**Beatrix:** If we don't focus on those smallholders, we're not going to able to meet our nutritional requirements globally.

**Nicholas:** the supply chain is made up of costs. And I think that is the thing, we need to slowly build the real cost. And there we were talking about the unpaid work of women in the family really, it's not just women, it's support work to production. But, of course, you could take the environmental cost, and that is a real cost.

**Dorothy:** We're starting from a hard space, and there's been a lot of damage that's been done, not, of course, on purpose, and not, of course, being knowledgeable of that. But I think shame on all of us who have been part of a system that has built us to get here, but we all have to work together to make it better as we go forward.

**John:** Hello, and welcome to Building Better Business, the podcast that explores how business can shape our world for the better, and how we can all help. This episode is about the people that actually grow our crops, the agricultural products that go into our food, be it cocoa, sugar, tea, coffee, peanuts, and so on and so forth. Most of the world farms are smallholder farms, and a lot of these smallholder farmers are some of the poorest people in the world. So today's episode is very much about these farmers, and we are very privileged to have three fantastic guests with us today.

So first of all, I’d like to introduce Dorothy Shaver, who's the Global Food Sustainability Director for Unilever. Welcome Dorothy.

**Dorothy:** Hi, everyone. Thanks for having me here today.

**John:** Good to have you here. I would also like to introduce, Nicholas Hoskyns, Managing Director of The Ethical Trading Company, ETICO, and an organic peanut farmer from Nicaragua. Hi Nick.

**Nicholas:** Hi, peanuts and sesame, John.

**John:** Oh, peanuts and sesame, fantastic. And finally, I’d like [00:02:00] to introduce Beatrix Richards, the Senior Corporate Engagement Manager from Solidaridad. And great to have you here too Beatrix.

**Beatrix:** Thanks very much, John. It's great to be here. Thank you.

**John:** It's fantastic to have all three of you here, and I think it gives us a really good opportunity to discuss farmers and how to improve their livelihoods. I mean, first of all, looking at these commodity markets, at Cafédirect, we work primarily in coffee. But, I mean, the price of these commodities are influenced by huge global market forces and volatility can be extreme, and this is very challenging really for farmers, and I’m quite keen to hear about how we all see this as a situation, so in understanding the situation. Nicholas, why don't you, just from a farmer's perspective, how do you see the volatility in these markets affecting farmers?

**Nicholas:** Well, I mean, it's absolutely terrible, really, because when you plant your crop, you very rarely know what price you're going to be able to sell at. And I think coffee, the product that Cafédirect is working with, is the most developed sort of market price where the price can go up 10% in a day and down 10% the next day. And this moving target for farmers, when you've got a crop that's already in the ground for three years, and you're working on it, and you're harvesting, and the only real unknown is the market price. And, of course, with fair trade, the minimum and the stability that that's given has really, really helped. But, of course, the majority of trade is not run on a fair trade basis or with minimum prices.

So it's a very, very difficult, yeah, environment. Who else would go to work every day not knowing what their wages were? Would [00:04:00] anyone else in the supply chain be forced to do that? And I think that's what the very volatile market price means for farmers.

**John:** Dorothy, what would your perspective be, and you're working probably across quite a few commodities?

**Dorothy:** Yeah, sure. So, as you said, a lot of people earn their income by working on family smallholding, and with generations of experience, these smallholder farmers often know more about their local conditions than anyone else does. So I think it's really important for us to value smallholder farmers, and that's what we do at Unilever, of course. They face a lot of challenges as was just lined out by Nicholas and also you in relation to life can be hard, income can be low, and changing climate is really affecting harvests, making their livelihoods even more fragile.

So I really think there are huge opportunities for businesses like Unilever to help overcome these challenges, because with the right support, smallholders should and can be really at the forefront of global efforts to protect and regenerate nature, because if some of these smallholders were empowered to use sustainable and regenerative agriculture practices, which is what we're trying to do, they can replenish their own land for their generation, and, of course, future generations, hopefully, over time, boosting yields, while really building that resilience.

And then, this way, of course, farmers and their families will thrive, and in the end, of course, also helping the planet, because they're not just helping their livelihoods, they're also helping the life of, of course, the soil, which will enable them to have the farm for more years going forward. Particularly, in Unilever, we really rely on smallholders for a sustainable supply of some of our most important ingredients, including tea, palm oil, vegetables, and cocoa, so this is why we really need to include our smallholders in our efforts to promote regenerative farming, which is what we're doing now to enable them to really protect biodiversity and ensure deforestation-free supply chain by 2023.

So just really a couple of key points on what we're doing in Unilever. We have, since 2010, [00:06:00] we've empowered 834,000 smallholder farmers to improve their agricultural practices, and their livelihoods. We have, of course, partnerships around cocoa that support the smallholder farmers to gain security and tenure of their land, as we know is one of the major challenges particularly in the cocoa supply chain.

In Indonesia, we've been helping smallholders to grow palm oil, and to switch to more sustainable farming practices which have improved their yields and their incomes. We've worked with 30,000 certified smallholder palm oil farmers to benefit from our purchase of their independent, smallholder RSPO credits, and actually working in Africa, particularly, we have moved so that 60% of inputs are purchased locally. So what we've done is we've really looked to see how can we utilize more of the ingredients that smallholders are growing in Africa by substituting even some of the local ingredients like mung beans and cassava for imported alternatives. So it isn't just, of course, about the practices, it's also about the ingredients themselves.

So that's a little bit about our position and what we're doing with smallholders in Unilever, I think it's really, for me to point out that we see smallholder farmers really at the forefront of what we want to do within our supply chain, and really believe in empowering them to have them have successful yields and livelihoods as we go forward.

**John:** I just want to bring Beatrix in as well to get your perspective at the start of this conversation.

**Beatrix:** Well, in terms of our organisational position, we put – Solidaridad is a network organisation, devolved network organisation, and we put smallholders and workers right at the centre of our mission and our vision for the organisation; and the reason for that is that there's, I think, it's something like over 640 million smallholder farmers globally, and that's the number that fall below five hectares. So there's a [00:08:00] range within that, you've got the one to two hectares that are obviously very small, and then, you've got sort of going up to medium.

And then, beyond that, you have a much more significant proportion that have much more significant amount of land, should I say. And we're focused very much on those smallholders that are sort of below five hectares, and those are the ones that actually produce around 30%, just over 30%, about 35% of global food, so they're pretty critical, they're the backbone of food, the supply chain. And if we don't focus on those smallholders, we're not going to be able to meet our nutritional requirements globally. So there's a huge amount of investment that has to happen for those particular smallholder farmers.

And so, at Solidaridad, as an organisation, we focus very much on training and bringing those smallholders into a more profitable setup, and one of the major issues that those smallholders face is that they simply don't get enough share of the income within the supply chain, so many of these smallholders are operating below poverty lines. So that's one of the other key issues that we need to deal with.

**John:** It's great that you're bringing us back to the economic side as well, because I can remember being in a workshop, sustainable food systems and looking at the share of value over the last 20 years, and the share of cost and how much inequality is in that, and how the shift has been away from smallholders.

**Beatrix:** Yeah, it's declined significantly. The overall share, the share at the top end, or the consumer end of the supply chain has gone up significantly. The end consumer price, they now have more than 30%, whereas in 1995, it was around 20%. I think it's gone up by about 11 or 12%, whereas the smallholder farmer, they've actually reduced in terms of the share that they get, so it's gone below six, I think it's now at about 11 or 12%, whereas it was nearer to 16 or 17. For some commodities, if you look at chocolate bar, it's 4 to 7% of [00:10:00] the consumer price share that they get.

So it really is a key issue, because if you don't deal with a smallholder value, then they're going to become so demoralised, what you then tend to see is people leaving the sector completely, so that you've got an ageing population. For example, in coffee, if you're a coffee grower in West Africa, the average age of a coffee grower now is in their 50s. So you're not getting young people coming into the sector. So it's actually really is an important issue. It really is the future of future food security that we're looking at here, if we don't bring smallholder farmers more into the equation.

**John:** It sounds like we all know the importance of smallholder farmers, and we're all embracing the idea of empowering them, and we're all probably starting from different places with different capacity to do so as well, which is one of the considerations, I think. I certainly, when Dorothy was touching on impairment, it made me realise, I ought to say a little bit about Cafédirect in this podcast, because sometimes I just host and don't say much. But I was doing a talk this morning to one of our shareholders in Holland, which is why I’m in Holland, and we were founded with our only job is to improve the livelihoods of smallholder farmers and the environments in which they live.

So certainly, if you read our articles of association, our commitment to smallholder farmers is deeply ingrained in the governance of the organisation, and the requirements of it. And that was 31 years ago, so I think we're very focused on smallholder farmers, and, I guess, that's why we have them on the board of directors as well is to make sure that that voice is there and that we're accountable to smallholder farmers, so there's no hiding place for us.

And Beatrix, you're touching on the question of the economics there, and over time, it's not got – the share has not really moved in the right direction. I mean, I find it, philosophically, very disappointing, where we're starting from, [00:12:00] but, I mean, it's quite clear that we need to move significantly to create greater equality in supply chains to enable some of the basics to be done, I guess. Do you want to build on the point you made?

**Beatrix:** It's about investment, so one of the key things that I’ve learned sort of being in Solidaridad now, for a number of years, is so much of it is around investment and building capacity at smallholder farmer level, and that investment, within the supply chain, has to come from somewhere. So the work that Unilever is doing, for example, and Cafédirect, etc., is very welcome, because part of the whole credibility piece, you can buy certified material, you can buy those products, Rainforest Alliance Certified, those kinds of things, fair trade.

But at the same time, you're still within that. The smallholder farmer is still – the supply chain is still getting pinched a little bit in some ways, pinched in terms of a squeeze, because the income levels still, with certification, haven't significantly increased either. So there's sort of great sort of hope that you would see the natural accrual of income going down to the smallholder level, hasn't happened with certification in the way that we wanted it to.

So you do need to get this – you do need now for responsible companies, and, like I said, Unilever has been doing this in a significant way, if you need upfront investment happening at smallholder farmer level, they need to be invested in, they need to be actively trained, they need to have access to technical services, they need the technology and the education in order to be able to perform at a level that will actually be able to improve their incomes.

So that’s the next big challenge really, and it's infinitely possible because the share of, at the end of the supply chain has gone up so significantly, you only actually, I think Oxfam did a really good study on this, you only actually need to increase [00:14:00] investment by an amount that is far smaller than the increase in share of the price share that the big retailers, etc. have gained over the last few years. You only have to put a very small percentage of that back into smallholder investment, I think it's between 1 and 5% in some cases, and in some cases, less than 1% just to get them up to things like living income and living wage.

So that's already one big improvement is companies proactively going out and investing on the ground, and taking the time and effort to make sure that that training and that handholding that needs to happen, and the build of cooperatives etc., is happening with smallholder farmers.

**Nicholas:** We come from a perspective of trying to maximise stakeholder value, instead of, we're not pursuing profits, in that way, we're pursuing with the farmers, how do we create the most value in the supply chains, how do we support farmers to move up the supply chains and make contacts long term relationships with buyers, increase the value of the production through maybe certifications, or the quality, and also making investments into the supply chain, and especially, into the small farmer part of it, which is where I think they, of course, have less resources. And we work with them, and the best ideas often come from that collaborative and cooperative approach.

**John:** No one organisation is going to change the system, and it always amazes me about doing this piece of work is I meet some amazing people who really want to make a big difference, but we're in systems that are designed not to change the system. So there needs to be a significant shift, and that needs to be driven by collaboration across not only business but also across other actors as well, such as NGOs and government, but, fantastic. [00:16:00]

The point about being more than just poverty but also being about recognising that smallholder farmers have a huge amount of insight and understanding and how to support that in the right direction, I think, Nick, what kind of work would you do as well with smallholder farmers in terms of helping to change the way a smallholder farmer is run to enable it to prosper?

**Nicholas:** If we take the example of coffee, we have sort of achieved it, so when we help facilitate the coming together of small roasters, coffee roasters and small farmers to build their cupping labs, which is a quality control laboratory to be able to know the quality of their coffee, as soon as the small farmers – and, in our case, we work with cooperatives, so they're organised – as soon as they knew the target of what the market wanted them to produce, they suddenly really did adjust their production techniques, the care they took on picking the coffee, and really enthusiastically leapt into the world of trying to produce great quality coffee, which has now gone through, I think, and changed the way coffee is traded.

And I think that is one example where we were able to make an enormous difference from a very small intervention of giving the small farmers the knowledge that the rest of the market had, and the whole supply chain has almost followed to, and now we've got an incredibly dynamic coffee industry, and it was when the small farmers and the cooperatives had access to that quality knowledge and shared it, and through fair trade, sort of, links, and the collaborative way of doing business, where you share information, that that really grew up.

So I think that is the way, I really do think that – but if it is just the profit motive that's driving a supply chain, I don't really [00:18:00] see it. Whereas if a more, you know, if we are looking for there to be added value throughout the whole supply chain, and we're really committed to that, we can achieve it.

**John:** Thank you. I think what I’ll do is I’ll also get a perspective from Dorothy on this, and for myself, and then, get Beatrix to look at it stepping back from three organisations effectively.

**Dorothy:** So I’ll talk a little bit about our livelihoods program. So, I mean, as we know, smallholders will feel the huge effects of climate change, a situation that tragically will become worse before it gets better. So we have a program called the livelihoods program, which is a program we have in place, which helps our farmers work with trainers to actually build resilience in the face of climate challenges today, and also really helping to understand how we can really recover by recovering soil, preserving water, and locking away carbon; and in that process, really looking at the collective finance model, because I think when we think of finances, it is, of course, about how much the farmer gets paid, and how much of what percentage of the selling of the product, or the selling of the ingredient goes back to the farmer. But it's also about making sure that we're paying attention to the inputs, right? Because we know that pesticides and fertilisers are coming up and up in prices, so we also work with them on a pesticide and fertiliser management program to help decrease the amount of the cost of their inputs, so that then, of course, their output cost can be even higher.

So it's about looking at the whole inclusive collective model of finance for our farmers and for our farmer organisations, and I think that's something that's really important for us to think about, because that will also kind of build the way that they work. So that's I think one big thing that we really look at is how to decrease the input costs, and to do that, of course, we provide trainings, and, in the end, the dream, of course, [00:20:00] is to build, of course, resilience against climate change, and, of course, provide extra income streams such as through doing intercropping or cover cropping or something like this, or diversifying the crops that they grow.

And then, the other thing that we really have to kind of secure and make sure that we're doing is securing the livelihoods part. So understanding how much time, and how much force and rigour it takes to do the farming job, and really trying to help to train them, so that it takes less time on the field, or it takes less of their intense work, so that, in that way, they could do something else, not just for income, but also for their lives, their happiness, and their livelihoods.

So I think when we look at the whole system of what needs to change, it absolutely is a system change across the entire food supply chain, but we also really need to look at what are those system changes that we need to integrate into the farmer training and the farmer program to make sure that their income is viable for a good life, but also that we're training them to be able to do other things, besides just have a very kind of personal, intensive job, which is, of course, what a farmer's job is, because that, of course, goes into their health, into other aspects of their life, their family, and so on and so forth.

So those are also things that we really feel we need to continue to really put efforts toward, and that goes together with our suppliers, because sometimes we'll work with one supplier that works collectively with a variety of smallholders, also together with our NGOs, and with others to really say how can we collectively drive this push, so that we're decreasing the inputs, increasing the livelihoods and the outputs that they have, and also making sure that we're providing them with viable training so that the quality of their ingredients goes up, and we're really building a resilient farm for all of the farmers. So I think looking at all those things are things that we have to collectively do in order to really push for smallholder farmers for the future.

**John:** We certainly look at livelihoods in the holistic way that [00:22:00] you're touching on there. I think we set up a charity run by smallholder farmers for smallholder farmers that works at origin in Latin America and East Africa, and, I suppose, the way we're trying to approach is very much you create an exemplar farm that other farms then learn from, and we have ones in diversified income, as you touched on there, Dorothy, certainly, leadership of women, which makes a material difference to the success of a smallholder farmer. The role of youth, I think, Beatrix, you said, [inaudible 00:22:33] coffee farmers, we see them as being the average age being nearer 65 than 55, and getting no younger by the day.

And so, I think using technology and making the family farm into something that's more of an entrepreneurial and modernising and vibrant place to work is key to that. So I think there's much more to it than just the yields and the price, although, I think those things are still important. Beatrix, listening to our conversation, how would you summarise the position we've got ourselves to here?

**Beatrix:** It was really interesting to have a listen to that, I mean, and I could probably talk about quite a few projects in the same way that Nicholas was talking about in terms of work that we've been doing on the ground with training farmers on a variety of different commodities. But, I mean, if you take a step back and look at the sort of – you've all touched on this – smallholder farmers, they can produce their core crops, etc., but there is this need to look at income diversification, and also look at how they can scale. So that sort of idea of building cooperatives, enabling groups to come together, so that they have collective bargaining power, those kinds of things.

So there’s almost a living income piece, and then, there's the entrepreneurial income piece that comes beyond that. So that’s almost the stage that you then need to move them on to, and then, you have to look at price, and price is still a problem, it is a reality that we do have to face, [00:24:00] and we're not really paying the true price of what it costs to produce things, that is something that is going to have to be looked at, I think. It definitely has to be looked at, you know, how do you manage to work with our economies, such that you are able to build in some components of true price into farmer income.

And then, also diversification, as we talked about, and key thing is making good market linkages and creating that right enabling environment around them. So those are the sort of steps that you need within that process in terms of summarising what we've been talking about. But it does come back again to things like true price and living income and entrepreneurial income, and how we achieve that.

**John:** I listen to many well-meaning businesses that are doing things that are away from price, but they're certainly no substitute for paying a fair price and providing a core income. Although I think we're all being very positive and constructive, I think it's a significant challenge, because I think the flow of value needs to shift, and that's not a simple thing for any of us to do in an organisation. It's a significant shift to be made. But we're not starting from the right place, it's something that needs to be collaboration across a number of actors.

**Nicholas:** We looked at the supply chain, and we calculated the unpaid work of women, that goes into the sesame and coffee supply chain, and actually managed to achieve it being included as a cost. And then, that value is used by the cooperatives in innovative and entrepreneurial ways, basically, they're given a free rein, with the objective of empowering women, and we've had some incredible results. When you do put resources in the hands of small farmers and organising cooperatives, and, especially women, I must say, it does seem to be they're very good at managing resources in [00:26:00] rural environments.

And then, you've got the, sort of, vibrant rural communities, I mean, we had examples, they started baking cakes and they're doing crafts, doing pig farming, which was really interesting that women seem to have a great tendency to pig farming, and keeping things at home, and then, training themselves up in different areas. But what we did is we managed to have a supply chain [inaudible 00:26:30] the supply chain is made up of costs. And I think that is the thing, we need to slowly build the real cost. And there we were talking about the unpaid work of women in the family really, it's not just women, it's support work to production.

But, of course, you could take the environmental cost, and that is a real cost. And if we could really commit and build to putting the true cost in supply chains, and, of course, believing that everybody throughout the supply chain has to live a decent good life, and we really believe in equity, and I go back, I really do think this is the time for collaboration, and cooperation. It is not the time for competition, and trying to make big profits. And the sooner we wake up to that, and really get on with it, and get on with getting on with each other, and get on with really believing that everybody's got something to offer. And I think it is from this small farmer, vibrant rural communities that we have to learn a lot. And so, I would say that.

**John:** Dorothy, a bit more from yourself?

**Dorothy:** You know, fair wage is absolutely imperative to the success of, I think, any business or any supply chain or anyone, and that's absolutely something that we absolutely believe in, in really moving to a living wage for everybody in our business. And that was said, of course, a while ago, and now we've really said we want to ensure that everyone who directly provides goods and services to Unilever will earn at least a living wage [00:28:00] or income by 2030.

And I think, from a personal point of view, I think it’s sad that we even have to have that commitment; and as we rightly said earlier, we're starting from a hard space, and there's been a lot of damage that's been done, not, of course, on purpose, and not, of course, being knowledgeable of that. But I think shame on all of us who have been part of a system that has built us to get here, but we all have to work together to make it better as we go forward. And also, how can we all advocate to get further funding from others, I think there's lots of money that that can be potentially utilised in this from funding places, from investors, and also, of course, from our governments and policymakers, so how can we work together to really financially incentivise farmers as well, not just from the supplier or the company perspective, but also from investors and policymakers and making sure that we're really, really rewarding the best practices.

**John:** Thank you, Dorothy. Beatrix, over to you, and Beatrix, what do we need to do next?

**Beatrix:** In terms of next steps, like I said, I think it's more about bringing out that true price and that living income, and living wage and not to get overwhelmed by what we need to be doing. I think we have to take a stepwise approach to all of this in order to be able to get to where we need to be, because otherwise it's all too much, all in one go. So, I mean, if you look at Pathways to Prosperity and how to get farmers to a more prosperous existence, it is things that Dorothy was saying around knowledge and skills for sustainable production.

And then, it's access to services and technology and making market connections, and also critically access to inclusive finance, that's another area that these farmers, in order to be able to grow, they need to be invested in, and that's also been lacking to date really in terms of how do they get that access to finance, because they've been perceived as being high risk, they don't fall into the sort of normal finance routes, hence the, sort of, my point at the beginning [00:30:00] in terms of saying, companies need to be proactive about how they invest in smallholder farmers, if they want to be able to retain the levels of production that we have currently.

So I think that's, sort of, it's that critical piece, and all of that has to be within the right enabling policy environment. So we have to be able to create, we have to work with governments as well to make sure that the systems that are being set up are complementary and facilitate the changes that we need to make as well, in terms of where we go next – look at those four key steps and create the right enabling environment.

**John:** Well, thank you. I think that's some fantastic perspectives, I think I took from a lot of that, that to your point, Beatrix, I think we need to take actions that improve rather than waiting until we believe we found the right action, we need to move forward rather than being static about it and share some of the examples. I also, sometimes, I see in our market, lots of well-meaning businesses going to a cooperative with different expressions of the same help every day of the week, and it must drive you mad in a cooperative. It'd be much better if the five roasters came to you on a Tuesday and combined and helped you to change the way you manage your diversification of income rather than turning up in different guises all the time. I think the collaboration point, I think would create greater efficiency and change on farms. Well, I think it shouldn't be about different companies blowing trumpets and saying that I am going to do this and the other, I think it should be about markets coming together so that it's more manageable on the ground as well, and make some more material change.

But I think it's been fabulous listening to all three of you, and being part of the conversation. We need to dry salience of smallholder farmers' importance to this world, and enable the system change that can provide flourishing communities and ensure the supply of the fabulous food that you mentioned, Nick, for many, many years to come. Thank you to Dorothy and to Beatrix and to Nicholas, thank you for joining us.

Thanks to our listeners for joining and do head to the Cafédirect website, and find this episode if you'd like to learn more about some of the topics discussed. And please make sure you rate and subscribe on the listening platform you use, as it really does help us to spread the word about the podcast.