to manage its social reporting and its CSER agenda, BAT has appointed a social reporting team, which set about identifying its stakeholders and setting up externally facilitated dialogue sessions with them. The

[62] Sarah Boseley, 'Sugar industry threatens to scupper WHO', *The Observer* (London), 20 April 2003.
[63] SA Sugar Association (2002), *Annual report 2001/2*, p. 3.
[64] *Op.cit.*, p. 37.
[65] Interviews with David Kingma and Simon Millson, BAT South Africa (29 April 2003).
[66] British American Tobacco South Africa (2002), *Social report 2002*, p. 9.

stakeholders included employees, suppliers, tobacco lobbies, regulatory agencies, retailers, consumer groups, and health authorities. The Department of Health and a number of other health and medical agencies did not respond to invitations to the process. Expectations of stakeholders were considered, with BAT promising to take action on these and related concerns. Part of this was a re-examination of CESR priorities. Traditionally, predecessor firms like Rembrandt had strongly supported the arts, nature conservation, small business development and the Urban Foundation.[67] As a result of the stakeholder workshops, BAT has committed itself to redress historical social imbalances and current social needs. In line with this, it has initiated projects on black economic empowerment and HIV/AIDS.

Yet the over-riding question is whether a tobacco corporation can be socially responsible, given that its fundamental product has been proven inherently harmful to human health. Can BAT conduct CSER activities in a credible way? Its response: "While tobacco can be a controversial product, it is also a very important industry, and we aim to be recognised as a responsible company in this industry."[68]

5.4 Genetically Engineered Foods and Crops

Monsanto South Africa is a wholly owned subsidiary of its US parent, based in St Louis, Missouri. Once responsible for Agent Orange, a defoliant used with serious human consequences in the Vietnam war, Monsanto went on to invest in agro-chemicals and biotechnology. Backed by 20-year patents, and beginning with soya, Monsanto rapidly commercialised genetically engineered (GE) cotton, canola and maize. The GE crops are resistant to Monsanto's proprietary glyphosphate herbicide, Roundup. Farmers who use these crops in the US are contractually bound to use only Roundup to destroy the weeds around them. Within two years, by 1996, Monsanto was involved in 7,7 out of the 12 million hectares of GE crops planted around the world. By May 1998, Monsanto had acquired Delta & Pine Land Co, the largest US cotton seed company, which had recently announced the development of a terminator technology, one which is genetically modified to sterilise seed after a single harvest. The farmer cannot reutilise the seed and needs to purchase new seed (and related chemicals) commercially. Monsanto went on to acquire Dekalb, the US's second largest maize company, Holden's, responsible for up to 35% of US maize planting, and AHP, the third largest US herbicide and insecticide firm. By the end of the 1990s, Monsanto had become the largest agro-chemical corporation in the world.

Its entry into Africa was aimed not only at marketing its agro-chemicals, but also to promote its GE crops. Monsanto obtained permission to conduct field trials to test insect and herbicide resistant cotton in South Africa in 1994, and later engaged in field trials for other crops. It is supporting the first commercial release of GE cotton to small-scale growers in the world, in the Makhatini flats on the Pongola flood plain. GE white maize is being released commercially for the first time in South Africa in the 2002 season. By late

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67 Rembrandt, founded by Dr Anton Rupert, later grew into Rothmans International. See above, p. 7.

68 *Ibid.*

2002, 350 000 hectares had been planted with GM crops in South Africa, up by 50% in a single year. Over 175 field trials are under way in 8 out of South Africa's nine provinces, and 5 commercial releases have been approved.[69]

Monsanto acquired majority shareholding in 1999 of Sensako, a 40-year-old South African seed company which was formed in the agricultural co-operative sector, and had prior links with Dekalb.[70] Steady acquisition of other seed companies has given Monsanto strategic control over agricultural seed distribution in South Africa.

Resistance by consumers and governments to the commercialisation of GE foods and other crops has been extremely strong in the European Union, Japan and India. The EU currently has a moratorium on commercialisation and imports, while Japan only allows imports for animal feed. India at the beginning of 2003 banned the importation of GE food in the form of aid, as Zambia had done in October 2002.

South Africa's pliant regulator, located in the national Department of Agriculture, has been permitting field trials without public disclosure of the contents of the risk assessments that are supposed to be conducted. This is currently been challenged in a landmark legal action under access to official information legislation by Biowatch South Africa. The case is marked by an unusual development, the application by Monsanto to the courts to become a co-respondent with the Department of Agriculture.

Monsanto's CSER programme is highly self-interested. It spends an undisclosed amount supporting a 'stakeholder organisation', AfricaBio. This organisation is involved in building support for Monsanto's position, as well as for GE in general. It conducts training including in risk assessment across Africa, and has often posed as an independent NGO, or a body representing small farmers, whereas its membership is largely drawn from corporate members and academics whose research is corporate-sponsored. Monsanto has also formed a partnership with the Industrial Development Corporation, the Land Bank, and provincial agricultural authorities in support of the Makhatini cotton experiment.

The spread of GE in South Africa is controversial, and contested in particular in the NGO community and by the Food and Allied Workers' Union (FAWU), which has supported calls for a moratorium on field trials and releases.[71] Members of parliament have recognised the shortcomings of the Genetically Modified Organisms Act (No. 15 of 1998), and set up a stakeholder process led by the chairs of the agriculture and environment portfolio committees. The Department of Environmental Affairs and Tourism has also indicated the need for a revision of the Act, while Monsanto and

69 Pschorn-Strauss and Wynberg (2002: 4).
70 *SANSOR News: newsletter of the South African national seed organisation* (1991: I : 14).
71 Interview with Katishi Masemola, FAWU Deputy General Secretary (12 May 2003).

AfricaBio have expressed that there is no need for such a change.[72] South Africa still needs to ratify its adherence to the Cartagena Biosafety Protocol, which governs trade in GMOs. As yet there is no segregation or labelling process for distinguishing these in the market.

Genetically engineered crops are being resisted for a number of reasons. Firstly there is no conclusive evidence that their use over the long run will not compromise human and animal health and the environment. Secondly, there is strong resistance to the notion that living organisms may be patented, particularly amongst the African group at the World Trade Organisation. Thirdly, there is a concern that releases of GMOs into the environment will contaminate native races of plants and so damage biodiversity, and the resource base which biodiversity sustains. Fourthly, there is strong objection to the steady strategic control which the agro-biotech corporations have obtained over the food chain, in particular over maize, soya and oilseeds. Farmers resent having to forego seed saving and seed swapping, and are having to go into more debt to afford fresh seed for each harvest. Fifthly, there is growing evidence that the claims of the industry that its crops tare resistant to pests do not hold over time: insects are developing greater resistance to the pesticides genetically engineered into GE crops. Sixthly, claims that GE is what developing countries need to extend food production are regarded as spurious; food security depends not only on supply (and there is global overproduction of food) but more centrally on households' abilities to access food. GE seed is more expensive and creates patterns of debt in developing countries and a technical fix is not necessarily a sustainable solution to the problem of food security.

Monsanto claims to have a commitment to 'excellence in environmental safety, and health performance.'[73] While its internal activities may be increasingly eco-efficient, these claims are meaningless unless seen in the context of the corporation's entire ecological footprint.

5.5 Food pricing

Rapid food price inflation during the course of 2001/2 could not entirely be attributed to the weak rand-dollar exchange rate. When retailers began to report very large profit increases, it became a matter of public interest. The former price regulatory mechanisms no longer apply, and food prices are largely determined by market forces (including so-called import parity, where the maize price is determined in US dollars).

Despite this the Minister of Agriculture, Thoko Didiza, appointed a Food Monitoring Committee, under the chairpersonship of agricultural economics professor Johann Kirsten. The committee was charged with examining how the value chain functioned in staple foods, and to assess whether opportunistic pricing patterns existed in the industry.

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[72] Discussion with Maria Mbengashe, DEAT Deputy Director General and position given by AfricaBio to the joint portfolio committee's workshop, Elsenburg (14-15 April 2003).

[73] See the relevant section of www.monsanto.com

The retail sector regarded this as needless interference, and that the state should not intervene in shaping the market.[74] However, the food trade union FAWU has found the deliberations of the Food Monitoring Committee very disappointing. FAWU argues that excessive profits in the food retailing sector should be subjected to a windfall tax. Instead the FMC has concluded that high profits were not a result of market manipulation nor opportunistic profiteering. Yet FAWU's view was that the SA Futures Exchange had confirmed that there was some room for speculative behaviour in the area of grain stocks. While farmers have gained, the bulk of the profits have increased across the chain after leaving the farm gate. Retail gained but the millers gained excessively. [75]

FAWU feels that the state should be more interventionist, especially with respect to the supply of maize at modest prices:

> While calls for re-regulation might seem out of touch with the times, the state could control any profiteering by creating parastatals across the value chain, in sileage, milling, wholesaling and retailing of maize.[76]

In October 2002 the situation had become acute, and the Minister announced that, as a temporary measure, 'special' white maize meal would be sold at Metro Cash and Carry outlets (a wholesaler) in 12,5kg bags at a price of R25,99. This compared with the market price for normal white maize meal which had reached between R45,75-R47,39 per 12,5kg bag.

However, FAWU and food researchers regarded this as a public relations exercise. They claimed that only 3% of the monthly maize consumption had been offered as part of this deal, and also that the quality of the 'special' maize meal (or sifted maize) was questionable, and normally sells at a much lower price in any case.[77]

Since food price inflation is such a key contributor towards broader inflation patterns, FAWU intends to raise its concerns at the forthcoming Growth and Development Summit. It is concerned that its members have not seen any food price diminution in the wake of the rand's significant rise in value, as has happened in the case of more closely regulated liquid fuels.

In the context of the trade union proposal for a universal basic income grant, it would be futile to implement this and simultaneously have it undercut by steady food price inflation.

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[74] Interview with Wendy Ackerman, Director, Pick'n Pay (5 May 2003).
[75] Interview with Katishi Masemola, Deputy General Secretary, FAWU (12 May 2003).
[76] *Ibid.*
[77] *Ibid.*, and interview with Eric Watkinson, NALEDI (3 April 2003).

6. Conclusions

Although food security should be the responsibility of numerous role-players in society, not least government, there is a particular gap in this respect when considering the CESR programmes of the food and beverage industry. Exceptions include Nestlé, which supports Mpumalanga-based NGO Eco-Link in addressing questions of rural food security through training in permaculture and food gardens, and Pioneer Foods, which gives support in kind to hunger relief projects in times of food stress. However, in general, the sector's CSER programmes do not systematically deal strategically with overcoming the problem of hunger in society. If anything, the level of retrenchment in the industry is such that the problem has probably become more acute. Greater reliance on outsourcing and contract or casual labour also has implications for the ability of workers and their dependents to command access to their nutritional needs. The food and drink sector needs to focus more clearly on questions of consumer affordability of basic food needs within a CSER framework for the latter to have meaning and credibility.

It is unclear whether the Growth and Development summit process will emphasise food security. The 2000 cabinet *Lekgotla* (strategic planning session) decided that there was a need to implement an Integrated Food Security Strategy, and this was later adopted at a MinMEC (forum of national and provincial agricultural ministers), and a draft bill on food security developed in 2001. Further work has occurred on setting up information systems and project identification, and three pilot projects have been initiated at provincial level, which will be rolled out to the rest of the country in due course. The government has interpreted the problem as being addressed through demonstration projects. It has raised money for this approach through holding a Telefood concert, which was telecast internationally in conjunction with the SABC and the FAO. However, a piecemeal project approach may only produce temporary, palliative solutions. Without systematically addressing the land question, skills, inputs, extension services, credit, food prices, and non-agricultural livelihoods, the food security of the South African urban and rural poor will remain elusive.

Another gap is that there is no industrial association for the sector as a whole for engaging strategically on some of these issues. We have noted earlier that the sector is exceptionally diverse, with a variety of ownership models, scales of operation, kinds of production, and approaches to CSER. In general, the sub-sectors have their own institutional representation, one prominent example of which is the SA Sugar Association. One model for consideration is the Brussels-based CIAA which represents the food and drink industry in its deliberations with the European Union structures. But would a broader sectoral association make any difference? Is it possible that such a diffuse sector has more interests dividing it than uniting it? This paper has tried to indicate the importance of the sector to the local economy, particularly when the multiplier factor is considered. Yet unlike mining and chemicals, it is not yet organised in a comprehensive structure.

This is one of the reasons why it has been difficult to gather reliable statistics on trends in the sector. Information has to be pieced together, and there are different measurement methodologies employed across the sector. This clearly provides a challenge to macro-economic planners, as it does to analysts of the sector, or to trade union organisers. In academic terms, the sector remains undocumented – there are no sectoral histories or analyses available to date in the public domain.

We have surveyed the range of CSER initiatives in the sector. The role of foreign corporations having to live up to global reporting and accounting standards sets the pace for a number of the larger local firms. We have also seen the seminal influence of the King II report. We have also seen some contradictory trends whereby corporations take little overall responsibility for the impact of their product, and may be utilising the procrustean formulae of CSER to deflect attention from the fundamentals. We have highlighted the cases of sugar, tobacco, and genetically engineered crops, but similar arguments could be made for alcohol. The overview paper linked to this one contains a case study of how practices in the wine industry are changing against the impact of ethical investment requirements.

Taken as a whole, CSER in the South African context is characterised by its diffuseness and lack of focus. This detracts from the overall impact that it might have achieved. It is only when the industry steps away from narrower self-interested visions, and begins to address the fundamental issues of product stewardship and social issues like hunger and food insecurity, that the sector will be judged to have made a positive and sustainable contribution to social transformation in South Africa.

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A wide variety of corporate publications (annual reports, social reports, statements, etc.) were used in this research; some of the more useful ones are listed in footnotes.

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