

A woman with dark skin and short hair, wearing a light green sleeveless top and a brown skirt, stands in a field of young green vegetable plants. She is holding a small black object in her hands. The background shows a dirt path and lush green trees under a bright sky.

A fresh perspective

**Consultation: sourcing
vegetables from
developing countries**

Introduction

Fresh vegetables are a nutritious and healthy choice, holding prime position in many shopping baskets, and enjoyed on millions of UK plates every day. Regular supplies are vital for supermarkets, grocers and restaurants, and the UK fresh vegetable market is worth an estimated £2.4 billion¹.

Getting fresh vegetables onto supermarket shelves is a competitive business. An estimated 38% of vegetables consumed in the UK are sourced from abroad². The physical length of this supply chain requires skilful management by talented buyers who must stay ahead of their competitors and second-guess consumer demand every day of the year.

Buyers must balance getting hold of reliable supplies at exactly the right volume, and in top condition, against the risk of costly wastage – for example French beans and broad beans last no more than a week even when refrigerated. In this challenging environment, buyers have a valid commercial goal of sourcing from suppliers who can respond flexibly to rising and falling demand, and who can offer high quality produce at optimum price. Meanwhile debate has sprung up over the environmental impact of food imports, and the call for corporate social responsibility is getting louder.

Sourcing success

A company's success depends on its suppliers. If their supply chains work well, buyers can enjoy greater confidence in food safety, a stable supply and excellent availability of produce. Trusting relationships in turn allow suppliers to invest in improving product quality, range, innovation and delivery methods.

But there is also a flip side. There can be serious consequences if suppliers are put at risk, not only for the security of supply, but also for the supplier themselves, their workers and their families. This is especially true in the vegetables sector, when so much produce is grown in developing countries.

There is growing evidence to show that the way in which UK companies source vegetables can directly improve or damage the livelihoods of people many thousands of miles away. In the worst cases, where suppliers are paid below the costs of production, producers may no longer be able to feed, shelter or clothe their families, or pay for medical costs. In today's culture of media scrutiny, the carefully built reputation of major companies and brands can be severely damaged overnight by negative reports.

It's not all doom and gloom though. The good news is that companies that are committed to positive and responsible buying practices will be rewarded. The benefits include:

- trusting and stable relationships with suppliers
- improved security and quality of supply
- greater consumer confidence
- higher levels of investor confidence
- lower reputational risk.

Some of these benefits are hard to measure. A non-financial metric is needed to assess the health of buyers' relationships with suppliers. Traditional incentives and targets need to be re-thought. But this is not beyond the capabilities of companies trading internationally today².

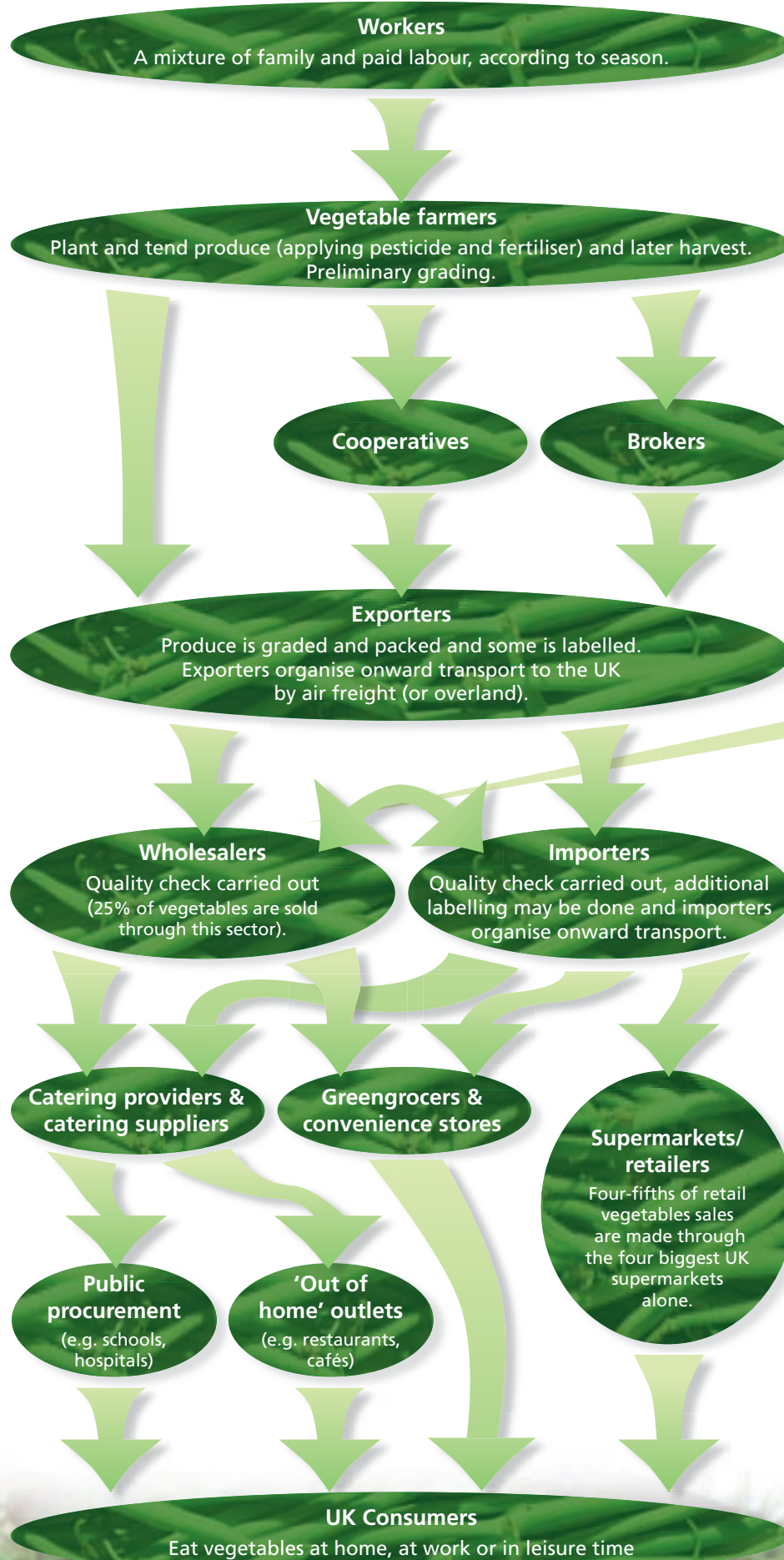
Getting it right is a responsible choice – but it makes good business sense too.

Fresh vegetables: a perishable product

This report traces fresh vegetables from the field through to a UK plate. Focusing on the actual experiences of Kenyan small-scale farmers and their exporters, it seeks to identify what responsible purchasing might look like from developing countries and makes recommendations to buyers, the UK government, consumers and investors.



From field to plate



In Kenya nearly 30,000 farm households are estimated to regularly derive income from export horticulture (vegetable, fruit and flower production)³.

Managed well, smallholder farms need fewer inputs (such as pesticides) than large farms. The more dispersed rows of crops are less susceptible to severe pest attack and get more attention from the smallholder farmers ⁴.

To sell produce abroad, farmers must either directly supply one of about a dozen Kenyan export companies or sell their vegetables to brokers, who in turn supply export companies and overseas buyers. Produce is taken by road to a pack house.

At the exporter produce is packed into different sized cartons. Sometimes labelled with the branding of a final retailer, and a sell-by date, or left 'naked', allowing flexibility as to which customer they will supply. Workers in pack houses typically earn 60% more than similar workers in other sectors – but there is often overtime at short notice to meet sudden demand⁵. About three quarters of pack house workers are women⁶.

Wholesalers buy available produce based on previous sales experience of what their market wants. Wholesale customers include street traders, green grocers, caterers and restaurants. These customers often give less than twenty-four hours notice and accept that there might be limited availability.

Dedicated importers are driven by their customers' demands and bear substantial responsibility and risk for selecting, sourcing and supplying vegetables wanted at specified quality, price and volume. If they have sourced too much or too little they may off-load or side-source from wholesalers.

Exporters are ever more reliant on just a handful of buyers as retailers consolidate. This forms a 'bottleneck' through which produce must go if it is to reach UK supermarket shelves. In such a powerful position buyers can drive a hard bargain. Tesco alone has 30% of the UK groceries market⁷.

Booming beans

When UK produce is out of season, or when demand outstrips UK supply, vegetables are sourced from a variety of developing countries. Vegetable exports, such as snow peas, French beans, sweet corn, and broccoli, play a vital role in countries like Kenya. The trade injects valuable foreign exchange into the economy, and provides much-needed jobs.

As the biggest fresh vegetable supplier to the EU after Morocco, Kenya has seen its export sector grow rapidly over the last fifteen years. The UK and France are the top destinations for its vegetables. Bean exports rose by a third from 2004 to 2005⁸. But some countries are starting to feel the pinch from rival producers (such as Thailand, China, and Zimbabwe) - competition which gives UK buyers a powerful hand in negotiations.



Purchasing practices in 'out of home' and retail sectors

The life of a bean in a buyer-driven supply chain

day
1

Farmer plants beans based on an estimate of beans wanted by exporter

day
32

Supermarket plans promotion

day
58

Farmer told quantity of beans wanted by exporter

Supermarket estimate received

day
60

Farmer harvests the beans to closely meet the volume required

Within 24 hours the produce is at the airport

Final supermarket order received

day
62

Within 48 hours of harvesting the produce is on a shop shelf in the UK

Many UK buyers enjoy the benefits of highly sophisticated mechanisms to forecast demand. They can place, change or cancel orders from thousands of miles away, at the click of an email or by picking up the phone. But nature allows few shortcuts. In the country of origin it will always take months to grow the produce.

How can buyers contribute to a better balance of risks, responsibilities, and benefits between the different parts of the supply chain?

At the moment the bulk of the business risk sits with the importer, exporter or farmer. They decide to buy the seed, pay for inputs and grow the produce. But in fact the UK buyer may be better placed to bear that risk.. The supplier must source the produce, aware that it may not all be needed. For a farmer the wrong decision may mean not

enough food on the family's table, children unable to go to school, and no money for medical costs.

A fairer apportionment of risks and benefits is crucial. Good forecasting forms the backbone of good purchasing practice.

Without it the consequences may be:

- farmers paid below the cost of production
- wastage, if produce is grown, transported and then dumped
- unpredictable overtime for workers.

Increasing market concentration means that buyers are in a powerful position to influence the viability of supplier businesses – and thus the welfare of farmers overseas. The question is how much room for manoeuvre do buyers have? Pages 10-11 make some suggestions as to what buyers can do. The intention is to open the debate, so we would welcome comments on these suggestions.

Current retailer practices

Fresh produce is one of the flagship areas of each supermarket store, and offers some of the highest margins. Competitive prices, constant availability, variety and quality vegetables are all paramount in attracting and keeping shoppers. Under constant pressure to source efficiently and cheaply, UK supermarket buyers must find suppliers who can guarantee they will meet demand at short notice.

Personal targets for a supermarket buyer may include:

- ensuring 100% availability of produce
- selling best possible 'value for quality' product
- maximising cash sales
- increasing the profit margin on each product
- growth of 'category' to increase market share.

Promotions help boost supermarket sales. When run in response to a supplier's excess of a particular vegetable, promotions can be a win-win, helping to buy up the surplus. But if proposed by

a supermarket, and announced at short notice, promotions may cause havoc with suppliers' planning cycles. Frequently suppliers are expected to take a cut in their margin, and may find themselves earning less than the cost of production, with knock-on effects for farmers and workers.

Customer satisfaction is central to supermarket success. A complaint may trigger an expensive process for the supplier, who is routinely charged for each individual complaint. Good practice involves clear communication about the complaint, its verification, and where responsibility lies. But too often suppliers are hit by unfair bills to offload the cost of unsold produce, or are unfairly charged – such as for produce damaged when in transit or incorrectly stored - by the retailer.

Availability of produce is highly prized. Empty shelves disappoint customers and potential sales are lost. Here again risks are often passed onto suppliers. A substantial fee may be applied if a supplier fails to meet an order in full.

Farming: The spectrum of vulnerability & opportunity

'If people abroad can buy at a good price we can farm well and give them good produce. We don't fear work.'

'Digging is hard. Don't think you'll just wake one morning and start! If you did not start [when you were young] with your father, you will suffer. If I wake in the morning with strength to work, and with my God, then I am happy because I know [by the end of the day] I will have earned. When I'm sick is when I have trouble.'

'I hear it's taken abroad by plane. I don't know what it's sold for abroad.'

'One time there was a lot of rain and our French beans got spoilt. The buyers could not come from Nairobi with big trucks for just a little quantity of French beans. So we had to sell to the brokers.'

'I think the exporter makes the most from this business.'

Farmers in the best position...

Communication, planning and contracts

Have contracts with a buyer for at least one crop cycle. The contract specifies:

- the volume and quality required
- the price
- sharing of risks and benefits when order volumes change.

This allows farmers to plan ahead and invest in production with confidence.

Do not face charges passed on by exporters when problems arise in UK.

Access to information

Receive regular market information. Can voice experiences and opinions to their exporters. Work in groups or cooperatives where information is shared and terms of trade are discussed.

Have access to information. Understand both risks and opportunities for their business. Can develop new ideas, innovate and produce their crop more efficiently.

The verification of rejected produce

Have any rejected produce returned to them so can check the quality for themselves, or an independent arbiter verifies the grading.

Meeting quality standards

Are supported by their exporters to understand the different standards they must comply with.

Can comply with standards because their exporters are willing to invest in new equipment or facilities. Are supported by their exporters to cover audit costs.

Farmers in the worst position...

Sell produce to brokers or exporters with no contract or guarantee of continued trading. May have to accept lower prices than farmers with contracts.

Are likely to have fewer options and fewer assets. Are more vulnerable when the price or demand suddenly drops. Unable to invest in their production.

Bear a high degree of risk, due to factors out of their control. For example, may bear the brunt of order or price changes as a result of unpredictable weather.

Are isolated - so do not hear any explanation for changes in prices offered or sudden drops in demand. This leads to poor relationships with the agents or the exporters they sell to. Suspect others of cheating them.

Do not receive any information or training on the quality or safety standards they must meet.

Feel aggrieved because produce is rejected but not returned to them. If produce is returned, it may not be their own produce, which breeds distrust⁹.

May bear brunt of disproportionately high charges (compared to their sale price) if their produce is rejected in the UK. (Charges imposed by UK buyers are passed on to them by brokers or exporters.)

Cannot meet cost of new quality or safety standards. Find themselves forced to invest in facilities, which are of a higher standard than anything they enjoy in their own homes, e.g. sanitary facilities or waterproof chemical stores.

Find it difficult or impossible to obtain certification. May be pushed out of farming for export market altogether.

Whether smallholders flourish or flounder has knock-on impacts on rural economies and individual lives. The implications may be serious in a country like Kenya. One of the poorest countries in Africa, life expectancy is just 45 years, and more than one in 10 children die before their fifth birthday¹⁰.



A typical worker: Billy Ndungu

35 year old Billy has been a farm worker for 20 years. He currently has a steady job working for a vegetable farmer in central Kenya, two hours north east of Nairobi. The farm is part of a farmers' cooperative, and produces green beans and sweet potatoes, as well as some coffee and sugar cane.

Billy works 8am-5pm, six days a week. He is given three meals a day by his employer, who also houses him, and he has a month's leave each year, although the terms of his employment are not written down.

Farm work is his only source of income. With his wages Billy needs to send money to his wife and two young children who live back in his rural home. He receives 2,000 Ksh (Kenyan shillings) a month, which works out around 67 Ksh per day (49p). However an average family needs around 100 Ksh (73p) per day purely for food. On top of this, there is the cost of cooking fuel, soap, clothing, school books, medical fees, and other essentials. "I send them something small every so often," he explains, but he clearly struggles to make ends meet.

As a boy he managed to stay at school longer than his sisters, but still had to drop out when his parents could no longer afford it. He hopes his children have a better future. "I would not want my children to be hired as farm workers," he says. "I would want them to get good jobs in an office... I look at my children and think how hard my life is. I wouldn't want them to have such a tough life as mine."

Interviewed in March 2007

A typical small holder farmer: Vaati Peter

Vaati is a 34 year old woman who farms in Kibwezi, a three hour drive south east of Nairobi, and an important growing area for vegetables. She owns one acre of land and rents a second acre. Vaati and her husband grow vegetables such as okra, aubergine and baby corn for both export and local market. She has a renewable 6-month contract selling to an export company called VEGCARE (see page 13). Vaati receives a guaranteed price for her produce because of her contract. Other farmers are not so fortunate. Those without reliable buyers who urgently need cash must sell their produce at heavily reduced prices to brokers who visit the area on bicycles.

Vaati is currently harvesting her aubergines. "We harvest 20 cartons a week at Ksh 90 each (66p)." Her overall income from the three vegetables she grows is roughly 18,000 Ksh (£131) each month. From this she must pay for seeds, fertilizers, and wages for the worker she employs, plus food and school fees for her daughter.

"It's farming that put up our house and meets our needs," says Vaati. She prefers her life now to her previous job as a domestic worker in Nairobi. But it is hard work. "We work six days a week because once a crop is in the ground it must be cared for."

Secondary education is far from universal, and completing school can make all the difference to a child's prospects. Vaati has high hopes for her teenage daughter: "I want her to be a doctor."

Interviewed in March 2007

How exporters describe responsible buying

'If the price is below cost of production we are impoverishing the farmer.'

'Our prices are 10 per cent down on one year ago.'

'[Buyers should be] willing to have an interest in the farmers who supply them. Are they offering a price above the poverty level?'

'Buyers can't demand standards and then sabotage these very standards [by side sourcing from outside the accredited suppliers].'

'They should give us market information. Has the market gone down? Has demand in a certain country gone up? This helps us plan our planting and disseminate this information to our farmers.'

'We need a partnership with buyers and an end to casual buying.'

'We have to insist that the buyer gives us better planning data, so we can plan our planting.'

A successful export business depends on meeting the specification of orders as exactly as possible. Tight delivery schedules make it difficult to be flexible and may directly result in longer, unpredictable working hours throughout the supply chain, which could have been avoided.

If buyers share accurate forecasts for their orders, exporters can confidently source only the quantity specified. When the forecast and final order vary substantially, suppliers bear the brunt of the risks and costs, particularly if they are penalised for not fulfilling the order 100 per cent. At present some suppliers grow and transport up to one quarter extra in case the final order is substantially higher than the forecast. This can result in much produce and money being wasted.

Damaging practices by buyers may include:

- suppliers having to agree the value of a delivery only after the delivery has been made
- suppliers being pressed for 'loyalty' donations when a retailer or individual buyer is about to miss their investor forecast or profit target
- invoices not being paid in full, or payments delayed 45-60 days after delivery
- deductions taken from payments without agreement.

The use of contracts between buyers and suppliers – setting out dispute procedures and charges in a written format which can be referred to later – can help build business confidence.

Exporters and suppliers need to understand what is stocked in shops, restaurants and canteens, what is selling well and when peaks in demand are expected. This information can then be passed onto farmers.

Risky business: an exporter in Nairobi

Joel has a farm but branched out into the export trade in 2005*. He supplies five buyers in the UK and France, and exports 5-12 tonnes of vegetables per week depending on the season, including snow peas, French beans and sugar snaps. Joel tops up produce from his own farm with supplies from other local farmers and agents.

"There are too many exporters fighting for very few importers," says Joel. "This makes the competition stiff and reduces the exporters' bargaining power."

Some exporters are part of a 'vertically integrated' supply chain, where the same company owns farms, exports the produce and has a UK import business directly supplying supermarkets. These exporters have guaranteed sales and can more easily plan ahead. But for exporters like Joel, the uncertainty of his business is a source of anxiety. Buyers can cancel or terminate their orders without notice: "It can simply be done through a phone call - yet you as an exporter have committed money and other people on the orders."

Combined with low prices, this erratic behaviour is a major cause of businesses collapsing, with serious consequences for exporters, farmers and their families. Joel says many exporters last less than a year.

Interviewed in November 2005

*Name changed to protect identity.

What can UK buyers do?

It is not easy for buyers and their companies to ensure that they have a positive impact on people overseas who supply their produce. There are no quick fix solutions. But the choices made – whether buying for a restaurant, canteen, or supermarket, or for an importer or wholesaler – each have consequences.

A mindset change is required to recognise the crucial role that smallholder farmers and their workers play in providing good quality vegetables to UK consumers. Buyers and their companies have the power and opportunity to drive positive change, but equally have the potential to do harm, however inadvertently.

So what can buyers do? The vital ingredient for improvement that was repeatedly identified in our research was **trust**. The fostering of trust between each level of the supply chain can build a virtuous circle. Its business benefits cannot be measured in the way that margins can be calculated, but it is undeniable that low levels of trust within the supply chain create a barrier to business performance. When more stable relationships evolve, benefits are felt in the security, reliability, quality and timely delivery of produce – and real improvements can be experienced in the lives of producers. A new non-financial metric is needed to assess the health of buyers' relationships with suppliers¹¹.

A second interlinking factor is **commitment**. Improving working conditions throughout the supply chain requires investment both by buyers and by smallholder farmers themselves. This investment can only take place where there is a clear commitment by buyers to continued purchasing from supply chains involving smallholders, and to pricing structures that allow for investments.

Good practice also makes good business sense. Suppliers with better social practices frequently:

- have better productivity
- can supply better quality produce, and confidently meet food safety standards
- offer a more stable and efficient supply of produce.

In turn buyers and their companies can enjoy:

- More trusting and stable relationships with their suppliers.
- Greater consumer confidence. Ethical consumerism was worth £29.3 billion in the UK in 2005, up 11 per cent on the previous year¹²
- Higher levels of investor confidence. Socially responsible investment is now worth more than £500 billion a year in the UK¹³
- Lower reputational risk.

We have identified five starting points for buyers:

1. Improve forecasting and planning
2. Use contracts and follow fair procedures
3. Share information and support mechanisms for two way communication
4. Be loyal to good suppliers, and recognise the role of smallholder farmers
5. Implement standards fairly.

Detailed recommendations can be found overleaf. The ultimate goal should be to ensure that basic economic, social and labour rights are respected throughout the supply chain, and especially in developing countries, where supply chain partners are most vulnerable and have no social security net to fall back on in difficult times.

Of course, buyers cannot act alone. Company policies should encourage and guide their actions:

- Buyers need to advise their senior management of the consequences of their sourcing decisions on other parts of the supply chain
- Where changes need to be made, buyers should consider whether company policies and incentives could be changed, or whether industry-wide change is needed
- Companies can carry out a survey of their supply base to gauge the level of trust that their suppliers have with the company. They then have the necessary information to act.

Five starting points for improved purchasing

How buyers can make a difference	Specific actions for buyers to consider	Business case
1. Improve your forecasting and planning	<ul style="list-style-type: none"> • Every part of the supply chain should be clear about the length of commitment to trade with each other. • Buyers should provide the best possible forecast in advance of planting dates. (E.g. at least 70 days for French beans which on average take 60 days from seed to harvest.) • Try to communicate any changes to the final volume of orders as soon as possible. An area for particular improvement is the notice period for retailer-led promotions. • Buyers for catering and restaurant companies should develop menus in association with suppliers, helping suppliers to understand the business, while listening to suppliers' ideas for substitutions when supply is low. 	<p>Stable relationships can bring about more efficient production – frequent turnover of suppliers costs time and money.</p> <p>Sharing accurate forecasts will enable more trusting and stable business relationships right up to the level of the farmer – providing confidence that the volume of orders will not dramatically vary at short notice.</p> <p>Forcing suppliers to go outside their own production capabilities to meet the needs of promotions can affect product quality.</p>
2. Use contracts and follow fair procedures	<ul style="list-style-type: none"> • Contracts should take account of the risks and investment made by both the parties. They should be clearly written, specifying essentials such as order volumes, prices, grades and delivery deadlines, plus notice periods for termination. • Buyers should in turn expect each of their suppliers to have contracts in place with their own suppliers. • Base your pricing calculations on your supplier's production costs, regular expenses, living wages for its employees, and a margin for the supplier's investment needs. Communicate and explain pricing changes in good time. • Have a fair charging procedure: the later the change you make to an order, the greater your responsibility as the buyer to meet the cost of the change. Buyers should also support a more transparent system for verification of any rejected produce. • Where final orders change through 'no fault' of either party (e.g. unseasonal weather) any costs or lost income should be shared. • Pay your suppliers on time. Speed of payment can be vital for the cash flow of farmers and workers. 	<p>Where trust is weak, contracts are a valuable tool to build confidence – with both short and long term benefits.</p> <p>Mutually beneficial supplier relationships are essential to the reliable and timely delivery of high-quality produce, and can bring about more efficient production.</p> <p>When prices paid do not enable a living wage, both the product and the supply chain is at risk. Participants in the supply chain who become desperate may cut corners.</p> <p>Fair procedures and timely payments reinforce confidence in trading relationships and enable more stable business operations.</p>
3. Share information and support mechanisms for two way communication	<ul style="list-style-type: none"> • Share detailed market information with your suppliers on past trends, such as demand and pricing, and on future order forecasts and expected trends. • In particular, ensure your exporters are aware of the growing debate around air miles and potential impact of carbon labelling. • As a buyer, value good relationships. Consider undertaking an anonymous survey of the supply base, or start a regular dialogue with nominated representatives. You can also consult different parts of the supply chain on ways to improve operations. • Companies should develop 'non financial metrics' to assess the health of their supply chain relationships. Incentives and systems could be developed to reward buyers for pursuing longer term supplier relationships. • Work with exporters who regularly hear directly from farmers about their concerns, and who share information about market trends and quality standards with farmers. 	<p>Well informed suppliers will feel valued and will invest in improving the relationship and the product. They are more likely to approach 'favoured' companies proactively with better products and services. Well informed farmers can plan better, cultivate higher quality produce, and provide more stable supplies.</p> <p>Good dialogue with your suppliers provides an opportunity to improve efficiency and innovate e.g. consultation could reduce damage to produce whilst in transit.</p> <p>Hearing farmers' concerns can help you to avoid reputational damage and reduced sales ensuing from negative media coverage of your supply chain.</p>

How buyers can make a difference	Specific actions for buyers to consider	Business case
4. Be loyal to good suppliers, and recognise the role of smallholder farmers in your supply chains	<ul style="list-style-type: none"> • Adopt a formal policy to recognise the presence and value of smallholders in your supply chains. Putting this policy in place should not reduce or marginalise smallholders in your supply chains. Consider whether senior management should sign off any changes in purchasing which will impact on smallholder farmers. • Consider working with other supply chain partners to enable exporters to source from groups of smallholders. This can aid traceability and help meet larger volume orders. • Pay your suppliers on time, so that they in turn can pay smallholders promptly. Consider placing a deposit with your order. • Recognise the investment made by farmers and exporters. Reward suppliers that have made substantial investments to meet changing quality standards or have innovated to improve the product or supply chain efficiency. 	<p>Smallholders can supply high quality produce, offering high levels of attention to the crops, while the dispersed growing locations can reduce the likelihood of widespread pest attack.</p> <p>Recognition and fair treatment of smallholder farmers is a demonstration of a buyer's commitment to good social practices - a concern shared by growing numbers of consumers and investors.</p> <p>Regularly delayed payments mean supply chain partners may go bust. This puts supply at risk.</p> <p>Disproportionately high investments by exporters and farmers to meet new standards set by other parts of the supply chain can sometimes jeopardise supply chain stability.</p>
5. Implement standards fairly	<ul style="list-style-type: none"> • Any standards you use should: <ul style="list-style-type: none"> - Make good business sense for both the farmer and the exporter. Some costs and procedures are unnecessarily and prohibitively expensive - Involve farmers in their design and implementation - Include application protocols that are appropriate to the producing country. • As a buyer, apply standards consistently. When UK demand is high but supply runs low, checks are needed in particular to ensure supermarket produce is not acquired through 'side sourcing' (see page 13) which undermines buyers' own standards. An impartial arbitrator is needed. • Work with other buyers to reduce or harmonise the number of different standards used. 	<p>The clear and consistent implementation of standards will strengthen relationships within the supply chain, while maximising produce quality.</p> <p>The undermining of agreed standards will erode suppliers' willingness to work to meet the standards set with negative impacts for consumers.</p> <p>A convergence of standards will increase the viability of small holder farming.</p>

In each case, buyers should seek and support steady improvement over a sustained period, rather than dropping suppliers if any risks or problems are identified. But if a supplier demonstrates an unwillingness to improve their operations over a reasonable period, buyers do have a responsibility to end the business relationship.

If you do just one thing differently... improve your forecasting and planning.

Farmers need to know what quantity of vegetables to plant, and when. Some dramatic changes to supply and demand cannot be easily foreseen, such as unseasonal weather. But other factors do lie within a buyer's control, and good practice can bring real benefits to farmers, workers and their families.



What is the role of government, consumers and investors?

Of course, companies and buyers cannot be held solely responsible for improving the impact of purchasing practices.

Governments, consumers and investors all have a significant role to play in shaping the environment in which buyers operate.

UK government	How government can influence sourcing
<p>Role: Shapes the public policy environment for UK buyers.</p> <p>Has important role as buyer itself in public procurement.</p>	<p>Government and public institutions could adopt the five starting points for responsible buying (pages 10-11) for all public procurement.</p> <p>Consider whether the concentration of buyers is reducing competition in this sector. Work towards greater cooperation between different national competition authorities over global markets. This could facilitate joint investigation into reports of restrictive business practices between buyers and suppliers where necessary.</p> <p>Monitor the quality of supply chain reporting in Annual Reports and Accounts following the 2006 changes to UK Company Law.</p> <p>Explore appropriate forms of redress for suppliers, workers and farmers in supply chains who bear the consequences of poor practices by UK companies.</p> <p>Use role as an international aid donor to:</p> <ul style="list-style-type: none"> - support the development of self-organized farmer marketing groups - provide agricultural extension and small business development skills.
UK consumers	How consumers can influence sourcing
<p>Role: Can lobby companies and the UK government.</p> <p>Can decide how to use their purchasing power and can influence the awareness and spending habits of those around them.</p>	<p>Ask supermarkets, retailers, cafés, restaurants and canteens, what their policies are on responsible sourcing.</p> <p>Lobby the UK government to put in place tougher legislation on company reporting, and to set up mechanisms to hold companies to account, in particular enabling affected people and communities to seek redress in the UK from a UK company causing a negative impact overseas, if unable to access justice in the country of violation.</p> <p>Recognise that if harmful practices are addressed and purchasers are more flexible with their suppliers, there may be slightly less than 100% availability of products all year round.</p>
UK investors	How investors can influence sourcing
<p>Role: Can have a significant influence on UK businesses.</p> <p>It is in investors' own interests to take precautionary steps to protect their investments from risks caused by poor supply chain management.</p>	<p>Encourage any companies buying vegetables that you invest in to adopt the five starting points for responsible buying (page 10-11). Ask companies for evidence that they apply these policies consistently.</p> <p>If your dialogue on these issues does not yield satisfactory information or action, consider moving your investments to companies with stronger policies on responsible sourcing.</p> <p>Lobby the UK government to take up the recommendations above.</p>

Reaping the benefits: The role of farmers' groups

Farmers' groups can be a mechanism for buyers to hear directly from their supplier base. An example of a successful production group is VEGCARE, a private company formed by CARE-Kenya, a non-governmental organization, and VEGPRO, an export company. VEGCARE has organised local farmers in Kibwezi into production groups. The farmers sign a contract, specifying terms such as delivery times, prices (fixed annually), and quality standards. Farmers are responsible for growing, harvesting, cleaning, packaging and delivering the vegetables to collection centres.

CARE-Kenya provides the money for loans for farmers to invest in production, and the loans are recovered after sale. The company provides cold storage and refrigerated transport, and delivers the vegetables to the exporter.

According to the farmers, both production and incomes have increased, and far fewer farmers have severe cash flow problems. They are now less tempted to break their contracts and sell produce to non-contracted exporters or brokers.

The cost of quality

Most vegetables sold in UK supermarkets have to meet specific standards, relating to the produce itself and to farmers' working practices. These specify the records to be kept, permitted pesticides or fertilisers, the safety equipment to be used, and the facilities to be provided for farm workers. Such standards provide confidence that produce is safe to consume and can be traced back to its source.

Standards are one tool that buyers can use to create a point of difference from their competitors. However implementation and audit costs for some new standards are steep, and out of proportion with the expected sale price of the produce. Many UK supermarket buyers use the EUREPGAP standards, drawn up by a group of European retailers. However, Tesco and Marks & Spencers have set up their own parallel standards, and meeting a variety of different standards can be a burden for farmers.

The estimated cost of complying with EUREPGAP 'Option 2' for small-scale growers in Kenya has been put at over £1,000 per grower¹⁴. Even if a farmer like Vaati (page 7) is subsidised to pay for EUREPGAP, this can still cost her more than two months income.

It is also important that buyers do not undermine the standards they have put in place. When certified supplies suddenly drop there is a temptation to source outside of the agreed standards. If UK buyers or their suppliers 'side-source' outside of their standards under whatever circumstances, farmers may question why they should meet the standards at other times - while consumers may receive sub-standard produce.



Buying Matters

Traidcraft Exchange is the UK's only development charity specialising in making trade work for the poor. In collaboration with local partners we work to create opportunities for poor people to harness the benefits of trade, helping them to develop sustainable livelihoods and offering them hope for a better future. Traidcraft also aims to use the experience of its sister fair trade company, Traidcraft plc, to improve wider trade practices.

This report is part of The Responsible Purchasing Initiative's work to improve the purchasing practices of EU companies so that minimum human rights standards are realised by the workers and farmers in the developing countries involved in producing products.

We would welcome your feedback on this report. Please e-mail your comments direct to: responsible-purchasing@traidcraft.org.uk Or visit our website www.responsible-purchasing.org



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