

The background: smallholders and the supply chain

In a large number of developing countries, many farms are smallholdings and they produce for export markets. Significant commodities such as coffee are predominantly sourced from smallholders. However, the definition of smallholder differs significantly according to crop, and to the social, cultural, economic and political context. Similarly, there is a wide variety of models of how smallholders are integrated into the supply chains and markets above them. This chapter aims to unravel the complexity of smallholders in the supply chain and also sets out key labour issues as smallholders see them.

2.1 Defining smallholders

Definitions often go by size of smallholding. For example, the Kenyan government regards small tea producers as working less than 20 hectares of land. In other contexts, such as Indonesia, 15 hectares of land may be considered a relatively large farm. The fair trade movement uses dependence on family, as opposed to non-family, labour as the basis for their definition. We can however note that smallholders:

- produce relatively small volumes of produce on relatively small plots of land;
- may produce an export commodity as a main livelihood activity or as part of a portfolio of livelihood activities;
- are generally less well-resourced than commercial-scale farmers;
- are usually considered as part of the informal economy (may not be registered, tend to be excluded from aspects of labour legislation, have limited records);
- may be men or women;
- may depend on family labour, but may hire significant numbers of workers;
- are often vulnerable in supply chains.

The two case studies below, both from Kenya, indicate some typical features of smallholders.

A fresh produce smallholder in Kenya

Joseph Kimiti (name changed for confidentiality) is a 34-year-old literate (secondary school certificate) male farmer producing French beans on a 0.5 acre plot on his three-acre farm in Kirinyaga district in the Eastern province of Kenya. He is married with two children aged eight and five years who both go to school. Apart from French beans, he also cultivates coffee and tomatoes as cash crops, while 0.25 acres is devoted to food production. Both Joseph Kimiti and his wife work on the farm but they also employ six casual workers (both male and female) aged between 18–20 years. The farm is located five kilometres from the buying centre and the French beans are delivered there by bicycle. However, during the rainy season he has difficulties in delivering his produce to the buying centre in time, which often compromises the quality, leading to high rejection rates and reduced income.



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Nevertheless Joseph Kimiti, who has been supplying French beans to one of the largest horticultural producers and packing houses in Kenya for four years, says that the income from fresh produce has helped to improve his household income. He has been able to construct a permanent stone house with the income generated from French beans.

A tea smallholder in Kenya

Kenneth Ngetich (name changed for confidentiality) is a 45-year-old literate (primary school certificate) male farmer producing tea on a two acre plot in Kericho district in the Rift Valley province in Kenya. He is married with six children aged between four and 17 years, five of whom attend school. Apart from tea, he also cultivates maize and red beans as cash crops on his six acre farm, out of which 0.5 acres is devoted to food production. Although Kenneth Ngetich relies heavily on family labour, he has one permanent male worker and during peak production periods he occasionally employs female casual workers (aged between 20–30 years) to pick tea.

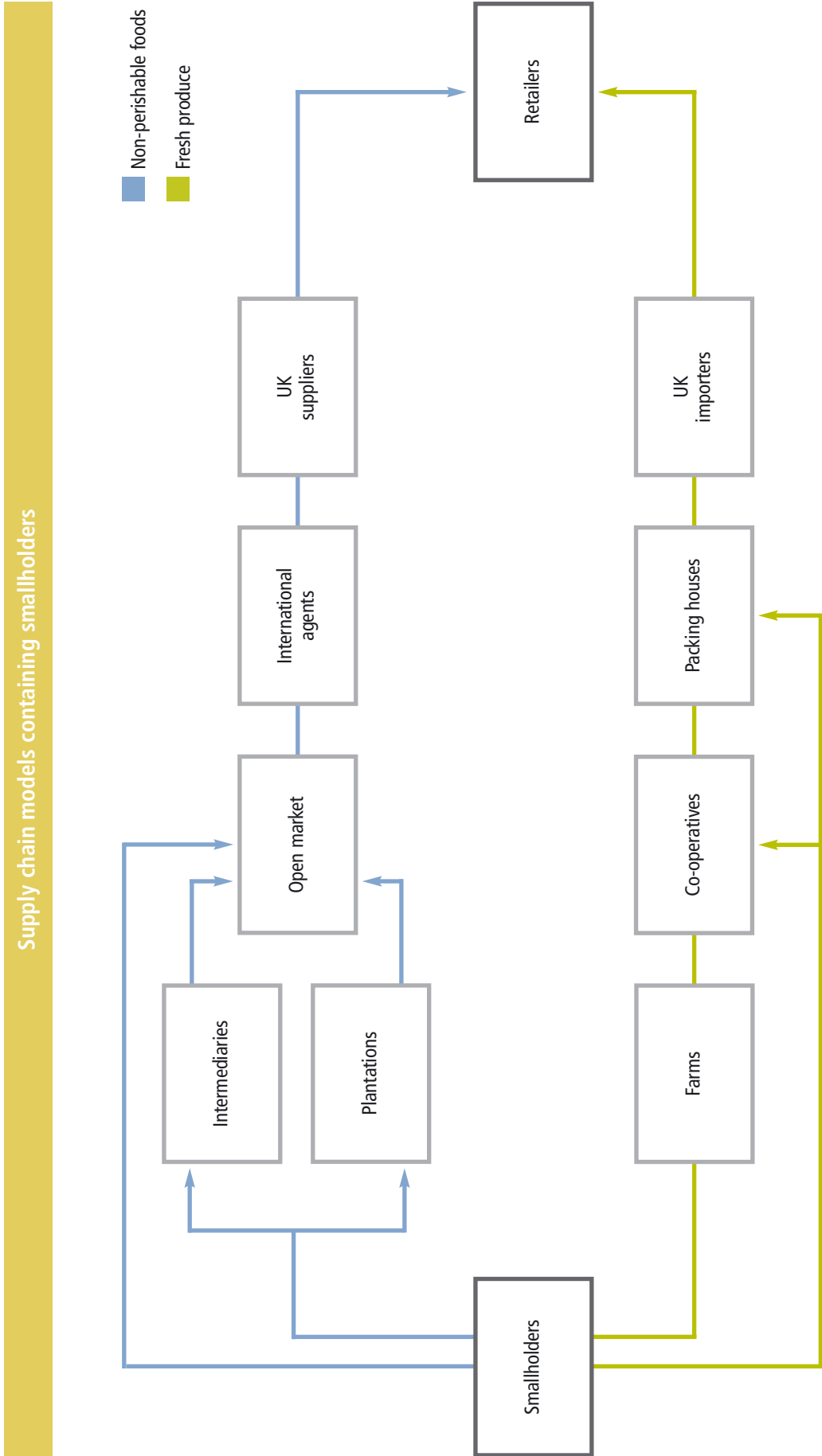
Kenneth Ngetich has been supplying tea to a large tea company in Kenya for 12 years and says that although the income from tea has been declining over the years he is able to educate his children with it. He says that the bonus payment¹ is particularly timely as it comes at a time when the new school year begins. Although his farm is located only a kilometre away from the buying centre, Kenneth Ngetich regrets that delays at the buying centre often negatively impact on the quality of tea and often mean reduced incomes. He also indicates that the prices he is paid are not equivalent to the amount of time and effort invested in the production of tea.

Smallholders may also be referred to as outgrowers. The term ‘outgrower’ is usually used to mean smallholders in a more formal, managed relationship with an exporter. However, both terms are used differently across the world in different contexts. In this document we have used the term smallholders to cover both situations.

2.2 Supply chain models containing smallholders

Smallholders appear in a variety of different supply chain models. They may sell directly to an exporter or co-operative, or to another farm or plantation, indirectly through a merchant, or through an auction. These differences will have an impact on the situation of the smallholder and the benefits and problems they face. There are typically several more levels between the direct purchasers and the retailer, including packing houses, agents and suppliers. The diagram opposite indicates the different kinds of supply chains involving smallholders, and the different ways in which they may be integrated into these.

¹ Tea smallholders are paid for the green leaf delivered at the end of the month (the first payment). The tea bonus (second payment) for the crop delivery for the whole year is paid annually and depends on the prices realised for the processed black tea.





2.3 Smallholders' priorities and problems

Research by academics, retailers and exporters indicates that the relationship between smallholders and those who purchase from them is often characterised by lack of communication and lack of clarity. Our research into members' supply chains confirms this problem. Transparency across the supply chain is important yet frequently lacking, with smallholders and their workers among those least likely to be well informed about the chain above them.

Existing research, as well as that we undertook with Kenyan smallholders for this project, indicates that smallholders typically feel a need for:

- written contracts with purchasers
- prompt notice of price, volume and quota requirements
- greater transparency in weighing/grading of produce
- more information on markets, supply chains and the retail calendar
- access to several purchasers rather than restriction to one
- access to affordable inputs to avoid debt
- more practical training and guidance on growing the crop/s
- help with infrastructure development
- capacity building
- higher, prompt and regular payments (so that they can plan their own spending)
- a group to represent their interests
- funds for protective equipment, seeds and pesticides
- help with record keeping
- greater availability of seeds
- better access to water for irrigation.

2.4 Smallholders'/workers' problems

Workers employed by smallholders (as well as the smallholders themselves) often lack:

- drinking water
- adequate toilet facilities
- protective clothing
- freedom of association
- access to medical facilities
- a living wage
- sick, overtime and annual leave pay.

They may also experience harassment.

These guidelines show how all players in the supply chain, including smallholders themselves, can play a part in addressing the above issues.