

What non-governmental organisations can do

This chapter of the guidelines suggests some ideas for action by NGOs in working with smallholders and others to help implement labour standards. It also includes some good practice recommendations for companies working with smallholders, derived from ETI NGO members' own experience.

8.1 Background

Well-developed strategies will be needed to enable the large number of smallholders currently involved in global supply chains to implement the guidelines and maintain their market share of export crops. NGOs will be concerned that increased regulation of smallholders may lead exporters to cut costs by sourcing less production from them, having an adverse effect on rural populations in supplier countries.

8.2 Recommendations for the role of NGOs

If the *ETI smallholder guidelines* are to be effective, smallholders must buy into the process, feeling that they have some control over its implementation. While some companies and smallholders have excellent relations, this is not always the case. NGOs have a wealth of experience of techniques that are essential if companies and smallholders are to work together as partners. These are some of the things that NGOs can do:

- provide organisational support and capacity building to smallholders and smallholder groups, developing their ability to engage with buyers and companies and building feedback into the smallholder – company relationship;
- provide training and capacity building for companies, helping them to develop a more farmer-centred approach, increasing transparency in company smallholder relationships, for example on price – grading issues;
- establish and support links between smallholders, companies and credit or other input providers;
- act as intermediaries between smallholders and companies;
- identify smallholders' knowledge gaps and produce and implement suitable training materials and methods;
- produce the key elements of the guidelines as a simple 'farmer friendly' guide for smallholders to follow in implementing the ETI Base Code, complete with illustrations and bullet point checklists, translated into local languages where needed;
- train companies and smallholders in the ETI Base Code and support planning to meet its requirements;
- develop channels for providing information to smallholders on a sustainable long-term basis. For example, this may be done through rural providers, such as agricultural supply stores, to whom most smallholders turn for advice on farm inputs, investment and practices;



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- develop the capacity of local business development service providers to offer appropriate training to smallholders;
- develop monitoring methods, such as group self-certification and support (along the lines of micro-finance social capital-based methodologies) which are being developed for organic production;
- use a social empowerment approach to the implementation of labour standards, as legislation and policy alone will not be enough.

8.3 NGO recommendations for good practice

8.3.1 Wages and prices

NGOs are concerned about decent wages and fair prices for smallholders and their workers. Part of the problem is the nature of the crops themselves. Crops that spoil quickly or that cannot be stored easily may require delicate and costly storage arrangements or immediate sale of the goods. As a result, when smallholders produce perishable goods, they are more likely to be in contractual arrangements so as to sell their produce quickly. This can make them very dependent on the terms of sale at the moment they must sell their goods and can result in either very low prices or sometimes higher ones. In addition, the need for a quick sell also creates more pressure for smallholders to sell to intermediaries. These may be crop mortgagers who pay in advance for a fixed amount of quality crop but rarely offer good terms of sale (though they sometimes also offer benefits like loans for other needs, such as medicine). Crop characteristics affect when farmers need credit, how much they need, and how critical credit is to farming at all (that is, whether it is necessary for every farmer alike). Credit, and ease of access to it, allows farmers to take risks, including changing their production patterns to meet the standards in supermarket chains.

The reasons why perishable crops are important to smallholders are the very reason smallholders are in the supply chain for these crops. These crops tend to be high-risk. They cannot be grown in plantation settings. Oil palm, rubber, and coconuts (for oil) are often produced on massive industrial plantations as they can be monocropped, they have fairly low risk of spoilage, and they can produce continuously (if averaged out across the plantation). High-risk crops, like snow peas, baby corn and other exotic crops, however, are typically produced under contract-farming systems. Retailers and buyers often buy these crops from smallholders through contracting. The result is that there is a high degree of vertical integration and little freedom for the smallholder to sell at the highest price.

There are several solutions to the prices/wages issues, whatever crop smallholders are producing. Buyers and retailers could fix a price with the producer regardless of whether there is a glut or shortage of the product, which typically make the price vary. Buyers, retailers, NGOs and TUs could help producers to install storage (or some basic) facilities so that perishable crops could be stored. Retailers and buyers could help set this up as a kind of pre-payment, as happens for large orders of most other goods. This may be to the retailers' and buyers' advantage as they would get higher quality goods over a regular period. Retailers, NGOs and TUs should encourage the formation of associations of producers to enable farmers to support one another and avoid the need for an intermediary.

8.3.2 Cash flow and access to credit

This is often a major issue for smallholders, who traditionally lack access to credit while also living with delays in payment and low wages. Some NGOs (Oxfam, for example) have observed that access to credit (along with stability/longevity of trading relationships) is at least as important to small producers as price itself, and sometimes more so.

NGOs and others can work with companies to provide solutions to such problems, looking at cash-flow issues as part of the order/payment cycle. For example, an up-front payment to smallholders, such as a deposit with order, could help alleviate some of smallholders' embedded and permanent cash flow problems. In parallel, buyers/retailers could provide technical assistance that would enable the smallholders to overcome the initial hurdle of costs/skills increases needed in preparation to meet labour standards.