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# Is sustainability governance abetting inequality? Reflections from the South African wine value chain

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## ABSTRACT

Private and public governance instruments seeking to ensure sustainability in agro-food value chains have become ubiquitous in the past three decades. Virtually all major retailers, agro-food processors and international commodity traders have been involved in one or another sustainability initiative or multistakeholder engagement. An emerging critical literature shows that achieving sustainability goals along value chains often comes at the cost of profitability at the production level. While some hope has been placed on South-driven sustainability standards to better reflect local needs and contexts, their record in doing so has been mixed. In this article, we examine how different kinds of sustainability governance affect inequality within and along the South African wine value chain. We show that sustainability governance is not paying off for many grape growers and wine producers in South Africa, nor is it supporting entry and ownership of historically disadvantaged persons (HDPs) – despite the government's stated transformation objectives. We conclude that sustainability governance is abetting existing inequalities and question the ability of current initiatives to shape more just, equitable and environmentally-friendly value chains. We also argue that any future discussion of sustainability and its governance in global value chains should also be a discussion of inequality.

## 1. Introduction

Private and public governance instruments seeking to ensure sustainability in agro-food value chains have become ubiquitous in the past three decades. Virtually all major retailers, agro-food processors, and international commodity traders have developed codes of conduct and/or have been involved in one or another multistakeholder engagement (see, among others, Amengual et al. 2020; Bartley, 2018; Grabs & Carodenuto, 2021). Existing research on sustainability governance has painted a mixed picture on whether 'improved' processes and practices yield positive environmental and/or labour outcomes, with some work starting to explicitly examine their effects on various forms of inequality (see, among others, Archer, 2022; Dietz et al. 2020; Lang et al. 2022; LeBaron & Lister, 2021; Ponte 2019; Renckens, 2020; van der Ven, 2019). A critical literature has also emerged on the trend in sustainability governance away from third-party certification and towards the building of internal standards and codes of conduct, which allow major corporations to better control processes, acquire more information on their suppliers (and thus potentially squeeze more profits out of them) and leverage sustainability issues to strategically manage supply chains

(Grabs, 2020; Richey & Ponte, 2021).

One of the most vibrant debates in this large literature is about the potential and limitations of South-driven sustainability standards (Schleifer et al., 2019), which may lower entry barriers by better reflecting local contexts, needs and interests (Alford et al. 2021; Higgins & Richards, 2019; MacDonald, 2020; Schouten & Bitzer, 2015; Sun, 2022). This work also examines the ways in which global multistakeholder initiatives could empower local groups or regulators, better include them in transnational multistakeholder initiatives (Bennett, 2017) or even challenge them (Hospes, 2014). Furthermore, calls have been made for enhanced sustainability governance that is embedded in a more cooperative paradigm instead of the more traditional top-down compliance paradigm (Lund-Thomsen & Lindgreen, 2014).

At the same time, recent research has delineated some of the emerging contradictions and limitations of South-driven sustainability initiatives (Langford et al, 2022), highlighting that they are often instances of hybrid forms of governance that feature both cooperation and compliance dynamics (Ghori et al., 2022; Macdonald, 2020). Other research has shown that South-driven standards do not necessarily

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improve labour or environmental conditions of production (Tampe, 2018; Sippl, 2020). Some contributions have also challenged their inclusiveness at the local level (Sun & van der Ven, 2020) and/or argued that some Southern markets may not be ready for local demand of products bearing sustainability logos (Schleifer & Sun, 2018). Yet, not much is known on how existing inequalities actually shape the room for manoeuvre of even the most well-intended South-driven or South-empowering sustainability initiatives – a gap we intend to start addressing in our contribution.

The wine value chain originating in South Africa provides key insights into these puzzles. South Africa has over the past 15 years struggled to both grow its wine export volumes and to shake off its image as a low-value, bulk wine producer. This situation persists despite substantial investments by South African grape and wine producers in environmental management and some efforts aimed at addressing social and labour conditions of production, in the context of the enduring heritage of apartheid in the country. Some of these initiatives have been stimulated through the development of domestic standards (Hamann et al., 2017; Herman, 2018; Howson et al. 2019; Howson, 2022). Others have been driven by the general requirements of major buyers in the Global North, particularly in Europe, but also of large domestic retailers (das Nair et al., 2018; das Nair, 2018; 2019; das Nair & Shedi, 2022). Alcohol monopoly buyers, like Sweden's government-run Systembolaget, and other retailers require adherence to specific social and environmental standards, motivated in part by South Africa's troubled history around the treatment of farm and cellar workers. The continuing domination of white ownership in the industry, however, is only an issue in the domestic industry – driven as it is by (the largely failing) government transformation initiatives under the umbrella of 'Black Economic Empowerment' (BEE) legislation and related scorecards (du Toit et al. 2008; Herman, 2012, 2018; Ponte et al. 2007; Vilakazi & Bosiu, 2021; Williams, 2005). Environmental issues are becoming important for international and domestic retailers and are translating into new requirements or information requests, such as those on water and energy consumption, for the use of lighter glass bottles and more sustainable packaging materials, and the promotion of soil health and using less harmful methods of pest and disease control.

In this paper, we distinguish between vertical (top-down and bottom-up) and horizontal forms of sustainability governance (adapting Gereffi & Lee, 2016) – and provide an original analysis of how they shape inequality *within* and *along* value chains (applying Lang et al., 2022). We approach the term 'sustainability' as discussed in South African wine circles. Industry actors refer not only to the three classic economic, social and environmental components of sustainability, but also to South Africa-specific transformation and BEE issues. It is the all-encompassing nature of the term they find useful and strategic, leveraging it differently depending on their positionality. Firms that tap into discourses of sustainability include large conglomerates but also small wineries – seeking to improve their access to markets, mitigate climate change, address social ills, differentiate from competitors and/or achieve longer-term economic sustainability. In our analysis, we place less weight on labour issues, not because they are less important but because a large body of work has already documented the problematic labour conditions that persist on wine farms (see, e.g., Alford et al. 2021; Bek et al. 2007; du Toit, 2002; Finnwatch, 2023).

We draw from research material arising from 84 interviews (of which 12 online) we carried out with 94 people in 76 entities in 2022.<sup>1</sup> Interviewees included representatives of government, industry associations, NGOs, research institutions, media, logistics companies, and direct wine value chain actors (private cellars, estates, producer

wholesalers, producer cellars, wholesalers, distributors and retailers).<sup>2</sup> We also draw from secondary documentary and statistical evidence, and from participant observation and the attendance of industry seminars (12 seminars and 33 presentations) at the CapeWine trade fair (Cape Town, 5–7 October 2022).<sup>3</sup> This South Africa-focused material is complemented by ongoing interviews at the global level on sustainability initiatives and standards in the wine industry, and by participant observation and seminar attendance at ProWein (Dusseldorf, 19–21 March 2023), which is considered *the* truly global wine trade fair.<sup>4</sup>

In the next section, we lay out the main features of the analytical framework we apply in the paper – combining different forms of sustainability governance and different aspects of inequality in global value chains. The following section provides a brief background of the South African wine value chain and its current status. The ensuing analytical section examines how different forms of sustainability governance operate in this value chain, and what consequences they have on distinct aspects of inequality. The final section provides a discussion of findings, highlights our original contributions, and offers some directions for future research.

## 2. Analytical framework

The literature on how sustainability shapes the dynamics of global value chains has been historically focused on vertical forms of governance, and especially those that are of top-down nature (where global buyers and retailers are the main drivers). This kind of *vertical top-down* governance (Gereffi & Lee, 2016) relates to the strategies that global lead firms enact on their suppliers and sub-suppliers to address social and environmental challenges (Alexander, 2020), including the 'gate-keeping' power they exert in relation to sustainability standards (van der Ven, 2018). In the past, these standards were often developed within the framework of multi-stakeholder initiatives, in collaboration with NGOs and industry associations (de Bakker et al., 2019; Jellema et al., 2022). In more recent times, proprietary systems run internally by global lead firms along their value chains have become more prominent, with questions being raised about their data-grabbing and supplier squeeze features (Grabs, 2020; Ponte, 2019). The literature on environmental improvements shows that it is more likely to happen in value chains that have unipolar governance features – where lead firms are located at one particular functional position in the value chain, usually downstream<sup>5</sup> and consumer-facing (Poulsen et al., 2016). A strong case has also emerged for taking into consideration not only the standards and requirements these lead firms demand, but also whether and how their everyday sourcing practices make the fulfilment of these demands possible and/or profitable (see, e.g., Goger, 2013; Khattak et al., 2015) and what other actors along the chain have to do to make this happen (Barrientos, 2019; Krishnan et al. 2023).

Vertical sustainability governance, however, can also have important bottom-up dynamics – operating through initiatives undertaken proactively by suppliers. These suppliers tend to be driven to environmental improvements by internal, strategic factors rather than mainly by the pressures of global buyers – as they may be seeking energy efficiency, differentiation and/or legitimization (see, e.g., De Marchi & Di Maria, 2019; Lund-Thomsen & Nadvi, 2010). In these cases of *vertical bottom-up* governance, lower-tier and/or less powerful actors can act as engines of environmental improvements, in some cases even in opposition to the requests placed by lead firms (Alford & Phillips, 2018; Selwyn, 2007).

<sup>2</sup> For definitions of wine value chain actors, see legend in Table 4.

<sup>3</sup> <https://www.capewine2022.com>.

<sup>4</sup> <https://www.prowein.com>.

<sup>5</sup> In value chain analysis, downstream indicates a functional position closer to the consumer, while upstream indicates a functional position closer to the producer.

<sup>1</sup> These interviews lasted normally 60 min, but ranged from 30 to 120 min. Interviewees were assured anonymity. Primary interview material is referred to with a SAW## code for South Africa-based operators and WG## for global wine operators (see Appendix Tables A1 and A2 for an overview).

Gereffi and Lee (2016) also highlight *horizontal* governance dynamics, which refer to more local coordination mechanisms that can be driven by industry associations, civil society groups (e.g., labour unions or NGOs), and/or governmental bodies (Bair & Palpacuer, 2015). Case studies in the developing world (see, e.g., Lund-Thomsen & Nadvi, 2010) suggest that local collective institutions can play an important role in spurring local firms to improve labour conditions, especially in highly-visible value chains where suppliers also face important pressures from buyers. However, not much is known on the role of horizontal governance, especially at the local level, in shaping environmental management.

Drawing from these distinctions, in this paper we examine vertical top-down, vertical bottom-up and horizontal sustainability governance mechanisms and their overlaps – and what effects they have on inequality in global value chains. Inspired by Bush et al.'s (2015) typology of sustainability governance in, of and through value chains, Lang et al. (2022) propose three main dimensions of inequality in value chains: (1) inequality *within* chains (at individual value chain nodes); (2) inequality *along* chains (between different nodes); and (3) inequality *through* chains (operating through the wider social, economic and ecological systems the chain is embedded in).

- (1) Inequality *within* chains relates to which factors shape the outcomes of different groups of actors carrying out similar functions at the same node of the chain – depending on their size, their nationality, gender or ethnic group, the technology they use, their business strategy and/or the end-markets they serve (Lang et al., 2022; see also Barrientos, 2019; Palpacuer et al., 2005). This is important because different groups of actors carrying out a similar type of activity may face differential barriers to upgrading, costs and benefits, and/or risks. The literature refers to these dynamics in terms of adverse incorporation (Phillips, 2011), patterns of inclusion/exclusion, and/or practices of disarticulation (Bair & Werner, 2011). In the South African context, we focus on inequality within the chain in terms of race and gender (in the form of entry barriers, access to markets and ownership at the grape production and winemaking nodes).
- (2) Lang et al. (2022) refer to inequality *along* chains in relation to how a group of actors carrying out a function at one node fares compared to a group of actors operating a different function at another node. This entails comparing, for example, groups of firms in grape production and in winemaking – and/or the labour conditions of workers employed on farms vis à vis those employed in wineries. Analyses of this kind of inequality can include examining differential risk, rights and benefits, returns to investment, and/or the distribution of value added along the chain. The literature shows that high competition among producers leads to squeezing value out of them, as a small number of lead firms exerts high bargaining power and seeks to reduce costs (Lang et al., 2022; Milberg & Winkler, 2013). It also indicates the growing importance of intangible assets in generating higher rents (Durand & Milberg, 2020). These factors lead to a 'smiling curve' of distribution of value added along many chains, with more profitable functions located in pre- and post-production (Shin et al. 2012). Sustainability initiatives can shift compliance costs and risks to producers, while the value addition they facilitate is appropriated by downstream actors, thus affecting the distribution of value added (Ponte, 2019). In our case study of wine in South Africa, we handle inequality along the chain in terms of differences in survival rates, profitability and distribution of value added for firms engaged in grape production and in winemaking.
- (3) Finally, Lang et al. (2022) highlight the importance of inequality *through* chains – which refers to the mechanisms through which the chain as a form of organizing global economic processes shapes (and is shaped by) the wider social, economic and

ecological systems it is embedded in. Analyses examining this aspect of inequality target the (gendered) relations between capital, labour and nature (Barrientos, 2019; Havice & Campling, 2017; Quentin & Campling, 2018). Due to space constraints, we will not examine this kind of inequality on its own, but will highlight some of its aspects as they are manifested in inequalities within and along the value chain.

### 3. South African wine

Even though South Africa has been producing wine in the Western Cape since 1659, it is generally labelled as a 'New World' wine producer – alongside countries like Australia, Chile and Argentina.<sup>6</sup> In 2021, there were 90,512 ha of land under vineyard in South Africa.<sup>7</sup> The planted area has decreased substantially in recent years – in 2006, it was 101,607 ha.<sup>8</sup> Production of wine grew from the mid-2000s to the mid-2010s, but since then has remained fairly flat at around 850,000 million litres – with exports normally accounting for about 50 % of total production.<sup>9</sup> South Africa is ranked eighth in the world in terms of wine production by volume, accounting for 4.1 % of the total in 2021.<sup>10</sup>

Wine export volumes increased following the lifting of sanctions at the end of apartheid in 1994, but have been relatively stagnant since around 2009, normally within a 300–400 million litre band. Export values increased dramatically in the 1990s and early 2000s, then plateaued in 2007–2014 within the range of 500 to 600 million USD. This was followed by a general decline, with exports ranging from 400 to 500 million USD in 2015–2020.<sup>11</sup> Key export markets include the UK, Germany, the Netherlands, France, Sweden and other European countries, as well as Canada and the United States. The 2016 drought and the COVID-19 pandemic negatively affected wine production and exports, with volumes starting to recover in 2021. Domestic consumption of wine has been relatively low historically, with beer much more in demand than wine. There are however further growth prospects in the domestic market and in other fast-expanding African markets (SAW9, 31 and 51).

In 2005, exports in bulk represented only 32 % of the total by volume. By 2021, this proportion had increased to 62 % (source: SAWIS data). This quick growth in bulk exports is creating tensions within the industry between the strategic intent of industry bodies to 'premiumize' South African wine away from low quality perceptions, and the necessity to move volume off tanks for the next harvest. Bulk exports are seen in parts of the industry as taking away domestic jobs in bottling and packaging. According to a representative of South Africa's wine promotion agency,

'it is hard to move up on price points, because for many years after 1994 South Africa dumped a lot of "cheap and cheerful" wine into Europe. This created a picture and expectation that a bottle of South African wine would be sold for under €10. However, ratings in top wine media are improving, and South African wines are entering into more wine competitions to change their positioning in the market.

<sup>6</sup> For more detailed profiles of the industry, see Ponte and Ewert (2007), Ponte (2009) and Vink (2019). On innovation, see Cusmano et al. (2010) and Giuliani et al. (2011).

<sup>7</sup> Source: <https://www.wosa.co.za/The-Industry/Statistics/SA-Wine-Industry-Statistics/>.

<sup>8</sup> Source: SAWIS Statistical Booklet, 2007; see also [https://www.sawis.co.za/info/download/Vineyards\\_2015\\_1.pdf](https://www.sawis.co.za/info/download/Vineyards_2015_1.pdf).

<sup>9</sup> See <https://www.wosa.co.za/The-Industry/Statistics/SA-Wine-Industry-Statistics/>.

<sup>10</sup> See <https://www.wosa.co.za/The-Industry/Statistics/World-Statistics/>.

<sup>11</sup> In the 2010s, South Africa has generally ranked 6th largest exporter in the world by value, with a market share of 4–5%. Source: OIV Statistical Report on World Vitiviniculture 2010–1; <https://www.oiv.int/public/medias/6782/oiv-2019-statistical-report-on-world-vitiviniculture.pdf>.

# Continued Profitability Decline at Farm Level

All these factors have led to a sustained cycle of declining profits at a net farm level where today, producers are functioning at non-sustainable profit levels.

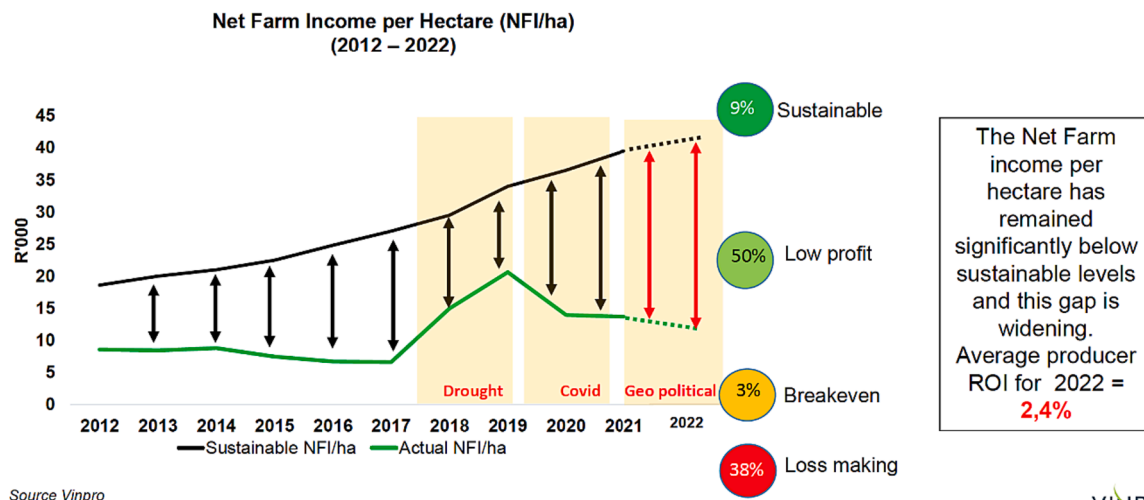


Fig. 1. Profitability of grape farming for wine in South Africa (2012–22). Source: presentation by Rico Basson at #Vinproday, 19 January 2023.

Also, scores for South African wines are improving in international competitions' (SAW23).

At the same time, there is extreme competition in the discount segment, especially for retailers' own brands. About 80 % of bulk wine goes on the shelf as 'Wine of Origin South Africa', a very generic denomination (SAW2).

### 3.1. Structure of the value chain

In South Africa, 2,613 farming units operate at the *grape production* node of the wine value chain (as of 2021), the majority of whom (around 85 %) produce 1,000 tonnes or less. Only seven large grape growers produce more than 10,000 tonnes. The number of primary grape producers has decreased substantially from 4,185 in 2006. The largest decline has been for smaller producers (producing under 500 tonnes of grapes), while there has been some growth in the number of larger growers (over 1,000 tonnes).<sup>12</sup> These observations illustrate considerable consolidation at the viticulture node of the wine value chain, revealing the challenges faced by smaller farmers. Economies of scale appear important, and smaller farmers have either completely exited the value chain, they have been bought up by larger players, or they have started growing other crops that are more profitable, such as fruit, vegetables and cut flowers.

The number of operators at the *wine production* node in the country has also slightly declined, from 576 in 2006 to 536 in 2021 – indicating some degree of consolidation at the level of winemaking as well. At the *wholesale/export* node of the value chain on the contrary we observe an increase – from 87 in 2006 to 92 in 2021.<sup>13</sup> At all nodes of the South African wine value chain, foreign capital has been pouring into the country, attracted by the foreclosure of many farms and cellars. This is a relatively recent phenomenon, as foreign investment was very limited as recently as the mid-2000 s (Ponte & Ewert, 2009).

The South African wine industry is supported by a range of key organizations, such as the South African Wine Transformation Unit, Wines

of South Africa, Winetech, Vinpro and the South African Wine Industry Information and Systems. In addition, the Wine & Spirit Board verifies claims on wine bottle labels (regarding origin, vintage and grape variety) and administers the Integrated Production of Wine system (see below; for more details, see (das Nair et al., 2023)).<sup>14</sup>

### 3.2. Profitability and distribution of value added

Grape growers are under increasing financial pressure in South Africa. The wine industry uses Net Farm Income (NFI) as a proxy for profitability and economic sustainability. In Fig. 1, actual NFI, which is calculated as gross income for a specific vintage earned less total production costs, is compared to suggested NFI, which is a guideline of what would be required for economically-sustainable production (allowing for adequate vineyard renewal and reinvestment). According to Vinpro, an industry body representing wine producers, cellars and other relevant industry stakeholders, a NFI of ZAR 36,500/ha was needed in 2020 on average for wine grape producers to be economically sustainable. But in reality the average producer earned a net farm income of just ZAR 13,951/ha. For the 2022 vintage, an actual NFI of R17,247 per hectare was realised, compared to a suggested income of R41,425.<sup>15</sup> NFI is thus significantly below economically sustainable levels, and this gap has been widening since 2012. In 2021, a Vinpro survey of 257 wine grape farms found that only 23 % of farms had sustainable earnings and 32 % were not profitable at all.<sup>16</sup> In 2022, a Vinpro presentation suggested that only 9 % of growers had sustainable earnings, 50 % made low profits (but not sufficient to effectively reinvest), 3 % broke even and 38 % made losses.<sup>17</sup> Similar data on winemaking facilities are not available, but our interview data suggest that many wine producers are also under pressure, especially in the mid-quality range.

Covid-19, the war in Ukraine and the broader industry challenges

<sup>14</sup> In January 2023, the industry announced that a new integrated body will be formed in mid-2023 – SA Wine.

<sup>15</sup> Source: Vinpro Production Plan Survey (2022).

<sup>16</sup> Source: Jana Loots (2 March 2021), <https://vinpro.co.za/liquor-sales-open-but-wine-industry-hit-with-other-setbacks/#:~:text=Sales%20cut%20off,20%20weeks%20since%20March%202020>.

<sup>17</sup> Source: Nedbank Vinpro Day presentation, slide 10.

<sup>12</sup> Source: SAWIS Statistical Booklets, 2007 and 2021. [https://www.sawis.co.za/info/download/Book\\_2021.pdf](https://www.sawis.co.za/info/download/Book_2021.pdf).

<sup>13</sup> Source: SAWIS Statistical Booklets, 2007 and 2021.



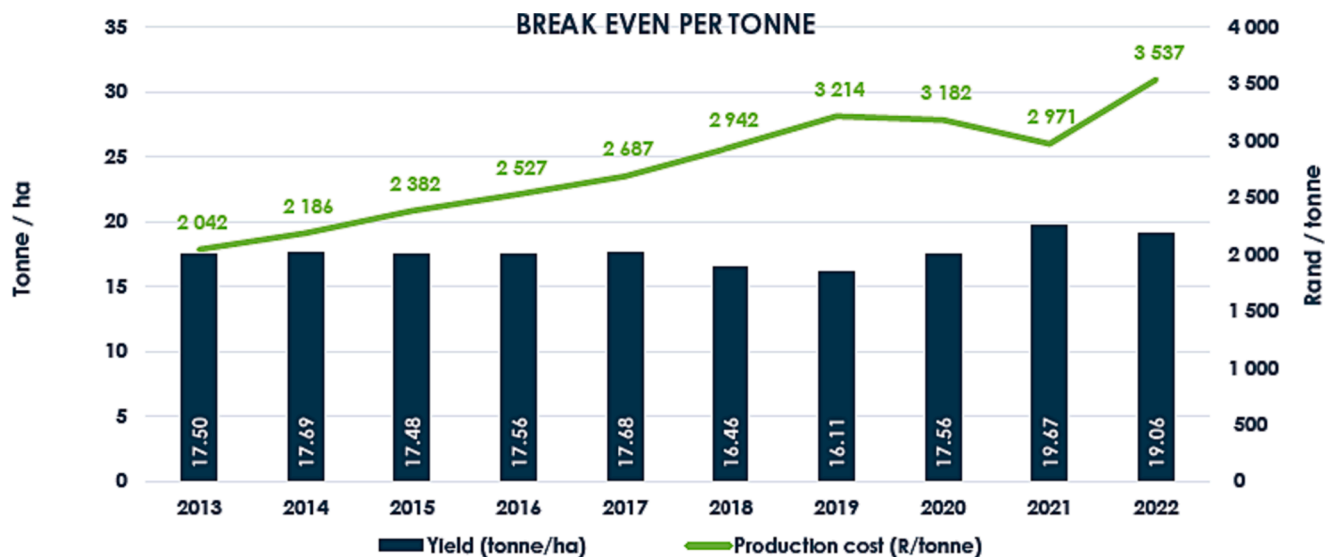


Fig. 2. Break-even price per tonne (2013–22). Source: Vinpro Production Plan Survey (2022).

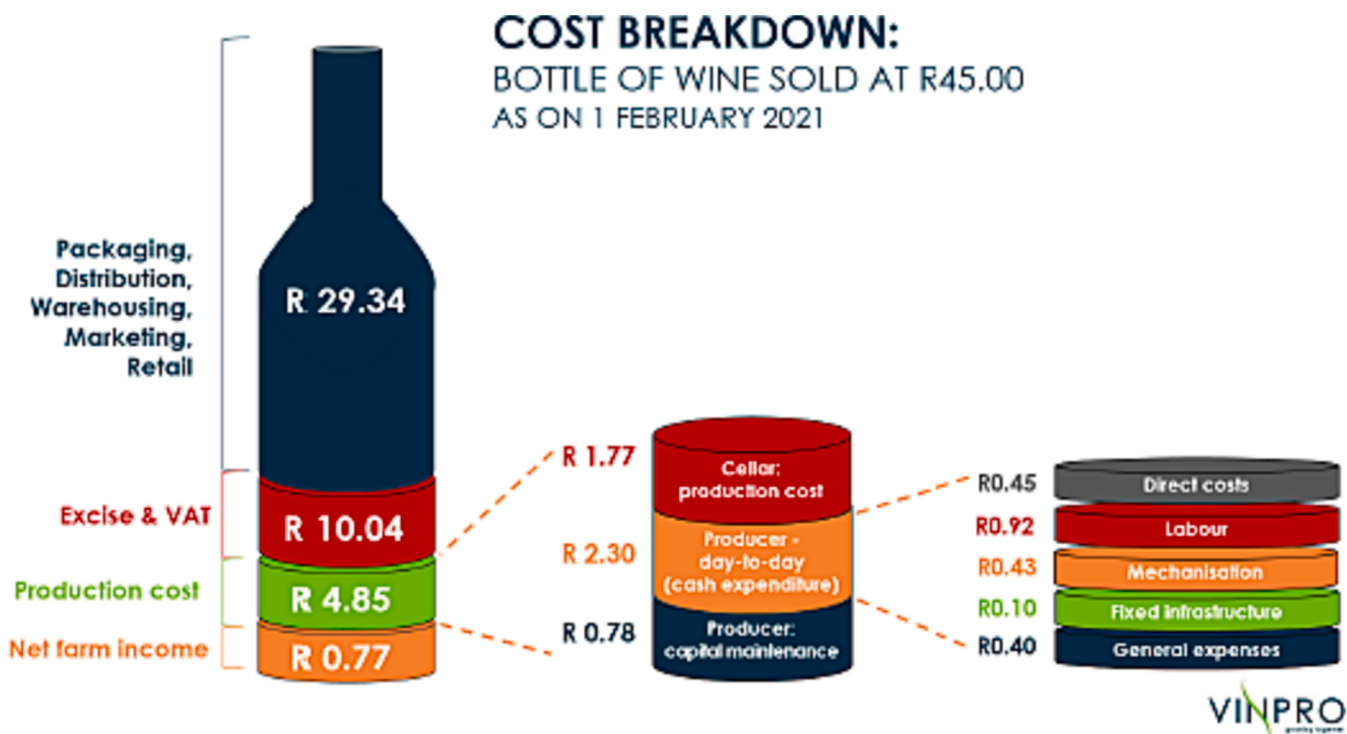


Fig. 3. Cost breakdown of a bottle of wine (2021). Source: 'Liquor sales open, but wine industry hit with other setbacks', Jana Loots, 2 March 2021. <https://vinpro.co.za/liquor-sales-open-but-wine-industry-hit-with-other-setbacks/#:~:text=Sales%20cut%20off,20%20weeks%20since%20March%202020>.

around the supply of electricity, key inputs, increasing excise duties and poor port facilities are key factors in explaining this profitability pressure. South Africa's energy crisis and the resulting 'loadshedding' have also added to both operational and investment costs for firms. Further adding to cost pressures have been the sharply escalating shipping costs. One wine exporter suggested that shipping costs from South Africa escalated five to ten times during Covid (SAW6), and several other interviewees highlighted the shipping crises as negatively impacting costs (SAW5, SAW26, SAW72; see more details in (das Nair et al., 2023)). These are important cost dynamics, but sustainability demands are also part of this picture, as we will argue below, as the gap between actual and economically sustainable NFI was already increasing in the early

2010s – when sustainability demands were ratcheting up and before these other key events had happened.

Another way of looking at the impact of rising costs faced by grape farmers is the analysis of the break-even price, which is calculated by Vinpro by dividing total production costs by the average yield per hectare of wine grape producers surveyed across nine wine regions.<sup>18</sup> As

<sup>18</sup> The 'break-even price' calculated in this way is highly influenced by the yield. Yield increases lead to decreases in break-even price and can balance or more than offset increases in total production cost. This calculation of break-even price does not take into account entrepreneurial remuneration, interest or tax.

we can see in Fig. 2, the steadily rising break-even price signifies escalating production costs for which increases in yields are not compensating. The implication here is that higher selling prices are needed for the production unit to earn positive margins.

As a proxy for the distribution of value added along the wine value chain, Fig. 3 highlights the cost breakdown of a bottle of wine sold domestically at ZAR 45. At the grape producer level, the net farm income is very low (ZAR 0.77), less than 2 % of the sales price of the bottle. Total production costs and margins for farming and winemaking combined account for only 12.5 % of the total. The largest component of value added (65.2 %) is in downstream functions (packaging, distribution and retail), with the rest being accounted by taxes (22.3 % of the retail price).

#### 4. Sustainability governance and inequality

The biggest issue that the industry is facing is sustainability. It is talked about all the time – and indeed the CapeWine fair in 2022 [was] themed “Sustainability 360: people, place and prosperity” (SAW1).

In a global context, the South African wine industry has been a pioneer on sustainability, with internationally recognized standards such as the voluntary Integrated Production of Wine (IPW) protocol dating back to 1998 – in a global wine industry that has been a late-mover in comparison to other agro-food products. Although there have been a number of sustainability initiatives in various wine producing countries (Ponte, 2019), they have a local or regional character and a concerted effort to set up a global sustainability initiative (the Sustainable Wine Roundtable) was initiated only very recently.

The existence of these sustainability initiatives does not necessarily imply that they are easing the local environmental impacts of viticulture and winemaking, or that working conditions are necessarily improving. On the former, very little is actually known. On the latter, a rich literature in the 2000s showed how ownership patterns and working conditions remained very problematic even after the end of apartheid (Bek et al. 2007; McEwan & Bek, 2009a; du Toit, 2002; du Toit et al., 2008; Ewert et al. 2006; Moseley, 2008; Williams, 2005) – a situation that to a large extent still persists (Alford et al. 2021; Howson, 2022; Finnwatch, 2023; Ponte, 2019).

At the same time, some scholars highlight the potential for improving social and labour conditions in the industry (Herman, 2012; 2018). In particular, Hastings (2019) has shown how transnational networks of unions in South Africa and Scandinavia have been able to campaign for change in labour processes and to push for stronger public and private regulation in monitoring working conditions – by building on existing domestic coalitions (McEwan & Bek, 2009a) and by targeting Scandinavian alcohol monopolies, also through media exposure.<sup>19</sup> Yet, Hastings (2019) also concludes that producers are still footing much of the bill for more onerous labour standards adherence, a situation that puts downward pressure on pay and work conditions and leads to increased casualization of labour – extending a well-known post-apartheid trajectory (Ewert & du Toit, 2005; du Toit et al., 2008). In other words, the literature highlights that the bargaining power of global buyers limits the ability of even South-driven standards to improve the conditions of production (see also Alford et al., 2021).

While these observations are largely confirmed by our research, we argue that any discussion of sustainability and its governance in global value chains should also be an explicit discussion of inequality. This is particularly the case in South Africa, where the un- and under-addressed legacies of apartheid loom large and shape the dynamics of domestic sustainability standards and initiatives. Inequality is therefore both a

**Table 1**

Horizontal governance initiatives related to sustainability in the South African wine value chain.

Initiative	Focus
Integrated Production of Wine (IPW)	Plant protection and food safety; climate change issues starting to be included
WWF Conservation Champions	Water, energy, nature conservation
Carbon Heroes	Carbon footprint
Certified Heritage Vineyard project	Preserving old vineyards and ‘planting to grow old’
Wine and Agricultural Ethical Trading Association (WIETA)	Labour conditions, occupational health, safety, worker housing
Transformation/BEE initiatives	Improving HDP ownership, market access and entrepreneurship

Source: elaboration by the authors.

driver of some aspects of sustainability governance but also the result of it. Many of the social and labour aspects of sustainability that the plethora of initiatives we chronicle in the article are attempting to address are the direct result of decades of exploitation of labour on farms and the exclusion of black entrepreneurs from all nodes of the wine value chain during apartheid. Labour issues have been well documented in previous research and we will not rehash them here in detail (see, e.g. Ewert & du Toit, 2005; du Toit et al., 2008). It is also well-established that transformation processes under the broad umbrella of BEE have had very limited results – this is especially the case in the wine industry (du Toit et al., 2008; Ewert et al., 2006; Herman, 2012, 2018; Moseley, 2008; Williams, 2005). Thus, the general failure of addressing sustainability in terms of transformation is clearly also a failure of addressing inequality. Finally, initiatives that seek to tackle various aspects of environmental sustainability, noble as they might be, also have implications on various forms of inequality.

##### 4.1. Horizontal governance

South Africa was an early mover in the field of sustainability in the wine industry. A complex assemblage of independent initiatives and regulations include some that have been active since the late 1990s (see Table 1):

1. The *Integrated Production of Wine* (IPW) system is a voluntary sustainability scheme managed by the South African public sector. Currently, more than 70 % of viticulture area and 95 % of wine sold are certified with this standard. South Africa was the first country in the world to develop a sustainability certification system for wine: the scheme was started in 1998, the first harvest was certified in 2000, and the ‘Integrity and Sustainability’ seal (combining the certification of geographic origin and sustainability) was first affixed to wine bottles in 2010 (SAW25).
2. The *Wine and Agricultural Ethical Trading Association* (WIETA) is a multi-stakeholder initiative that has been active in South Africa since the early 2000s and that has developed through a mix of adversarial and collaborative practices in a number of successive waves of action and pushbacks from various groups of actors (Alford et al., 2021; Bek et al. 2007; du Toit, 2002; Hastings, 2019; McEwan and Bek, 2009a; 2009b).<sup>20</sup> WIETA has developed and manages an ethical code of conduct and carries social audits to ascertain legal compliance with South Africa’s labour and occupational health and safety legislation. Although adherence to the code is voluntary, currently 77 % of total South African vineyards meet the standard, thus it can be defined as *de facto* mandatory, especially for exports (SAW10).

<sup>19</sup> See in particular the documentary ‘Bitter Grapes’ by Tom Heinemann: <https://www.bittergrapes.net>.

<sup>20</sup> <https://wieta.org.za>.

3. The *Certified Heritage Vineyard* project<sup>21</sup> has been operating since 2016 and certifies old vine vineyards that are 35 years of age and above, with a seal that can be placed on the wine bottle (SAW29). The basic tenet of this initiative is that after 30 years, vines stabilize and produce grapes that make wines with a unique character. However, as vineyards get older, yields decline and in normal market conditions they become uneconomical for the grower. The project has thus developed a business model where brand owners are willing to pay a premium for these grapes (Priillaid & Steyn, 2020). From a sustainability perspective, old vineyards tend to consume less water and show more resistance to high temperatures (SAW38). Since it is very expensive to replant a vineyard, farmers can also ensure economic sustainability by saving on replanting costs (SAW29).
4. The *WWF Conservation Champions* programme<sup>22</sup> covers three conservation criteria: energy, water and nature. Wine producers can qualify by meeting only one of these criteria, but most comply with two or three – all 55 current champions comply with the water criteria and can affix a sugar bird logo on their wines (SAW7).
5. The *Carbon Heroes* programme<sup>23</sup> helps value chain actors to carry out carbon footprint calculations – and allocates a label for a period of one or three years depending on the score. As of 2022, 39 % of cellars had completed the carbon footprint exercise, while only 17 % of farms had done so (SAW12).<sup>24</sup>

In addition to these initiatives, the wine industry through the South Africa Wine Transformation Unit (SAWITU)<sup>25</sup> supports entry and participation of HDPs.<sup>26</sup> Wine industry representatives argue that BEE and transformation issues are a big focus in the industry but there is also a general understanding that the industry has a ‘long way to go in terms of transformation’ (SAW1). SAWITU has 67 members – ranging from HDPs owning land and farming grapes, making wine and bottling to HDPs ordering a particular style of wine from a wine cellar and then bottling with their own brand (SAW1). Very few land-based transformation projects have been successful so far (Ewert et al., 2006; Herman, 2012), with some of the exceptions combining worker ownership of parts of the land with Fairtrade certification (SAW54) or with guaranteed offtake by a supermarket chain (SAW34 and 53). Black entrepreneurs have entered the wine industry largely through ‘virtual wineries’. In this model, HDPs do not own land or vineyards, they partner with established companies and buy ready-made bottled wine, add their labels and sell online. However, another model is also emerging – where a new generation of black winemakers are making their own wine in rented/contract facilities (see details in (das Nair et al., 2023)).

SAWITU supports HDPs with market access, coaching and mentorship. To address some of the challenges faced by black brands, SAWITU created ‘The Wine ARC’ to provide a brand home for black wine producers who may not have physical or land-based facilities. The Wine Arc provides cost-sharing support in terms of market access (through a physical location to meet clients and undertake tastings), e-commerce facilities, access to labs, cellars, rootstock, testing and research and innovation facilities. SAWITU’s activities are funded by statutory levies

**Table 2**

Sustainability governance and inequality in the South African wine value chain.

Sustainability governance	Inequality	
	Within the chain	Along the chain
	- Differences between different actor groups at the same node of the value chain - Focus on race and gender	- Differences between a group of actors carrying out a function at one node and a group of actors operating a different function at another node along the chain- Focus on farming and winemaking functions
Horizontal	Very limited gains for HDPs in terms of ownership of farms and winemaking facilities; somewhat better record, especially for black women, in relation to contract winemaking and virtual wineries	Mildly regressive impacts: more demanding in grape farming than in other value chain functions; more elite initiatives provide extra value addition possibilities to wineries rather than grape farmers; positive redistributional effects from heritage vineyard certification
Vertical top-down	Tends to abet existing inequality patterns as it does not usually include issues related to ownership and market access by race and gender; exceptions include Fairtrade and HDP-targeted procurement from some domestic retailers	Generally negative impacts on profitability at the farm level and to some extent among wine cellars; plays a role in the skewed distribution of value added along the chain
Vertical bottom-up	Mildly positive impacts: some initiatives have included the spin-off of vineyards to farm workers; co-ownership of winemaking facilities is more rare (and involves a small number of wealthy black capitalists); some cooperation between HDP virtual wineries and established cellars facilitated the entry of black women winemakers	Normally more beneficial (in terms of value addition, diversification) to actors engaged in non-farming nodes of the value chain, with the exception of regenerative agriculture initiatives
Overall	Very limited impact on inequality by race and gender, thus broadly reproducing existing patterns of inequality	Generally regressive impacts on upstream value chain operators, and especially grape farming; where opportunities for value addition have emerged, they have benefitted mostly wine cellars and/or integrated operators, rather than farmers – with some exceptions

Source: elaboration by the authors.

set by government at 20 % of the industry’s total levy income (SAW2; SAW18).

In sum, South Africa is replete with horizontal sustainability governance initiatives that the literature would consider ‘South-driven’. The country is still ahead of the curve in the global wine industry when it comes to the management of conservation and ethical trade standards that are attuned to local realities. Yet, it lags behind on carbon footprint efforts, has a long way to go on transformation, and, according to previous studies, labour conditions are still poor in many farms. But how do these initiatives fare in relation to inequality?

In terms of inequality *within* the chain by race and gender, we observe that horizontal governance initiatives have by and large failed to help build a cadre of black farmers in grape farming and winemaking. Eighty per cent of wine farms are still in the hands of white men (SAW44, SAW47). Only 2.5 % of planted area [grapes for wine] is owned by HDPs (SAW18, SAW53). Downstream in the value chain, less than 3 % of total industry sales are accounted for by black-owned brands (other

<sup>21</sup> <https://oldvineproject.co.za>.

<sup>22</sup> [https://www.wwf.org.za/our\\_work/initiatives/conservation\\_champions/](https://www.wwf.org.za/our_work/initiatives/conservation_champions/).

<sup>23</sup> <https://carbonheroes.co.za>.

<sup>24</sup> For more details, see das Nair et al., 2023.

<sup>25</sup> <https://witu.co.za>.

<sup>26</sup> The term historically disadvantaged person (HDP) refers to any person, category of persons or community disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, 1993 (Act No. 200 of 1993) came into operation. Some South African legislation specifically refers to the empowerment of ‘black people’, defined as ‘a generic term that means Africans, Coloureds and Indians’ (Broad-Based Black Economic Empowerment Act, Act No. 53 of 2003, p. 2). In this paper, we use the two terms interchangeably.



estimates indicate this figure as being less than 1.5 % of sales) (SAW18, SAWS3) (see summary in Table 2). One of the main challenges in moving this agenda forward, according to industry body representatives, is that ‘wine land is expensive and returns are low. Farming is not seen as an attractive trajectory – it is better to become a lawyer, doctor or engineer’ (SAW1). At the winemaking level, precise statistics on ownership of winemaking facilities are not available. However, qualitative data we collected through interviews suggests that the proportion of wineries owned by black entrepreneurs is very small – although some of them have achieved relative success in building strong brands in domestic and export markets (some of which are award-winning).<sup>27</sup> The number of black winemakers producing wine in contract facilities (or simply marketing wine as in the virtual winery model) is increasing but is far from being significant. There are currently only around 60–70 black-owned brands in South Africa (SAW 18).

Of significant relevance to the discussion on inclusion of HDPs is the gender dimension in ownership and management of farms and winemaking facilities. While we are unable to develop a fully-fledged gender analysis and reflection in this article, we note that the entry and participation of black women businesses in the wine industry is particularly important given the male-dominated nature of the industry. This makes it particularly difficult for women to break into the wine value chain. A majority of the black-owned brands that are women-led have entered through the ‘virtual wineries’ model (SAW44, SAW47). Leveraging several years of experience in winemaking, some of these black women-led businesses are directly involved in production of their own wines either in rented facilities or privately-owned cellars. While entry and participation of women businesses at the winemaking level is happening, the male dominated nature of the industry especially at the grape farming level – coupled with the high cost of land, large capital requirements and low returns to grape farming – has resulted in a very small proportion of women owning land and farming grapes for wine. The majority of women that own land do so through farm worker/employee schemes (SAW18, SAWS3, SAW47).

In terms of inequality along the chain, earlier we highlighted the particular challenges faced by grape farmers in terms of profitability and the resultant process of consolidation that is taking place in the industry. We also highlighted the highly skewed distribution of value added along the chain. Horizontal governance initiatives, well-intended as they may be, have had a mildly regressive role for upstream actors in relation to these patterns of inequality. They tend to be more demanding and more difficult to implement in grape farming in terms of procedures and costs than at the winery level and beyond. Some initiatives, such as Conservation Champions or Carbon Heroes, are meant to profile the very best performers and offer differentiation options that are mostly relevant for wineries and vertically integrated operations, rather than for standalone grape farmers. One major exception is the heritage vineyard certification system, which has provided farmers and wineries with new ways of obtaining a premium for grapes and wine – a rare case of a positive redistributive effect along the chain.

#### 4.2. Vertical top-down governance

Among the globally recognized sustainability initiatives that are active in South Africa, we find Fairtrade, organic and biodynamic certifications. These are still niche but are becoming more important because of growing demand in some export markets. Fairtrade wine strives to ensure decent and fair working conditions on farms (Back et al., 2019; Herman, 2012; Moseley, 2008; Overton et al., 2019). South

**Table 3**

Main vertical top-down demands on sustainability.

Retailers demands on sustainability	Origin of main demanders
Fairtrade certification	Northern Europe, UK, domestic
Organic and biodynamic certification	Germany, UK, Nordic countries
WIETA compliance	UK, alcohol monopolies, domestic
Lighter glass bottles	Mainly alcohol monopolies
Recyclable or greener forms of packaging	Mainly alcohol monopolies
Alternative containers (BiB, PET bottles, cans)	Alcohol monopolies, US and UK (for canned wine)
Bulk exports	Germany, Denmark, UK
Carbon footprint	Just started, Mainly EU markets

Source: elaboration by the authors.

Africa is the largest exporter of Fairtrade wine in the world, with sales growing significantly in key international markets, such as the UK (SAW33). However, some question its financial benefits: ‘If they sell Fairtrade wine in Holland at the supermarket for €3 a bottle, something is wrong in the system’ (SAW1). There is also evidence, at least in the US, that retailers apply higher markups for Fairtrade wine (Back et al., 2019). At the same time, others point out that Fairtrade can be a vehicle for other benefits, both philanthropic and commercial – and that the downward price pressure on South African wine applies to all South African wines, not only Fairtrade (SAW33).

Certification of organic grapes for wine and biodynamic wine certification represent a small proportion of South African production, even though demand is increasing. One of the main problems with these certifications from the point of view of South African producers is that they require auditors to be sent from the EU. ‘It is understandable that they need to avoid greenwashing and make sure that certification is provided with integrity. But the cost is too high, plus you need different audits for North America and for the EU ... If you export wine from the EU, their audits are recognized as equivalent for the US market, but we cannot use our EU certification to export to the US. It is absurd’ (SAW50). Many South African operators also argue that it does not pay to export organic wine. One of them, for example, told us that ‘there is a disconnect between the costs of production and the price they want to pay for organic wine’ (SAW17). Some biodynamic producers actually do not seek certification for these reasons and instead resort to personal trust with their buyers as a form of assurance (SAW13, SAW50).

In Table 3, we summarize the portfolio of retailer requirements in terms of sustainability that are common in the South African wine value chain. There is nearly universal agreement in the industry that many of the current top-down vertical demands for sustainability have been driven by the alcohol monopolies of the Nordic countries (Sweden, Finland, Norway) and some Canadian states (Quebec, Ontario). Other retailers and wine importers/distributors (especially those based in the UK, but also some domestic retailers in South Africa) are now starting to place similar demands on producers. The Swedish Systembolaget, for example, has been seeking to increase the proportion of ‘sustainable wine’ they buy for over a decade. They organize tenders specifically for wines made from organic grapes and for Fairtrade wines (WIETA can also qualify for some Fairtrade tenders). They also have specific demands on containers (lighter glass bottles, PET bottles, Bag-in-Box, Tetrapack) and recyclable or ‘greener’ forms of packaging (for closures, boxes, labels) (WG1).

A representative of Systembolaget told us that,

‘for every tender, we have requirements related to certification and packaging, for example, a light weight bottle ... We also introduced tenders for wine in PET bottles. We want to expand deliveries in Bag-in-Box. Size and stacking are good ... But the perception of consumers is still a challenge. Glass is a great material and wine can stay in it for many years’ (WG1).

Carbon footprint is becoming a major issue among wine buyers in

<sup>27</sup> Most recently, see a couple of features in the *New York Times*. The subject of one of the articles was also prominently featuring in various presentations at the 2022 Cape Wine Fair. See <https://www.nytimes.com/2022/10/07/world/africa/black-owned-wineries-south-africa.html> and <https://www.nytimes.com/2023/02/15/travel/black-south-african-wine.html>.

**Table 4**

Characterizations of individual wine value chain operators in South Africa in relation to their approach to sustainability.

Category	Approach	#	Main characteristics	Type of actors	Typical discourses
<b>Proactive</b>	<i>Broad sustainers</i>	8	Build their brand around a broad approach to sustainability (social and environmental) and a set of philosophical principles, but are not transformed in terms of ownership	Mostly private cellars (including two of the largest in the country, but also some mid-size and small ones) and one large producing wholesaler	- (Heritage) moral imperatives
	<i>Regenerators</i>	4	Focus on organic, biodynamic and/or regenerative viticulture, often combined with circular economy approaches, with attention to minimizing energy consumption and carbon emissions	All small estates/private cellars	- (Holistic) moral imperatives - Proof of existing good practice (when certified)
	<i>Social transformers</i>	10	Focus on social/transformation initiatives around farm workers and/or involving BEE deals	Two large producer cellars; the rest are small (mostly HDP-controlled) private cellars/wholesalers	- (Social) moral imperatives - Pacification
	<i>Nature conservators</i>	7	Focus especially on biodiversity conservation efforts	Two mid-size private cellars; the rest are small estates/private cellars	- (Environmental) moral imperatives
	<i>Wealthy sustainers</i>	2	Pet projects of the very rich and/or large conglomerates that operate mainly in other sectors of the economy and seek to showcase their work on sustainability	Mid-size estates	- Proof of existing good practice
	<i>Climate risk managers</i>	3	Approach sustainability in terms of the actual and potential impact of climate change on risk, including that of supply availability	Large producing wholesalers, including the two largest in the country	- Social technology - (Future) market imperatives
<b>Reactive</b>	<i>Sustainability reactors</i>	8	Move into the sustainability field because they identify new markets and/or their buyers are asking new questions or setting new demands	Most are large producer cellars; three are large wholesalers	- Market imperatives - Persecution
<b>Inactive</b>	<i>Ostriches</i>	2	Are not aware of the sustainability challenges around them or are unable or unwilling to do anything about them	Small estates	NA
Total		44			

Source: elaboration by the authors.

Categories of discourses are adapted from Howson (2022).

Categories of actor are drawn from SAWIS Statistical Booklet, 2021 and <https://www.wosa.co.za/The-Industry/Overview/>.

- *Producer cellars* receive grapes and process them on a communal basis on behalf of a group of grape producer members and market wine in packaged or bulk form. Also known as co-operatives (although most have shareholding arrangements), around 80% of South Africa's total wine harvest is pressed at their facilities. There are currently around 43 producer cellars in the country.
  - *Private cellars* are owned by individuals or groups who produce wine at their own cellars by using their own grapes (when vertically integrated) or by buying in grapes from other growers. The wine produced is usually under their own brand name. Some private cellars may also buy wine from other cellars for bottling or blending.
  - A *wine estate* includes a farm and cellar demarcated as an estate approved by the Wine and Spirits Board. To be labelled as 'estate' wine, the producer has to be certified as one.
  - *Producing wholesalers* act as both producers and wholesalers. They can buy grapes for their own wine production or buy wine in bulk or packaged form from other wineries.
  - *Wholesalers* buy wine in bulk and resell either in bulk or in packaged form.
- Categories for size of operation determined by the authors:
- Small operations: <500,000 litres of wine production/sales.
  - Mid-size operations: 500,000 – 5 million litres of wine production/sales.
  - Large operations: >5 million litres of wine production/sales.

Europe, partly because the EU is expected to implement carbon border adjustment measures in the near future (SAW12, SAW49). Systembolaget 'is developing a special tender for carbon neutral wine. The issue of carbon footprint has become important for retailers more generally, but has only emerged seriously in the past two years' (SAW12). Some importers and retailers in Europe prefer to buy wine in bulk, which they then bottle in the EU for their own private labels. Although this is an economic rather than a sustainability strategy, bulk exports happen to be better for carbon emissions – 20-ft containers are fitted with a flexibag that can contain 24,000 litres of wine, instead of 10,000 litres of wine in bottles (SAW73). With bulk shipments, exporters lose control of their wine (and cannot place the integrity and sustainability seal on the bottle). Some exporters, however, manage to organize the bottling themselves in the EU and maintain a branded offering even if the wine was exported in bulk.

Meeting vertical top-down sustainability demands is necessary for South African wine producers to access export markets, and increasingly also to supply the domestic market. However, they come at a cost. Acquiring and maintaining these certifications is expensive, especially for smaller operators. It requires regular investments and multiple audits, the costs of which are typically borne entirely by the producer (although some buyers offer support for first-time suppliers in terms of lowered fees; SAW34). The proliferation of standards and different buyers requiring different certifications also means that to diversify markets, producers must invest in multiple standards, further adding to costs.

Because vertical top-down sustainability governance instruments rarely if ever include issues related to ownership transformation and entry barriers for HDPs and women (with the partial exception of Fairtrade), they tend to be 'neutral' on inequality *within* the chain – in other words, they abet existing inequality patterns. At the same time, some domestic supermarket chains have recently taken significant steps to increase their procurement from black-owned wine producers in partnership with existing white-owned producer cellars, effectively 'sponsoring' new entry through guaranteed offtake agreements for house brands, black brands or co-branded wines. Vertical top-down sustainability governance has had more important impacts on inequality *along* the chain (see Table 2). As indicated earlier, some of the current financial challenges that grape farmers and winemakers are facing are related to increasing operational costs for inputs such as electricity and fertilizer, as well as rising labour costs and excise duties.<sup>28</sup> Geopolitical uncertainty and environmental factors, such as periods of drought, have further raised production costs for growers.<sup>29</sup> But interview data suggest that vertical top-down demands on sustainability also play a key role in shaping profitability – for example, demanding organic certification (or

<sup>28</sup> See also Jana Loots (2 March 2021), <https://vinpro.co.za/liquor-sales-ope-n-but-wine-industry-hit-with-other-setbacks/#:~:text=Sales%20cut%20off,20%20weeks%20since%20March%202020>.

<sup>29</sup> Source: Nedbank Vinpro Day presentation, slide 10, available at <https://vinpro.co.za/wp-content/uploads/2023/01/2.-Nedbank-Vinpro-Info-Day-2023-Winning-in-Wine-by-Rico-Basson.pdf>.

matching a scoring system on sustainability) without paying an appropriate premium. Many wine producers protested the incessant and growing demands placed on them under the aegis of sustainability during our interviews. Some of these demands may have potential cost saving features, at least in the mid- to long-term. But all require upfront investment costs, in an environment of high interest rates and low profitability. Overall, many of the vertical top-down sustainability demands constitute an increasing entry barrier rather than a source of diversification and value addition for upstream actors. In other words, sustainability is now taken for granted by global buyers.

#### 4.3. Vertical bottom-up governance

In the following discussion, we focus on sustainability initiatives that individual wine operators in South Africa are engaged in, an area of analysis that has been relatively neglected in the literature (for an exception, see Herman 2012; 2018). Again, we do not cover labour issues here, which have been targeted by national and transnational networks and alliances including unions, NGOs and journalists – and have been examined elsewhere (Alford et al., 2021; Hastings, 2019). We should emphasize that the companies we interviewed represent a small proportion of the total number of players, and thus should be considered a vanguard of the wine industry, not the mainstream. Therefore, our analysis is indicative of emerging trends rather than representative of the industry as a whole. Because our pitch to potential interviewees was based on sustainability, we have a biased sample of respondents that are very likely to be more concerned with these issues than the many companies that did not wish to talk to us. Yet, we argue that this minority is important because it plays a key demonstrative role and can partly explain why an increasing number of other actors in the South African wine value chain are becoming more engaged in sustainability issues. Also, the companies we interviewed included all the main producing wholesalers in the country and some of the biggest private cellars and producer cellars (cooperatives or farmer shareholder-controlled companies).

In Table 4, we provide a brief characterization of how different sets of actors approach sustainability. In this context, individual operators can be seen as part of vertical bottom-up governance if they take an individual stance (although they may also participate in collective/horizontal efforts). As Hamann et al. (2017) and others (Bek et al., 2007; Ewert et al. 2006; Howson, 2022; Moseley, 2008) have shown, many of these company-based initiatives are driven by individual owners' convictions and sense of stewardship, often in smaller and family-owned firms where they have direct control of operations.

We develop a unique typology that identifies wine value chain operators according to their *actions* – distinguishing between pro-active operators (broad sustainers, regenerators, social transformers, nature conservators, wealthy sustainers, and climate risk managers), reactive operators (sustainability reactors), and inactive operators (ostriches). Our typology complements Howson's useful categorization of different kinds of *narratives* of certification (in what she calls the 'ethical value networks' of South African wine): as moral imperative; as market imperative; as proof of existing good practice; as persecution; as social technology; and as method of pacification (2022: 97).

Of the 44 direct wine entities we interviewed, eight have built their brand around a comprehensive approach to sustainability, and are organized around a set of clear philosophical principles (including the necessity of profit). They are mostly private cellars (including two of the largest in the country, but also some mid-size and small ones) and one large producing wholesaler. They tend to be family-owned and have been so for generations. They see sustainability as part of their heritage, couched in moral imperative discourses. They do not want to risk losing control of their operations, and thus are relatively un-transformed from a BEE/ownership perspective. We call these *broad sustainers*.

Four of the companies we interviewed are mainly engaged in 'regenerative agriculture' (they are all small estates or private cellars),

an approach that combines a variety of biodiversity conservation actions with soil regeneration – in view of increasing resilience to climate change and improve the long-term vitality and health of soils. Although many of these farmers practice organic and/or biodynamic viticulture, they do not necessarily seek certification. We call these *regenerators*. While in the early 2000s they were seen as a curious phenomenon, if not a nuisance (Ponte, 2009; Ponte & Ewert, 2009), they have now become quite successful and their wines sell at the high end of the quality scale, both domestically and in selected export markets. These companies, often built around a visionary individual, tend to combine regenerative agriculture principles with a circular economy approach and pay specific attention to minimizing energy consumption and carbon emissions. Their discourses are centred around (holistic) moral imperatives and, when they need certification, on proof of existing good practice (Howson, 2022).

A considerable number of companies (ten) are focused on social/transformation initiatives around farm workers (in relation to wages, living conditions, community upliftment, education, health, alcohol abuse), often linked to one or another project in this field and/or are expanding the ownership possibilities of farm workers through BEE deals. They include two large producer cellars (former cooperatives which are now shareholder companies). The rest are small private cellars or wholesalers with some degree of HDP ownership and control in parts of their operations. We call these *social transformers*, whose discourses are usually rooted in (social) moral imperatives, but occasionally also in relation to pacifying social relations in their communities.

Seven other firms are mainly focused on biodiversity conservation – including the regeneration of flora and fauna typical of the Cape Floral Kingdom and the eradication of alien species. They include two mid-size private cellars. The rest are small estates or private cellars. We call these *nature conservators*, who engage in (environmental) moral imperative discourses, which they sometimes also leverage to respond to changing market demands.

Two wine companies we interviewed (both mid-size estates) do not have to worry about profitability when they approach sustainability, as they are the pet projects of the very rich and/or of larger conglomerates. They mainly seek to showcase their good work with nature in the Cape winelands – also an attractive way to bring board members to beautiful places for retreats and meetings. They see certification as a tool that proves their existing good practice to legitimize their operations. We call these *wealthy sustainers*.

Wine companies with a corporate structure have taken up the mantle of sustainability in recent times, but mostly from the point of view of risk management and mainly in relation to the actual and potential impact of climate change (rising temperatures, dwindling water supply and increased weather unpredictability) on the supply availability of different grape varieties of the required style and quality. These three companies are all large producing wholesalers, including the two largest in the country. Their discourses are based on using sustainability as a social technology to improve competitiveness and efficiency, and are driven by (future) market imperatives. Unsurprisingly, we call these *climate risk managers*.

Our two last categories are residual ones, and strictly speaking do not pertain to the vertical bottom-up category of sustainability governance. We discuss them here because reaction and inaction, while not bottom-up approaches, also indirectly shape overall governance dynamics. One category is *sustainability reactors* – the eight companies we placed in this group (most are large producer cellars; three are large wholesalers) are moving into the sustainability field because their buyers are asking new questions, setting new demands and/or are identifying new markets that can be strategically opened by obtaining a new certification (a discourse of market imperative). Some of them also talk about certification (and related auditing practices) as a form of never-ending persecution on the part of buyers and NGOs from the Global North. A second category is *ostriches* – these two companies (both small estates) are either not aware of the sustainability challenges around them, choose not to act or to

understand their implications, or are unable – for lack of resources or capabilities – to do anything about them and thus have not established any sustainability discourse.

The number of companies featured in our analysis is relatively equally distributed in four categories (broad sustainers, social transformers, nature conservators and sustainability reactors), with fewer instances of regenerators (given the complexity of applying regenerative viticulture), wealthy sustainers, climate risk managers (which however include some of the largest players in the industry) and ostriches (because of selection bias). When it comes to size and type of operation, we can observe that large producer wholesalers and producer cellars tend to approach sustainability governance from the point of view of risk management or as reaction to buyers' demands. Some producer cellars are active in the social transformation field, but the majority are untransformed when it comes to ownership, given that their members are white-owned and family-operated farms. While mid-size private cellars and estates take a diverse range of approaches, small operations tend to populate the extremes of sustainability (either as regenerators/nature conservators or as ostriches).

In relation to inequality *within* the chain, some of vertical bottom-up initiatives have included different ways of spinning-off vineyards to farm workers (which are usually HDPs), with mixed results – but very rarely have they included co-ownership of winemaking facilities. When co-ownership has been set up, it has involved a relatively small number of wealthy black capitalists. The most visible and successful experiences that have emerged from the 'broad sustainers' do not entail ownership transfers – although they may include preferential procurement for BEE suppliers and the provision of training, upskilling and educational opportunities. There are also cases of cooperation between HDP virtual wineries and established cellars, which have facilitated the entry of black women winemakers in particular.

When it comes to inequality *along* the chain, bottom-up initiatives tend to be more beneficial (in terms of value addition and diversification) to actors engaged in non-farming nodes of the value chain. They are rarely carried out by standalone grape growers, although sometimes they are driven by producer cellars. The large majority of these initiatives, especially those addressing environmental issues, tend to be carried out by vertically integrated operators that we characterized as 'broad sustainers', 'nature conservators' and 'wealthy sustainers'. Many of these (but by no means all) have deeper pockets – either because they are owned by very rich domestic or foreign investors, are part of corporate vanity projects, or because they are family businesses that for generations have owned large tracts of non-cultivated land that are available for conservation. Important exceptions to this general trend are some producers that practice regenerative agriculture, who are creating new and important venues of value addition at the farm level. Regenerative viticulture can be an important venue for not only value addition, but long-term sustainability as well, and this starts from the perspective of preserving soil health as key for plant resilience.

## 5. Conclusions

The South African wine industry sees itself a sustainability pioneer in the global value chain. A complex assemblage of independent initiatives and regulations have been devised domestically since the late 1990s, which are putatively 'South-driven' and expected to be better tuned-in to local realities and contexts than global standards. In this article, we distinguished between sustainability initiatives that are driven by domestic industry associations, civil society groups and/or government (horizontal sustainability governance) from those that are undertaken proactively by individual suppliers (vertical bottom-up governance) – and examined how they interact with the strategies that are enacted by global lead firms (vertical top-down governance).

In general, we observe that the South African wine industry lags behind on carbon footprint efforts and on transformation – but is still ahead of the international curve on conservation, heritage vineyards and

some aspects of social/labour certification. Yet, these sustainability initiatives have failed to help reviving the industry and have had generally regressive impacts on inequality within and along the value chain. Part of this situation arises from dynamics that the South African industry has very little influence on – chiefly, the fact that some aspects of sustainability have become part of a 'must have' package that large retailers and importers/distributors now take for granted and pay little or no premium for. This leaves little space for differentiation and value addition for South African grape and wine producers.

In other words, South-driven sustainability governance instruments, despite their pervasive nature and sophistication in South Africa, have not been able to soften the blow of North-driven factors. Acquiring and maintaining compliance with sustainability standards and certifications is expensive. Often, multiple standards need to be met to access different markets, and this adds to costs. Grape production and winemaking margins are further squeezed when large buyers exert their superior bargaining position to force purchase prices down and demand onerous terms and conditions. One important exception is South Africa's Certified Heritage Vineyard project, which has so far attracted important price premia. With increasing consumer awareness and growing demand for environmentally sustainable products, some sustainability investment costs could be passed on to consumers through higher prices, but this is difficult because of the value-for-money global perception of South African wine. While larger and more established producers with well-known or premium brands might be able to absorb these costs, without adequate support many South African wine and grape producers struggle to continue accessing global markets.

These dynamics have significant consequences on different aspects of inequality in the South African wine value chain. This is particularly important given the lack of attention to the impact of various forms of sustainability governance on inequality in the value chain literature more generally. In relation to inequality *within* chains, several horizontal governance initiatives seek to address the past and current exploitation of labour on farms and the de facto exclusion of black entrepreneurs and women in particular – but have had limited impacts so far. Vertical top-down governance, which is generally key in driving sustainability improvements along value chains, is of limited help in relation to inequality within chains – as it rarely covers ownership and access issues. Some vertical bottom-up initiatives have spun-off vineyards to farm workers, but rarely included co-ownership of winemaking facilities. The most visible and successful sustainability experiences have focused on preferential procurement for BEE suppliers, and the provision of training, upskilling and educational opportunities. Overall, sustainability governance has been fairly 'neutral' in relation to race and gender inequality within the chain – in other words, it is abetting existing patterns of inequality.

When we turn our gaze on inequality *along* the chain, we find that sustainability governance has had a generally regressive impact. Profitability is plummeting in grape farming in particular, and the distribution of value added is skewed against upstream functions. These trends have obvious implications for the working conditions of farm workers, as adequate profitability is a necessary (but not sufficient) condition for ensuring decent work (Finnwatch, 2023; Moseley, 2008). The more successful vertical bottom-up sustainability initiatives tend to be carried out by wealthier operators who do not need to worry too much about profitability, or by mavericks who can embed their approaches into a framework of uniqueness and high quality – mostly for elite domestic and international markets. Skyrocketing operational costs and vertical top-down demands on sustainability put additional pressure on margins. The potential cost saving features that producers may benefit from in the longer-term require upfront investment costs at a time of high interest rates and low profitability. As a result, many grape farmers are selling their assets or are moving into other crops, and many winemaking and integrated operations are being scooped up at a discount by foreign capital.

Overall, sustainability governance is playing a role in the worsening



inequalities we observe in the South African wine value chain, with wide disparities between established white-owned businesses and emerging black-owned operators, and between grape farmers and winemakers on the one hand, and everyone else downstream on the other hand. The curve of value added along the wine chain may still be smiling – but not for most domestic operators. These findings suggest that sustainability per se does not pay for upstream wine value chain operators, and for wine grape farmers in particular. They also corroborate arguments that the impact of South-driven standards should be seen in the context of ‘entangled, complex and ever-changing public–private intersections and the transnational and local levels’ (Alford et al., 2022: 22) and that compliance-based and cooperative paradigms of sustainable governance in value chains are often intertwined (Lund-Thomsen & Lindgreen, 2014; Ghorri et al., 2022).

Our original contribution to these debates is to show that sustainability governance – even when it includes substantial South-driven components – can actually abet existing inequalities in global value chains. This is partly because North-driven sustainability demands are still paramount in shaping producer practices and partly because South-driven initiatives are often built upon existing inequalities, both global and local. Given that many sustainability initiatives seek to improve environmental and social conditions of production in the Global South to begin with, our results question the ability of current sustainability governance initiatives to shape more just, equitable and environmentally-friendly value chains.

#### Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

#### Data availability

The data that has been used is confidential.

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#### Appendix

See [Tables A1–A2](#).

**Table A1**

List of interviews with South African wine value chain actors.

Interview #	Date	People interviewed	Function(s)	Type of actor
SAW1	02-11-2021	1	communications director	industry association
SAW2	15-03-2022	1	communications director	industry association
SAW3	17-03-2022	1	director of enterprise development	industry association
SAW4	22-03-2022	1	CEO	private cellar
SAW5	22-03-2022	1	export manager	producer cellar
SAW6	23-03-2022	1	manager	wholesaler
SAW7	23-03-2022	1	director	NGO
SAW8	24-03-2022	1	sales and marketing director	estate
SAW9	24-03-2022	1	director	private cellar
SAW10	24-03-2022	1	CEO	NGO
SAW11	25-03-2022	1	chairman	industry association
SAW12	25-03-2022	1	director	consulting company
SAW13	28-03-2022	1	owner	private cellar
SAW14	28-03-2022	1	principal	training institution
SAW15	29-03-2022	1	CEO	NGO
SAW16	29-03-2022	2	operations manager and export manager	distributor
SAW17	28-10-2022	1	head of sales	producing wholesaler
SAW18	29-03-2022	1	operations manager	industry association
SAW19	30-03-2022	1	head of corporate strategy	producing wholesaler
SAW20	30-03-2022	1	head of sales	producing wholesaler
SAW21	30-03-2022	1	executive manager	research institution
SAW22	31-03-2022	2	COO & Owner	wholesaler
SAW23	31-03-2022	1	wine master, writer	wine journalist and taster
SAW24	31-03-2022	1	lecturer	wine educator and taster
SAW25	31-03-2022	1	IPW director	regulator
SAW26	01-04-2022	1	financial manager	producer cellar
SAW27	01-04-2022	1	owner	investor
SAW28	04-04-2022	1	managing director, cellar master	private cellar
SAW29	04-04-2022	1	director	NGO
SAW30	04-04-2022	1	freelancer	wine journalist
SAW31	05-04-2022	1	sales director	estate
SAW32	05-04-2022	3	destination director, researcher, head of research unit	government agency

(continued on next page)

Table A1 (continued)

Interview #	Date	People interviewed	Function(s)	Type of actor
SAW33	05-04-2022	2	commercial manager, senior programme officer	sustainability certification
SAW34	06-04-2022	1	wine buyer	retailer
SAW35	06-04-2022	1	associate professor	research institution
SAW36	06-04-2022	1	professor	research institution
SAW37	12-04-2022	1	director	importer of SA wine
SAW38	22-04-2022	1	director	NGO
SAW39	05-10-2022	1	project manager	NGO
SAW40	05-10-2022	1	education officer	NGO
SAW41	07-10-2022	1	systems manager	producer cellar
SAW42	07-10-2022	1	sales and marketing director	estate
SAW43	07-10-2022	1	owner	private cellar
SAW44	05-10-2022	1	director	NGO
SAW45	06-10-2022	1	owner/winemaker	government agency
SAW46	06-10-2022	1	owner	BEE wine
SAW47	06-10-2022	2	CEO and project manager	BEE wine
SAW48	07-10-2022	1	sales manager	BEE wine
SAW49	11-10-2022	1	head of corporate strategy	producing wholesaler
SAW50	12-10-2022	1	owner	private cellar
SAW51	07-10-2022	1	director	private cellar
SAW52	13-10-2022	2	winemaker and assistant winemaker	estate
SAW53	13-10-2022	2	managing director, tasting room manager, BEE shareholder	BEE wine
SAW54	13-10-2022	1	communications director	BEE wine
SAW55	12-10-2022	1	owner	BEE wine
SAW56	14-10-2022	1	winemaker	estate
SAW57	14-10-2022	1	export manager	private cellar
SAW58	14-10-2022	1	specialist pruner	service provider
SAW59	19-10-2022	1	owner	marketer
SAW60	21-10-2022	2	compliance officer	private cellar
SAW61	24-10-2022	1	owner and director	estate
SAW62	24-10-2022	2	production director and group winemaker	producing wholesaler
SAW63	24-10-2022	1	owner and director	wholesaler
SAW64	25-10-2022	1	COO and chief winemaker	private cellar
SAW65	26-10-2022	1	managin director	producer cellar
SAW66	26-10-2022	3	CEO, marketing manager, winemaker	private cellar
SAW67	21-10-2022	1	owner	estate
SAW68	24-10-2022	1	brand owner, director of sales & marketing	BEE wine
SAW69	27-10-2022	1	international sales and marketing manager	producer cellar
SAW70	27-10-2022	1	head of marketing and sales	estate
SAW71	27-10-2022	2	head of sales and cellar master	private cellar
SAW72	31-10-2022	1	production manager	wholesaler
SAW73	31-10-2022	1	owner and CEO	wholesaler
SAW74	31-10-2022	1	owner	label designer
SAW75	01-11-2022	1	cellar master	private cellar
SAW76	02-11-2022	1	chief operating officer	private cellar
SAW77	02-11-2022	1	owner	wholesaler
SAW78	03-11-2022	2	project manager and Fairtrade officer	NGO
SAW79	03-11-2022	1	systems manager	producer cellar
SAW80	03-11-2022	1	owner	private cellar
SAW81	12-11-2022	1	general manager; marketing and information officer	estate
SAW82	16-11-2022	1	owner	estate
SAW83	12-11-2022	1	marketing manager	estate
SAW84	18-10-2022	5	owners, HR director, viticulturist, cellar master	private cellar

Note: categories of wine producers as listed by SAWIS.

Table A2

List of interviews with global wine value chain actors.

Int #	Date	People interviewed	Type of actor	Function
WG1	21/06/22	1	Sustainability manager	Monopoly importer
WG2	27/06/22	2	Outreach and development manager	Sustainability certification
WG3	27/06/22	1	Consultant	Sustainability certification
WG4	01/07/22	1	Climate change director	Sustainability association
WG5	27/03/23	1	Head of logistics and sustainability	Wine importer (Germany)
WG6	29/03/23	1	Director of off-trade sales	Wine importer (UK)

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