



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

Codes of practice – current weaknesses

Implications of supermarket buying practices on third world suppliers

Other constraints faced by third world suppliers

What supermarkets 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. 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.

Codes of practice can help improve the environment and the lives of poor people in third world countries if they are implemented sensitively and with real commitment from supermarkets and importers as well as from suppliers. However, if handled insensitively, codes at best will have little effect, and at worst can harm rather than help poor people. If supermarkets want to avoid these pitfalls, they need to be sensitive to third world conditions and be willing to negotiate with third world suppliers to find mutually acceptable solutions.

Codes of practice – current weaknesses

Some aspects of existing codes can harm rather than help poor people

Two examples are the effects of eliminating of child labour, and the risk that codes may push the poorest farmers out of the export market.

Elimination of child labour can threaten family incomes. 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.

Risk of excluding small-scale farmers. For codes to be credible and effective, supermarkets must be able to provide evidence that their suppliers are actually complying with code requirements. At the moment, supermarkets and other retailers tend to ask for evidence in the form of documentation (written records). Most European farmers are used to keeping computer or written records of farm operations, such as pesticide application rates.

The situation is quite different for small-scale farmers in third world countries. Many small-scale farmers are not used to keeping records, and may not be comfortable with pen and paper let alone computers. There are ways of making sure that smallholders comply with codes, and providing necessary evidence (e.g. a group of smallholders can nominate a more educated group member to keep records for the group as a whole). However, this requires flexibility to develop monitoring and record-keeping systems appropriate for smallholders, and training may also be necessary.

If supermarkets do not encourage and support their suppliers to maintain small-scale outgrowers, exporters may be frightened off because they don't know how to go about developing such monitoring systems. So if supermarkets are insensitive, there is a risk that codes can push poor family farms out of the export market and reduce family incomes.

Some aspects of existing codes will have limited impact because they do not address the priorities of the majority of workers

Two examples are the emphasis on conditions for permanent workers, and the emphasis on trade union membership as a way of ensuring good worker representation.

Conditions of non-permanent workers not covered. Existing codes often focus on ensuring reasonable working conditions for permanent workers. However, in many third world export horticulture industries, the majority of workers are employed on casual or seasonal rather than permanent contracts, even if they have worked for the same employer for several years. So many existing codes do not protect the rights and conditions of the majority of workers in the industry.

Those responsible for developing and implementing codes therefore need to consider how conditions of non-permanent staff should be addressed.

Need to encourage additional forms of worker representation other than union membership. In many third world countries, unions do not represent the interests of the majority of export horticulture workers. Ensuring that employers allow their workers to join unions is a good thing, but other steps need to be taken if the interests of all workers are to be represented e.g. promoting better communication between managers and all types of workers on individual farms. In some countries e.g. China, free trades unions do not exist. In others, only a minority of workers are members.

Most workers do not join because membership is limited to permanent workers, because they cannot afford membership fees, because women are discouraged from joining, or because unions are not able to perform intended roles due to limited funds and capacity.

See Theme Papers 2, 3 and 5 for further information.

Incentive systems not well developed

Costs of meeting codes can be high. Particular aspects of codes that are costly for suppliers include housing for workers, conversion to integrated pest management (IPM) / integrated crop management (ICM) farming practices, and upgrading workers from casual to permanent contracts. Many third world suppliers are finding it difficult to meet these costs up-front. **(See Theme Papers 2,3 and 5 for further information)**

At the moment, supermarkets are not offering any clear incentives for suppliers to perform well on code requirements. A clear and transparent incentive system which rewards high performers and encourages others to improve would improve code compliance and create good will amongst suppliers.

Multiple codes create confusion and extra costs for suppliers

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 International Labour Organisation (ILO) standards. This means that African producers are faced with more and more 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.

See Theme Paper 4 for further information.

Implications of supermarket buying practices on third world suppliers

Certain buying practices of some supermarkets actually make it difficult for third world suppliers to comply with codes of practice. These include the emphasis on high cosmetic quality standards, late payments, and “last-minute” changes to orders.

High cosmetic quality standards – rigid standards on appearance of fresh produce is leading to large amounts of produce being rejected. This is a large financial loss to growers and a disincentive to continue production for the export market. It reduces income for poor, small-scale farmers, and is also undesirable from an environmental viewpoint since much of the rejected produce is wasted.

Late payments – late payment by supermarkets 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 – supermarkets 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.

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, and limited choice of inputs.

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 growers themselves e.g. health care and schooling, 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.

What supermarkets can do to help

Modify codes – modify codes to allow for suitable employment of children, for protection of rights and conditions of non-permanent workers, and for more emphasis on encouraging additional forms of worker representation which complement the role of trades unions.

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 problem areas prioritised by suppliers. In particular, supermarkets 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, in particular the implementation of cosmetic quality standards, timing of orders, and timeliness of payments. 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 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. This is a tried and tested model, forming the basis of international organic standards (national standards have to conform to IFOAM principles), and of certification of forest products under the Forest Stewardship Council (FSC). **See sources of further information, below.**

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?

Continued overleaf

Other sources of 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@pwwblf.org; Website: <http://www.rc-sdbp.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.

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>. SAI have produced a guidance document for SA8000 auditors, which provides useful guidance on conducting social audits.

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.

International Federation of Organic Agriculture Movements (IFOAM): Head Office, c/o Ökozentrum, Imsbach, D-66636, Tholey-Theley, Germany; Phone: +49-6853-919890; Fax: +49-6853-919899; email: HeadOffice@ifoam.org; Website: <http://www.ifoam.org>. For guidance on how to set up and run an international certification system.

Forest Stewardship Council (FSC): FSC UK Working Group, Unit D, Station Building, Llanidloes SY18 6EB, Wales, U.K. Phone: +44-(0)1686-413916; Fax: +44-(0)1686-412176; email: fsc-uk@fsc-uk.demon.co.uk; Website: <http://www.fsc-uk.demon.co.uk>. For guidance on how to set up and run an international certification system.

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.