Business Integrity beyond the farm gate

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The National Agricultural Marketing Council (NAMC) is concluding a Section 7 Committee investigation into ethical trade in South Africa Fruit industry. The primary purpose was to have a constructive engagement about how best to take ethical trade (ET) forward within the SA fruit, wine and flower industries. Final Section 7 Committee documentation and recommendations are awaited, but growers and exporters will find these preliminary thoughts on the Business Integrity component interesting.

The Section 7 Committee identified three ET areas that needed consideration, namely: Labour (mainly on-farm), Environment, and Business Integrity. Three sub-committees were set up to look at each of these aspects in more detail. The Business Integrity aspects are considered here.

Scope

Business Integrity (BI) as a concept must help role players understand what acceptable inter- (between businesses) and intra-business (within a business) practices are, touching on buying practices, business relationships and conduct, anti-competitive behaviour, anti-corruption, anti-bribery, etc.

Codes of Good Practice

Generally speaking there was a vacuum of fruit specific BI Codes of Good Practice. Attempts are being made to fill this void. Globally-adopted ET standards and schemes such as SA8000 and BSCI place the onus on supply chain partners to ensure they are sourcing from a sound source (one step back principle) but say very little about the “nuts and bolts” of what this means in practice.

Ethical Trade Initiative (ETI) in the UK recently completed a draft ‘step by step guide to purchasing practices’ which is intended to be rolled out among ETI retailer members within the UK. SEDEX used existing best practice from Transparency International’s Business Principles for Countering Bribery for SMEs (www.transparency.org) as a basis for their approach to business conduct guidelines.

The most applicable fruit specific code is the Grocery Supply Code of Practice (GSCOP), also from the UK and drawn up by the UK Competition Commission, which contains provisions to protect suppliers of groceries against the potential abuse of buyer power. How exactly the GSCOP will be rolled out and how foreign suppliers engage in its processes must still be tested.

Within South Africa, Fresh Produce Exporters’ Forum (FPEF) has a Code of Good Practice to which FPEF members must subscribe and which addresses aspects such as honest and lawful business practices, convictions of crimes of dishonesty and specific rules of conduct. Although the FPEF Code has clearer guidelines than international alternatives and has been a beacon in the ever-changing export environment, it was not developed with an ET focus and should probably be revised in light of global advancement in the ET arena.

No information was available as to the extent to which non-FPEF exporters and role players such as terminal operators, agricultural service suppliers, logistics service providers, etc, have adopted specific codes of good practice. Without a stand out national fruit code of good practice applicable to all segments of the supply chain, it seems likely then that the Section 7 Committee will recommend that a BI Code of Good Practice be drafted to serve as a guideline for all stakeholders.

How are codes monitored?

Many of the existing BI codes are private and/or voluntary in nature and do not lend themselves that easily to audit methodology. Very little auditing is therefore observed. Rather, most BI schemes tend to be complaint-driven i.e. where an issue or event triggers a pre-defined resolution-seeking process. Hence as an industry it is very difficult to measure BI performance over time as many ET issues are either resolved between the parties, legal action is pursued or they are overlooked where no resolution seems likely. UK ethical trade initiatives are promoting BI by running pilot projects looking at monitoring BI among supply chain players. The results from these pilot projects will certainly guide future monitoring methodology. This does however raise the questions as to who is responsible for assuring that players within a value chain are conducting themselves with appropriate BI?

BI Training and promotion in SA

In the absence of a universally accepted BI code that cuts across all stages of the supply chain it is not surprising that very little promotion and training occurs in the SA fruit industry. Recent roll outs of ET programmes at the farm level by some UK retailers has caused a wave of ET awareness among stakeholders (again, mainly at the farm level), but still little formal training is likely to be done for stakeholders beyond the farm gate until this training can be built around a widely adopted BI code of practice for the fruit industry.

Dealing with non-conformance

Within the framework of a widely accepted SA code of good practice it is envisaged that clearly defined processes are laid out to address BI contraventions quickly and inexpensively. The success of such a mechanism will inevitably rely on the willingness of the parties to subject their actions to a test against the SA code of good practice but could be an accessible first resort platform for mediation. Unresolved matters might still find themselves in civil or labour courts as last resort. In any event it would be helpful for the parties to meet each other before the issue is taken to the press.

Consideration of the relatively new Consumer Protection Act...
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highlighted to the sub-committee the increasing rights of consumers to access to information and transparency. Work done by the Competition Commission also potentially overlaps with BI.

**BI Assimilation of information**
The BI sub-committee were unable to identify a body that was tracking the general BI performance of firms or provide broad information about BI developments. Sound facts would have been helpful engaging stakeholders such as foreign buyers, the media and local and foreign NGO’s. Depending on the outcome of discussions and recommendations about the vehicle to drive ET generally in SA there was a view within the sub-committee that it would be helpful if a central body kept a register of cases (not detail) and how the issue was concluded. Obviously this would need to be managed very carefully with assurances that sensitive information be kept confidential.

**Communication and Representation**
Ethical Trade Initiative in SA (largely driven by Fruit South Africa) is engaging directly with UK and EU retailers and local stakeholders to find ways of working together on ET projects. Likewise NGO’s, government departments, buyers and stakeholders are all talking to each other. If seems sensible, then, to simplify communication in terms of the “message” coming out of SA and to have a common contact point for incoming and outgoing information. More thinking about how this would actually be managed is necessary.

Using a generic brand (“a happy face”) to show the high-level of BI among SA business was considered by the participants but in the end not supported due largely to the enormous time and resources launching such a brand might take and the fact that consumers are already bombarded with much point-of-sale information.

**Structure follows strategy**
In conclusion the sub-committee felt a SA BI code of conduct that had a fruit orientation (e.g. using wording commonly used in the fruit sector) applicable for all segments of the supply chain should be developed. Processes should be defined that enable issues to be raised and resolved between parties in a mediation type format. It is likely that some Multistakeholder forum would need to be recognised or set-up to manage the code and the important administration for training and development, code contraventions, communication with local and foreign stakeholders and providing generic information about BI performance among SA fruit industry firms.