

What purchasers can do

Purchasers, including packers, exporters and co-operatives among others, are likely to be in the front line of implementing these guidelines. The following general guidance supplements chapter 3 and may be useful for all those purchasing directly from smallholders. The case studies indicate how some suppliers buying from smallholders have considered the issues below.

5.1 Assess your resources

When you first adopt these guidelines, it is helpful to take stock of the resources available to achieve your goal. Who is currently responsible for managing your smallholders? What resources do you currently use to manage your supply from smallholders? Do you have records for them? What resources will you need in order to manage your smallholders? What funds, expertise and technology can you mobilise? Human resources might be your starting point. Consider setting up a smallholder team or officer to handle all issues to do with smallholders, including staff on the ground to manage your relationship and supply such as agronomists or agricultural extension officers. Ensure that your own staff managing smallholders have the appropriate knowledge and understanding of the smallholder context and are encouraged to liaise with colleagues (including those within retailers) who set the requirements for the smallholders' products.

5.2 Communicate and consult

How do you currently communicate with smallholders? Many will have low levels of education. Do you communicate appropriately, with visual aids and in local languages? Do you already conduct training for your smallholders or have agricultural extension officers? Such staff and training days can provide effective communication channels. If your communication is poor, develop communication channels and materials.

Have you explained to smallholders the incentives for engaging with you? (See chapter 6, section 6.3 for an outline of the benefits to smallholders of engaging with exporters.) Start a discussion with your smallholders about your relationship, any changes you are considering or planning, and how to make progress together. Do your agricultural extension workers or outgrower managers collect feedback from smallholders about any issues related to supplying you? Ensure that smallholders and their workers understand that issues of concern to them will be addressed early on. This will help to provide clear incentives to work together. However, it is also important to ensure that smallholders' expectations are not raised beyond the scope of the dialogue.



5.3 Set up a system of records

What do you already know about the smallholders who supply you? If you do not have records, set up a database and start by recording who your smallholders are, gathering some basic information on them. This will help you with the traceability required for various standards, from food safety to environment and working conditions.

5.4 Organise smallholders into groups

Are your smallholders already organised into groups, either of their own accord, or by product or location within your own systems? Having groups of smallholders will provide you and them with a communication channel and enable you to systematise your relationship and work together more effectively.

5.5 Produce an action plan and timetable

Your action plan should detail:

- how and when you will conduct needs assessments with your smallholders (Toolkit, section B);
- who will consider the outcomes from the assessments and be involved in drawing up improvement plans. You should be able to use the standards outlined in the application framework as a minimum that you are aiming to achieve with your smallholders (Toolkit, section A);
- how you will manage any necessary changes in your relationships with smallholders in the short, medium and long term;
- how you will address priority issues raised by smallholders during the needs assessment;
- how you will divide responsibility for code compliance between the smallholder and your company. Consider introducing contracts or memoranda of understanding between all parties to clarify roles and responsibilities.

This action plan can also be the basis for discussion with retailers on the implications for price and buying practices.

5.6 Motivate smallholders to improve standards

Working together with your smallholders to improve standards will improve their business and yours. Farmers will need to see the business case for making changes and to receive recognition for their improvements. These might include continued buying from them, visits to processing plants or training courses. As a first step, explain the business case at the start of working on these issues together (see the business case for smallholders in chapter 6, section 6.2). It is also important for smallholders to understand the risks involved in supplying the export market. Explain the risks facing all those in supply chains of international markets. This will help to keep expectations realistic and prevent demotivation through misunderstandings.

For a series of sample documents that smallholders can use, see the Toolkit, section E.

5.7 Working with smallholders: case studies

These case studies, drawn from ETI members' experience, look at the current practice of some producers from different parts of the world supplying commodities and fresh produce to the UK market.

Purchaser A: Fresh produce

Contracts:	smallholders commit crops to one exporter and have an annual contract The company must buy all produce
Groups:	growers are self-organised into groups with a variety of legal statuses for different purposes (for example, certain legal status allows eligibility for assistance from government or international bodies)
Systems:	weekly visits by the agronomist, regular training on a variety of topics
Dialogue:	a national committee on the product involves growers, exporters and government
Communication:	agronomist visits and also communicates via mobile phone with smallholders

Purchaser B: Horticulture

Contracts:	guaranteed sale of produce, set prices
Groups:	co-operative collection centres provided by the company
Systems:	services of agricultural extension officers and access to some inputs such as short-term credit
Communication:	newsletters and familiarisation tours enabling smallholders to understand the supply chain (such as visits to packing facilities), regular flow of information

Purchasers' organisation: Horticulture

Guidelines:	include some guidance on working conditions, especially health and safety
Communication:	information on protective equipment and first aid is distributed (but not the equipment itself)
Systems:	some training provided

Purchaser C: Processed produce

Groups:	growers' co-operative. A local community organisation helps represent the interests of the trading group
Contracts:	GM-free organic product, therefore demand and prices are high. A social premium is paid
Systems:	the social premium is used partly to fund training. The retailer and others also invested in an analysis of the costs of production and subsequently revised the pricing system. Prior to this, smallholders sold their product to agents and were in debt in the lean period before harvest, including debt bondage for those farmers who had borrowed money for their inputs. Such farmers then risked being thrown off the land they were farming. They set up a co-operative shop in the village, but were selling for under the price of production, owing to a lack of understanding of what the costs of production were



5. What purchasers can do

Purchaser D: Tree commodity

The commodity is sold through auction and the auction prices have been seriously depressed for a few years. This has resulted in worsening livelihoods for smallholders. Lower prices have also led to increased cost cutting and short cuts in production which have resulted in poorer quality. The purchaser buying the crop through auction decided to pay an additional amount to the smallholders' organisation. This is to improve livelihoods of the smallholders and can be used to improve the quality of the commodity. The business case for paying extra is to raise awareness of the purchaser's particular requirements (that is, quality and social concerns) with the smallholders. The effect is to improve the remuneration of smallholders and so their livelihoods.

Smallholder organisation: Tree commodity

Processing factories are owned by smallholders and managed by a specialist organisation, which provides management and marketing services to the sector. Where the smallholder organisation and the management of the processing and marketing are efficient, transparent and accountable, smallholders have received more than 60 per cent of the auction price of the crop. Centralising the marketing of the smallholders' crop also enables the smallholders to have a stronger bargaining position with buyers and so realise higher prices. Smallholders in a different country selling the same commodity who are not organised are receiving much lower prices. This is because:

- *auction prices are lower*
- *factories have no obligation to pay fairly (smallholders feel they have to accept any price no matter how low due to the perishable nature of their product)*
- *the quality may be lower because there is no smallholder organisation to educate smallholders.*