



APPLYING CODES OF PRACTICE IN THIRD WORLD COUNTRIES – WHAT CAN IMPORTERS DO TO HELP?

Codes of practice – what are the key risk areas for third world suppliers?

Implications of importers' buying practices on third world producers

Other constraints faced by third world suppliers

What importers can do to help

Sources of further information

Many of the major European supermarkets are developing codes of practice as a result of growing consumer concern about food production methods and their impact on poor people and the environment. Importers are often left with the responsibility of ensuring that overseas suppliers meet the requirements of codes. Supermarket codes of practice cover:

- **Food quality & safety** – there has to be complete traceability from the field to the plate, with an agreed set of quality and safety standards at every step along the production chain, and an audit system for verification.
- **Social impact** – there must be reasonable conditions for workers, and due reward for smallholders.
- **Environmentally friendly production** – food must be produced in farming systems that do not cause damage to the environment.

Applying codes of practice in Europe is not without its problems, but, in third world countries, their implementation will be even harder for exporters and growers. Many third world suppliers feel frightened by the number of requirements in codes, and feel resentful because they think they have to incur extra costs often without clear financial reward. However, if importers show suppliers that they understand their constraints, and show willingness to provide some support with the most difficult areas, both sides can benefit from improved trading relationships.

What are the key risk areas for third world suppliers?

Casual workers

In third world countries, horticultural suppliers often employ workers on a casual basis over a long period of time. Codes may require that long-term casual workers are given permanent employment status. Employing more permanent workers means payment of benefits such as maternity and sick leave, which means higher labour costs for the employer. Suppliers may not be able to meet these extra costs immediately.

See Theme Papers 2 and 5.

Children

Many codes wish to eliminate the employment of children. However, in poor countries this can deprive poor families of much-needed extra income to pay for basic things like school fees. If children can't be employed on export horticulture farms, they may be forced to seek worse paid and more dangerous jobs such as street hawking or prostitution. Allowing children to do light, safe work during school holidays will still give families the extra income they need, without interfering with children's education or well-being

See Theme Papers 2 and 5 for further information.

Equal opportunities

Creating equal opportunities for men and women may come up against local tradition. Such cultural barriers will take time to break down.

See Theme Papers 2 and 5.

Health

Many exporters and growers already help workers and their families with health care. However, the level of infrastructure in third world countries such as health services is much lower than in Europe. In Europe, such facilities are usually provided by governments and taken for granted. However, in third world countries services like basic health care often need to be provided by employers themselves, such as exporters.

See theme paper 2.

Housing

Initiating a housing programme may be difficult for many employers due to lack of finance, and the unwillingness of banking institutions to grant loans for what they consider to be "unproductive" activities.

See Theme Paper 2.

Pesticides and Integrated Pest Management (IPM)

Supermarket demands for "perfect" produce encourages growers to high pesticide use as they cannot risk any pest infestation. At the same time, codes of practice are asking them to cut down on pesticide use, and this is made even more difficult by the implementation of EU Maximum Residue Level (MRL) legislation.

Adopting Integrated Pest Management (IPM) systems can reduce need for pesticides and also cut costs. However, most growers have no experience in IPM. Advice and training is needed to find IPM systems suitable for a particular crop and location. Growers often don't know where to find this advice, and/or can't afford to pay for it especially if it is not available locally.

See Theme Papers 3 and 5

Smallholders – meeting quality standards

For many small-scale farmers, growing for export is a new experience. As a result, it takes time for them to “learn the ropes”. However, experience shows that smallholders can meet export quality standards, if they are given technical assistance and someone takes the time to explain the ins and outs of marketing requirements.

See Theme Papers 3, 5 and 6.

Implications of importers’ buying practices on third world suppliers

Certain buying practices of some importers actually make it difficult for third world suppliers to comply with codes of practice. These include late payments, “last-minute” changes to orders, and unclear incentives or rewards for complying with codes.

Late payments – late payment by importers creates cash flow problems for exporters and growers. They find it difficult to pay their own outgrowers on time. Small-scale outgrowers need a steady cash flow to afford the inputs that will ensure quality and maintain sustainable farming systems. Fertilisers, for instance, are a high cost and if payments for the previous harvest are late farmers cannot afford to purchase what is required for the following crop. Failure to apply correct amounts of fertiliser results in a poorer and inconsistent crop, whose shelf-life may also be impaired.

“Last-minute” orders – Importers sometimes make late orders, or change orders at the last minute. Late orders force exporters to employ workers to work overnight/long hours to get the order ready in time. Reducing orders at the last minute can cause huge wastage of crops that have already been harvested.

Incentives – at the moment, suppliers who perform well on code compliance do not get rewarded for their efforts. Suppliers incur costs and make investments to meet code requirements, but they receive no guarantee that their produce gets a higher price compared to lower performers. There is no guarantee that their produce is more likely to be purchased than that of their competitors.

Other constraints faced by third world suppliers

Third world suppliers would like their buyers in Europe to appreciate the particular constraints they face, and take these constraints into account when writing and implementing codes. These constraints include national government regulations, low levels of infrastructure, limited choice of inputs and multiple codes.

National government regulations – suppliers have to comply with their own country’s labour and environmental laws, as well as the codes of their European customers. Application of codes needs to recognise local laws and deal with any conflicts which may arise between the two. Otherwise, suppliers are likely to follow local law rather than foreign codes of practice. In the case of pesticides, local systems for registering new pesticides can be slow and inefficient, so regulations may prevent growers from using newer, safer pesticides.

Low levels of infrastructure – the level of infrastructure in third world countries is much lower than in Europe, so facilities that are taken for granted in Europe may have to be provided by exporters, and this could add additional costs.

Limited choice of inputs – the ability of exporters and growers to buy recommended inputs, some from overseas, is limited by each country's foreign earnings. Some producers, therefore, may not be able to comply if specific inputs have to be used.

Multiple codes – the number of European codes is growing rapidly. At the same time, they are becoming more and more similar e.g. labour requirements tend to be based on ILO standards. This means that African producers are faced with more and more different codes of practice which have been developed independently by each customer. This creates extra work and higher costs for suppliers, because they have to pay and prepare for multiple audits, and fill out multiple forms.

What importers can do to help

Be flexible – recognise the particular constraints faced by third world producers, and work together with suppliers to find mutually acceptable solutions to difficult issues e.g. employing children. Be flexible in the interpretation of the details of the code, as long as the spirit of the code is honoured.

Agree reasonable time frames for suppliers to comply with codes of practice. For improvements requiring high investment, such as housing improvements or employing more permanent workers, longer time frames with progressive targets are necessary.

Provide technical and financial support for difficult areas, based on what suppliers themselves see as a priority. In particular, importers can greatly assist growers by providing technical advice on IPM. They can also help by providing financial support for housing programmes in countries where worker housing is a priority, for example by financing a revolving fund.

Negotiate an incentive/bonus scheme that rewards suppliers who achieve consistently high standards of code compliance. The scheme should encourage sub-standard growers to improve.

Review your buying practices to see if changes can be made that will make it easier for your suppliers to comply with the code.

Support harmonisation of existing European codes, with formal recognition of African codes which meet the required European standards. European retailers and importers should agree a common set of principles, and producing countries develop their own codes based on these principles, but interpreted in the light of national legislation, infrastructure, culture and economic policy.

Treat third world producers and exporters as equal partners in the fresh produce business.

For further information...

Further information about the issues raised here can be found in the following theme papers, available from NRET at the address below:

1. How exporters can find out about and strengthen relationships with workers and smallholders
2. Relationships with workers and smallholders – key problems exporters and growers must address
3. Key environmental threats that growers and exporters should address
4. Developing a national code of practice – why and how
5. What are the key areas of existing European-initiated codes that are causing problems for African industries? How can these problems be overcome?
6. What are the effects of supermarket and importers' buying practices on African growers and workers? How can resulting problems be addressed?

Organisations who can provide further information:

Natural Resources and Ethical Trade Programme (NRET): c/o Natural Resources Institute, University of Greenwich, Chatham Maritime, Kent ME4 4TB, U.K.; email: nret@gre.ac.uk.

VINET (Virtual Information Network for Ethical Trade): <http://www.nri.org/vinet/>. For up-to-date information on ethical trade issues in the fresh produce industry.

Resource Centre for Social Dimensions of Business Practice (RC-SDBP): 15-16 Cornwall Terrace, Regent's Park, London NW1 4QP, U.K; Ph: +44-(0)207 467 3616; Fax: +44-(0)207 467 3615; email: rc.sdbp@pwblf.org; Website: <http://www.rc-sdbp.org>.

Social Accountability International (responsible for the SA 8000 labour standard): 30 Irving Place, 9th Floor, New York NY 10003, U.S.A; Ph: +1-212-358-7697; Fax: +1-212-358-7723; email: info@sa-intl.org; Website: <http://www.sa-intl.org>.

Ethical Trading Initiative (ETI): 78-79 Long Lane, London EC1A 9EX, U.K. Phone: +44 (0)207 796 0515; Fax: +44 (0)207 796 0514; email: eti@eti.org.uk; Website: www.ethicaltrade.org. They can supply information about implementing and auditing against labour standards in Africa.

COLEACP: 5, Rue de la Corderie, CENTRA 342, 94586 RUNGIS CEDEX – FRANCE. Phone: +33/1-41-80-02-10; Fax: +33/1-41-80-02-19; email: coleacp@coleacp.org; Website: <http://www.coleacp.org>. COLEACP has been working with African grower associations to harmonise their national codes of practice and benchmark them against European market standards such as EUREP.

Leading African industry associations involved in this initiative include:

Horticulture Promotion Council (HPC), Zimbabwe: PO Box WGT 290, Westgate, Harare. Phone: +263-4-725130/725136; Fax: 795303; email: hpc@cfu.gaia.co.zw.

Kenya Flower Council (KFC): PO Box 24856, Nairobi. Phone/Fax: +254-2-883041; email: kfc@africaonline.co.ke.

Fresh Produce Exporters Association of Kenya (FPEAK): PO Box 40312, Nairobi; Phone: +254-2-564170/561304; Fax: 561304; email: fpeak@africaonline.co.ke.

Zambia Export Growers' Association (ZEGA): PO Box 310245, Lusaka; Phone: +260-1-271166; Fax: 271167; email: zega@zegaltd.co.zm.

The information contained in this document is distilled from a 3-year study managed by the Natural Resources and Ethical Trade Programme (NRET) and involved in-depth research in Ghana, Zimbabwe and the U.K. It presents the key issues raised by all key stakeholders involved in the supply of fresh horticultural produce to European markets, from farm workers to supermarket buyers. For more detailed information about the findings from the study, please contact NRET at the address above.

This publication is an output from a research project funded by the United Kingdom Department for International Development (DFID) for the benefit of developing countries. The views expressed are not

necessarily those of DFID. *R7468, Crop Post-Harvest Programme*