

# Best Practice Guidelines on Responsible Business for Smallholders in Export Horticulture

Natural Resources Institute, Fresh Produce Consortium and Waitrose

## 1. Summary

This project will develop and promote models of best practice of responsible business for smallholders in developing countries wishing to engage in horticulture production for the European market. It is a partnership between international development organisations and the private sector in the UK and Africa, in particular Waitrose, the Fresh Produce Consortium, the Natural Resources Institute and its partners in the Natural Resources and Ethical Trade programme which is fostering social and environmental responsibility in business in developing countries.

The project will produce guidelines to inform buyers of fresh produce from Africa smallholders and other organisations working with smallholders of social, environmental and other standards required to compete in the European market, and how these can be applied in the smallholder context. It will test these guidelines in three African countries, and use them as the basis of a training package for use by the industry and in-country government, NGO and private sector extension services.

Implementation will be in three phases. Under this proposal, Phase 1 (nine months) will be joint-funded by industry and the donor organisation to a total amount of £60,194, 55% of which will come from the private sector. Phase 2 (12 months) is estimated to require £65,000, with 50% funding from the private sector.

## 2. Background

Export horticulture in Sub-Saharan African countries has expanded rapidly with trade liberalisation and investment in non-traditional exports. In 1996 fruit and vegetable exports to the EU from Ghana, Zimbabwe and Kenya totalled 35,000, 20,000 and 35,000 tonnes respectively, with Zimbabwe and Kenya also having significant cut flower exports, valued at 40 and 90 million ECU. Unlike some thriving sectors such as tourism, a significant portion of revenues generated by the horticulture industry remain within the producing countries, and commercial farms are important generators of employment in rural and peri-urban areas.

Export horticulture has been criticised for its negative environmental impact and poor labour conditions. This has resulted in integrated crop management standards and more recently the introduction of social codes of practice (e.g. CEPAA's SA8000 series; the Ethical Trading Initiative which is piloting its base code with the Zimbabwe horticulture industry and the South Africa grape industry; MPS; the Flower Label Programme; and national code of practice such as those in Kenya and Zimbabwe). Although these environmental and social standards/codes of practice have been developed separately, it is recognised by the industry that the overlap between the two is such that they need to be integrated in the medium-term, something that is already happening with the EC DGVIII-funded COLEACP harmonisation initiative.

These various standards and codes are primarily concerned with commercial farms and pack-houses, and questions have been raised about their impact on other types of farm, particularly smallholders. Smallholders are currently significant producers of export horticulture crops. At least 30% of Kenya's horticultural exports are produced by small and medium-sized growers; South Africa, Zimbabwe and Ghana have a rapidly growing number of smallholders producing for the export market, something that has attracted support from DFID and the World Bank; and in Uganda and Zambia USAID and the EU are investing in the expansion of smallholder production for export. A DFID-sponsored workshop in January 1999 further highlighted the importance of export horticulture to smallholders, but research under DFID RNRKS has shown that in their present form social and environmental standards that are becoming a requirement to sell to the European market are often inappropriate to smallholder production systems and could reduce smallholders' opportunities to enter the export sector.

The standards are one of a number of market-driven requirements smallholders need to meet to export to the European market. Others include food safety requirements, implementing due diligence systems, quality requirements, and achieving sufficient volume of product (e.g. through co-operatives or farmer associations). European buyers, particularly those in the UK which have been forerunners in developing a holistic approach to ethical trade, are keen that smallholders are not excluded from the export market, but at the same time cannot reduce their requirements for a particular producer group. African commercial producers and exporters are also keen that smallholders meet these requirements, partly because smallholders are an important part of their production strategy, and partly because they wish to support national government policies of increasing opportunities for small producers. It is increasingly recognised by buyers, large producers and exporters that smallholders could meet these requirements, but do not have access to information on the requirements or examples of best practice.

## 3. Project Approach

### 1. Rationale

Smallholders are the largest agricultural producers in Africa, and important suppliers to the export industry. However, as standards in importing countries rise and buying practices favour dealing with a smaller number of producers, so smallholders are at a disadvantage when it comes to knowing the requirements of major overseas buyers.

Overseas buyers and commercial producers (not least because of a commitment to ethical sourcing/trading) do not want to exclude smallholders from export markets, but at the same time are unwilling to lower their social, environmental, food safety and other requirements. However, they are prepared to work with smallholders to make sure these requirements can be met, but lack information on how requirements can be applied in the smallholder context.

### 2. Outcomes

To strengthen the position of smallholders, the industry wishes to develop best practice guidelines which will form the basis of a training programme to increase smallholder understanding of export requirements and ways of meeting them.

The project will create an enabling environment where various types of buyer and extension service provider can provide smallholders wishing to engage in the export of fresh and minimally processed produce by providing smallholders with the knowledge necessary to engage in the export trade. Through the involvement of industry, it will provide strong, sustainable uptake pathways. Through the involvement of international development agencies, it will ensure that the needs of poorer producers are addressed, and social development issues are dealt with in a more sophisticated way than has hitherto been the case in some responsible business initiatives affecting horticulture.

### 3. Stakeholders

Stakeholder	Interest
African smallholders	<ul style="list-style-type: none"> <li>● To maintain or gain access to export markets on favourable terms</li> <li>● To increase income from on-farm activities</li> </ul>

African smallholder households	<ul style="list-style-type: none"> <li>● To gain greater benefit from on-farm income generation according to their own needs and priorities</li> </ul>
African commercial farms and exporters	<ul style="list-style-type: none"> <li>● To secure smallholder produce of an adequate standard as part of a broader production strategy</li> <li>● To support national government policy on encouraging smallholder export production</li> <li>● To increase benefit of export horticulture for local population</li> </ul>
European importers and ripeners	<ul style="list-style-type: none"> <li>● To ensure that smallholders benefit from ethical trade without compromising retailers' and legislative requirements</li> </ul>
European retailers	<ul style="list-style-type: none"> <li>● To ensure that smallholders benefit from ethical trade without compromising consumers' and legislative requirements</li> <li>● To avert criticism of ethical trade as a non-tariff barrier</li> </ul>
African national governments	<ul style="list-style-type: none"> <li>● To broaden the benefits of investment in non-traditional exports</li> <li>● To reduce poverty</li> <li>● To promote responsible natural resource management</li> <li>● To increase foreign exchange revenues</li> </ul>
African agriculture extension services (government & NGO)	<ul style="list-style-type: none"> <li>● To increase relevance and coverage of service</li> </ul>
National & international research bodies	<ul style="list-style-type: none"> <li>● To develop new uptake pathways for existing knowledge</li> </ul>
International donors	<ul style="list-style-type: none"> <li>● To develop new uptake pathways for existing knowledge</li> <li>● To broaden impact of responsible business</li> <li>● To meet policy commitments on poverty, environment and sustainable livelihoods</li> </ul>
European advocacy/lobbying groups (NGO & media)	<ul style="list-style-type: none"> <li>● To reduce poverty</li> <li>● To promote responsible environmental policies</li> </ul>

## 1. Alternative Approaches

There has been considerable investment in smallholder production over a long period by international development agencies. This has resulted in considerable knowledge and experience of smallholder production, approaches to extension, and smallholder organisation. Although much of this has focused on traditional crops and domestic markets, there are a number of projects (for instance, by USAID and the World Bank) that have focused on smallholders as part of non-traditional export initiatives.

These projects have generated some useful benefits and a body of experience showing the effectiveness or otherwise of different approaches. However, they have not had from the outset the full participation of stakeholders throughout the industry, and have been criticised for failing to take into consideration the realities and concerns of the market. They have sought to address important social development concerns (e.g. gender dimensions of horticulture), but lacking industry support have had limited success in getting these accepted by mainstream commercial operations. While they have invested heavily in training methodologies (something that will be drawn on by this project), implementation of training programmes has often failed once the project ends.

The horticulture industry has developed social, environmental and food safety standards in response to legislative requirements, consumer demand and a commitment to build a sustainable, responsible approach to business. It has also developed sets of guidelines to explain these standards to producers. However, these guidelines have been developed in the context of large-scale commercial horticulture, and the industry has a limited understanding of the actual conditions of smallholder production, and typically does not have a well-developed training strategy for working with smallholders.

## 2. Sustainability of Benefits

As an industry-driven initiative informed by international development experience, the outputs of the project will be incorporated into, and resourced through, mainstream commercial activities. This will help avoid the problem of ‘sunset’ projects where for instance extension services have ceased to operate once a development project ends. The best approach to using the guidelines is something that will be explored through this project, and sustainability is an issue that will be addressed as part of this process.

# 1. Implementation

## 1. Implementing Organisations

This project is a partnership between the horticulture industry and international development organisations. The horticulture industry is represented by a major UK retailer (Waitrose), horticulture importers (the Fresh Produce Consortium’s importers group, an industry body representing UK primary marketing organisations), and African commercial producers/exporters (for instance, the Zimbabwe Horticulture Promotion Council). Through UK and African workshops, other stakeholders listed in the following section will be able to influence the guidelines developed in Phase 1, and these stakeholders are likely have more direct involvement in Phase 2.

## 2. Outputs

The project will be implemented in three phases. Donor support is requested for Phase 1 & 2.

### 1. Phase 1(9 months)

Phase 1 will produce written guidelines on best practice for smallholder export horticulture production and marketing to meet the requirements of UK buyers in the areas of:

- Social responsibility.
- Farmer organisation (to deal with buyers and reduce costs).
- Environmental responsibility.

- Quality assurance.
- Crop management.
- Reporting.

Additional areas for inclusion will be identified at the start of Phase 1.

The scope of the guidelines exceeds the normal concerns of social development. However, to treat social development issues in isolation would be to ignore the needs of smallholders and the industry as a whole, and also to disregard the multi-disciplinary nature of the triple bottom-line of responsible business. Furthermore, addressing social development best practice within this broader framework will allow a wider range of social development issues to be incorporated than is the case for instance with codes of social responsibility. For instance, the best practice guidelines will include assessing impact against the different forms of capital necessary for sustainable livelihoods, gender dimensions of horticulture production, and land tenure.

## 1. Phase 2 (12 months)

Experience shows that guidelines, manuals etc. are only as effective as the way that they are used. The users of the guidelines will be UK primary marketing organisations that have responsibility for explaining European market requirements to producers and exporters, African exporters and producers sourcing from smallholders, smallholder farmer associations such as co-operatives, and national government and non-government extension service providers. Each of these types of organisation need to be able to use the guidelines for communicating with smallholders.

Phase 2 will therefore focus on:

- Testing the guidelines in the developing country context (three African countries in the first instance).
- Adapting and modifying the guidelines where necessary.
- Using the guidelines as the basis of a training package to increase smallholder awareness.
- Preparing a strategy for disseminating and promoting the training package.

## 1. Phase 3

Phase 3 will implement the promotion and dissemination strategy developed in Phase 3. Possible uptake pathways include direct sourcing retailers, primary marketing organisations (UK and Africa), extension services, specialist NGOs, and industry associations.

### 1. Activities

#### 1. Phase 1

A consultative group consisting of UK retailers, primary marketing organisations and industry associations, and researchers with experience in different aspects of smallholder production and marketing will be formed. The consultative group will be facilitated through FPC's importer group and will meet five times during Phase 1. During that time the group will determine those issues that smallholders need to address if they are to engage in fresh produce export activities; identify sources of information on best practice; review progress and final outputs; and develop a project plan for future phases.

The consultative group will delegate information gathering and analysis to a team of researchers to be co-ordinated by the Natural Resources and Ethical Trade programme managed by the Natural Resources Institute. The composition of the research team will be finalised at the initial consultative group meeting, but as well as experts in social development dimensions of smallholder production, is likely to include experts in integrated crop management, food safety and quality assurance, training and extension, and HACCP and similar systems.

In Phase 1, the research team will analyse existing knowledge of smallholder production and marketing to develop examples of best practice for smallholder production. This will include social issues that will enable smallholders to meet ethical sourcing standards similar to those being introduced into large-scale commercial horticulture (e.g. through ETI). In the space provided in this proposal it is not possible to comprehensively detail the likely source materials, but they will include the various DFID guidelines on sustainable livelihoods; DFID and other donor-funded work on smallholder production systems (e.g. that by NRI and IDS); Plunkett Foundation work on farmer organisations; the work of Christian Aid, NRI, UEA and Dolan/Little on gender dimensions of horticulture; and the experiences of CDC and the fair-trade movement in smallholder marketing. The project timeframe also allows for input from ongoing work relating to smallholders and ethical trade funded by DFID, the World Bank and EC DGVIII.

In addition to international development experience, the project will draw on industry's experience in relation to its own standards (e.g. in-house standards of UK retailers, the FPC's food safety guidelines, and quality assurance guidelines).

The research team will report on a regular basis to the consultative group throughout Phase 1, and a draft of the guidelines will be presented at a workshop with participants representing the industry, NGOs, DFID and other development organisations where the guidelines will be finalised. The research team's work will also be fed for comment to African industry and smallholder associations, and NGOs through mechanisms already established for other work in which NRI is engaged (e.g. the RNRKS ethical trade and export horticulture project in Zimbabwe and Ghana, the USAID/EC DGVIII funded work on codes of practice in Uganda, and work with horticulture associations in Kenya). This will include at least one workshop to comment on the guidelines to be held in Zimbabwe in conjunction with the RNRKS project. The guidelines will then be published in readiness for Phase 2.

## 2. Phase 2

The Phase 1 guidelines will be tested for accuracy and usability in at least three African countries (likely to include Zimbabwe and Kenya). This will involve over a 12 month period:

- Working with large producers, exporters and farmer associations (including co-operatives) that source from smallholders to test the relevance of the content and make revisions.
- Working with smallholders to test the relevance of the content and make revisions.
- Working with commercial, government and NGO extension services to incorporate the guidelines into extension programmes.

The results of the field testing will be used to revise the guidelines and develop an extension package for dissemination in Phase 3.

A detailed work-plan for Phase 2 will be composed as part of Phase 1.

## 1. Phase 3

Following the period of testing and revision, the guidelines and extension package will be disseminated and promoted amongst UK primary marketing organisations sourcing from Africa; African producers, exporters and farmer associations; and national extension programmes. During this phase the package will be used on a broader basis in the pilot countries, and introduced in other exporting countries in Africa and elsewhere. This phase will remain under the co-ordination of the UK consultative group, but will not require Innovations Fund support.

### 1. Inputs

Financial inputs are detailed in the budget. Detailed inputs and costs are given for Phase 1, while indicative inputs and costs are given for Phase 2 as these will be identified as part of the Phase 1 process. No attempt has been made to cost

inputs for Phase 3 which is not expected to require donor support.

In Phase 1, the project will draw on expertise from various stakeholders:

- UK retail and primary marketing organisations will provide information on the requirements of the European market, and examples of best practice in meeting these. (5 persons x 10 days)
- FPC will facilitate consultative group meetings and the workshop to review the final draft guidelines.
- NRI will provide a team leader for the research team, and commission its own and other organisations' input on particular components of the guidelines. This team will be identified after the initial UK consultative group meeting where the components will be finalised. (56 days)
- NRI will also optimise links between this project and other work under the Natural Resources and Ethical trade programme (e.g. the development of ethical trade standards for smallholders; development of effective and affordable monitoring and verification systems).
- Waitrose and FPC will fund publication of the guidelines.

## 1. Timeframe

### 1. Phase 1

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
UK consultative group meetings	■			■		■			■
Finalisation of research team	■								
Compiling of guidelines		■	■	■	■	■			
Review of guidelines by African industry							■	■	
Review of final draft guidelines in UK								■	
Publication of guidelines									■
Preparation of Phase 2 work-plan									■

### 2. Phases 2 & 3

The work-plan for Phase 2 will be finalised at the end of Phase 1, with field testing and revision completed by March 2001.

## 2. Monitoring

The UK consultative group's meetings during Phase 1 will serve as a monitoring mechanism. The review of guidelines by the African industry, and the UK workshop to review final draft guidelines will allow additional input from organisations not represented by the consultative group (e.g. NGOs, African industry, other development agencies).

The primary indicators for Phase 1 will be the production of guidelines acceptable to the UK consultative group and African stakeholders, and the suitability of these guidelines as a basis for Phase 2 work.

The primary indicators for Phase 2 will be the incorporation of field tested guidelines into a package for smallholders, and the adoption of that package in developing countries. The work-plan for Phase 2 will

include an appropriate monitoring mechanism for field testing.

The primary indicators for Phase 3 will be the implementation of extension services for smallholders using the above package, and ultimately growth in the number of smallholders able to produce for the export market as part of a sustainable livelihoods strategy.

### 3. Management

The project will be jointly managed by FPC and NRI. Donor funding will be managed by NRI, while FPC will co-ordinate and report on industry inputs.

## 1. Risks and Assumptions

UK business is supporting this project as part of its commitment to encouraging responsible business practices along the value chain, but given its unfamiliarity with smallholder production and the fact that it is ultimately not dependent on smallholder producers UK business would like to support this work in partnership with the British government. Without such support, business is unlikely to prioritise investment in this area with the result that smallholders will be increasingly disadvantaged when trying to enter export markets.

Export horticulture is highly competitive and there are no guarantees that the industry in any particular country will maintain its comparative advantage. Smallholders are best able to compete in this sector where they can benefit from favourable government policies and investment, none of which can be guaranteed by this project.

### 6.1 Budget

#### 1. Phase 1

<b>ITEM</b>	<b>TOTAL</b>
<b>Personnel (UK)</b>	
Research team (58 days)	25,694
Consultative group (5 persons x 10 days) *	25,000
<b>Sub-total 1</b>	<b>50,694</b>
<b>Operational Costs</b>	
UK travel	750
Data collection	500
Publication *	4,400
Consultative group meetings (4) & UK workshop (1)*	3,850
<b>Sub-total 2</b>	<b>9,500</b>
<b>TOTAL</b>	<b>60,194</b>
Private sector funding (marked *)	33,250
Donor funding	26,944

NB: The Africa workshop in Zimbabwe will be run as an addition to ongoing DFID RNRKS-funded work and is not therefore costed in this proposal.

## 2. Phase 2 (Indicative)

Private sector funding	35,000
Donor funding	35,000
<b>TOTAL</b>	<b>65,000</b>

## 2. Contact

Mick Blowfield  
Natural Resources Institute  
Central Avenue  
Chatham ME4 4TB

m.e.blowfield@gre.ac.uk  
tel. 01634 880088  
fax 01634 883706