

# What retailers can do

This chapter looks at the role and responsibilities of retailers with regard to smallholders and sets out a step-by-step action guide. ETI does not favour buying from smallholders over plantation farming, but urges retailers to meet their responsibilities in both cases.

Smallholders are often critical in a retailer's supply chain because they can typically provide higher quality goods than plantation sites. They can also produce small quantities of speciality and labour-intensive goods, such as organic products, needed by retailers. So there is a strong business case for retailers to support smallholders in their supply chains. Conversely, retailers' decisions can have a major impact on smallholders whose produce they sell. Improving working conditions for smallholders requires investment on the part of purchasers and on the part of smallholders themselves. Such investment can only take place where there is a clear commitment from retailers to continuity of purchasing from supply chains involving smallholders and to pricing structures that allow for investments.

## 4.1 Make a commitment

The first step is to confirm the company's acceptance of the role of smallholders within the supply chain. This is not just a role for the corporate social responsibility team as they cannot act effectively without the support of the company board and colleagues, especially buyers. A formal company policy, acknowledging and accepting the presence and important role played by smallholders in your supply chains, needs to be adopted.

## 4.2 Inform everyone of your commitment

All relevant colleagues, such as the buyers, technologists and sourcing teams must be made aware of your company's policy and approach. Make them aware of the recommendations in this document when working with smallholders. This will help ensure that smallholders are not actively excluded from supplying products or negatively affected by buying, technical or sourcing practices.

External communication needs to reach a wide audience of suppliers, smallholders, shareholders and other key stakeholders, and the media.

### SUPPLIERS AND SMALLHOLDERS

- Inform your suppliers of the company's policy so they are aware that smallholders' produce is acceptable.
- Put mechanisms in place, in conjunction with intermediaries if necessary, to ensure that information about your company's policies and pricing structures is communicated down the supply chain, via any intermediaries, to smallholders.
- Ask exporters to explain to smallholders the factors that affect purchasing practices in the UK, including market fluctuations, and the risks these present to smallholders.



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- Explain growing seasons and the seasonality of products so that smallholders can understand fluctuations in orders for their products and anticipate when peaks in orders are most likely to occur.
- Explain your company's technical, quality, safety and ethical trading requirements so that smallholders understand your expectations. Explain that you recognise the need for realistic timescales for the gradual implementation of labour standards.
- Explain the significance of UK media interest in smallholder issues and what this might mean for your company.

##### SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

- Draw attention to the importance of smallholders in your supply chain and your policies relating to them through your website, annual report, newsletters and other communications. Key stakeholders such as shareholders may be supporting you because of your ethical track record.

##### THE MEDIA

Negative media coverage has played a role in raising awareness of smallholders' and workers' rights among ETI company members – but no company wants to court this kind of attention. Alert your press office colleagues to your policies and work, develop a plan to deal with negative media attention should this arise, and tell the media about your success stories.

### 4.3 Find out where smallholders are in your supply chains

Obviously your company needs to be aware of where smallholders are present in the supply chain. You need to know which suppliers are sourcing products through smallholders and any controls that are in place to ensure that smallholders and their workers are being treated fairly and paid an acceptable price for their produce. A sample letter and questionnaire for you to use with suppliers is given in the Toolkit, section D. This may be adapted for use as part of your annual communication with suppliers if this is your usual practice.

Make efforts to understand more about what suppliers see as their priorities, and issues and concerns for the smallholders and managed outgrowers. Communicating this interest to suppliers is key.

### 4.4 Support your suppliers in implementing these guidelines

Agree with your suppliers who is taking responsibility for assessing labour standards on smallholdings and for developing and implementing an improvement plan. Refer to chapter 3 for details of how to implement this process.

### 4.5 Support the continued supply of smallholder products

The two benefits of higher quality and/or speciality products for the retailer may result in increased risk to the smallholder. One solution that could benefit both parties is for retailers to bear some of this risk by offering guaranteed purchases over longer periods and setting agreed-upon reasonable ranges of future purchase prices. This allows the smallholder to invest in processes that result in a higher quality product (such as meeting food safety standards, organic production and so on). Longer-term purchasing relationships, where feedback can be given to achieve

continuous improvement, should be preferred with supply chains involving smallholders and benefit both you and the smallholder.

In addition, retailers cannot expect smallholders to bear all the burden of meeting new technical standards. You can help smallholders by sharing the risk of transition to production processes that meet these standards. For instance, you can invest in technical assistance, funds or materials for smallholder production.

#### 4.6 Consider your pricing and ordering procedures

The commitment by suppliers to improving the conditions of smallholders must be reciprocated by the sourcing and pricing policies of retailers, as well as those of other intermediaries, if smallholders are to benefit. Ensure your company buyers understand the impact that price negotiations have on the price paid to smallholders – reducing prices will have a negative effect on the livelihood of smallholders in the chain and their ability to meet standards. The prices you pay should be sufficient to allow smallholders to meet the standards contained in these guidelines (Toolkit, section A). Make buyers aware of the implications of ordering times on smallholders too.

You also have a responsibility to ensure that both intermediaries and smallholders understand your company's pricing policies and ordering systems. Contact your suppliers at least annually to identify, update and clarify the position of smallholders in the supply chain. You should have a robust system that will indicate to traders and buyers which products smallholders are supplying. The fragile nature of the smallholder in a global supply chain means that a local impact review and longer action lead times should be considered before changes are made to ordering systems and pricing policies. Where possible highlight or group smallholder products within electronic trading systems and require a further authorisation with line managers, technical or ethical colleagues before major changes are made.

You should also consider:

- a clear, transparent pricing policy that is made available to suppliers and through to the smallholders. Clarify how you fix the prices that will ultimately be paid to the smallholders;
- holding regular reviews with suppliers and smallholders to ensure pricing and ordering procedures are not negatively affecting smallholders in any way;
- informing smallholders of any changes and fluctuations in pricing policies, for example, changes in currency rates or customer demand, so that they have an understanding of the factors affecting prices for their products;
- informing smallholders of changes in buying patterns and phasing changes in where possible to avoid unacceptable risk to the smallholders;
- giving preferential treatment where possible to suppliers who are committed to meeting ETI Base Code standards and who, if appropriate, use these guidelines within their supply chains;
- entering into longer-term purchasing relationships with supply chains involving smallholders where feedback can be given to achieve continuous improvement.

NGO best practice recommendations on pricing and ordering can be found in chapter 8.



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### 4.7 Build your suppliers' and smallholders' capacity

- Provide appropriate training, guidance, support and information to suppliers on the quality, technical, safety and labour standards expected of smallholders, in conjunction with any intermediaries.
- Give suppliers and smallholders feedback on issues such as product quality so that they can look for ways to build improvements into their systems.
- Establish a mechanism to enable suppliers and their smallholders to feed back any concerns or discuss potential issues relating to order times, product quality or meeting any other requirements.
- Explore opportunities for buyers to source new niche products that fit well with smallholder growing patterns and practices.