ADAPTING COMMERCIAL PRACTICES AND ENHANCING LIVES OF SMALLHOLDERS AND WORKERS IN KENYA
**EXECUTIVE SUMMARY**

The project ‘Kenya Horticulture – A Fair Deal for Smallholder Farmers and Workers’ brought together Marks and Spencer (M&S), Flamingo Horticulture (formerly Finlays Horticulture), Traidcraft Exchange and the Kenya Human Rights Commission. This enabled the different levels of a traceable green bean supply chain to work in partnership towards better communication, improving commercial benefits for all, more secure supply and improved livelihoods. It aimed to improve the financial stability and wellbeing of smallholder farmers and workers involved in the Kenyan horticultural value chain, who produce fine green beans, and focused on a group of 300 smallholders and 3,000 workers. The project ran from 2013 to 2016. Some of the initiatives started by the project continue to evolve and many of the findings and the impacts of the project have been identified since 2016.

**THE KEY ACTIVITIES OF THE PROJECT**

- Meetings in Kenya and the UK brought together individuals from each part of the supply chain including retailer, importer, exporter, smallholder farmers and packhouse and farm workers’ representatives. These discussions included the key issues of concern for various supply chain actors and what steps could be taken to address them.
- Capacity building for all parts of the supply chain in understanding how the whole supply chain operates. This involved farmers and workers’ representatives visiting various parts of the supply chain, through to the UK shops, and retailers knowing more about the context of Kenyan farmers and workers in their supply chain.
- Capacity building training from the Kenya Human Rights Commission for workers and smallholder farmers on improving communication and representation, amongst other things.
- Flamingo signed a pledge with smallholder farmers committing to buy a minimum volume at a minimum price.
- The farmers improved their cultivation practices, due to the increased focus on and attendance of Flamingo’s good agricultural practices and quality training and due to the establishment of demonstration plots (which also showed costs of production in different seasons).
- Establishing and improving regular meetings between Flamingo and representatives of farmers’ groups and representatives of packhouse and field workers.
- M&S identifying where to make changes in buying practices, after understanding how decisions were impacting the supply chain.

**THE BENEFITS AND IMPACTS OF THE PROJECT**

The project demonstrates that win-win scenarios can be possible, and that these are identified correctly only when the whole supply chain is able to discuss and explore where changes can be made.

- Flamingo and M&S benefitted from the smallholders providing a better quality and more reliable supply, because of increased farmer loyalty. Farmers sold to Flamingo instead of to brokers. Other benefits were reduced food waste, increased shelf life, improved order management and an improved understanding of the detail of the supply chain.
- Smallholder farmers’ profits increased (partly because of improved quality and fewer rejects) and their income has stabilised (because of the pledge). They also benefited from the training and from the improved communication with Flamingo, which meant that a number of issues of concern were raised and resolved.
- Workers in Flamingo fields and packhouses experienced an increase in job security because more workers were put onto permanent contracts, reduced overtime and more notice given for overtime. The combination of increased capacity for raising and resolving issues, and better communication with management, led to a number of issues being resolved.

**LEARNING FOR M&S AND OTHER RETAILERS**

The greatest benefits and positive change can be realised where the following scenarios are in place:

- Buying teams having an openness to change rather than being wedded to the ‘status quo’.
- Having an awareness of the impact of buying practices on smallholder farmers and workers’ daily lives and wellbeing.
- Developing a relational rather than transactional trade connection: getting to know the real people in the supply chain, listening well, respecting each other and working together towards solutions.
- Developing appropriate and workable ways of having two-way communication that involves the whole supply chain (retailer, importer, exporter/supplier and workers’ representatives), extending communication beyond the commercial discussions, and working together to resolve practical issues that improve the lives and wellbeing of workers and smallholder farmers.
- Being open to consider giving the final order earlier, since confirming orders a day or two earlier can make a big difference at the other end of the supply chain.

**SUMMARY DIAGRAM OF THE ACTIVITIES AND IMPACTS OF THE PROJECT**

- Better communications between Flamingo, M&S and workers and with farmers and workers’ committees.
- Improved workers’ conditions.
- Increased loyalty of smallholder farmers, giving greater quality of supply and availability of product.
- Increased financial security for smallholder farmers, increased bean prices, reduced bean price risk and increased income.
- Improved communication and representation for smallholder farmers and workers.
- Improved financial security for smallholder farmers, increased bean prices, reduced bean price risk and increased income.
- Improved quality and reduced rejects.
- Improved shelf life.
- Reduced food waste.
- Change of product specifications and packaging to less bean with a cut-off and more possibilities for bean can be used.
- Improved communication through the supply chain.
- Resolved issues of concern to individual farmers and workers.

**I kicked off this project at M&S to enable us to get much closer to the worker and smallholder farmers in the supply chain. It really helped improve my understanding of the challenges they face and the improved communications and problem solving involved in the project has brought numerous benefits to the business.**

**SUZANNE WEBB, TRADING MANAGER, M&S**

The pdf of the full report and the project summary can be downloaded from www.traidcraft.org.uk/policy-resources/horticulture-adapting-practices
Food supply chains are often long and complex. Much has been written on the challenges of purchasing practices and their impacts on vulnerable workers down the supply chain. This project was instigated to look at these issues, asking the question of how better communication and understanding between all parties in a supply chain could lead to benefits for all involved. An idea conceived by TradeFair Exchange and supported by Comic Relief has yielded significant benefits right through the supply chain and has also produced useful learning that can be applied in other supply chains.

The project ‘Kenya Horticulture – A Fair Deal for Smallholder Farmers and Workers’ brought together TradeFair Exchange, the Kenya Human Rights Commission, Marks & Spencer and Flamingo Horticulture (formerly Finlays Horticulture), to enable the different levels of the green bean supply chain to work in partnership towards better communication, improving commercial benefits for all, more secure supply, and improved livelihoods. It aimed to improve the financial stability and well-being of smallholders and workers involved in the Kenyan horticultural value chain who produce fine green beans, focusing on a group of 300 smallholders and 3,000 workers. The project ran from 2013 to 2016 and some of the initiatives started by the project continue to evolve and many of the findings and the impacts of the project have been identified since 2016.

This report outlines the project’s aims, key activities, a summary of the benefits and then gives more details relating to each action taken and its impact. Since the project was working with a live supply chain and nothing is static, changes have happened since the project ended, and of course, as with any input in a complex system, not all aspects of the project went smoothly.

Therefore the report also covers the limitations and challenges experienced and concludes with next steps and also learning for M&S, other retailers and importers.

With this report, we hope to share the learning of the project with other sectors with similar characteristics and also with other retailers and importers buying perishable products. In practice, supply chains are not unique but are shared, with importers serving multiple retailers and similar issues being found in various product areas. Therefore, the report also covers the limitations and challenges experienced and concludes with next steps and also learning for M&S, other retailers and importers.

Aims of the project at inception

1. 300 smallholder farmers in Meru achieve more predictable and secure incomes from their horticultural activities as a result of their participation in, and support provided by, well-organised effective farmer representative groups.

2. 3,000 workers (packhouse and farm workers) improve their terms of employment as a result of their participation in, and support provided by, well-organised effective worker representative groups.

3. Increased capacity, governance, and performance of worker committees and farmer groups: so that each committee/group can better represent and support their members and directly negotiate appropriate terms of employment with employers and improve farmers’ terms of trade with their buyers.

4. Improved livelihoods of smallholder farmers and workers (packhouse and farm workers) through review, adoption and implementation of progressive practices by farmers, farm workers, and M&S which were piloted and developed by 2016.

5. Improved engagement of all supply chain actors in the targeted supply chain (farmers, farm workers, packhouse workers, importer, retailer) to develop a model of good practice for fairer benefits and risk sharing as well as respect for human rights in perishable product supply chains.
THE PROJECT ACTIVITIES

To achieve the aims of the project, the work centred on improving communications and ways of working along the value chain and included the following activities:

- Capacity building training from the Kenya Human Rights Commission for both workers and smallholder farmers to increase the awareness and understanding of their rights, of Kenyan law and policies, the costs of production, and to improve communication with management, as well as representation and grievance procedures and processes.

- The establishment of efficient working of regular meetings between Flamingo and representatives of farmers’ groups and representatives of packhouse and field workers.

- Flamingo signed a pledge with smallholders which committed them to buying a minimum volume at a minimum price and also gave a premium for delivery of the pledge.

- Holding a number of ‘ways of working’ meetings in Kenya and the UK, bringing together individuals from each of the main parts of the supply chain including the retailer’s buyers, technologists and ethical trade staff, the importer, the exporter, packhouse and farm workers’ representatives and smallholders. Discussions at these meetings included the key issues of concern for various supply chain actors and what steps could be taken to address them.

- Capacity building for all parts of the supply chain in understanding how the whole supply chain operates. Farmers’ and workers’ representatives visiting various parts of the supply chain, through to UK shops, and retailers understanding more about the context of Kenyan farmers and workers in their supply chain.

- Increased focus on and attendance of Flamingo’s ‘good agricultural practices’ and quality training for farmers. Due to this training, and the establishment of demonstration plots, farmers improved their cultivation practices. Demonstration plots on smallholder farmers’ land were conducted to enable farmers to better understand the cost of production in different seasons and when they made a profit.

- M&S identifying where to make changes in buying practices, after understanding how decisions were impacting the supply chain.

- Identifying where policy and legal changes were needed and where there were gaps in enforcement.

- After the project ended, M&S and Flamingo shared the cost of an independent local ethical trading consultant to visit the farmers and packhouse every quarter to hear from workers and staff about the progress on the changes happening in the supply chain.

...
CHAPTER 3

OVERVIEW OF PROJECT BENEFITS

This section outlines a summary of the benefits of the project based on an independent evaluation report. More details on each point are given in Section 4.

**BUSINESS BENEFITS TO FLAMINGO AND M&S**

- Minimum volume and price guarantees have given a stable income to smallholder farmers.
- Smallholder farmers’ profits have increased because quality has improved and rejects reduced due to training. As a result, farmers received a higher income due to increased sales, and because of the minimum price guaranteed by the pledge.
- Smallholder farmers benefitted from the knowledge received from the demonstration plots and from the training on good agricultural practices by Flamingo’s Technical Assistants. During the project, Flamingo’s training became more focused and there was also increased participation and implementation of the training by the farmers.

**BENEFITS FOR SMALLHOLDER FARMERS**

- A reduction in overtime for workers. Now there is better planning and more notice given when overtime is needed (including Flamingo hiring more labour to reduce overtime).
- During the course of the project, permanent workers as a proportion of the total workforce increased from 47% in 2013 to 69% in 2016.

**BENEFITS TO BOTH SMALLHOLDERS AND WORKERS**

- Better communication with management and also full supply chain meetings have resulted in specific issues of concern being raised and resolved for both workers and smallholder farmers.
- An increase in the capacity and confidence of workers and farmers to raise issues, negotiate and bargain, has also led to progress on a number of issues of concern to these groups. Building the capacity of the welfare committee and establishing more formal grievance procedures has also contributed to the progress achieved.

**RECOMMENDATIONS**

- Improved understanding of the detail of this supply chain both for Flamingo UK and M&S.

**FLAMINGO, KENYA**

“Farmers maintained product supply. When there was a drought and there was a shortage of the product in the area, the smallholders kept us moving and we are proud of them. They didn’t sell the product to other parties. The out-growers (smallholders) kept committed to Flamingo and kept us operational so we didn’t have to make as many people redundant as other local companies did."

EMAIL TO MARKS & SPENCER FROM IAN MICHELL, MD PRODUCE, GROUP TECHNICAL, AGRICULTURE & PROCUREMENT DIRECTOR, FLAMINGO UK. APRIL 2017

**FLAMINGO FIELDS AND PACKHOUSES**

- Smallholder farmers have provided improved quality and reliability, resulting in better consistency of supply.
- Increase in farmer loyalty to Flamingo. Instead of selling beans to brokers, they have continued their supply to Flamingo. This was particularly noticed during a challenging drought period in Kenya. As a result, M&S has had better availability of this product compared to other retailers. This demonstrates a clear business case for this improved way of working, where all parts of the supply chain meet and work on effective communication.
- Reduced food waste at smallholder farms and at the packhouse because of changes in product specifications.
- Collaboration between different actors in the supply chain has improved order management and made it possible for orders to be confirmed earlier, improving both production planning and shelf life.

**BENEFITS FOR WORKERS IN FLAMINGO FIELDS AND PACKHOUSES**

- Smallholder farmers have provided improved quality and reliability, resulting in better consistency of supply.
- Increase in farmer loyalty to Flamingo. Instead of selling beans to brokers, they have continued their supply to Flamingo. This was particularly noticed during a challenging drought period in Kenya. As a result, M&S has had better availability of this product compared to other retailers. This demonstrates a clear business case for this improved way of working, where all parts of the supply chain meet and work on effective communication.
- Reduced food waste at smallholder farms and at the packhouse because of changes in product specifications.
- Collaboration between different actors in the supply chain has improved order management and made it possible for orders to be confirmed earlier, improving both production planning and shelf life.

“Farmers maintained product supply. When there was a drought and there was a shortage of the product in the area, the smallholders kept us moving and we are proud of them. They didn’t sell the product to other parties. The out-growers (smallholders) kept committed to Flamingo and kept us operational so we didn’t have to make as many people redundant as other local companies did.”

EMAIL TO MARKS & SPENCER FROM IAN MICHELL, MD PRODUCE, GROUP TECHNICAL, AGRICULTURE & PROCUREMENT DIRECTOR, FLAMINGO UK. APRIL 2017

**FLAMINGO, KENYA**

“The packhouse is still operational (despite the severe drought and other packhouses having to close) and will remain so as the out-growers (smallholders)’ products from other regions still remain stable (especially the pledged M&S growers from Lewa and Meru region) which is a credit to our new pledge and farmer loyalty scheme, enhanced by the ways of working project with M&S.”

EMAIL TO MARKS & SPENCER FROM IAN MICHELL, MD PRODUCE, GROUP TECHNICAL, AGRICULTURE & PROCUREMENT DIRECTOR, FLAMINGO UK. APRIL 2017
There was an overlap in the different activities which yielded a number chain. The information in this section has come from an independent impact assessment. Although this chapter is written in the past tense for a Sunday, the process is outlined below:

- Smallerholder farmers obtained a better product quality, which in turn built confidence, and also increased the value of the beans as they were selling their crop in the face of competition.

- Smallerholder farmers had sufficient income and confidence to invest in better harvesting inputs and selling the beans of a better quality.

- Smallerholder farmers were able to provide their beans at a higher price because of the shared understanding of the problems and possible solutions.

- Smallerholder farmers had the ability to identify and resolve issues (including quality) because of a shared understanding of the problems and possible solutions.

- Communication between the workers and management was improved and workers raised issues through the Workers’ Committee that had been resolved.

- The workers were able to set up a platform for discussion and address issues.

- The effectiv ness of the Workers’ Committee and grievance procedures were improved.

- Quarterly meetings were held between Flamingo management and worker representatives and also with farmer representatives.

- The effectiveness of the Workers’ Committee and grievance procedures were improved.

- Quarterly meetings were held between Flamingo management and worker representatives and also with farmer representatives.

- The proportion of workers on permanent contracts increased from 47% in 2014 to 65% in 2015, therefore improving the workers’ financial security. There were fewer redundancies as the packhouse did not then have any contracts. The price paid for the beans that the farmers received was significantly increased.

- Direct engagement between worker training topics included grievance handling, labour law with a focus on freedom of Association, governance, leadership negotiation, bargaining communication skills, contracts and M&S. Input also aimed to improve the structure of workers’ committees to better represent the workers and improve the formal grievance procedures.

- The workers were able to set up a platform for discussion and address issues.

- Communication was improved, it was easier to resolve problems and trust increased.

- Smallerholder farmers had the ability to identify and resolve issues (including quality) because of a shared understanding of the problems and possible solutions.

- Smallerholder farmers had the ability to identify and resolve issues (including quality) because of a shared understanding of the problems and possible solutions.

- The proportion of workers on permanent contracts increased from 47% in 2014 to 65% in 2015, therefore improving the workers’ financial security. There were fewer redundancies as the packhouse did not then have any contracts. The price paid for the beans that the farmers received was significantly increased.

- Direct engagement between worker training topics included grievance handling, labour law with a focus on freedom of Association, governance, leadership negotiation, bargaining communication skills, contracts and M&S. Input also aimed to improve the structure of workers’ committees to better represent the workers and improve the formal grievance procedures.

- The workers were able to set up a platform for discussion and address issues.

- Community saw a price giving a guaranteed minimum price to farmers, even if good weather conditions meant a surplus was produced and market price decreased significantly. This meant that farmer payment was (on average) more than the market value if droughts or floods reduced production and increased the market price. Flamingo got paid closer to the market price even if it was more than the market price.

- Minimum monthly order volume: 30% of M&S programmes/longest term plan (with Flamingo) was given 20 weeks in advance.

- The aim was to improve the financial price and payment to a smallholder farmers in the process of being renewed/extended at the time of writing the report.

- Financial risk has improved because of an increased certainty that a minimum weight of crops will be paid at a minimum price.

- Increased overall income has given farmers more economic empowerment, so they can spend money on what is important to them, such as building their businesses and supporting their children’s education.

- Minimum order volume: 30% of M&S programmes/longest term plan (with Flamingo) was given 20 weeks in advance.

- The aim was to improve the financial price and payment to a smallholder farmers in the process of being renewed/extended at the time of writing the report.

- Financial risk has improved because of an increased certainty that a minimum weight of crops will be paid at a minimum price.

- Increased overall income has given farmers more economic empowerment, so they can spend money on what is important to them, such as building their businesses and supporting their children’s education.

- Minimum order volume: 30% of M&S programmes/longest term plan (with Flamingo) was given 20 weeks in advance.

- The aim was to improve the financial price and payment to a smallholder farmers in the process of being renewed/extended at the time of writing the report.

- Financial risk has improved because of an increased certainty that a minimum weight of crops will be paid at a minimum price.

- Increased overall income has given farmers more economic empowerment, so they can spend money on what is important to them, such as building their businesses and supporting their children’s education.

- Minimum order volume: 30% of M&S programmes/longest term plan (with Flamingo) was given 20 weeks in advance.

- The aim was to improve the financial price and payment to a smallholder farmers in the process of being renewed/extended at the time of writing the report.

- Financial risk has improved because of an increased certainty that a minimum weight of crops will be paid at a minimum price.

- Increased overall income has given farmers more economic empowerment, so they can spend money on what is important to them, such as building their businesses and supporting their children’s education.

- Minimum order volume: 30% of M&S programmes/longest term plan (with Flamingo) was given 20 weeks in advance.

- The aim was to improve the financial price and payment to a smallholder farmers in the process of being renewed/extended at the time of writing the report.
LIMITATIONS AND CHALLENGES

FLAMINGO FIELD WORKERS AND PACKHOUSE WORKERS

Although the field workers and packhouse workers directly employed by Flamingo did benefit from the project, the smallholder farmers became the main focus of the project activities.

Living Wages

The workers’ wage levels are still challenging in that region of Kenya, even though Flamingo pays above the minimum wage and more than other companies in the region. Packhouse workers earn 145% of the legal minimum wage. However, 100% of workers interviewed stated that the pay was not sufficient to live on. This is a difficult issue in many sourcing countries around the world. Flamingo is making other efforts to improve the financial stability of their workforce, including financial literacy training and also ‘Emerging Leaders’ training for workers which includes a financial management module and how to start a small business outside of working time.

Welfare Committee

Flamingo has a workers’ welfare committee that goes beyond the legal requirements and it generally works well, but as with all consultative committees, there are always ways those functions could improve. Worker representatives wanted a more meaningful engagement in relation to how Flamingo set wages, and in how the redundancy processes were managed. However, due to restrictions of Kenyan law, Flamingo cannot legally negotiate wages with a workers committee, only with a union.

Job Security

In the time period of the project, the exporter-importer company was sold and the new owners made some changes which resulted in approximately 10% of the workforce being made redundant to ensure the company remained profitable. The company continues to hire workers when possible. Also, due to droughts in 2016, all the companies growing beans in that region had to make redundancies. Some other companies had to close down for months. Flamingo had to make far fewer redundancies than other companies in the area because of the continued production from smallholder farmers, which kept beans coming through the packhouse, keeping those workers employed.

Training

The impact assessment report also noted that although there was a ‘train the trainer’ model with the training of worker representatives and farm group officials, more needed to be done to ensure the training continued. It needs to be institutionalised into the company’s training program and provisions made to ensure training is passed on to new representatives and officials after election.

QUOTES FROM THE WELFARE COMMITTEE FOR FLAMINGO WORKERS

• “Most grievances from workers are solved at the lower level without having to be escalated to the HR level.”

• “I am happy being a welfare committee member because I was elected by workers. Given another chance I will still represent the workers.”

• “At times we are not happy, especially when reporting an issue between a supervisor and a worker to the HR office. Many times this causes hostility between the supervisor and the concerned worker, and the committee member responsible for that section.”

Additional markets

Farmers requested Flamingo’s assistance in finding additional markets for beans that are produced above M&S and other retailers’ final orders and/or that don’t meet the ‘premium’ standards, to reduce their losses.

Return of rejected produce

Smallholders wanted the rejected produce to be returned to them rather than being disposed of by Flamingo, so they can use it for feed etc. This is still being considered resolved.

Change point of transfer of ownership

Farmers wanted the transfer of ownership of the beans to be at the local grading shed (the collection point for Flamingo trucks to pick up beans) rather than where it currently is, at the Flamingo packhouse, where beans are received and checked for quality. Rejections made at the packhouse can be a source of mistrust for the smallholder farmers because they are then at risk of not being paid for some of the crop they perceived as good quality when it left the grading shed. Flamingo has decided that at this stage transfer of ownership needs to remain at the Flamingo site/packhouse for various reasons, including the difficulty of implementing transfer of payment before the receiver has checked quality. However, to address the concerns, Flamingo made the following changes:

• New scales were installed at farmers’ sites, because inaccurate scales had been causing discrepancies.

• The Flamingo packhouse was moved closer to the farmers, so it became a one hour drive from the smallholder farmers, to Timau, rather than a five hour drive to Nairobi.

• Smallholder farmer training was conducted at the packhouse, so the farmers could see the product being received, graded and processed. This increased their understanding of acceptable production standards.

ISSUES RAISED BY SMALLHOLDER FARMERS THAT REMAIN UNRESOLVED

Minimum price, surplus and the Kenyan context

Flamingo has contracts in place with smallholders in compliance with the Horticultural Crops Development Authority Order, 2011. The contracts are registered with the Horticulture Crops Directorate (HCD) and include the produce price, quantity, quality requirements and the transfer of ownership point. The quantities collected may sometimes be less than the total produced because of fluctuating orders from retailers and surplus production.

The contracts provide for a mechanism where parties agree on the best way to mitigate losses in such instances. With the system of the minimum price provided by Flamingo to smallholders if the smallholder farmers are producing a surplus due to good weather conditions. In that situation, Flamingo may have specified the use, but they are only able to buy the amount they need for M&S and other customers’ requirements. However, smallholder farmers obviously want Flamingo to buy all they have produced for the guaranteed price rather than the market price (which is lower because of the surplus).

Flamingo has two types of agreements with smallholder farmers: Smallholder Producer Organisation (SPO) agreements and normal contracts for smaller farmer groups. (SPO is an umbrella group for a few small farmer groups.) Some of the volume for M&S is supplied under SPO agreements and the surplus farmers sell is governed by normal contracts (in accordance with the Horticultural Crops Directorate). If the farmers can provide a guaranteed price rather than the market price (which is lower because of the surplus), they can use it for feed etc. This is still being considered resolved.

Daily workers to smallholder farmers

In the original project aims, the group hoped to help improve the conditions and financial security of the daily workers on smallholder farms. However, the initial focus of the project needed to be increasing the income and financial security of the smallholder farmers themselves. Although the daily workers were not a major focus of the project in the end, it is hoped that their lives may have been improved by the fact that smallholder farmers’ incomes have increased and their security has been increased.

Focus on a small part of the picture

A comment from Flamingo was that this project has required a lot of time and effort, and focused on a small part of their whole supply chain and may have meant fewer projects and efforts could be made in other parts. However, this project has passed on recommendations which are highly relevant for other perishable products.
CONTINUED MOMENTUM AND IMPROVEMENTS

• M&S and Flamingo continue to work together to find the right mechanism for maintaining good two-way communication with the whole supply chain, as this often a limiting factor in keeping momentum going with projects and partnerships. Since the project ended conference calls have been trialled, and currently M&S and Flamingo have appointed a consultant to support the businesses in hearing from smallholder farmers and workers who were involved in the project.

• Flamingo is continuing to consider the challenge of wage levels. Performance related pay has been beneficial but it’s still hard to live on the wages provided, despite being above the minimum wage. This is not only an industry-wide issue in Kenya but is a challenge in many supply chains around the world.

• M&S, Flamingo and the farmers are working together to review and renew the pledge given to farmers which includes minimum volumes and a premium on the price. Potentially, this could be extended to other groups of farmers in Flamingo’s supply chain.

• M&S would like to consider more options to improve supply chain management in order to further improve product quality and availability throughout fluctuating weather conditions. The supply chain has evolved in size and complexity, especially within the edible crop and increase shelf life. For example, in this supply chain, this could involve cooling the product as soon as it is picked. This could extend the shelf life by up to 20 days, which could then allow for sea freight rather than air freight, a strategic opportunity to share the learning more widely, particularly in relation to sourcing other perishable products, or sourcing from smallholders.

• M&S is considering how best to communicate the products’ positive story to consumers.

• Flamingo has noted that there are other crops/supply chains in Kenya (peas, mangetout, sugar snap) and also in other countries that could benefit from this process and from better communication with order management teams in M&S and other retailers.

• M&S are working to understand how they can extend the principles learnt and developed from this project to other products.

• M&S has noted that better planning is needed. For this product they were able to make final orders one day earlier which had a large positive impact, so they now want to engage others within M&S to attempt to increase lead times on other products. There is still room for improvement for M&S to continue to work on order planning for this product, which would enable Flamingo to provide more accurate planting calendars and more accurate distribution of seeds.

SHARING AND EXTENDING THE LEARNING

• The knowledge from the programme has been shared with the wider industry because these problems are not unique to M&S’ sourcing. The sharing has included sessions at the Ethical Trading Initiative and at the United Nations Business & Human Rights forum. M&S and TradeCraft Exchange are open to opportunities to share the learning more widely, particularly in relation to sourcing other perishable products, or sourcing from smallholders.

• M&S is considering how best to communicate the product’s positive story to consumers.

• Flamingo has noted that there are other crops/supply chains in Kenya (peas, mangetout, sugar snap) and also in other countries that could benefit from this process and from better communication with order management teams in M&S and other retailers.

• M&S are working to understand how they can extend the principles learnt and developed from this project to other products.

• M&S has noted that better planning is needed. For this product they were able to make final orders one day earlier which had a large positive impact, so they now want to engage others within M&S to attempt to increase lead times on other products. There is still room for improvement for M&S to continue to work on order planning for this product, which would enable Flamingo to provide more accurate planting calendars and more accurate distribution of seeds.

ALL OF THE TEAM INVOLVED IN A PRODUCT, INCLUDING BUYERS, TECHNOLOGISTS, MERCHANDISERS AND NEW PRODUCT DEVELOPERS, CAN LEARN LESSONS FROM THIS PROJECT AND APPLY THEM TO THE DEVELOPMENT, SOURCING AND SALE OF DIFFERENT PRODUCT TYPES.

M&S would like to spread the learning to other product lines as well as encourage people in similar roles with other retailers to take steps to put some of these principles into action.

OPENNESS TO CHANGE

A key aspect of whether something like this can work is whether all parties are open to changing the way they operate for the benefit of the supply chain as a whole, and for the workers and smallholders. It is dependent on the mindset and character of the buying team and whether they are wedded to the ‘status quo’.

AWARENESS OF THE IMPACT OF BUYING PRACTICES ON WORKERS

Some of the learning for M&S has included understanding that ordering patterns can create challenges for the supplier, smallholders, workers and sometimes even conflicting with the requirements of M&S labour standards commitments.

RELATIONAL RATHER THAN TRANSACTIONAL SUPPLY CHAIN CONNECTIONS: COMMUNICATION

This kind of approach requires a departure from a transactional trade connection to a relationship. This involves getting to know the real people at each level of the supply chain, respecting each other and engaging with them as people, listening well, and working together towards solutions.

In this project, a key aspect of this shift was increased communication across the whole supply chain. In a supply chain, having open communication between retailer importers, exporters, workers and smallholders means that there is potential for a good mutual understanding and any issues that arise can be resolved more easily.

Care needs to be taken in the set-up of supply chain meetings. It is essential that each stakeholder group is able to nominate their own representatives to speak at the meeting without interference. It can help if some meetings are independently facilitated and capacity building prior to the meeting can also be helpful. However, this isn’t practical for all dialogue.

Some points to consider:

- Ideally, where possible, an initial face-to-face meeting can help to establish trust and confidence in the process.
- The option of holding whole supply chain phone conference meetings could be explored at a frequency which works for all the supply chain stakeholders. Discussions could include what is going well, what is going not so well and in terms of producers/works/employees, what are the frustrations or issues and then working together to brainstorm solutions. These meetings are important to find out what is actually important to the workers and smallholders and what can be put in place to improve these areas.
- Finding a practical mechanism for this regular dialogue without it costing lots of money is key to sustaining communication (e.g. conference calls, dialling up people’s mobile phones).

Video conferencing may not work well with limited internet in some sourcing countries. In this project, Skype voice calls with multiple participants has worked best so far.

VALEING THE ROLE AND PERSPECTIVE OF A 3RD PARTY

Openness to hearing different perspectives on the same issue is also vital for finding a solution. In this project, the involvement of a third party helped to identify issues and bring resolution through facilitated conversations. This involvement, at times, built the confidence of the weaker party to speak up in meetings, and helped solutions to be found that involved all parties, in a way that might be difficult in normal business interactions because of inherent power dynamics. Generally, M&S would visit its suppliers in Kenya at least once a year. The attendance of a third party prompted a different type of dialogue to take place which enabled more time to be given to understanding the challenges for all members of the supply chain.
LEAD TIMES AND FORECASTING

In this project, M&S changed the time new product development teams could work together differently and not be stuck with how things have been done in the past. Being flexible about the length of the bean sold, its packaging and how it was cut, resulted in more bean volume being usable to be sold. The planting programme is expected to yield the agreed weight of product set out in the pledge agreement.

PRODUCT SPECIFICATIONS: THINKING OUTSIDE THE BOX

This project saw significant benefits being passed on to smallholder farmers, because of different stakeholders in the supply chain being open to doing things differently and not being stuck with how things have been done in the past. Being flexible about the length of the bean sold, its packaging and how it was cut, resulted in more bean volume being usable to be sold. Technologists, buyers, merchandisers and new product development teams could think through questions such as:

- Is the product dictating the packaging or is the packaging dictating the product? If the packaging was changed would it give a way to improve value to the supply chain or create less waste?
- How small changes can be made that will release value, that can be passed on to workers/smallholders?

QUARANTAINING A MINIMUM INCOME

In this project, the supplier Flamingo negotiated a pledge with the smallholder farmers and provided them with a guaranteed minimum volume that they would buy and a minimum guaranteed price. This increased the smallholder farmers’ loyalty and therefore the reliability of supply. The farmers knew it was worth their while tending the crops to meet quality specifications because they were guaranteed a sale.

Working together with suppliers, buyers could investigate how reliability of income could be made more secure for other small-scale farmers of perishable crops. Could minimum volumes and/or minimum prices be included in pledges or contracts?

INVESTMENT OF TIME AND RESOURCES

The approach taken throughout the project clearly has benefits for every level of the supply chain but does take commitment of both time and people/resources.

FLEXIBILITY IN FINDING SOLUTIONS

Every single product and supply chain has to look at its own structure to see what changes could be appropriate and beneficial. When attempting this kind of approach, it’s important to be aware that some changes may be tried and then the situation may change over time depending on market circumstances. It’s important to have a flexible approach that allows solutions and interventions to evolve. It helps to focus on enabling each of the supply chain participants to speak up and to develop solutions together.

LONG-TERM COMMITMENT

Wherever possible, having longer term relationships with particular suppliers enables this kind of progress to happen, because trust needs time to be built.

An investment in making improvements in a supply chain through better communication can be a long term process. In addition, commitment to suppliers means security of jobs for workers.

KEY FEATURES OF THE “PLEDGE” AGREEMENT RELATING TO MINIMUM VOLUMES AND PRICE

The following text includes key relevant sections of the Flamingo pledge with Small Producer Organisations of farmers’ groups.

Text in [square brackets] indicates sections to be replaced, if agreements like this are to be adopted by other exporters with their smallholders.

Agreement is made on [date] between [Small Producer/Farmer Group & legal address] and [Exporter & legal address].

[Exporter] has agreed to engage the services of [Small Producer/Farmer Group] to plant, nurture, and harvest [types/names of crops] crops.

The agreement will be read in conjunction with [Exporter’s] Code of Practice for Outgrowers, Global Gap, [Retailer standards] and other industry standards that shall apply during the agreement.

It is agreed and understood between the parties as follows:

1. Duration

Commence on [date], and remain in force for a period of one year. Discussions regarding renewal of the agreement will start three months prior to the expiry of the one year period.

2. Volumes

[Exporter] will purchase on a weekly basis, a minimum of [X] kg/week of [product] from [Small Farmer Group] specifically destined for [Retailer].

3. Price

[Exporter] will pay minimum price (associated with purchases for [Retailer]) of [Y] [currency] per kg of [product].

4. Pesticide residue testing

[Exporter] shall carry out routine tests for pesticide residues. In the event that Maximum Residue Levels are found to exceed EU/UK standards or the use of non-approved chemicals is detected, then this Agreement is terminated immediately, and [Exporter] shall not be liable for any direct or consequent losses incurred by [Small Producer/Farmer Group].

5. Payment

The planting programme is expected to yield the Agreed Weight of product set out in [Appendix 1]. [Exporter] will buy the Agreed Weight of the product at the Agreed price. Payment for the Agreed weight of product supplied shall be made within one week from the last day in the week produce is delivered. [Small Producer/Farmer Group] shall submit any claims for erroneous payments within two weeks from date of the receipt of the statement from [Exporter]. [Exporter] will respond to such claims in writing within two weeks of receiving them.

6. Dispute Resolution

Any dispute in connection with this Agreement shall be first resolved by means of joint cooperation or discussion between representatives of both parties within one week after a dispute arises or an extended time period as the parties may in writing allow; failing which, the same shall be referred to arbitration by [Kenyan Horticulture Crops Directorate (HCDC)].
REFERENCES

1 Useful resources include:
   - The Joint Ethical Trading Initiative’s Guide to buying responsibly, based on international research carried out by the International Labour Organisation
   - Fresh Perspectives, Traidcraft Exchange https://www.traidcraft.org.uk/policy-resources/2017/10/20/fresh-perspective-responsible-vegetable-buying
2 www.traidcraft.org.uk/
3 www.comicrelief.com
4 www.khrc.org
5 https://corporate.marksandspencer.com
6 https://flamingo.net/
7 UNDP 2013
9 Independent impact evaluation report in November 2016, conducted by an independent consultant, Mike Muchila, in consultation with farmers in Muru and Lewa, Flamingo workers, Traidcraft Exchange, Kenya Human Rights Commission, Flamingo and M&S.
10 This information has been taken from the independent impact assessment (see reference 9) and also interviews with: Matt O’Hagan and Chris Ling, the agronomist and buyer for green beans at M&S, Fiona Gooch at Traidcraft Exchange, Martin de la Harpe, Sustainability for Flamingo; Ian Michell, MD Produce, Group Technical, Agriculture & Procurement Director at Flamingo UK and Leonard Nawiri, Ethical Trade Services.
11 Interview with Leonard Nawiri, Ethical Trade Services, who visits the smallholders and workers every quarter to check on the progress of project outcomes. Interviews with packhouse workers.
12 Reported by Leonard Nawiri, Ethical Trade Services, who visits the smallholders and workers every quarter to check on the progress of project outcomes. Interviews with packhouse workers November 2017.
13 Ian Michell, MD Produce, Group Technical, Agriculture & Procurement Director at Flamingo UK.
14 Conversation with M&S buyer and agronomist.
The project ‘Kenya Horticulture – A Fair Deal for Smallholder Farmers and Workers’ brought together Marks and Spencer, Flamingo Horticulture, Traidcraft Exchange and the Kenya Human Rights Commission, enabling the different levels of the green bean supply chain to work in partnership towards better communication, improving commercial benefits for all, more secure supply and improved livelihoods.

It aimed to improve the livelihoods of smallholders and workers involved in the Kenyan horticultural value chain, who produce fine green beans. The project resulted in a number of benefits for all levels of the supply chain and has produced some useful learning for other supply chains dealing with perishable products and/or smallholder farmers.

The specific benefits yielded from this project include improved quality, better availability of product, less food waste, longer shelf life and more loyal and reliable supply. This comes alongside the associated benefits of higher and more stable incomes for farmers, more secure employment for workers and a better alignment of the retailers’ buying practices with its code of conduct for working conditions in supply chains.

This joint report produced by Traidcraft Exchange, Marks & Spencer and Flamingo Horticulture contains a summary of the project, outcomes, impacts and lessons learnt for retailers, importers and other purchasers of perishable products or agricultural crops from smallholders.