

# **BLACK ECONOMIC EMPOWERMENT (BEE) IN THE SOUTH AFRICAN WINE INDUSTRY**

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## **1. Background**

Early in 2004 the South African Wine and Brandy Company (SAWB) decided that a survey should be undertaken of the *status quo* of BEE in the wine industry (Kassier, 2004). The results of the survey would in part be used for the determination of the baseline for the wine industry BEE scorecard and the structuring of SAWB programmes in this regard. Further objectives were to sensitise the wine industry about some of the criteria to be used in developing the scorecard as well as to alert all concerned as to the urgency of the matter. The South African Wine Industry Trust (SAWIT) provided the funding for the surveys.

## **2. Methodology**

SAWIS (South African Wine Industry Information & Systems) was contracted to disseminate questionnaires to three groups of respondents, namely producers, cellars and the corporate wine industry sector. SAWIS inspectors were responsible for advising respondents on the completion of the questionnaires and for collecting the completed questionnaires from the respondents, having been briefed on the nature of the information requested in the questionnaires.

Ten questionnaires were issued to the corporate wine industry sector. As far as the wine cellar survey was concerned it was decided that the survey should include all the larger cellars, 398 in all. Cellars processing less than 1 ton of grapes were excluded. With the wine grape producer survey, a random sample of 400 out of a total of around 4000 farmers was chosen.

## **3. Response**

Apart from seven completed questionnaires that were received from corporate business, 352 (i.e. an 88.4 per cent response) were received from private and co-operative cellars. Only one questionnaire was received where the respondent indicated that he/she was not prepared to participate in the study. It must be assumed that the remainder of the 45 cellars were also not interested in participating in the investigation or were unable to complete the questionnaire. The producer survey was less successful, with only 172 completed questionnaires returned.

Details of the population, sample selected, and response are given in Table 1. A comparison of the distribution of producer numbers according to the selected sample and the response reflects an unsatisfactory situation in the Orange River and Olifants River regions and to some extent in the case of Stellenbosch. When looked at from the distribution of production, much the same applies. A better response was received from the other regions.

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**Table 1: Percentage distribution of wine grape producers and wine grape production**

Region	Distribution of producers			Distribution of production		
	Total	Sample	Respondents	Total	Sample	Respondents
Orange River	27.35	28.50	16.86	14.07	15.00	7.59
Olifants River	14.90	12.50	3.49	18.87	18.25	5.57
Malmesbury	8.04	6.50	11.05	9.30	6.00	9.45
Klein Karoo	7.78	12.25	20.93	3.66	6.33	14.40
Paarl	12.03	12.75	16.28	9.78	11.79	12.02
Robertson	8.72	9.00	11.05	13.08	16.02	17.06
Stellenbosch	5.53	4.75	4.07	4.65	3.60	2.69
Worcester	15.66	13.75	16.28	26.58	23.05	31.21
<b>% of Total</b>	<b>100.00</b>	<b>10.44</b>	<b>4.49</b>	<b>100.00</b>	<b>9.77</b>	<b>5.10</b>
<b>Number/tons</b>	<b>3832</b>	<b>400</b>	<b>172</b>	<b>987803</b>	<b>95931</b>	<b>50344</b>

In defence of the poor response from the grape producers, it should be borne in mind that the survey was conducted during the harvesting season because of the availability of SAWIS inspectors at that time. Furthermore, it is probable that the response would have been considerably higher had there been a better understanding of BEE amongst farmers.

#### 4. Workers in the wine industry

##### 4.1 Corporate wine businesses

The information in respect of manpower supplied by the seven corporate entities that responded is summarised in Table 2. Of the almost 6 000 individuals employed, about half have a qualification of grade 11 or higher. Six per cent have a tertiary qualification.

**Table 2: Analysis of manpower in corporate wine businesses**

ITEM	TOTAL	PERCENT
<b>Total number of employees</b>	5912	100
No schooling	74	<1
Grade1-4	196	3
Grade5-6	489	8
Grade7-8	664	11
Grade9-10	1267	22
Grade11-12	2888	49
Tertiary	334	6
Courses completed <sup>2</sup>	169	
Currently studying/on learnerships	113	
<b>Blacks<sup>1</sup> in Senior Management</b>		8.6
Women		0
<b>Blacks in Middle Management</b>		10.7
Women		4.2
<b>Blacks in Junior Management</b>		22.4
Women		7.3
<b>Blacks on Board</b>	43	6.1
Women	10	1.4
<b>Blacks on Executive</b>	18	2.6
Women	0	0

<sup>1</sup> African, Coloured and Asiatic (as defined in the BEE Act)

<sup>2</sup> Vineyard Academy; Cape Wine Academy; Elsenburg College

Blacks occupy 8.6 per cent of the positions in senior management, but there are no women at this level. At middle management blacks make up 10.7 per cent of the staff while women

account for 4.2 per cent. The situation is considerably better at junior management level where black men and women make up 22.4 and 7.3 per cent respectively.

At board level blacks occupy 6.1 per cent of the positions, of which 1.4 percentage points are filled by women. Black men account for 2.6 per cent of the staff at executive level.

All the respondents are registered with SARS as skills levy payers. A total of over R3.3 million was claimed back from the SETA. All of them employ a skills development facilitator, have a workplace skills plan, and submitted a skills development report in 2003. All but one have a training committee, four out of seven offer ABET classes, two have a mentorship programme in place and three have a succession plan and a career path plan.

Five of the seven indicated that they have appointed a senior manager to drive their employment equity process, have an equity forum in place that is representative of all designated and non-designated groups and all have an employment equity plan. Four of the respondents submitted an employment equity progress report in 2003.

As far as procurement is concerned, the corporate businesses indicated that their purchases were made from 2 146 organisations, of which 52 were BEE businesses. Nearly 3 per cent of total purchases were made from BEE organisations.

Blacks currently own only 0.15 per cent of the businesses. Only two are at this stage involved in joint ventures.

#### 4.2 Private and co-operative wine cellars

An analysis of the manpower situation in private and co-operative wine cellars is shown in Table 3. At present by far the majority of employees at top and middle management are white, although in the case of the private cellars 22 per cent in this category are black. At junior management level, almost three-quarters of the staff in private cellars are black, with 55 per cent in co-operative cellars. In both private and co-operative cellars, over 80 per cent of workers are black. However, as far as the gender issue is concerned, there is still a long way to go.

**Table 3: Analysis of manpower in private and co-operative cellars (per cent per category)**

	Senior & middle management		Junior management		Other employees	
Item	Private cellars	Co-op cellars	Private cellars	Co-op cellars	Private cellars	Co-op cellars
% Black	22	6	73	55	80	85
% White	78	94	27	45	20	15
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>All employees</b>						
<b>Throughput of cellar (t grapes pressed)</b>	<b>Black men</b>	<b>Black women</b>	<b>White men &amp; women</b>	<b>Total</b>		
0-100t	51	17	32	100		
100-500t	45	18	37	100		
500-2000t	40	26	33	100		
2000-20000t	53	16	31	100		
>20000t	56	26	18	100		
<b>Total</b>	<b>49</b>	<b>21</b>	<b>30</b>	<b>100</b>		
<b>Top management</b>						
<b>Throughput of cellar (t grapes pressed)</b>	<b>Black men</b>	<b>Black women</b>	<b>White men &amp; women</b>	<b>Total</b>		

0-100t	7	2	91	100
100-500t	5	1	94	100
500-2000t	7	3	91	100
2000-20000t	6	0	94	100
>20000t	0	0	100	100
<b>Total</b>	<b>6</b>	<b>1</b>	<b>93</b>	<b>100</b>
<b>Middle management</b>				
<b>Throughput of cellar (t grapes pressed)</b>	<b>Black men</b>	<b>Black women</b>	<b>White men &amp; women</b>	<b>Total</b>
0-100t	36	4	60	100
100-500t	24	3	73	100
500-2000t	34	7	58	100
2000-20000t	14	3	83	100
>20000t	0	0	100	100
<b>Total</b>	<b>24</b>	<b>4</b>	<b>72</b>	<b>100</b>
<b>Junior management</b>				
<b>Throughput of cellar (t grapes pressed)</b>	<b>Black men</b>	<b>Black women</b>	<b>White men &amp; women</b>	<b>Total</b>
0-100t	55	14	32	100
100-500t	53	18	29	100
500-2000t	53	21	25	100
2000-20000t	47	9	44	100
>20000t	46	16	38	100
<b>Total</b>	<b>50</b>	<b>16</b>	<b>34</b>	<b>100</b>
<b>Non- management</b>				
<b>Throughput of cellar (t grapes pressed)</b>	<b>Black men</b>	<b>Black women</b>	<b>White men &amp; women</b>	<b>Total</b>
0-100t	67	24	9	100
100-500t	57	25	17	100
500-2000t	42	31	27	100
2000-20000t	63	20	17	100
>20000t	61	29	10	100
<b>Total</b>	<b>56</b>	<b>26</b>	<b>18</b>	<b>100</b>

The situation is not materially different when the cellars are categorised according to throughput. However, it must be recognised that in many of the cellars, mainly the smaller private ones, the staff typically consists of a winemaker/manager and, say, one technical/administrative individual. This raises the point whether BEE is sometimes looked at too narrowly from purely a demographic and gender issue, rather than an equal opportunity problem.

#### 4.3 Wine grape producers

The generally poor response among wine grape producers, as shown in Table 1 above, does not permit an analysis on a regional basis. Nevertheless, the 172 respondents, chosen at random, represent some 5.5% of the total number of producers. A further problem relates to terminology. Although a footnote in the questionnaire stated that according to the BEE Act, the term “black” refers to African, Coloured and Asian, it was clear that many producers interpreted black as referring only to African. This could mean that the extent of BEE is underestimated. Also, on many farms the distinction between different levels of management and categories of workers is not always clearly defined, again possibly reflecting negatively on the improved positions of employees on the promotional ladder.

Table 4 shows the level of education for employees on wine producing farms. 12.03% of all workers have no education, 30.73% passed grade 5, 6 or 7 and only 2.35% have some tertiary qualification. Literacy can be measured as those with more than grade 4 education. By this measure, 38.12% of all workers included are illiterate (40.26% of men and 34.43% of women). Less than one percent of Black males have a tertiary qualification and 13.12% have no education. The corresponding percentages for Black women are 1.34% and 9.40%. Black women are in general better educated than Black men.

**Table 4: Analysis of level of education among employees on wine producing farms**

	<b>% of total employees</b>	<b>% of Black men</b>	<b>% of Black women</b>
No education	12.03	13.12	9.40
Grade 1-4	26.09	27.14	25.03
Grade 5-7	30.73	29.89	32.36
Grade 8+	28.80	28.89	31.87
Tertiary	2.35	0.95	1.34

## 5. Current BEE programmes

### 5.1 Private and cooperative cellars

Sixty-two cellars indicated that they were currently involved in one or more BEE projects. A summary of these is given in Table 5. As far as direct empowerment programmes are concerned, equity schemes are the most favoured, while skills development initiatives are the most important in human resource development, and outsourcing of cellar activities and farming operations are the most important in the case of private cellars.

**Table 5: Private and co-operative wine cellars – Current BEE programmes**

<b>CATEGORY</b>	<b>NUMBER</b>
<b>Cellars reporting BEE programmes</b>	<b>62</b>
<b>1. Direct Empowerment</b>	
1.1 Equity ownership in cellar	17
1.2 Equity in farming sector	20
1.3 Profit sharing	1
1.4 Housing	9
1.5 Management	2
<b>2. Human resource development and employment</b>	
2.1 Mentorship	3
2.2 Employment equity	2
2.3 Skills development/training	19
2.4 Community development	3
<b>3. Indirect empowerment</b>	
3.1 Outsourcing cellar/farming activities	35
3.2 Preferential procurement	26
3.3 Enterprise development	1
<b>4. Other/unspecified</b>	<b>3</b>

The reason for the inclusion of outsourcing as an item in the questionnaires is that it is becoming increasingly important as an agent of BEE development. At this stage it appears to be more prevalent in the grape-producing sector than in the cellars. A total of 32 respondents indicated that they outsourced one or more of their activities. In the cellars, this mostly involved bottling and labelling, followed by human resource development and appointments. Where cellars were also involved in farming, the main jobs that were outsourced were grape harvesting, pruning and worker transport.

Experience has shown that the trade unions are opposed to labour contracting (Agri-Africa, 2004), mainly because worker performance is based on a task or piecework system, which is not allowed according to the sectoral determination for agricultural workers. This is a pity as labour contracting could be a powerful empowerment initiative and could assist in the development of entrepreneurship skills without high barriers to entry. The increasing use of labour contractors is referred to elsewhere in this article. Thirty-one per cent of the private cellars and 18 per cent of the co-operative cellars reported that they were involved in some form of outsourcing or labour contracting.

Details about the training and black empowerment policies at the wine cellars are shown in Table 6. Structures for training at the co-operative cellars are in place, but it would seem that adult education programmes need further support. Although more than two-thirds of the private cellars pay the skills levy, the implementation of training programmes will have to receive more attention.

**Table 6: Training – private and co-operative cellars**

Item		Private cellars	Co-op cellars
Pay training levy?	% yes	68	93
Skills facilitator?	% yes	39	80
Have a skills plan?	% yes	41	85
Submitted skills report?	% yes	28	87
Training committee?	% yes	29	73
Offer adult education?	% yes	32	38

## 5.2 Wine grape producers

Only 19 of the 352 cellar respondents reacted to the question as to what percentage of their purchases of goods and services were sourced from BEE organisations. The details are shown in Table 7. The others had no idea of the extent of black influence/ownership of organisations with which they did business.

**Table 7: Preferential Procurement by Wine Cellars – Per cent of purchases**

Cellar	Less than 25% Black-owned	25.1–50% Black-owned	50.1% plus Black-owned
A	85		
B	2		
C	5	2	
D			20
E			10
F*	?	?	?
G			5
H	6	2	3
I			3
J	15		
K			9
L	0.5	2	2.5
M			15
N	25		
O		20	
P			5
Q*	?		
R			50
S		12	30

\* Are aware of black influence/ownership, but not the extent thereof

Other investigations (VinPro, 2004) have placed on record the BEE programmes that have been implemented in the wine grape producer sector. Some of these were also listed in the 172 completed questionnaires that were returned by wine grape producers. Again, the authors believe that had there been a better understanding of what BEE in agriculture all entails – that it is not only concerned with land – more BEE programmes would have been introduced and the response to this survey would have been better.

## 6. Future empowerment programmes

All the segments of the wine industry are currently in the process of developing their respective charters and establishing the baselines and targets for their scorecards under the auspices of SAWIT and SAWB. Corporate wine businesses are working closely with the rest of the liquor industry on a Liquor Industry Charter. A problem arises with the grape producers because most of the farms are multi-enterprise operations and the dovetailing with the BEE charters and scorecards of other agricultural enterprises will need attention.

### 6.1 Private and co-operative wine cellars

The details about the cellars that have not as yet been involved in any BEE initiatives, but intend to introduce programmes in future, are shown in Table 8. Out of the total of 352 respondents, 131 (37 per cent) indicated that they intend instituting BEE programmes in future. Again, the authors believe that this proportion would have been considerably higher had there had a better understanding among respondents of what BEE entails.

The above statement is corroborated by the fact that many (71 per cent) of those who responded positively to this question were unsure which programmes they should introduce. This situation places an important responsibility on the industry to provide the necessary guidance to potential participants in BEE projects.

**Table 8: Wine Cellars – Future Black Empowerment Programmes**

CATEGORY	NUMBER
<b>Cellars reporting intention</b>	131
<b>1. Direct Empowerment</b>	
1.1 Equity ownership in cellar	7
1.2 Equity in farming sector	10
1.3 Profit sharing	0
1.4 Housing	2
1.5 Management	2
<b>2. Human resource development and employment</b>	
2.1 Mentorship	7
2.2 Employment equity	1
2.3 Skills development/training	9
2.4 Community development	???
<b>3. Indirect empowerment</b>	???
3.1 Outsourcing cellar/farming activities	???
3.2 Preferential procurement	???
3.3 Enterprise development	5
<b>4. Other and uncertain</b>	88

### 6.2 Wine grape producers

A number of grape producers indicated that they would be interested in becoming involved in BEE initiatives in future. A summary of the responses appear in Table 9. Over 80 per cent of the respondents either indicated that they were not interested in becoming involved in BEE or

did not answer that question. Almost 13 per cent showed an interest in becoming involved in BEE projects, but were in need of more information.

**Table 9: Intended involvement in BEE initiatives in future**

<b>Response</b>	<b>Number</b>	<b>Per cent</b>
Not interested/no response	139	80.81
Maybe/if have to	5	2.91
Yes, want to but need more information	22	12.79
Busy implementing	6	3.49
<b>Total</b>	<b>172</b>	<b>100.00</b>

## 7. Conclusions

This paper presents a summary of a survey, financed by SAWIT and conducted by SAWIS on behalf of the SAWB, to determine the status quo of BEE in the wine industry.

The proportion of Black employees in management positions is still low in the corporate wine sector, where only 2.65% of executive positions and 22.4% of junior management positions are held by Black employees. The picture looks much the same in senior and middle management positions in co-operative and private wine cellars, but at the junior management level respectively 55% and 73% of employees are Black. At the farm level it is difficult to distinguish between different management levels and therefore no data are presented on this issue. As expected, employees in the corporate wine sector are better educated than employees on wine producing farms. About 50% of the 6 000 employees in the corporate wine sector had passed grade 11 or 12, and 6% has some tertiary qualification. On the other hand, almost 40% employees on the farms were illiterate, while only 2.35% have some tertiary qualification.

Involvement in BEE projects also varies considerably, with 62 of the 352 cellars indicating that they are currently involved in one or more BEE project. Outsourcing of cellar activities and farming operations is the most popular empowerment programme, followed by preferential procurement. Equity schemes are the most favoured direct empowerment programme. Co-operative cellars are more dedicated to the training of their employees than private cellars. Only 19 of 172 wine grape producer respondents indicated that some percentage of their goods and services were sourced from BEE organisations. 37% of the total number of respondents in the private and co-operative wine sector business indicated that they would like to get involved in BEE programmes in the future and only 13% of wine grape producers.

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