

Case Study: UTZ Certified Rooibos Farms in South Africa



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1. EXECUTIVE SUMMARY

UTZ Certified is an international program for sustainable farming, which focuses on specific crops, including Rooibos. The UTZ Certified program for Rooibos started in the Western Cape province of South Africa in 2010 with both commercial producers and processors. Through the UTZ program, farmers are encouraged to improve their farming methods and working conditions, take better care of the environment and ensure a better life for future generations.

In 2013 UTZ Certified decided to conduct a study with the Rooibos certificate holders to determine whether practices on farm had changed since certification. This study focussed on the specific impact areas of the UTZ Theory of Change and farm and processor managers and workers were interviewed to determine their view of change in these areas. These specific impact areas included: better farming methods and better crop, better income and market access, better working conditions, better care for nature and better care for next generations.

The study used a mixed methods approach to identify the changes since joining the UTZ program. The mixed methods approach included both qualitative and quantitative questionnaires, individual story-telling and assessing if workers employed by these certified businesses are above or below the national poverty line. All UTZ certified farms and processors were included in the study. While the study cannot fully establish the attribution of the changes described to the UTZ program only, it has allowed mapping the UTZ certificate holders' characteristics and their perceptions of changes since the introduction of the UTZ certification.

The Rooibos sector in South Africa is unique not only because of its relatively small size and number of role-players, but also because of the uniqueness of the plant and the conditions in which it grows. The sector is facing a number of challenges, in particular supply and demand fluctuations which result in an ever changing producer price. This creates uncertainty for businesses operating in the sector and a new approach is needed to restore confidence to companies operating in the sector.

Other challenges facing the sector include: changing weather patterns; limited land for expansion; protection of the name Rooibos; and investment in product and production research. The UTZ certified program can potentially play a role in this regard by creating awareness of these issues and focusing its program to address them. These include for example guiding producers on how to improve their production practices, improving how they work with and protect the environment and creating an enabling environment which could lead to a more sustainable future.

It was assumed that the advanced labour and health and safety legislation in South Africa would not lead to many changes in these areas as a result of certification. Although most farms were compliant, it was found that UTZ has assisted in creating an increased awareness of the requirements and has assisted businesses to maintain or improve compliance with national legislation. Compliance with legislation has overall been found to be challenging in the agricultural

sector due to the lack of inspection capacity in the Department of Labour. However, due to the fact that certified farms are audited on an annual basis, this means that a higher standard of working conditions are being maintained on UTZ certified farms and processing facilities.

Most of the UTZ businesses reported improvements in their recordkeeping and administration systems since certification. The improved management of businesses is a focus of the UTZ codes and this includes all records from planting and harvesting to the use of crop protection products, to training and employment records.

In terms of better farming methods, the UTZ program does focus on higher yields for most crops. This is however more difficult for Rooibos due to the fact that yields are largely dependent on external factors outside a producer's control such as rainfall and temperature. Some methods which are employed by producers, such as crop rotation, can have some benefits, but ultimately there is not enough scientific research in the field yet to support what factors are indeed able to contribute to increased yields. The UTZ program for Rooibos therefore focuses on other areas where it can have an impact such as recommending the use of Integrated Pest Management Techniques (IPM) and decreased use of chemicals. The producers who are not organic certified, have made improvements in terms of using crop protection products with less toxicity, improving the storage facilities for these products and recording use. Workers have also been trained on pre- and post-harvest intervals for the first time since certification.

Both of the processors interviewed agreed that UTZ certification has opened up new markets for them specifically overseas. This benefit has also meant that producers were able to sell more UTZ Rooibos year-on-year and therefore received a higher premium. To date the UTZ premium has been spent by the producers on direct farm inputs as well as training and other social development activities for farm workers.

The UTZ requirements around health and safety and hygiene have brought about positive change on the majority of the UTZ farms. The workers confirmed that seeing increased signage has made them more aware of health, safety and hygiene issues. In addition all of the UTZ producers agreed that UTZ certification has brought about an increase in the amount and frequency of training done with workers on a variety of topics including health and safety, the safe handling of crop protection products and HIV and Aids awareness.

With regards to housing conditions on farms, it was found that workers on UTZ farms seem to have access to above average living conditions, in comparison to some national estimates. There is also no evidence of child labour on any of the UTZ farms or processing facilities and all children living on the farms that are of school going age are attending school. Three of the farms even have their own day care and aftercare facility on the premises.

With regards to the environment, some of the producers spoke positively about how UTZ has made them more aware of the issues facing their natural resources and how it's their responsibility to protect them. This has brought about an improvement to farm waste management systems and increased the producers' willingness to get involved in recycling projects. It is evident from the study that the section of the UTZ code which focuses on the environment has been used by the producers as a tool to measure their compliance with national legislation.

2. INTRODUCTION

In 2009, UTZ Certified decided to develop a Rooibos Code for the sector in response to demand from existing tea buyers for UTZ certified Rooibos. The code development process began with a stakeholder workshop in Clanwilliam in July 2010 with all relevant industry role-players to understand the challenges and opportunities in the Rooibos sector. During the workshop five commercial farmers and two processors were identified and agreed to pilot the new code.

The Rooibos pilot was undertaken with two supply chains: the processor Rooibos Ltd and three farmers supplying to them; and the processor Bergendal Rooibos and two of the farmers supplying to them. The farms and processors were audited by two independent Certification Bodies operating in South Africa who were approved to conduct the UTZ Rooibos audits. The pilot audits resulted in valuable feedback into the proposed codes from the farms, processors, and other industry experts. Specific inputs were made on pesticide use, South African environmental and labour legislation. The first farm and processor, Bergendal Boerdery and Bergendal Rooibos became certified in January 2011 and the final Rooibos codes were then published in February 2011. The rest of the farms that participated in the pilot all obtained certification during 2011.

In 2013 all of the farms and both processors involved in the pilot have maintained their certificates and are in year 3 of certification. A small farmer cooperative obtained certification in 2012 and a PDI farmer was in the process of preparing for UTZ certification while the study was conducted. In the last quarter of 2013, UTZ Certified contracted Sandra Kruger & Associates (SKA) to conduct a case study of UTZ Certified Rooibos farms and processors in South Africa.

The main objective of the study was to identify changes introduced on UTZ certified farms and processing facilities since becoming certified. In order to identify whether change occurred and the nature of the change, the research design was based on the specific impact areas of the UTZ Theory of Change. These areas include better farming methods and better crop, better income and market access, better working conditions, better care for nature and better care for next generations. Managers and workers of the farms and processors were interviewed to determine their perceptions of the changes in these areas, the added value of being part of the UTZ program as well as potential challenges.

As the overall framework for the study, the report will start with an overview of the UTZ Monitoring and Evaluation System and Theory of Change. This will be followed by a description of the research design, in particular the tools used in the mixed methods approach that was adopted to identify the changes that have occurred on the farms and processing facilities since certification as well as the perceptions of the managers and workers of these businesses about the changes.

The following sections will provide background on each of the farms and processors included in the study as well as an overview of the specific characteristics and trends within the Rooibos sector, in order to contextualize then findings that will be presented in the final section of the report. The findings of the study will be presented according to the UTZ “wheel” (detailed in the next section)

with specific reference to the UTZ Theory of Change for both the UTZ Rooibos farms and UTZ processors respectively. The findings presented for the UTZ Rooibos farms, will describe their achievements in terms of applying better farming methods, ensuring better working conditions, protecting the environment and caring for the future generation on their farms. The findings presented for the UTZ processors relate specifically to traceability, working conditions and environmental protection.

3. UTZ MONITORING AND EVALUATION SYSTEM AND THEORY OF CHANGE

The UTZ monitoring and evaluation (M&E) program has been aligned with the Code of Good Practice for Impact Assessment developed by ISEAL, the independent umbrella organization that works to strengthen sustainability standards systems. Through the M&E program UTZ tests whether its strategies are successful in achieving the expected outcomes and desired impacts, and, if not, how these strategies should be adjusted.

The UTZ Wheel below shows at a glance how the implementation of the UTZ requirements in the standards can lead to improvement. This report is structured around the key elements of the wheel.

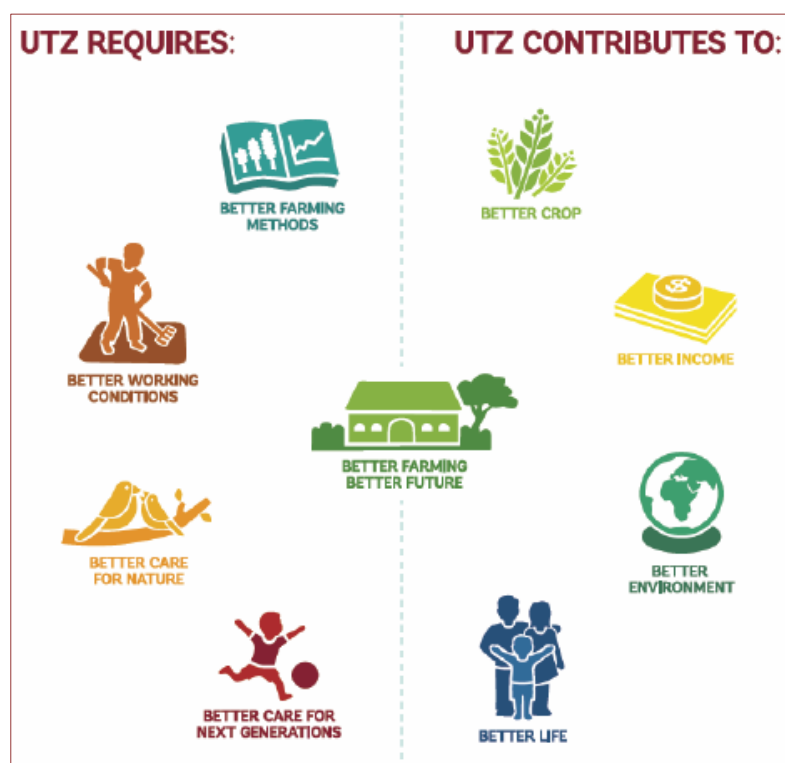


Figure 1: UTZ Wheel

The UTZ Theory of Change in a more detailed diagrammatic representation which shows how the activities implemented by farmers can lead to the ultimate goal: making sustainable farming the norm. It explains what UTZ does and why. It shows how UTZ strategies lead to direct outputs and

contribute to long-term outcomes and desired impacts. This long-term change takes place in the context of many other external factors from the weather to changing market demand. The full Theory of Change can be seen in Annex A.

In essence UTZ certification requires farmers to use better farming methods, to improve working conditions, to take better care of the environment and next generations; in this way, the UTZ program contributes to farmers growing better crops and generating a better income, which increases their resilience to shocks while safeguarding the earth's natural resources for the future.

The preconditions and assumptions underlying this theory are tested through UTZ internal monitoring system as well as the regular commissioning of external case studies and impact studies to independent third parties.

4. METHODOLOGY AND TOOLS

The main objective of the study was to identify the changes that have occurred on the farms and processing facilities since certification as well as the perceptions of the managers and workers of these businesses about the changes, and the added value of being UTZ certified as well as the potential challenges.

The study was conducted with all existing UTZ certificate holders, both farms and processors. In addition a Previously Disadvantaged Individual (PDI) producer¹ that is still in the process of being certified was also included. In total, 5 commercial producers, 1 small farmer cooperative, 1 PDI producer and the 2 processing facilities were included as part of the study.

The study started with a literature review of the Rooibos sector, focusing on specific aspects covered by the UTZ Program. In order to collect both quantitative and qualitative data about the changes since certification a mixed methods approach was adopted to collect the empirical data from the farms and processors, including: structured and semi-structured questionnaires with managers and workers, the Progress out of Poverty Index® (PPI®) and the most significant change (MSC) technique.

4.1 Tools and methods used

i. Literature Review and Desktop Study

A desktop study was done to gather existing literature on the Rooibos sector, followed by a review of the literature to determine relevance and applicability to the aims of the study. The focus of the review was on supply and demand figures, quality and pricing, sector players and challenges the sector faces. This was complemented by information gathered while working in field and by interviews with various stakeholders with knowledge of and experience in the sector.

¹ Local definition used to describe a farm that can no longer be considered small, but is not yet commercial.

ii. Structured and Semi Structured Interviews

Questionnaires were developed in line with UTZ program indicators to gather quantitative and qualitative data. A structured questionnaire was developed for the management of the processors and farms which consisted of closed ended questions. This was aimed at collecting specific baseline data around production and pricing as well as more information on each of the focus points of the UTZ Theory of Change as described above.

Semi-structured questionnaires were also developed for the management of the processors and farms as well as for the workers. These questions were more open ended and aimed at collecting qualitative data around the same areas as targeted with the structured questionnaire, but with a focus on the respondent's perception of the changes. The workers' questionnaire was specifically focused on training received, wages, benefits and health and safe working conditions.

iii. Most Significant Change (MSC)

The most significant change (MSC) technique is a form of participatory monitoring and evaluation which can be used throughout a program cycle to provide information on the management of the program (Davies & Dart, 2005). The process involves the collection of stories voluntarily shared by various stakeholders, which may indicate significant change at field level.

This technique was used to capture unintended changes or changes outside the scope of the structured questionnaire. The MSC tools are only used when producers or workers express their willingness to share their perceptions of the most significant change they experience since the introduction of UTZ certification. The question is left very open-ended to allow a willing respondent to tell their experiences and points of view without guidance from the researcher.

iv. Progress out of Poverty Index® (PPI®)

The Progress out of Poverty Index® (PPI®), <http://www.progressoutofpoverty.org/>, is a poverty measurement tool. For this study the PPI for South Africa created by Mark Schreiner of Microfinance Risk Management in April 2009 was used.

The PPI is based on a set of 10 easy to answer questions about a household's characteristics and assets. The responses are linked to a scoring grid which in turn is linked to national or international poverty indicators. These scores are then used to evaluate a sample's likelihood of falling below local and international income and poverty lines. In this study this tool was used mainly to map the standard of living of the workers on the certified farms.

v. Field work and data analysis

All of the farm and processor managers agreed to be interviewed and allowed a sample of worker interviews to be conducted. The worker interviews were mostly based on availability on the day, but there was an inclusion of male and female workers as well as permanent and seasonal. The field work was conducted in November 2013.

In total 9 structured questionnaires and 9 semi-structured questionnaires were completed with the management of the farms and processors. On the farms a total of 22 individual interviews were conducted with workers as well as 2 focus groups comprising of 18 workers in total. At the processing facilities 2 individual interviews were done with workers and 4 focus groups comprising a total of 15 workers². At the cooperative Driefontein, 7 individual interviews were conducted with cooperative members.

In addition to the semi-structured questionnaires, workers were also asked the PPI questionnaire. A total of 26 PPI's were captured. In terms of the MSC technique, only 5 respondents were willing to share their story.

All data collected and qualitative information was then cleaned, coded and analysed according to the impact areas outlined in the UTZ Theory of Change.

vi. Methodological limitations

Although the research team tried as far as possible to isolate changes directly attributable to UTZ, this was not always possible as there was no baseline data collected on the key indicators prior to the involvement of UTZ. Furthermore, no control group was formed in order to compare the UTZ certified to the non-certified farm. The lack of a control group and a rigorous baseline are two major limitations to establishing attribution.

² For more details on the where the individual and focus group interviews took place see Annex B

4.2 UTZ Certified Rooibos Farms and Processors

The map below shows where each of the farms and processing facilities included in the study is situated in the Western Cape.

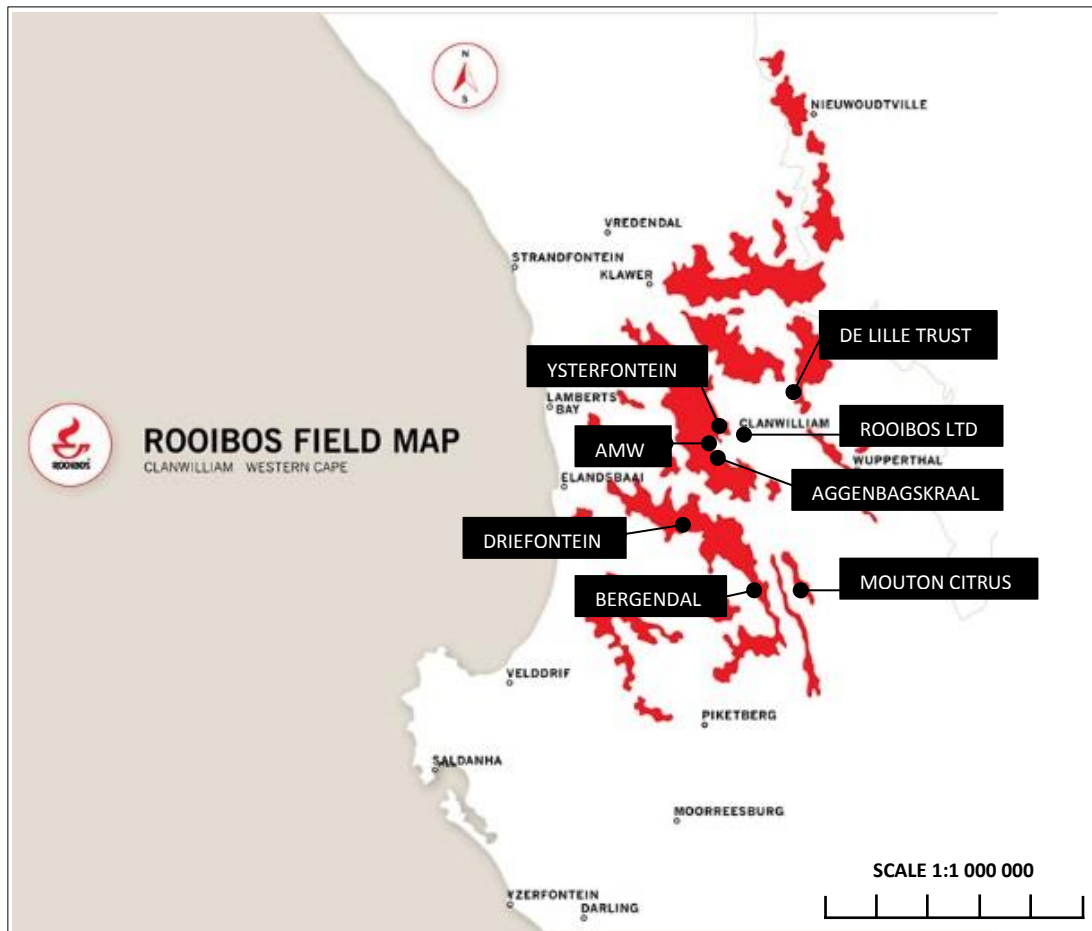


Figure 2: Map of the Rooibos producing area showing the UTZ certificate holders

i. Bergendal Boerdery and Bergendal Rooibos

Bergendal is a family and worker owned farm situated on the Paleisheuvel Road outside Citrusdal. Bergendal comprises of Bergendal Boerdery with a number of farms under Rooibos, citrus, deciduous fruit and wine grapes as well as Bergendal Rooibos which is a Rooibos processing facility. The farm has 2,200ha in total with 520ha under Rooibos cultivation.

The Bergendal Rooibos processing plant is a joint venture between Bergendal Boerdery, Bergendal Workers Trust and Carmien Tea. Bergendal Workers Trust includes 136 workers from the



Figure 3: Primary production of Rooibos at Bergendal tea court

farm who have a 50% share in Bergendal Rooibos. Bergendal Rooibos has a vested interest in its community and employees. The farm houses both a clinic and computer centre for families and specifically children living on the farm. There is also a community recycling program in place to help all beneficiaries of the farm protect the environment.

Bergendal Rooibos is the only processing facility for the brand Carmien Tea. Carmien Tea is an expansion of the family owned business Mouton Citrus and has evolved into a privately owned, independent marketing and export company since 2012. Today it is a joint venture between the Mouton Family, Mouton Citrus, Bergendal Boerdery and the Bergendal Worker Trust. Carmien Tea together with Bergendal, was part of the UTZ pilots launched in 2010, and was UTZ certified in 2011 as the exclusive UTZ Rooibos Trader for Mouton Citrus and Bergendal Boerdery.

ii. Mouton Citrus



Figure 4: Rooibos fields at Mouton Citrus

Mouton Citrus is located in Citrusdal and is a family owned business which is one of South Africa's leading grower-exporters of quality citrus and Rooibos tea. The business is the result of a successful partnership of national, international and employee stakeholders which has been growing profitably through the acquisition of farms and development of new technology.

The farm has approximately 600ha under Rooibos cultivation. The farm has been UTZ Certified since 2011. There are 1482 people (employees and their dependents) that depend on the farming operations for their livelihoods. Through the Mouton Foundation, they have constructed multi-purpose centres which serve the beneficiary community through activities such as training, child-care, sport and recreation and medical assistance. The farm also has a strong focus on environmental responsibility and is involved in a number of programs to ensure this. Mouton Citrus sends all of its Rooibos to Bergendal where it processed for the Carmien brand.

iii. Ysterfontein Boerdery

Ysterfontein is situated on the Graafwater Road just outside Clanwilliam. The farm has been in the same family for 4 generations and has been cultivating Rooibos since 1972. The farm has a total of 4,000ha and 1,500ha of this is under Rooibos production. The rest of the land is used for potatoes and sheep farming.



Figure 5: Moeketsi Siledu, a permanent worker harvesting Rooibos at Ysterfontein

The owner, Willie Nel, decided to go for UTZ certification because he felt that the requirements around social improvement of the workers, protection of the environment and safety in the work place could also be beneficial to his own farming business.

In 2011 Ysterfontein became UTZ certified and in October of that year the farm won Rooibos Limited's (Ltd) Producer of the Year Competition. Ysterfontein supplies all of its Rooibos to Rooibos Ltd.

iv. Aggenbagskraal Boerdery



Figure 6: Entrance to Aggenbagskraal

Aggenbagskraal Boerdery is situated just off the N7 about 15kms outside Clanwilliam. Aggenbagskraal is a diverse farming operation and works with Rooibos, citrus, apricots, wine grapes and livestock. The total farm is 685ha and Rooibos is grown on 293ha. The entire Rooibos crop is supplied to Rooibos Ltd.

One of the main reasons the farm decided to go for UTZ certification was to be able to provide a product to the market where the consumer can be confident about the production process as well as the wellbeing of the workers.

v. AMW Boerdery

AMW Boerdery is situated on the farm Jakkalsvlei about 30kms southwest of Clanwilliam. The farm is 1,700ha, but Rooibos is only cultivated on 280ha. Other farming operations include wine grapes, citrus and livestock. All of their Rooibos is also supplied to Rooibos Ltd.

The farm is run by 2 brothers, Wimpie and Mannetjies Smit, who have a small dedicated team of professional workers. They identified UTZ in 2011 as a certification scheme which could provide them with more opportunities to uplift their workers.



Figure 7: Rooibos tea fields at AMW Boerdery

vi. Driefontein Small Farmers Co-op

Driefontein Small Farmers Cooperative was formed in 2010 and has 36 direct members. The office of the cooperative is situated on the farm of Zeekoevlei 20kms outside of Clanwilliam on the Graafwater Road. Their Rooibos is grown on a farm near Redelinghuys, 100kms to the southwest of Clanwilliam.



Figure 8: Victorie Pienaar and Gertjie Hoffman, members of Driefontein

They achieved UTZ certification in 2012 for their Rooibos farm of 400ha. Rooibos production is the only farming activity they are currently involved in. Driefontein is a unique case because the small farmer members are also permanent workers on the commercial farm of Zeekoevlei. The cooperative was formed with assistance from the commercial producer who bought a piece of land which Driefontein rents for their Rooibos production.

The cooperative already has a number of social and environmental certifications (Fairtrade, Organic and now UTZ) all of which have contributed to their development. They sell all of their tea to Rooibos Ltd under the specific certification required at the time for the market.

vii. De Lille Trust Boerdery

De Lille Trust Boerdery is owned by the PDI producer, Niklaas Slinger. The farm is situated on Nardouwsberg about 35kms northwest of Clanwilliam. Niklaas was a farm worker for most of his life and was never able to go to school and for this reason cannot read or write. In 1992, with the assistance of the commercial producer for whom he worked, he was able to secure funding from the then Department of Agriculture to buy the farm (Erasmus, From shepherd's son to top farmer, 2010).

The farm has 1,500ha and 500ha of this is cultivated under Rooibos while the rest is used for sheep farming. All of the Rooibos is sold to Rooibos Ltd. The farm was preparing for certification at the time the research was conducted in November 2013, and they received their UTZ certificate in April 2014. Niklaas decided to go ahead with UTZ certification because of the increased income he believed the program would bring.

viii. Rooibos Limited

Rooibos Limited was originally established in 1948 as the "Clanwilliam Tea Cooperative". After deregulation of the agricultural sector in 1993 it became the private company. Rooibos Ltd is the largest processor of Rooibos in the country and is situated in the town on Clanwilliam. The company became UTZ certified in 2011, largely due to requests from international buyers for UTZ Certified Rooibos.

Currently they are buying UTZ Rooibos from the three commercial producers (Ysterfontein, Aggenbagskraal and AMW Boerdery), the small farmer cooperative Driefontein and the PDI producer Niklaas Slinger. Due to increased market demand from international buyers, another one of their commercial producers, Paardekop Vrugte, became certified in April 2014 (but were not included in this study).

5. OVERVIEW OF THE ROOIBOS SECTOR

The Rooibos industry is unique in many respects which are relevant to contextualize the findings of the case study. The following section will provide an overview of the Rooibos sector, including: Rooibos production, how it is cultivated, by whom; the Rooibos value chain; production and export statistics for the last 10 years; the South African regulatory environment; and finally the role of UTZ in the sector.

5.1 Rooibos production

Rooibos is endemic to South Africa and grown only in the Cederberg region of the Western and Northern Cape Provinces of South Africa. This area was proclaimed a wilderness area in 1973 and falls within the catchment area of the Cape Floristic Region (CFR) also known as the Fynbos biome, the region is a globally recognised biodiversity hotspot (SANBI, 2014).

Below is the most accurate map available of the entire Rooibos production area within South Africa (Rooibos Ltd, 2014).

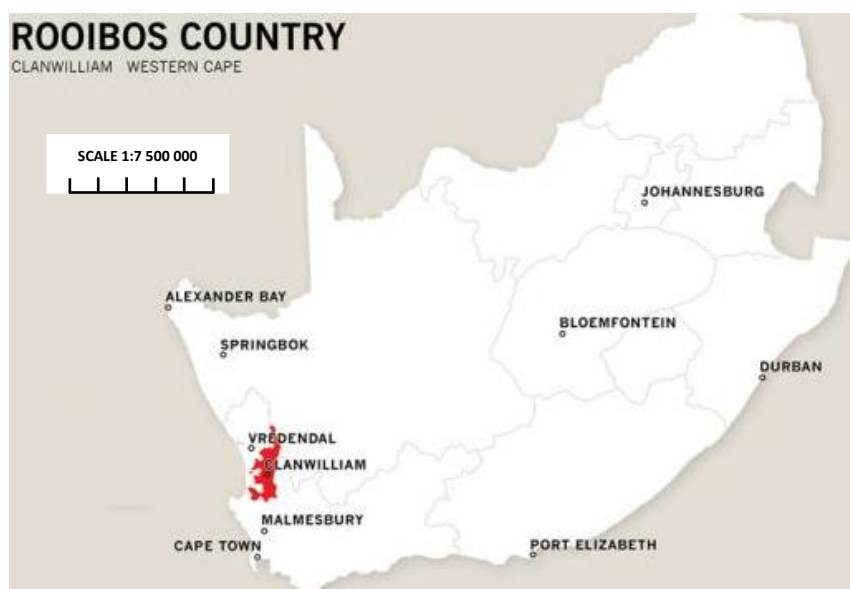


Figure 9: Map of South Africa showing the Rooibos producing areas

Currently 99.5% of all Rooibos is cultivated, with the remaining 0.5% harvested from the wild mostly by small farmers. The land available for cultivation is 95,000ha. An estimated 580 producers grow Rooibos tea. There are currently about 220 commercial producers, 10 PDI producers and 350 small farmers. The small farmers are organized into either 1 of 5 cooperatives (Department of Agriculture, 2012) or are operating independently. All of the producers either sell their tea to 1 of the 8 main processors in the sector or contract them to process their tea. The biggest processor is Rooibos Ltd who has a global market share of about 70% (Rooibos Ltd, 2014). The other 25% is shared by the next 3 biggest processors: Bergendal Rooibos (for Carmien Tea), Cape Natural Tea Products and Khoisan Tea; and the remaining 5% by the other 4 smaller processors. There are around 4,500 people employed by the sector either working on farms or at the processing facilities.

5.2 The Rooibos value chain

Rooibos is a member of the legume family and its needle-like leaves and stalks are used to make a tea (D.Kayser, Nov 2011). The plant grows best in well drained sandstone or quartz based soil at an altitude of 300-1000m above sea level. Rooibos needs an average rainfall of 200-700mm per year and does not grow in soil that is soaked or semi-soaked (Pretorius, Harley, & Ryser, 2011). Due to the fact that Rooibos grows in a semi-arid area and is not irrigated, the growth of the plant is weather dependant and therefore certain aspects of quality and yield cannot be controlled. Other growing conditions that affect quality like pest management, weed control and soil preparation can be controlled through good agricultural practices.

The diagram below represents the Rooibos value chain from field to consumer. Rooibos seedlings are planted in the field in winter between June and August, after the first rainfall. Approximately 9-12 months after planting, the Rooibos plant is pruned for the first time, a process called 'topping'. Thereafter it is harvested annually in the summer months from January to May. Harvesting is done by workers in the field with a sickle and can be done for about 4 years before the plant is no longer producing a commercially viable yield and needs to be removed. Thereafter the field will undergo a period of rotational cropping before new Rooibos seeds or seedlings are planted again. This cycle can take around 8 years (Brand, Ryser, Hennop, & Theron, 2012).

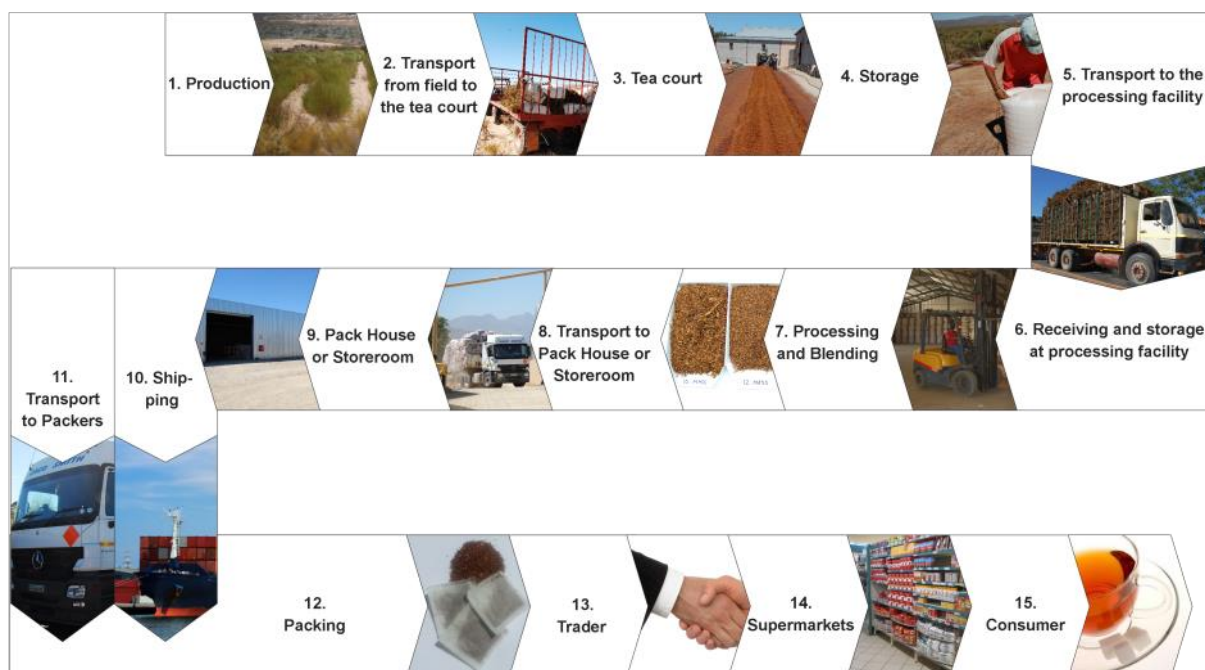


Figure 10: Rooibos value chain (Brand, Ryser, Hennop, & Theron, 2012)

Once harvested the cuttings are bound and transported from the field to the tea court. This court can either be on the same farm owned by the producer, or at a processing facility. This stage is known as primary processing where the tea is cut by a machine, bruised, watered and then left in heaps to ferment. A process of enzyme oxidation then takes place which changes the tea from green to its characteristic amber. After fermentation the Rooibos is spread out on the tea court to dry naturally under the sun.

Once dry the Rooibos is collected and either stored on farm or delivered directly to one of the processing facilities. At this stage the Rooibos enters the secondary processing phase where it is sorted and graded according to length, colour, flavour and aroma. The quality of Rooibos is affected by; the soil in which it grows, the climatic conditions during the production season and how it is treated during primary processing. During primary processing the key is to control the fermentation process which can be easily affected by temperature, oxygen dispersal, the amount of water used and the amount of bruising done before fermentation. Over- or under-fermented tea has a very characteristic taste which is detrimental to its sensory qualities (Colette Cronje, 2014).

The final process is for the Rooibos to be screened, undergo pasteurisation and then drying before it can either be packed in bulk or in tea bags and boxes depending on the customers' requirements. It is then either stored at the warehouse of the processing facility ready for dispatch or transported either by road for domestic consumption or by ship for export.

5.3 Supply, Demand and Producer Prices

The production of Rooibos tea has fluctuated substantially over the last 18 years. The graph below (Brand, Overview of the Rooibos sector, 2013) shows how supply and demand have varied over the years and specifically how demand has outstripped supply since 2011.

It is interesting to note that production more than tripled from 5,000 tonnes in 1996 to 18,000 tonnes in 2008. This rapid expansion was driven by new entrants into the sector, the growth of existing plantations and favourable weather conditions. This was a result of permits for land clearing being relatively easy to obtain, but this is no longer the case and the planting area for Rooibos has stabilized (Waarts & Kuit, 2009).

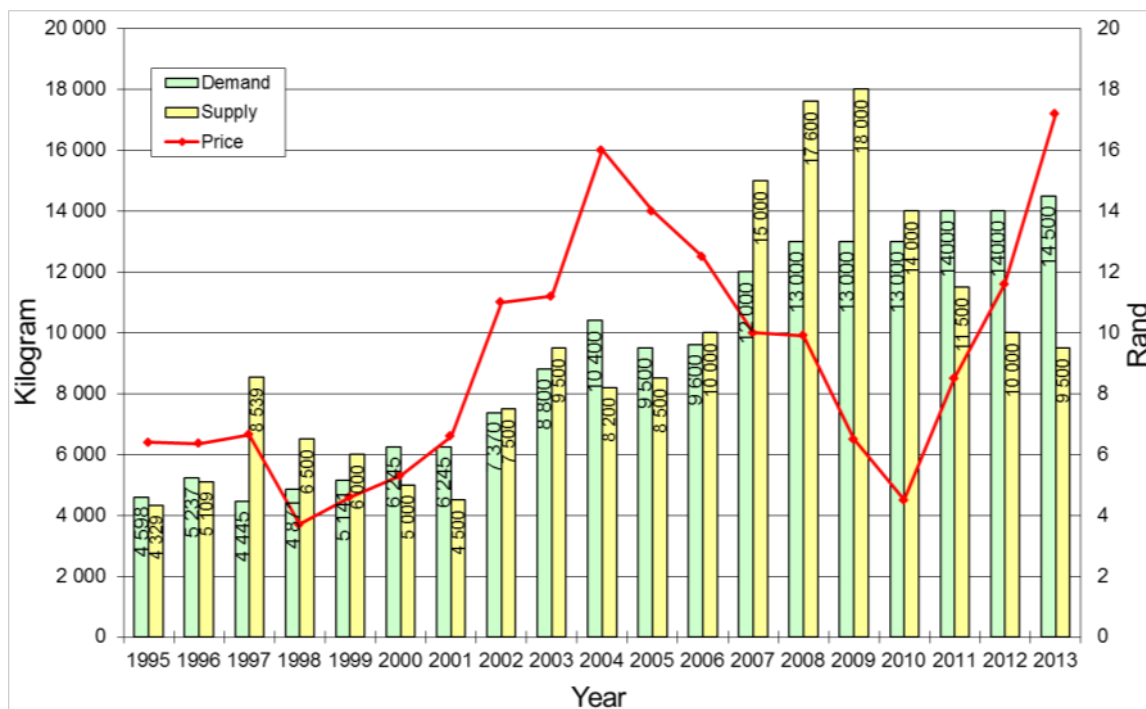


Figure 11: Demand, supply and Rooibos producer prices

One of the reasons for the fluctuations in production evident from the graph has already been mentioned, i.e. the dependence of the plant on weather conditions. Another reason affecting production is the price paid to producers. In the absence of a regulatory body, prices are set independently by each of the processors depending on the harvest estimate and demand for both exports and local consumption. The graph clearly shows that producer prices increase when supply is lower than demand and decrease substantially when supply is high.

Producer prices reached a peak in 2004 at R16/kg and then declined until it reached its lowest point in 2010 of R4.50/kg. This is a decline of 356% over a period of only 6 years. When prices started declining, many producers either started planting less Rooibos or stopped farming with Rooibos as the production cost at R8/kg was much higher than the price (Sherry, 2012). This decrease in supply has only started impacting the industry since 2011. This is because the Rooibos cycle is on average 8 years long, which means the effects of not planting or looking after fields is only felt much later on. In 2013 the average price paid was R17/kg and the harvest for the year was 9,500 tons. Producers are likely to start planting again and one can expect the same curve to be repeated in the next 8 years.

It is estimated that the annual global demand for Rooibos was 14,500 tons in 2013 and is continuing to rise. Of this around 40% is exported every year and the remaining 60% packed in and consumed on the local market. In years where production is low however, the amount remaining for the local market decreases accordingly so the shortfall needs to be provided for out of reserves. Since 2010 when production started declining, these reserves have also started decreasing (Johan Brand, 2013)

According to statistics from the Perishable Products Export Control Board (PPECB), the export of Rooibos has declined steadily over the last 5 years from around 8,000 tons to just over 6,000 tons (Perishable Products Export Control Board, 2013).

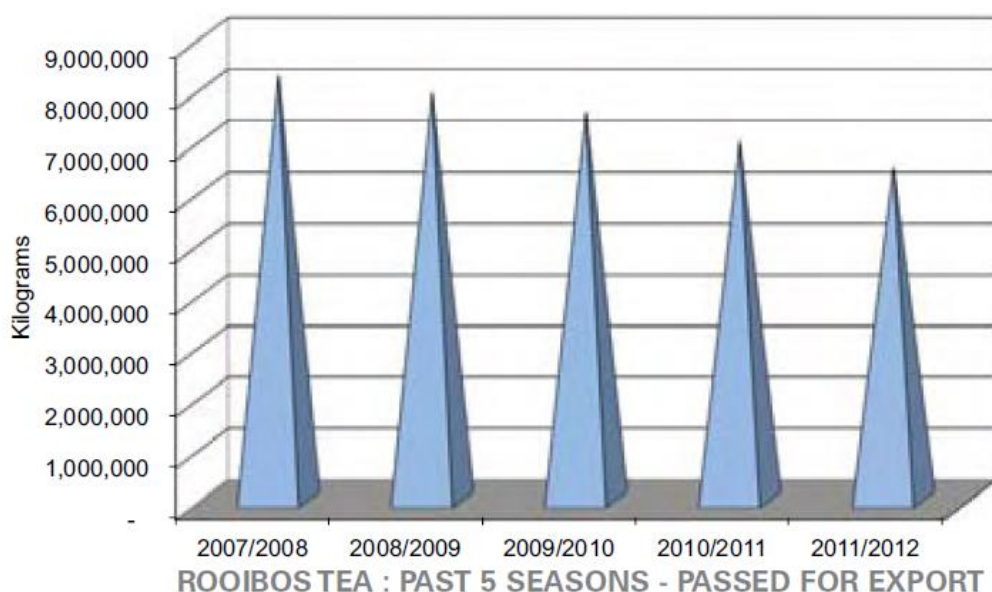


Figure 12: Rooibos exports from 2007-2012

Rooibos is exported to more than 30 countries across the globe. The biggest market for Rooibos exists in Germany, followed by the Netherlands, Japan, the United Kingdom and the United States of America. The chart below shows the top export markets for Rooibos in the 2011/2012 season (South African Rooibos Council, 2012):

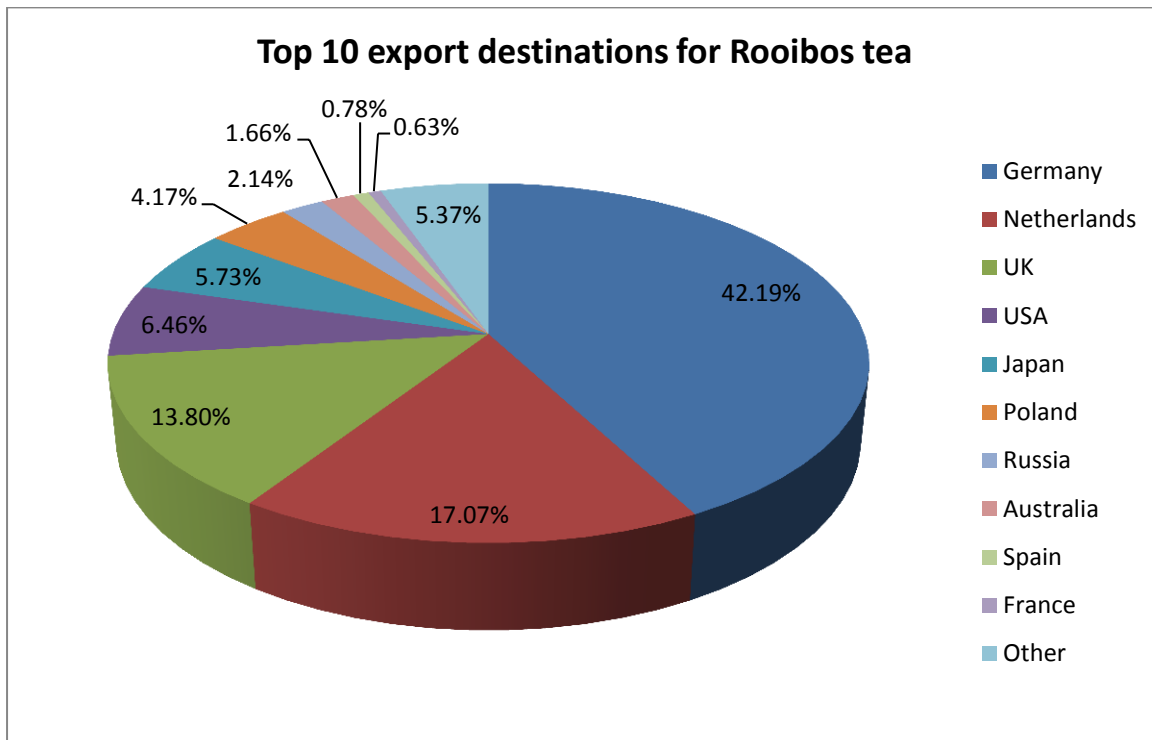


Figure 13: Rooibos export destinations

Rooibos is sold in 3 main categories:

- i. Conventional Rooibos which is the traditional amber coloured tea
- ii. Organic Rooibos which is grown organically and certified as such
- iii. Green Rooibos which is dried and not fermented to enable it to keep its green colour. Green Rooibos is believed to be higher in antioxidants than normal Rooibos and is marketed for its health benefits.

If one compares the exports of the above 3 products over the last 10 years, it is interesting to note that the conventional exports have slowly been decreasing while the other two have been increasing. Germany is still the biggest export market in terms of conventional and green Rooibos, but interestingly Japan is the biggest export market for organic Rooibos and the second biggest for green Rooibos. This is attributed to the fact that the Japanese market is known for its health consciousness and intolerance for importing products that have been exposed to agrochemicals.

5.4 Challenges in the sector

There are a number of challenges facing the Rooibos sector and one of the biggest is specifically related to production. The cultivation of Rooibos takes place in the Cape Floral Region, inscribed in 2004 as a World Heritage Site (D.Kayser, Nov 2011). This means that production is heavily regulated and permits for new sites or expansion are very rarely given by the Department of Agriculture, Forestry and Fisheries (DAFF). Producers are therefore not able to expand and have to find ways to optimise their income from Rooibos on the land that is available.

Producers and processors interviewed expressed concern with regards to the challenges they face in the production of Rooibos. Gertjie Hoffman from Driefontein referred to the challenges related to “drought and changing weather patterns” and Willie Nel of Ysterfontein summed up what he believes are the 4 main challenges for the sector; “labour, high input costs, seasonal drought and the imbalance in supply and demand.” Many of the producers’ sentiments are reiterated by other scholars, sector stakeholders and journalists. In BBC news Africa there was a report on drought threatening the sector (Fihlani, 2012) and Landbou Weekblad also reported that climate change is going to have an effect on the future supply of Rooibos (Genis, 2012).

A major challenge in the sector is the imbalance of supply and demand and the associated price fluctuations, which is highlighted by the literature and repeatedly raised by the producers. Francois du Plessis of Aggenbagskraal stated that: “The biggest challenge is supply and demand which has an influence on price fluctuation. If the optimal available Rooibos hectares are used it should bring a balance between supply and demand”.

Madelé Mouton from Mouton Citrus added: “Firstly the price fluctuation in the sector and secondly the lack of cooperation within the sector. This goes hand in hand with SARC - the sector body needs more support and collaboration from all stakeholders within the sector”. Due to this current lack of stakeholder support for SARC, they are unable to fulfil some of the functions originally set out in their mandate. This issue is to date unresolved.

Ronel van Zyl from Bergendal added the specific issues relating to research and the Geographical Indicator (GI): “Although research is an opportunity for the Rooibos sector it is also a challenge, because not enough [research] is being done. Another big challenge is the fact that the Rooibos trademark according to the Geographical Indicator is not secured and registered in South Africa.” The registration of Rooibos as a GI is crucial for the protection of the sector against companies outside of South Africa using the name, to protect product quality under the name Rooibos, to protect the biodiversity of the area in which it is grown and to ensure that all products labelled as Rooibos are as such. The industry finally had success with their application to protect the term ‘Rooibos’ in August 2014 (Harmelen, 2014).

According to the Department of Agriculture, Forestry and Fisheries (DAFF) the sector faces the challenge of inconsistent quality of Rooibos due to the absence of guidelines and enforcement mechanisms as well as lack of skills and experience and cyclic production volumes resulting in fluctuating prices (Department of Agriculture, 2012).

Another challenge relates to the equity issues prevalent in South Africa and the relations between resource poor farmers and commercial producers holding the power in the sector (Bienabe & Troskie, 2007). Some small scale farmers have been able to penetrate alternative markets through certification, but due to financial and land constraints the volume they are able to provide is very small and they remain poor, because Rooibos is their main source of income.

In summary, the sector faces many challenges which cannot be solved by a minority of stakeholders, but which needs a collective approach. To face these challenges, assistance is needed from local government, the South African Rooibos Council, all current sector role players i.e. producers and processors and possibly even NGOs.

UTZ has to an extent tried to address some of these challenges through its program. The UTZ codes for example focus on the protection of the environment, less use of crop protection products and producers implementing the best possible production methods. Another area where UTZ can meet these challenges is through enabling producers to secure demand for their Rooibos through buyers who are committed to the purchasing of sustainable Rooibos. The payment of a premium for UTZ Rooibos can also assist farmers to meet increased input and labour costs. Lastly the UTZ program could make producers and processors aware of the macro issues such as climate change and the importance of a living wage for workers.

5.5 UTZ in the sector

In 2009 UTZ Certified began developing a Rooibos Code for the sector after demand from existing tea buyers for UTZ certified Rooibos. The code was based on the structure of the existing UTZ codes and issues relevant for the sector as identified through stakeholder engagement. The stakeholder engagement included conducting a workshop with all relevant industry stakeholders to give input into the code based on their area of expertise. The objective was to establish an internationally accepted, meaningful, practical and credible standard for mainstream sustainable Rooibos that links local initiatives to international markets, taking into account the local context and the work that is already done in the sector.

The UTZ Certified Codes of Conduct for producers offers a guideline to better agricultural practices which ensures that standards are met to increase yield and quality, protect worker's rights and protect the environment. The Rooibos Code was developed on this same principle but in addition looked at the Right Rooibos Standard developed by the South African Rooibos Council under the guidance of environmental consultant, Gerhard Pretorius and socio-economic consultants, Sandra Kruger & Associates. The Right Rooibos Standard takes into account biodiversity best practice guidelines for rooibos production as well as local environmental, labour, broad-based black economic empowerment and land reform legislation.

There are currently 6 commercial producers, 1 small farmer cooperative, 1 PDI producer and 2 processors UTZ certified. Bergendal Boerdery was the first commercial farm to achieve certification, but all of the other commercial farms that were part of the study were certified in 2011. This was also the year that the first UTZ sales from South Africa were made to the export market. Driefontein

was certified in 2012 because the pilot with the small farmers was done later. Their first sales were only in 2013 because they originally sold all their tea as Fairtrade before a specific buyer asked for UTZ and organic tea.

The total UTZ production volume for 2011-2013 can be seen in the graph below with total Rooibos production as a comparison. From the figures one can see that total UTZ production has increased year-on-year, albeit slightly this should be seen within the context of an overall decrease in Rooibos production. In 2013 the percentage of UTZ certified Rooibos was more than 11% of total Rooibos production.

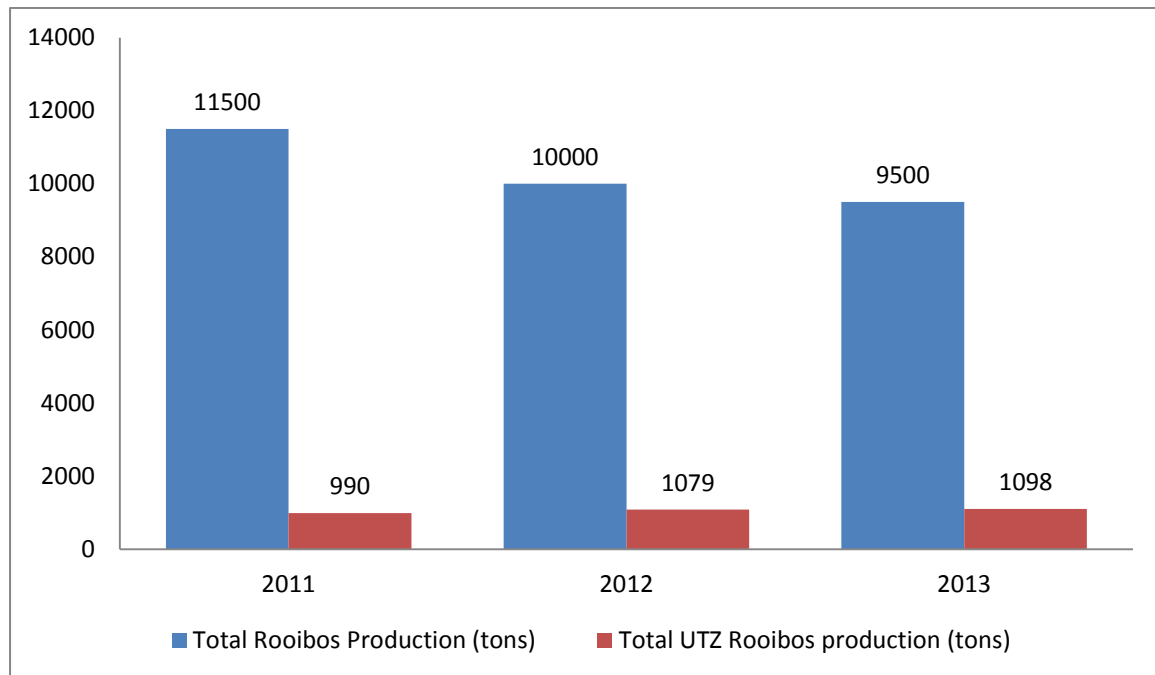


Figure 14: Total Rooibos production vs. total UTZ certified Rooibos production

The biggest market for UTZ certified Rooibos is currently the Netherlands which is buying mostly bulk Rooibos. It is however unclear what percentage of this remains in the country and what percentage is being packed and exported to other European countries. In 2013, 826 tons of UTZ certified Rooibos was exported which is approximately 14% of total exports.

In terms of other certifications in the sector, organic has the biggest volume with about 40 commercial producers and 4 small farmer cooperatives certified. In addition there are also 3 Fairtrade certified commercial farms and 2 small farmer cooperatives and 4 Rainforest Alliance certified commercial farms. In terms of volume, organic certified Rooibos has the biggest market share, followed by UTZ.

It is interesting to note that the sales/demand ratio for UTZ Rooibos from South Africa is 77% i.e. 77% of all UTZ Rooibos being produced is able to be sold as such (UTZ Certified, 2013). This was also the highest sales/demand ratio of all of the UTZ commodities in 2013. The UTZ program has also grown significantly over the last 3 years internationally and there is more demand for certified Rooibos. In terms of certificate holders, there are 2 more expected in 2014 which will also increase

the availability of certified tea. In 2013 already 700 tons more UTZ tea was produced than the previous year.

The role of UTZ in the sector will be further explored in then following section, specifically the impacts the program has had in a number of key areas as identified in the UTZ Theory of Change.

6. FINDINGS

This section describes the main findings of the study conducted on the UTZ certified Rooibos farms and processors in South Africa at the end of 2013. The findings will be presented according to the UTZ Theory of Change and desired impact areas, including: better income and access to markets, better farming methods and better crop, better working conditions, better environment and care for nature and better care for next generations. In addition, this section aims to give more detailed information on the farms as well as how they perform on key sustainability issues promoted by UTZ certification. Finally this section will describe the managers and workers perceptions of the main benefits of being UTZ certified.

6.1 Better Farming Methods and Better Crop



UTZ requires producers to implement good agricultural practices in order to optimise farm efficiency and soil health. These practices include better administration and record keeping as well as good maintenance and optimisation of soil structure and fertility. The reasoning behind these requirements in the UTZ Code of Conduct is that better farming practices will lead to a higher yield and more

sustainable crop production which will in turn lead to higher incomes.

i. Better Admin and Recordkeeping

There are a number of administrative and recordkeeping requirements in the UTZ Codes, specifically on traceability, employment, health and safety and pesticide use. Producers reported the most improvement in terms of recordkeeping, which has positively impacted traceability systems.

In South Africa, where there are already advanced labour, health and safety laws, the UTZ Codes do not set a higher standard for the producers. However, the compliance of farms to these laws is not strictly monitored due to the lack of capacity within the Department of Labour. Although UTZ certification does not expect a higher standard or requirement, it has incentivised producers to become or remain compliant with national legislation.



Figure 15: Example of a recordkeeping system

Records around pesticide use have become stricter for farms since UTZ certification, especially for those farms not already certified under GLOBALG.A.P.³ for citrus which has strict requirements regarding pesticide use. Producers also reported intensified recordkeeping requirements around Integrated Pest Management (IPM) techniques which will be discussed under pest management.

Traceability is important in the sector because of food safety, but also because of the uniqueness of the product which the Rooibos sector is trying to protect. Any potential negative claims from the market must be managed by each of the processors selling the Rooibos in either packaged or bulk form. More detailed records are being kept by producers during harvesting and this has in turn assisted the processors in their own traceability systems as required by the market. Each batch of UTZ Rooibos which is sold can be linked back to the exact field where it was grown.



Figure 16: UTZ label on a bulk Rooibos bag at Ysterfontein

Rooibos Ltd reported that there has been an improvement in the farmer's harvesting records since UTZ certification and Bergendal Rooibos mentioned that certification has brought about additional training and awareness-raising on good practices so workers are more informed on post-harvest handling.

Francois du Plessis from Aggenbagskraal had the following to say about the recordkeeping requirements of UTZ and certification in general: "I was initially very negative about all the admin required by UTZ, but the more I worked with it, the more I realised how important it is and that it's the only way for Rooibos to be farmed sustainably."

The PDI farmer, Niklaas Slinger and his son Andries were preparing for UTZ certification at the time of the study. The benefit of the study for them was therefore to understand what changes they needed to make on farm to prepare for certification.

"In our preparation for UTZ certification we needed to update our administration and recordkeeping systems. This included reviewing our worker's contracts, farm policies and procedures. We have now also started keeping additional records such as training registers, cleaning registers and IPM activities. UTZ will also add value to the farm through the premium which we are going to use to put solar geysers on our worker's housing. My experience of UTZ thus far is that it will enable us to deliver a better quality tea for international markets. Quality has improved because we now clean all of the machinery and equipment. There is also more commitment from workers to do their jobs properly because they know our tea is certified and there are certain requirements around this."

Andries Slinger, De Lille Trust Boerdery

³ G.A.P. stands for Good Agricultural Practice and GLOBALG.A.P. is the worldwide standard that assures it for 3 scopes, 1 of which is crops. To find out more visit their website: <http://www.globalgap.org/>. GLOBALG.A.P is a requirement for South African citrus farms specifically who wish to export their product.

ii. Healthy Soil

The UTZ Code of Conduct requires a number of good agriculture practices around soil management including maintaining the structure of the soil, improving soil fertility and preventing soil erosion.

In terms of maintaining soil structure, various techniques are being used by Rooibos producers to ensure this. Techniques include tillage methods which limit soil compaction and ripping or rolling the plant back into the soil after the crop rotation cycle. With regards to improving soil fertility, producers do not apply fertilizer directly to the Rooibos because to date there is insufficient scientific research to confirm whether or not this practice actually benefits the yield and quality of the plant. Producers do however fertilize other crops used in the Rooibos crop rotation cycle. As mentioned in the overview of the value chain, Rooibos has an average 8 year cycle and once the plant is rolled back into the soil, producers put the field through a rotational crop year before planting Rooibos again. This is done with crops such as oats, rye and triticale which are used because they improve soil fertility and are not a host for pathogens which can affect Rooibos in later years (Lamprecht, 2013).

As required by UTZ, soil structure and fertility are measured by taking soil samples at certain points at the beginning and end of the crop cycle. The majority of farms had taken soil samples before, but UTZ has ensured that this practice is done more regularly. Driefontein specifically reported that they only started collecting soil samples since certification.

The prevention of soil erosion is an important issue in the sector. Rooibos is grown in poor soils and any efforts made to increase fertility are valued. This means that any soil loss, especially of nutrient rich top soil must be prevented. Buffer zones of natural vegetation are left between fields and cover crops are left on fields to decrease wind erosion. UTZ certification has not specifically brought about a change in practices, but has ensured that farms continue applying best practice techniques to manage their soils efficiently. There are farms in the industry not applying these techniques, which could benefit from a certification program like UTZ.

iii. Pest Management

UTZ has a number of requirements around pest management with special emphasis on the choice of crop protection products used by the producer in line with international safety and environmental concerns. There is also a strong focus on how these products are stored and applied, on keeping records of application, as well as respecting post- and pre-harvest intervals which aim to protect the workers.

UTZ producers may not store or use any pesticides if they are banned according to the following international lists: non-approved in the EU, USA (EPA) or Japan, classified by WHO as 1A or 1B, identified as Persistent Organic Pollutants (POP's) in the Stockholm agreement, included in Annex III of the Rotterdam Convention (UNEP's Prior Informed Consent (PIC) Program list) or on PAN's Dirty Dozen list.

The use of pesticides has been a specific challenge for producers who are not organic certified. This is due to the fact that the number of available products registered for use on Rooibos in South Africa is very limited and it is very costly to register more. One of the products frequently used by Rooibos

producers was found to be on the lists of banned pesticides mentioned above and some of the commercial producers had to substitute its use before they could become certified.

Certification has brought about additional recordkeeping requirements on the use of crop protection products including the adherence of pre- and post-harvest intervals. These intervals are set by chemical manufacturing companies to ensure the safety of workers on farm and of consumers who are buying the end product. The non-organic producers had to change their practices to respect these intervals and ensure that workers were trained to understand and follow these requirements. In addition some of the producers had to upgrade their chemical storage facilities to fully comply with the UTZ requirements.



Figure 17: Compliant pesticide storage facility at Aggenbagskraal

Another key area of focus for UTZ is that of Integrated Pest Management (IPM). IPM is an effective and environmentally sensitive approach to pest management that relies on a combination of practices based on the life cycles of pests and the most effective and economically viable way to treat them with the least possible hazard to people, the crop and the environment (United States Environmental Protection Agency, 2012).

IPM is commonly practiced in the Rooibos sector and specific research has been done on the topic (Hatting, 2010). This is due to the lack of registered products available for pest control, but also because the sector aims to market itself as one providing a natural product which has a limited negative effect on the environment (Hansen, 2006). For this reason IPM techniques are encouraged and during the study all producers were found to be using these techniques to some extent. While certification has not changed the practice of these techniques, it has encouraged producers to keep records of these activities.

6.2 Better Income and Better Access to Markets



The UTZ program enables producers to grow better crops through the implementation of better farming methods. In turn this can generate more income and create better market opportunities. In addition UTZ stipulates that a premium be paid to the producer by the first buyer in the UTZ certified supply chain as a reward for being certified.

i. Better Income

It is important to note that UTZ does not see the payment of a premium as the biggest benefit of the program to producers. Rather there is an emphasis placed on the fact that improved farming practices and more efficient use of resources can lead to improved yields and reduced costs on farms which will ultimately improve the income of a producer. This will primarily lead to better income and the payment of a premium is a secondary benefit for the producer.

The total premium paid out to all of the certified farms in 2012 was R340,675. This gives an average premium paid to the farmers of about R0.37 paid out per kg Rooibos.

UTZ does not stipulate what the premium must be used for and therefore the decision remains with the producer. The research found that premium money has mostly been used to cover direct farm inputs, the purchasing of new farm equipment and the training of workers. UTZ stipulates that farm workers should at least be trained on some of the following topics: health and safety, first aid, personal hygiene, accident and emergency procedures, life skills⁴, safe handling of crop protection products, fork lift operating courses, driving licenses and correct harvesting procedures.



Figure 18: Solar geysers at Ysterfontein worker's houses

Premium money has also been used to improve workers living conditions. On Ysterfontein all of the workers received solar geysers for their houses which has brought down electricity costs and given workers hot water for the first time.

AMW Boerdery used some of the premium money for an end of year function for their workers who went on an outing to Cape Town, 230kms from Clanwilliam, to visit the aquarium and the zoo.



Figure 19: Workers of AMW Boerdery at the zoo, waterfront and aquarium

Driefontein was able to build a clubhouse for their members with the premium money they have received from Fairtrade, to which a small amount of UTZ premium money also contributed. The majority of cooperative members said that their benefits had also improved since certification. This includes: a housing bonus and an education bonus for school going children.

ii. Better Access to Markets

One of the expected outcomes of the UTZ certified program is that it gives certified producers better access to markets previously unavailable to them. UTZ certification has enabled better access to markets for Rooibos Ltd and Carmien Tea (Bergendal Rooibos). To date this has been for the export

⁴ Life skills training in South Africa focuses on the upliftment of farm workers and other disadvantaged people and includes topics such as money sense, management of personal finances, self-confidence, family nutrition and the protection of women and children against abuse.

market to countries like The Netherlands and Germany where there is demand for UTZ certified Rooibos. This demand has come from existing clients, but also from new clients such as Douwe Egberts with the Pickwick brand. Increased demand has enabled the certified producers to sell more UTZ. Rooibos Ltd has approached another one of its producers to become UTZ certified in 2014 to meet projected demand in the following years.



Figure 7: Pickwick brand in Europe with the UTZ logo



Figure 8: Local Carmien brand with the UTZ logo

There is however also a drive by the UTZ marketing department to create a market locally for UTZ Rooibos, the impact of which should be seen in the near future.

6.3 Better Working Conditions



UTZ prevents exploitation of workers through its program by protecting their rights and improving their working and living conditions. The UTZ Codes have a strong social focus and cover issues such as child and forced labour, discrimination, working hours and contracts, wages, freedom of association, maternity and child care, child education, training for workers and health and safety. These requirements are based on the corresponding International Labour Organization (ILO) conventions.

i. South African Labour Law

In order to have a broader understanding of the research outcomes in this section, it is necessary to put them in the context of South African labour legislation. South Africa has one of the most progressive constitutions in the world as well as a comprehensive set of labour and health and safety laws. All businesses in South Africa must comply with: the Basic Conditions of Employment Act 75 of 1997, the Labour Relations Act 66 of 1995, the Employment Equity Act 55 of 1998, the Skills Development Act 97 of 1998 and the Occupational Health and Safety Act 85 of 1993. In addition to the above, the Sectoral Determination 13 (SD13) is legislation specifically implemented to protect farm workers. The SD13 sets minimum wages, overtime hours, various types of leave, contracts and pay deductions specific to the agricultural sector.

The minimum wage for farm workers is usually set on an annual basis in March based on the previous year's wage + CPI⁵ + 1.5%. However following farm worker strikes in 2012, the increase in March 2013 was set at 52%. This increased farm worker's wages who work a 9 hour day from R69 to R105 (Erasmus, Farm worker minimum wage increased 52%, layoffs expected, 2013). When the fieldwork was conducted, the minimum wage for farm workers was as follows: hourly – R11.66, weekly R525 and monthly R2274.82 (Minimum Wages for Farm Workers from March 1, 2013 to Feb 28, 2014, 2013).

It is important to note that the South African legislation protecting farm workers sets either the same standard or a higher standard than UTZ. Although the legal framework exists, the Department of Labour currently lacks the capacity to monitor compliance throughout the country. According to a paper published by the UCT Development Policy Research Unit, there is very little enforced incentive for Western Cape producers to comply with the minimum wage laws (Stanwix, 2013). In 2007, Stanwix pointed out, the "simple probability" of a farmer being visited by a labour inspector was just 11%, with relatively small financial penalties resulting even if a farmer was found to be non-compliant (Davis, 2013).

In 2012 the Department of Labour published a Strategic Plan wherein it recognizes the challenges of labour enforcement in South Africa: "Despite the introduction of progressive labour and employment policy reforms and programmes, the labour market is still characterised by high levels of unemployment and under-employment, inequality and discrimination, violation of employment standards and fundamental rights at work, and unacceptably high levels of workplace incidents and injuries" (Department of Labour, 2012). The plan aims to improve the service delivery of the Department and includes specific interventions around checking compliance of businesses with the applicable legislation.

UTZ certification is a tool to ensure that businesses comply with national and international regulations and the fact that certified farms are audited on an annual basis means that a higher standard of working conditions are being maintained on UTZ certified farms and processing facilities.

ii. Minimum Wage

All of the UTZ businesses that were part of the study were paying their employees at least the minimum wage and often more than this. In addition workers on the UTZ farms reported receiving a number of benefits not required by national legislation.

The UTZ producers' response the effect the substantially higher minimum wage has had on the business was mixed. One of the producers said that the financial impact was negligible because workers were already being paid more than the minimum wage at the time. The other producers all agreed that the dramatic wage increase had had a negative financial impact on the business. Some of the farms had dealt with this by analysing the productivity of workers per hectare to ensure that overall costs did not increase. Others changed the workers' benefit structure and some benefits

⁵ The Consumer Price Index is South Africa's measure of consumer inflation.

such as housing, electricity and transport which were previously given free of charge are now only subsidised and workers are expected to also make a contribution in order to manage the overall cost to company.

The minimum wage for farm workers according to SD13 does not apply to the processing facilities. Both processors reported paying an entry level salary of R105 per day, but mostly it was more depending on the worker's number of years in service and their skill level. Neither the producers nor the processing facilities reported a major change in wages since UTZ certification.

Living wage

A living wage is understood to be “the remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events”⁶.

In 2013 economists Richard and Martha Anker carried out initial research to define and quantify a living wage in the agricultural sector. The research became part of a broader piece of work bringing together UTZ Certified with other certification standards including Fairtrade, Rainforest Alliance, SAI and ISEAL.⁷

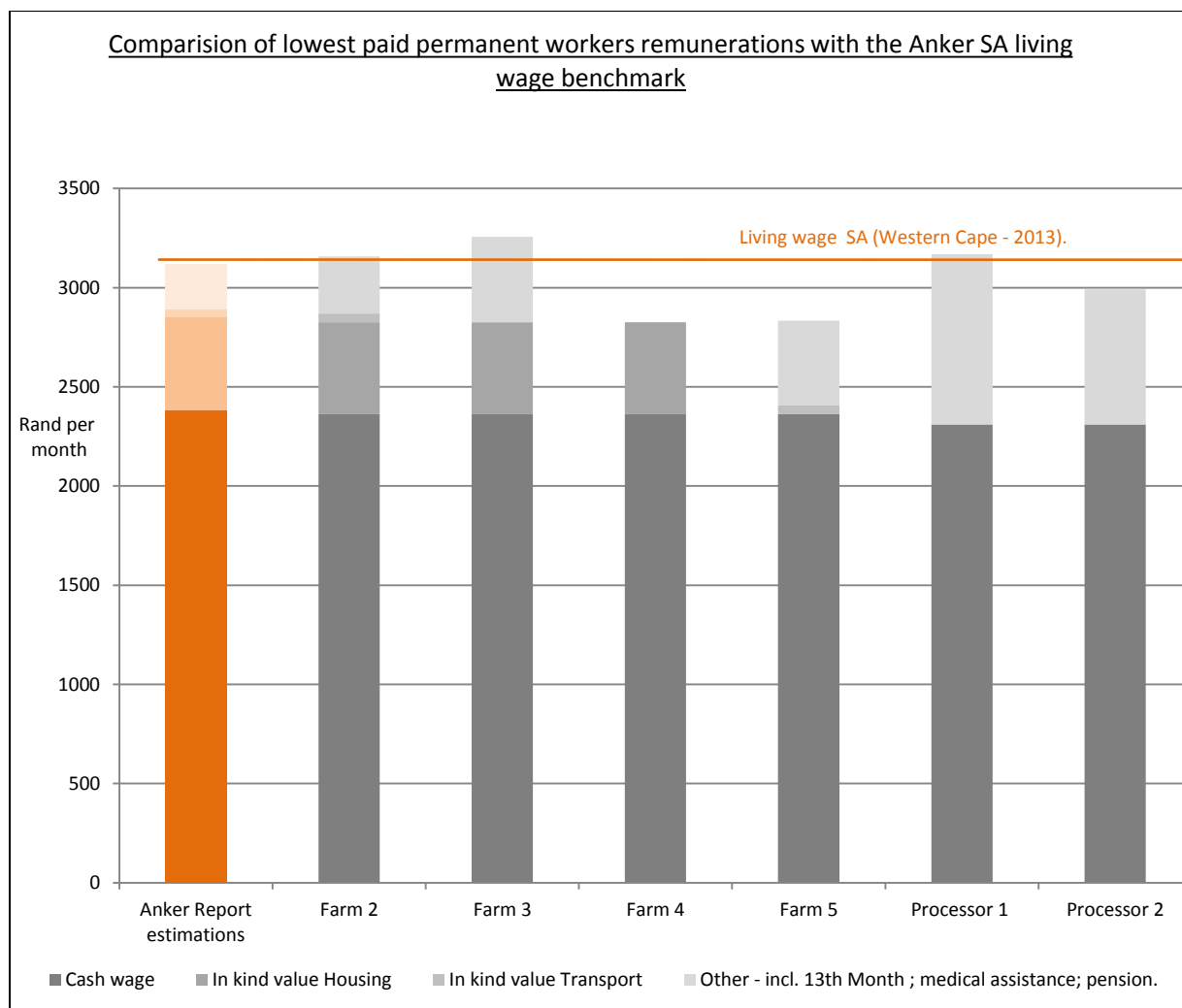
The study carried out in the Western Cape in South Africa calculated the living wage to be R3,122 per month.⁸ Based on the data collected during the study we can estimate the total remuneration for permanent workers based on the cash and in-kind benefits valuation. We could not establish the total remuneration for seasonal workers and for workers on one of the farms in the sample due to insufficient information.

The following graph represents how far the lowest paid workers remuneration is from the South Africa benchmark. An in-depth analysis of wages and in-kind benefits was not carried out in this study, but for four farms and two processors information was gathered that allows for some preliminary conclusions to be drawn. As can be seen in the graph below, two of the farms and one processor were paying their lowest paid permanent workers above the living wage while the rest are oscillating between 1 and 11 % below the benchmark.

⁶ https://utzcertified.org/images/stories/site/pdf/downloads/joint_statement_on_living_wage_20131124.pdf

⁷ Ibid.

⁸ https://utzcertified.org/images/stories/site/pdf/downloads/impact/living_wage_report_southafrica.pdf



To assess the standard of living of workers on UTZ certified farms, the PPI questionnaire was conducted with 26 workers from the farms. The PPI questionnaire included: the household size, the number of rooms in the house and the number of people in the house that are income earners. The questionnaire also included questions on available household facilities such as type of toilet, cooking source, washing machine, microwave, DVD player and fridge or freezer. Each questionnaire was then scored and evaluated against the national poverty line.

The graph below shows the average scores of workers on each of the farms against the national poverty line⁹, and the percentage likelihood of workers on a specific farm being below the national poverty line. For example the workers on Aggenbagskraal have a 37.8% chance of living below the poverty line and workers on Bergendal have a 3.5% chance. It is positive that these figures are so low which means that on average workers on UTZ certified have a 14.65% of being below the national poverty line of South Africa. Unfortunately there are no reports of poverty on the Rooibos sector

⁹ Statistics South Africa estimates a food poverty line based on the 2000 IES⁹ and a per-person, per-day standard of 2261 kilocalories (R9.10 at March 2006 prices). The national line of R13.89 is defined as the food line plus “essential” non-food expenditure for “non-food items typically purchased by households” with observed food expenditure in the 2000 IES close to the food line (Chen, Schreiner, & Woller, April 2009).

specifically, but according to Statistics SA, the level for extreme poverty in the country is 20.2%¹⁰ (SouthAfrica.info, 2014)

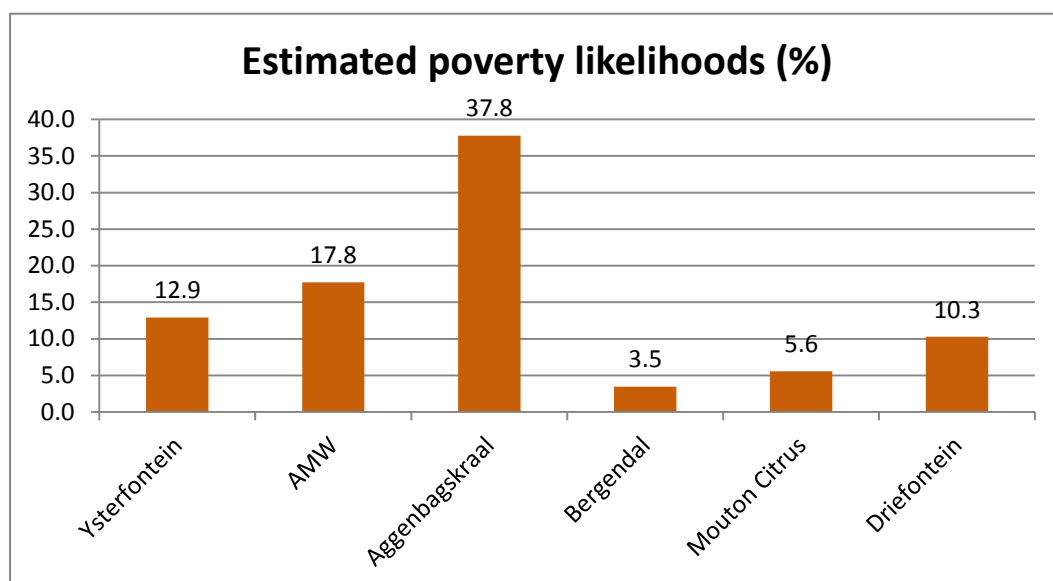


Figure 20: Average PPI scores for workers on UTZ certified farms

From the graph one can also see that workers at Bergendal and Mouton Citrus are in the lowest percentile and this is substantiated by the information given by the farm managers in terms of benefits their workers receive. The small farmer cooperative Driefontein also has a low average score which reiterates the findings earlier i.e. that they receive income as small farmers, but also as permanent workers on a commercial farm. This includes additional benefits which they receive. The highest score was from Aggebagskraal, but the average was skewed by 1 worker who had a very high score as the sole income earner of a large household.

The PPI questionnaire also revealed other interesting results. It was found that the average household size on farms was between 3 and 4 people and that the majority of houses have between 5 and 6 rooms. All of the houses have flush toilets and electricity. In terms of home appliances the chart below shows that more than half of all the workers interviewed have a refrigerator or freezer, a DVD player and a washing machine. The condition of the worker houses on UTZ farms, the size of the houses and the number of appliances workers own is above the average of the sector.

¹⁰ Extreme poverty is defined in terms of a "food poverty line" below which people are unable to purchase enough food for an adequate diet.

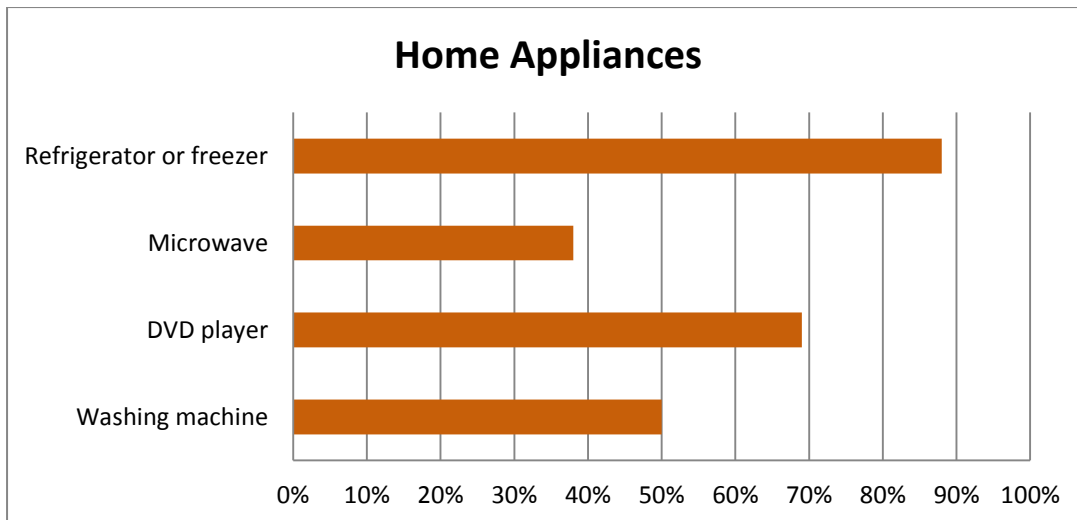


Figure 21: Percentage of farm workers who have certain appliances in their homes

iii. Overview of employment

The graph below shows the total number of permanent and seasonal workers employed by producer. As one can see more men are employed on the farms than women, specifically at Mouton Citrus which is the largest farm and employs the most seasonal workers for harvesting of their citrus.

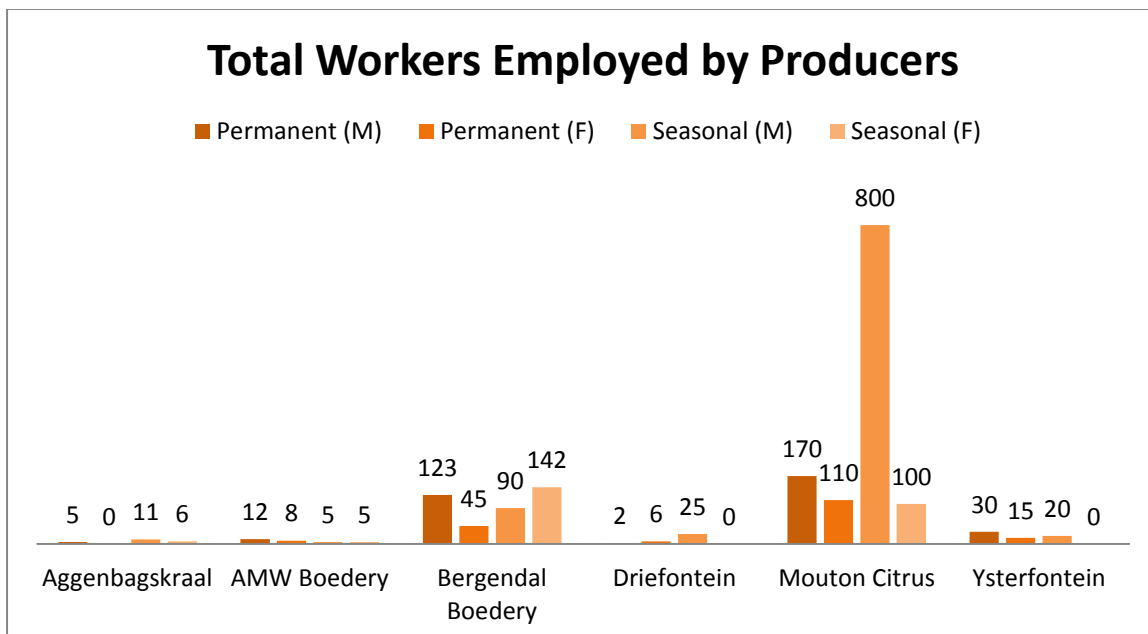


Figure 22: Workers employed by the producers showing gender and permanent/seasonal split

The management of the farms and the workers felt that there were equal opportunities for men and women in the workplace and that wages were determined according to your job and not your gender. It is not clear whether or not this can be attributed to certification or the progressive management styles on each of the farms.



Figure 23: From left - Worker carrying harvested Rooibos, women planting seeds in the nursery, worker taking out seedlings from the nursery

The next graph shows the number of workers employed at the 2 processing facilities.

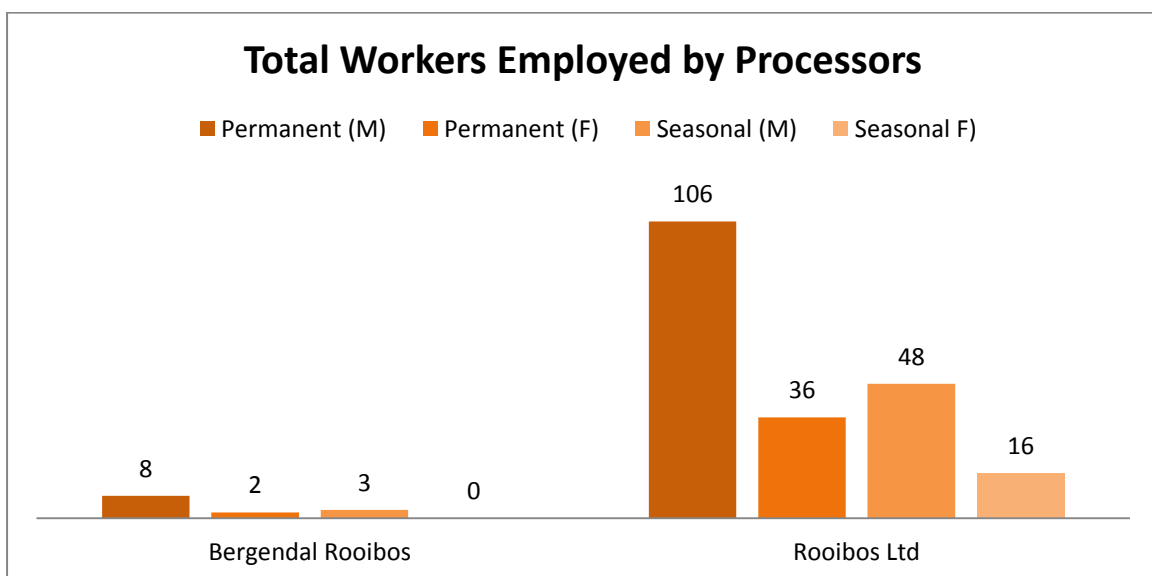


Figure 24: Workers employed by the processors showing gender and permanent/seasonal split

Management and workers of both processing facilities reported that men and women receive the same wage for the same job and that there is no discrimination between male and female employees.

Constructive communication contributes to healthy relationships between employer and employee and UTZ encourages this because a happy and motivated work force will lead to a more efficient business. The study found that 94% of farm workers interviewed and 75% of workers at the processing facilities felt that they could talk openly with their employer and described having a good relationship with their managers. The majority of the managers reported having a good relationship with their workers for many years. Francois du Plessis from Aggenbagskraal said that UTZ

certification has improved communication on the farm: “Communication is more open and two sided. Training and the availability of information has helped in this regard.”

iv. Workers have access to benefits and services

UTZ requires certain benefits (in addition to wages) to be provided to workers by a certificate holder such as housing for workers living onsite, access to emergency health care and training opportunities on a range of topics.

South African legislation does not force producers to provide housing on farm for farm workers, but it does set certain stipulations for housing that is provided (Sectoral Determination: 13). All of the producers in the study were found to be providing housing for their permanent workers and in most cases for free. The housing provided was not only in line with the legislation mentioned above, but in most cases above the requirements. Producers also reported giving free transport to the workers for clinic visits, funerals, to town on weekends to do shopping, church, school, cultural and social activities.

Both Bergendal Boerdery and Mouton Citrus have set up a pension fund for their workers and a medical aid scheme as an employment benefit. These two farms also have comprehensive day care and aftercare facilities for their worker’s children. Driefontein also provides this service at their new community centre and AMW Boerdery has day care facilities for smaller children on farm. Bergendal was the only business giving exactly the same benefits to both permanent and seasonal workers, but generally it was found that permanent workers do receive more on farm benefits than the seasonal workers. None of the certified farms interviewed specifically said that the benefits they give their workers are due to certification, but certification recognizes and endorses these contributions to worker welfare.

Another major benefit that workers on the certified farms and at the processing facilities receive is training. Some of the producers commented that since UTZ certification training is more accessible and there is an emphasis on regular training. Training that is being done on the farms includes personal hygiene, health and safety training, first aid, safe handling of crop protection products, fork lift operating, HIV and Aids.

“UTZ requires more hygiene training during induction training. Before we only did induction training for Citrus workers, but after UTZ certification we do induction training for Rooibos workers as well, concentrating on harvesting procedures. UTZ is also focussed on PPE (Personal Protective Equipment) and therefore we have provided our seasonal workers with a second set of PPE clothing.” Madelé Mouton from Mouton Citrus



Bergendal and Mouton Citrus also run capacity building programs including life skills, shareholder training, conflict management and financial management. Francois du Plessis from Aggenbagskraal said that training on the protection of endangered species and the importance of education for children are two specific topics they have focused on since certification. Some of the producers are using the premium money to support the training of workers on farm. The directors of Driefontein reported receiving training on cooperative management and governance and certification requirements from Sandra Kruger & Associates as part of an UTZ project funded by the Ford Foundation.

Rooibos Ltd also reported that UTZ certification has allowed them to focus much more on training of their workers than before. This included them setting up an annual training roster including the topics required by UTZ but also many others identified through training needs assessments.

v. Health and Safety Practices

Healthy and safe working conditions are at the cornerstone of better working conditions. UTZ requires producers and processors to take a proactive approach to managing risks in the workplace by conducting an annual health and safety risk assessment. In addition there are further requirements around training of employees in terms of health and safety, hygiene, the safe handling of chemicals, first aid and emergency procedures. Certificate holders also need to adopt safe practices to protect their workers at all times.

South Africa's Occupational Health and Safety Act, No. 85 of 1993 sets out most of the requirements regarding health and safety at the work place. UTZ does however set a higher standard in some cases, especially with regards to specific training around hygiene because of the food safety aspect as well as the handling and use of PPE in line with international standards.

The responses from the producers were most varied with regards to this section. Some of the farms had all the requirements in place before certification, but there were some producers who reported having changed and improved their practices since UTZ certification. These changes included conducting an health and safety risk assessment for the first time, introducing health and safety and hygiene signage on the farm, increased training for workers on health and safety practices, putting an emergency procedure in place, starting cleaning rosters and ensuring that all workers have the correct PPE according to their function.

Willie Nel from Ysterfontein reported that becoming UTZ certified resulted in his spray operator going for a medical exam and blood tests for the first time. Francois du Plessis from Aggenbagskraal said that even though workers had always received PPE to wear when spraying chemicals, they had not always worn it. UTZ certification has created more awareness around the importance of wearing PPE and the related health issues.

UTZ emphasizes the importance of regular training and this has resulted in an overall improvement of H&S and hygiene on the certified farms. The workers at Ysterfontein and Aggenbagskraal reported that increased signage at work has created more awareness of health and safety issues. The workers at Mouton Citrus reported: "In the last 2 years there has been a focus on training with Rooibos

harvest workers in terms of cleaning their sickles and washing their hands”. The workers at AMW Boerdery were taken to the clinic and given pamphlets on personal health and hygiene which had not happened before the farm became UTZ certified. For the harvest workers at Aggenbagskraal the improved toilet facilities in field and the availability of soap in the bathrooms are changes they noticed since certification.

The factory workers at Rooibos Ltd said that overall general maintenance has improved and people are more aware of the benefits of wearing the correct PPE. They also reported that the number of fire extinguishers in place has increased as well as alarms installed for fire drills. In terms of hygiene the Rooibos Ltd workers said that training courses and increased signage have raised awareness amongst workers. The workers at Bergendal Rooibos also mentioned that training on both health and safety and hygiene have created more awareness. They were also very proud of the fact that they have been complimented by outside visitors on how high their hygiene standards are.

The story below is from Johannes Phielander at Mouton Citrus and sums up his feeling of how UTZ has made a difference to his job.

“Everyone here has great respect for the UTZ logo and it is required on all our documentation from the office and tea lands to the processing facility up at Bergendal. It is nice for us to be part of UTZ and to be able to explain to the workers that this is an organization that we have chosen to walk this path with. It makes our job easier because we can explain the dos and don’ts to the workers and they implement the rules because it’s from overseas and not just us trying to be the boss.”



6.4 Better Care for Nature



Protection of the environment is one of the three pillars of sustainability and therefore an important area of focus for UTZ. The UTZ Codes look at different aspects of environment management, including: effective waste management and the reduction of pollution, the efficient use of natural resources such as water, the use of cleaner energy and the protection of biodiversity.

All the farms and processing facilities included in the study are operating in the Cape Floristic Region of the Western Cape. The South African government in partnership with various non-government organizations have made huge efforts to protect this biodiversity hotspot. The focus on biodiversity in the area is complimented by legislation regarding the management of the environment, including:

the National Environmental Management Act (NEMA), No. 107 of 1998, the Biodiversity Act (NEM:BA), No. 10 of 2004, the National Water, No. 36 of 1998, and the Conservation of Agricultural Resources Act (CARA), No 43 of 1983.

Four of the farms and one of the processors had done an environmental risk assessment prior to UTZ certification. These were done at a time when there was a drive by SARC to ensure that Rooibos farms comply with national environmental legislation and some of the UTZ farms were already part of this pilot. Ronel van Zyl from Bergendal spoke about the importance of doing such an assessment and said that it had made a difference on the farm because it made workers more aware of the issues around the environment. Mannetjies Smit from AMW Boerdery said that the environmental risk assessment enabled them to identify alien invasive species on the farm and put strategies in place to eradicate them.

Francois du Plessis from Aggenbagskraal was one of the farms that really used UTZ certification to improve the farm's environmental practices:

"The biggest change on Aggenbagskraal as a result of UTZ Certification has been in terms of the environment. As a result of the UTZ standards regarding the environment, I have undergone a mind shift and am now more aware of the natural environment and better agricultural practices in terms of this. This is definitely the biggest impact UTZ has had. We as farmers have a responsibility towards our workers for safety, hygiene and social upliftment. We also have a responsibility towards nature and the environment to utilize and manage it correctly. To be certified as an UTZ farmer puts me ahead of other farmers."



i. Effective Waste Management

UTZ requires certified businesses to manage their waste effectively. For producers this includes waste generated from farming activities as well as waste generated by people living on the farm. For processors this relates to waste generated from processing activities only.

The Department of Environmental Affairs has identified the need to address waste management issues in South Africa. These include the lack of a policy and regulatory environment that actively promotes waste management, the absence of adequate recycling infrastructure, outdated waste management infrastructure and too few adequate, compliant landfills and hazardous waste management facilities (Department of Environmental Affairs, 2011).

Waste management is a challenge for most producers and the common practice is to bury or burn waste on farms. Farms that are situated close to towns have the option of taking certain types of

waste to the municipal recycling plant such as paper, glass and plastic, but as mentioned above these waste management systems are not always adequate.

Most of the producers reported having to make some improvements to their waste management systems since becoming part of the UTZ program. Mannetjies Smit from AMW Boerdery said that they always used to burn their chemical containers, but now they take them to the depot in Clanwilliam to be recycled. Madelé Mouton from Mouton Citrus said that they have started keeping record of their waste management activities and by using this information in conjunction with their environmental management plan they can find ways to improve on these activities. One of the workers at AMW Boerdery said that a rubbish pit previously near their houses had been removed since they became certified. Willie Nel from Ysterfontein reported that they have started recycling glass and plastics on the farm which they had never done before.

Both of the processing facilities have waste management plans in place and practice recycling specifically of glass, paper and plastic. Waste from production in the form of Rooibos dust and sticks are also reused in various forms.

ii. Efficient use of Natural Resources

Producers who are part of the UTZ program are required to implement practices that minimize the risk of contamination and depletion of natural resources. This section focuses on the protection of water sources, biodiversity or areas of high conservation value as well as the use of energy.

There is already some awareness in the sector regarding the efficient use of resources and protection of the natural environment due to the legal requirements of obtaining authorisation before clearing virgin land, conducting environmental risk assessments when doing any type of on farm expansion and the creation of buffer zones and natural corridors. When the first UTZ Code of Conduct for Rooibos was developed, it was done in line with the requirements of national legislation (with the assistance of an environmental consultant) to ensure that producers could therefore use the UTZ Code as a tool to show they are compliant with national legislation.

In terms of energy use, it was found that processors use much more energy in the factories than the producers. During the harvest season (Jan – May), the factories often operate 24 hours a day and run throughout the year. Electricity in South African is coal-based and state-owned (Eskom) and therefore very expensive. To cut down on these costs, Bergendal switched to a paraffin boiler for pasteurisation some years ago which has also reduced their carbon footprint.

Rooibos Ltd has recently converted to a 511 kWp solar system on the roofs of its storage facilities. This installation has meant that the company is not only reducing their electricity costs, but is also able to provide a product to its customers with a lowered carbon footprint (Rooibos Ltd, 2014).



Figure 25: Solar panels at the Rooibos Ltd factory

Both primary and secondary processing uses water which comes into contact with the Rooibos. The processors therefore have strict controls in place either through their HACCP (Sans 10330)¹¹ or BRC¹² certification to monitor the water used through regular testing. Due to potential food safety issues producers also test the water used at the tea court on an annual basis. The UTZ Codes have served as a useful checklist to producers and processors to ensure that this type of monitoring takes place regularly.

iii. Protection of Natural Habitat

UTZ requires certificate holders to have respect for and protect the natural environment on and around their farms and processing facilities. This includes having a management plan in place to control veld fires, rehabilitating corridors of natural habitat on and between farms and controlling alien invasive species.

In 1999 the then Department of Agriculture partnered with The Cape Action for People and the Environment (CAPE) and rolled out a program called Landcare in order to combat invasive alien species. The South African Rooibos Council also launched a program in 2010 called the Right Rooibos (RR) initiative aimed at encouraging sustainable practices in the production of Rooibos. This program was initially focussed on the promotion of biodiversity conservation on Rooibos farms and protection of the natural environment, but later the scope was broadened to also include social issues such as the status of transformation within the Rooibos industry (South African Rooibos Council, Right Rooibos Initiative and Sandra Kruger & Associates, 2011).

All of the UTZ certified producers participated to some extent in the roll out of the RR initiative and have been practicing alien land clearing and the establishment of natural corridors as a result. In total there were 36 farms which participated in the pilot of RR, which is less than 7% of all Rooibos producers, so these practices are not yet common in the sector. UTZ producers therefore definitely

¹¹ Hazard Analysis and Critical Control Points (HACCP) is a certification which requires companies to critically identify hazards throughout the production process and put actions in place to mitigate them.

¹² BRC Global Standards is a safety and quality certification program for suppliers internationally. The Standards guarantee the standardisation of quality, safety and operational criteria and ensure that manufacturers fulfil their legal obligations and provide protection for the end consumer: www.brcglobalstandards.com

have an advantage by being able to use the environmental section of the Code as a guideline for these better practices.

South African legislation in the form of the National Veld and Forest Fire Act, No. 101 of 1998, exists to prevent and combat veld, forest and mountain fires throughout the country. One of the strategies the Department of Agriculture, Forestry and Fisheries (DAFF) has identified to achieve the implementation of the Act is the formation of Fire Protection Associations (FPAs). The Department has made some progress with the provisions as set out in the Act and in 2010, 196 FPAs had been registered. However, the FPAs have stated in their annual reports to DAFF that one of their greatest challenges remains the non-compliance of landowners in terms of either becoming members of an FPA and/or implementing fire management practices (Directorate: Forestry Regulation, 2010).

It was found that in the Rooibos sector it is not common for producers to be part of a FPA. While Bergendal Boerdery, Mouton Citrus and Driefontein have been members of the Greater Cederberg Fire Protection Association (GCFPA) for some time, Ysterfontein, Aggenbagskraal and AMW Boerdery reported becoming members of an FPA because of UTZ certification. The PDI farmer was not a member of an FPA at the time of conducting the study but reported investigating membership to be able to comply with UTZ.

6.5 Better Care for Next Generations



Children have the right to grow up in a healthy and safe environment. UTZ requirements are in line with ILO conventions regarding child labour. In addition UTZ also has a focus on the stimulation of primary education of children of worker's living on UTZ certified farms.

With regards to child labour, the Constitution of the Republic of South Africa, Act No. 108 of 1996 affords all children¹³ the right "to be protected from exploitative labour practices" and "not to be required or permitted to perform work or provide services that (i) are inappropriate for a person of that child's age; or (ii) place at risk the child's well-being, education, physical or mental health or spiritual, moral or social development".

Child labour is an issue in all African countries, and South African is no exception. According to a report released by the Department of Labour in 2013, more than 268,000 children were found to be working in the commercial agricultural industry. The country is however committed to eradicating child labour in all forms and since the adoption of the Child Labour Programme of Action (CLPA) in 2003 significant progress has been made. The director of the ILO in West and Southern Africa, Vic van Vuuren, said South Africa seemed to be on the right track to eradicate child labour. He said: "The problem in SA is the application of the law but the country is getting there" (Makana, 2012)

¹³ Defined as persons aged 0-17

Therefore UTZ has still a role to play in terms of ensuring that child labour is not present at any of certified farms. The study found that none of the UTZ certified farms or processing facilities employ any workers below the age of 18. On the farms it was also found that all the children of worker's living on site were attending school. In fact 3 of the farms, 1 of which is the small farmer cooperative, have their own day care and aftercare facility on the premises. All of these facilities are staffed by qualified teachers or care givers.



Figure 26: From left - aftercare facility at Bergendal, day care facility at Driefontein

7. CONCLUSION

South Africa has progressive legislation in place in terms of human rights, farm working conditions, child labour, health and safety and the protection of the environment. Although not the focus of the study, it is however recognised that this legislation is neither always fully implemented nor monitored. In the absence of a regulatory environment that can ensure fair and sustainable conditions on farms, certification becomes an important tool for both producers and processors which can be used to monitor compliance with national as well as international legislation. In some cases certification has motivated these businesses to innovatively go beyond legal requirements.

The value that UTZ certification has added since involvement in the sector is evident from interviews with producers. Improved record keeping has led to improved traceability systems in the supply chain and has contributed to continued efforts to ensure that farming methods are at the cutting edge of research and innovation in the industry. Although commercial farms already had access to information, UTZ certification has assisted them in formalizing systems to improve efficiency. Access to information has been a significant benefit for the PDI farmer since the program has raised awareness and given support that accelerated development beyond what was possible for the farmer to achieve on his own.

The demand for UTZ Certified Rooibos and the opportunity of UTZ certification has opened up new international markets and clients for the processors. These new market opportunities have enabled producers to sell more of their Rooibos as UTZ over the last 3 years and to earn premium money

that directly contributed to the improvement of living conditions on farms which was identified as a significant benefit by producers and workers alike.

UTZ producers were found to be completely compliant with national legislation which is not the norm in the agricultural sector. Being certified has improved working and living conditions for workers employed on those farms, beyond legal requirements. Workers specifically noted marked improvement in both health and safety and hygiene conditions at all of the producers and processors. These improvements included increased use of PPE and increased signage and training on the importance of health, safety and hygiene practices.

UTZ producers are committed to the environment and the protection of natural resources. Some of the UTZ farms were able to improve their waste management systems since certification and are engaging with their workers to start recycling programs. Child labour has been found to be an area of concern in South Africa and certification ensures better monitoring of farms to ensure that child labour is not practiced. UTZ has also encouraged producers to be more aware of the importance of primary education for the children of their workers.

In terms of challenges, some of the producers mentioned that an increased market for UTZ Certified Rooibos would definitely assist them by increasing their income from certified product. At the moment not all of the farms are able to sell 100% of their crop as UTZ certified. Even though the market has grown since the inception of the program in 2010, further growth would not only allow already certified producers to sell more, but would also enable more producers to join the program. Some non-certified producers have mentioned interest in the UTZ program, but will not commit to certification at this stage if there is no guaranteed market for their product.

The continued investment of UTZ Certified in collaboration with other funders and partners in the support of the Rooibos sector has enabled producers and processors to enter international certification and become part of an international community which provides access to shared learning, innovation and ultimately opportunity for growth. This contribution from UTZ has great value for businesses in the competitive trading environment of the Rooibos sector and in ensuring the sustainability of farms for this generation and the next.

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9. ANNEXES

The following annexes are available as referenced in the report:

- A. UTZ Theory of change
- B. List of UTZ certificate holders interviewed
- C. Questionnaires used in field including
 - i. Fixed questionnaire for estate managers
 - ii. Fixed questionnaire for processor managers
 - iii. Fixed questionnaire for the PDI farmer
 - iv. Semi-structured questionnaire for estate managers
 - v. Semi-structured questionnaire for processor managers
 - vi. Semi-structured questionnaire for workers
 - vii. Semi-structured questionnaire for the PDI farmer
 - viii. Semi-structured questionnaire for small farmers
 - ix. MSC questionnaire