Case study

Unilever sustainable tea

Part II: Reaching out to smallholders in Kenya and Argentina

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Foreword

A tipping point happens when a critical mass of people begin to shift their perception of an issue and take action in a new direction.

As I look across the global landscape, I feel that we are approaching a tipping point concerning global sustainability. It is catalyzed by at least three important realizations by business, government, and civil society: The **first** is a realization that the world is finite and that a growing population with a higher ambition for living standards will inevitably lead to a world which will be resource and carbon constrained.

The **second** is the realization that to solve the challenges for this future world we need systems solutions. We cannot solve individual problems in silos. The connections between energy, climate change, water, food, urban infrastructure and the imperative of functioning ecosystems are very clear.

A **third** realization is that no part of society can solve this on its own. Individually, governments, businesses, and civil society lack the technology, financial resources, and management skills to build a sustainable world on their own. Yet collectively, we already have – or can develop – everything that is needed for this large-scale transformation. As a result, there is growing interest in new types of public-private partnerships that jointly find solutions to these issues. In such partnerships, the skills and resources of both the private sector and civil society are combined with the legislative and regulatory power of governments.

One of the arenas that is rapidly moving toward a sustainability tipping point and which offers exemplars of creative partnerships is that of commodity market transformation. This is the collective effort by businesses, NGOs, labour unions, and governments to restructure the production and distribution systems of commodities to be more sustainable, while building broad market demand for sustainable products. If done well, these improved markets will deliver large-scale social and environmental outcomes that advance the millennium development goals and strengthen the economic viability of entire commodity sectors and the leading companies involved.

A recognised catalyst of this kind of market transformation is the Dutch Sustainable Trade Initiative (IDH). IDH's mission is to upscale and accelerate the mainstreaming of sustainability in global commodity chains. Through innovative public-private partnerships, IDH joins the forces of multiple stakeholders to build and execute programs that tackle social, ecological, and economic bottlenecks to commodity market sustainability. In addition IDH acts as a knowledge broker, capturing and sharing best practices in supply chain sustainability.

This booklet is part of a series of IDH-supported case studies that focus on the "know-how" of commodity market transformation. These studies are filled with practical insights, wisdom, and time-tested advice from those deep in the trenches of driving real change in global markets. I encourage you to take these lessons learned and innovative ideas straight to the heart of your own work. By doing so, we will take another powerful step toward a tipping point for global sustainability.

Björn Stigson
President, World Business Council for Sustainable Development

Contents

Chapter 1
Executive summary

‘We convinced the farmers to adapt good agricultural practices through their own experiments on the field. This soon led to increased yields and to extra income for them.’

Peter Mbadi, Agriculture Manager,
Kenya Tea Development Agency (KTDA)

Commodity value chains around the world are increasingly stressed; some even face severe and dire circumstances. This is due to myriad social, environmental and economic challenges linked to the finite nature of natural resources and rapidly growing populations.

These pressures threaten not only the raw material supply for key industries such as food & beverage and textiles, but also the livelihoods of tens of millions of people and the natural resources they depend on. For this reason, companies, NGOs, and governments are actively seeking solutions to render commodity value chains more sustainable.

Tea – production, processing and consumption – is one of the commodity value chains in question. Part one of this case, the first of IDH’s Market Transformation case series, documents the strategic evolution of a groundbreaking initiative by Unilever, the Anglo-Dutch food & beverage company, to make its own tea value chain sustainable. This initiative started with the popular Lipton and PG Tips brands in specific countries and is gradually rolling out in other regions of the world.

By reading part two of this case study, business executives and other stakeholders will learn from Unilever’s journey in multiple ways. The company, recognising that no single entity can solve the complex issues around conversion of the tea value chain on its own, entered into a partnership with the Rainforest Alliance. Through Rainforest Alliance certification of tea plantations, the partnership has accelerated a transformation to sustainable Unilever tea products. Part two of the case study focuses on the very different experiences of Unilever “on the ground” in Kenya and Argentina. The lessons learned from building the partnerships in each country and the “win-win” outcomes for the players involved are carefully extracted and reported in each case.

The Kenyan and Argentinian case stories are excellent examples of how companies, by carefully building multidimensional business cases for sustainability and strategic execution plans that account for the specific challenges of sustainability and partnerships, can grasp opportunities and forge new markets. It shows how companies can become first movers and leaders in contributing to more sustainable business models, stimulating multiple local environmental, social and economic pay offs while simultaneously ensuring the financial and longer-term sustainability of their core business.

Most interestingly in this case, the moves made by Unilever have had a knock-on effect of contributing to a “tipping point” for sustainability in the tea sector. As a direct result of Unilever’s initiatives, several other major companies and brands followed in Unilever’s footsteps and are certifying their own tea supply chains. This has happened without the loss of business benefits to Unilever, implying that the business rationale was founded on more than a “first mover” competitive advantage. The case stories of Unilever’s engagement in Kenya and Argentina document, on a local level, key parts of a tangible framework for this “systems solution” to the complex sustainability dilemmas around tea production. Although excellent and leading examples of certification initiatives have existed for some time, this may be the first time that such a partnership will succeed in impacting an entire commodity value chain far beyond the activities of the actual company involved.

To accelerate momentum towards the requisite “sustainability tipping points” across commodity value chains, it is vital that such cases enter mainstream business thinking, reflection and learning. To attain this objective, parts one and two of this case, and forthcoming “market transformation” best practice examples, will be converted to a series of teachable cases used in the core curriculum of IMD business school, other academic institutions and in company training programs. This case is already an integral part of a Masterclass Workshop for mainstream managers in companies linked to commodity value chains. This is conducted by IMD’ s Center for Corporate Sustainability Management annually in Switzerland and the United States in partnership with the Sustainable Agriculture Initiative Platform (SAI Platform) and the Dutch Sustainable Trade Initiative.

Chapter 2
Introduction

‘Our experience shows that even small improvements in smallholder agricultural practices can increase yields, long-term income security for families, local biodiversity and farmed landscape conservation.’

Jagjeet Kandal,
Unilever

In May 2007 Unilever publicly announced its goal to source the tea in all Lipton teabags sold globally from Rainforest Alliance Certified™ farms by 2015. The supply-chain and marketing roll-out was planned to be unfolded in two phases; Phase 1 being complete when all of the tea in Lipton Yellow Label tea bags sold in Western Europe became Rainforest Alliance Certified.[1]

To ensure an accelerated supply-chain roll-out of certified tea during Phase 1, Unilever and the Rainforest Alliance established a priority list of large estates in a few selected countries, while working concurrently to expand certification to smallholders.

Working with large estates was efficient not only because of obvious scale advantages – which allowed the rapid conversion of large areas and large volumes of tea within a short time span – but also because it was efficient and cost effective. Marc Monsarrat, Rainforest Alliance manager for East Africa and South Asia, recalled:
‘Large tea estates are professionally managed and have competent technical staff. After a single training session, the staff could start implementing changes required for certification. They quickly learned how to use available tools to improve management systems. They were able to train growers to work more efficiently in the plantations. In fact, it was about fine tuning existing practices rather than carrying out major overhauls. In a few months, we could stir sufficient changes to bring them to compliance level with standards[2] required for certification.’

Reaching out to smallholders during Phase 2, although significantly more challenging, was not negotiable. Jagjeet Kandal, global tea sustainability manager at Unilever, explained:
‘We source tea from many thousands of smallholder farmers worldwide. To ensure a long-term supply of certified tea, smallholders must be on board. Having worked with them for decades we know their challenges. We set up partnerships with local and national governments, academia and NGOs to help tea smallholders to implement sustainable practices. We know from experience that even relatively small improvements in smallholder agricultural practices can go a long way on yield increase, long-term income security for families, local biodiversity and farmed landscape conservation.’

Yet expanding certification to a large and fragmented base of tea smallholders required intensive work on capacity-building and technical assistance, as well as a more complex auditing structure. Growing capability to match the speed required by the markets and gaining access to countries where the Rainforest Alliance and the Sustainable Agriculture Network (SAN) had little previous experience was a significant challenge. The Rainforest Alliance had to identify suitable local partners as trainers and technical advisors, and then use scarce human and financial resources to train them. A second network of technical assistants responsible for keeping track of the progress of farmers on the ground had to be created and qualified through local partners. In addition, the Rainforest Alliance/SAN had to concurrently put in place a structure for the certification (auditing) function, identifying and training local/regional teams of auditors to assess compliance with standards. The cost-effectiveness of the link between the two functions – training and auditing – was not a given. The institution could train farmers on how to bring their practices to certification level, but it could not be sure they could reach compliance with the SAN standard and pass the certification audit.

This document predominately describes Unilever's effort to reach out to smallholders in Kenya and Argentina. It contrasts both enablers and challenges in Kenya and Argentina due to the respective societal and business context as well as to the specific roles taken by key value chain players and other stakeholders in these two countries.

Chapter 3
Combining Efforts in Kenya

‘Distributing certification and the resultant benefits across different tea producing regions was a key factor in securing effective roll out.’

Dave Boselie,
Wageningen UR

Unilever’s work on good agricultural practices with smallholders in Kenya had already started before the company’s commitment to source its tea from Rainforest Alliance Certified farms.

In 2006 Unilever had partnered with the Kenya Tea Development Agency (KTDA) in an extension program to promote good agricultural practices as a tool to foster sustainable tea production. This program was based on a series of guidelines developed by the Tea Research Foundation of Kenya and Unilever’s own sustainable agriculture code.

Box 1. Smallholders in Tea Production in Kenya

In Kenya, the world’s biggest tea exporter, smallholders accounted for over 60% of tea production in 2009. The tea sector supports, in a direct and indirect way, approximately 10% of Kenya’s population.

Farms are typically less than half an acre, but some can be up to 3.5 acres. Farmers usually grow tea in parallel with other crops such as maize, vegetables and beans, in addition to livestock. However, family livelihoods heavily rely on tea. Although tea prices have been kept at a low level for the past three decades,[3] the risk of complete crop failure is low and tea remains a crucial cash crop for smallholders.

3.1 Laying the Groundwork with the Farmer Field Schools

In March 2006, KTDA and Unilever (through its Lipton brand) began work on the ground with smallholders. It was supported by funding from Unilever, the UK’s Department for International Development – DFID (from 2006 to 2009) and The Dutch Sustainable Trade Initiative – IDH (from 2009 to 2011). Expertise came from Wageningen UR, ETC East Africa and the Tea Research Foundation of Kenya. Pilot projects were initiated, using the Farmer Field School (FFS)[4] approach, to provide tea smallholders with the motivation, skills and technical assistance for improvement of production and implementation of more sustainable farm management practices.

Box 2. Unilever partners in the FFS initiative

KTDA is the second largest exporter of black tea in the world and is responsible for 62% of all tea produced in Kenya. The company provides management services for the production, processing and marketing of black tea to over half a million smallholders through 59 farmer-owned tea factories. A typical factory processes the tea grown by a group of between 5,000 and 20,000 growers. It offers farmers services such as technical assistance, provision of farming inputs and assistance with financing, logistics and marketing.

The Department for International Development (DFID) is the part of the UK government that manages Britain's aid to poor countries and works to eradicate extreme poverty.

The Dutch Sustainable Trade Initiative (IDH) is a multi-stakeholder platform supporting the acceleration and upscaling of sustainability within mainstream commodity markets. It forges enterprising alliances between governments, companies, trade unions and social organizations and is funded by the Ministry of Foreign Affairs of the Dutch Government.

Wageningen UR (University and Research Centre) is an international university and research centre working in the area of "Healthy food and living environment."

ETC East Africa is a not-for-profit consultancy organization working with the public sector and civil society on issues such as agriculture and natural resource management, health, decentralization, local governance, service delivery and aid-management.

The Tea Research Foundation of Kenya (TRFK) promotes research on issues related to tea growing – and to other crops and systems of husbandry associated with tea throughout Kenya – such as productivity, quality, suitability of land, environmental conservation and appropriate technologies for tea processing and value adding in tea.

Unlike more traditional directive and top-down approaches of technical assistance that provide farmers with instructions on what to do, when and how, the FFS approach is experiential and bottom-up. Groups of farmers gather together regularly, assisted by competent facilitators, to find solutions to improve their practices and to share learning from the trials they carry out in the field. Dave Boselie, senior researcher sustainable supply chain development at LEI Wageningen UR, explained:
'The FFS approach perceives farmers as local technical experts and enables them to understand their situation and learn how it can be improved. The trainers assist farmers to use indigenous knowledge appropriately so they are more motivated to improve performance.'

Or, as explained by Monsarrat on the Rainforest Alliance Frog Blog:
'Farmer Field Schools are a kind of classroom without walls, where farmers come together every fortnight to learn and test new growing techniques on their own farms. It's a participatory process guided by agronomists, where farmers experience the benefits of better crop husbandry for themselves and discuss social issues such as gender empowerment or HIV/AIDS prevention.'[5]

The first pilots took place in 2006 and involved 120 farmers at four KTDA buying centers.[6] Wageningen UR and ETC East Africa trained KTDA's technical extension officers and assistants to take the role of facilitators. Farmers were able to prioritize content and decide on how it should be delivered. Within a year they explored a range of issues such as plucking intervals, tipping-in height of bushes after pruning,[7] agro-ecology, safe use of agro-chemicals, bookkeeping, using trials on the ground, field visits, short talks, debate, storytelling and other activities.

At first, farmers were reluctant to take part, partly because they were averse to change and partly because they perceived the proposed changes as extra work and were uncertain about the benefits. However, the FFS method was tailored to this challenge. The farmer-centered approach allowed the groups to focus on what growers wanted to learn – instead of the traditional approach of focusing on what extension trainers wanted to teach. The atmosphere at the meetings was joyful; participants sang, danced, joked and prayed together. These aspects were collectively effective in driving farmers' motivation and softening change-averse mindsets. Most importantly, the experiential approach allowed farmers to witness real results of proposed crop management practices, making benefits tangible while reducing misperceptions of the amount of extra work. Peter Mbadi, agriculture manager at KTDA, explained:
'Getting farmers to volunteer to participate in the Farmer Field School was not straightforward. They were apprehensive because it sounded like a lot of work and the benefits were not easy to grasp. We started with the less resistant ones, working on small changes that lead to quick results in terms of increased yields and quality, and therefore to extra income for the farmer. The best way to convince them to adapt good agricultural practices was through their own experiments on the field.'

Or, as one farmer put it:
'At first we found it hard to understand; challenging. For example, in the plucking trial, they used a long stick to find the tea bush table height and we did not know why. Now that we do it, we can see the results.'[8]

The results, monitored in the field by Wageningen UR,[9] proved encouraging in terms of improved yields per hectare, better product quality, adoption of better agricultural practices, biodiversity conservation and reduced soil loss. The project evaluators also reported positive results on farmers' empowerment, knowledge improvement and group cohesion.

3.2 Combining the Farmer Field Schools with Capacity Building for Certification

In 2007, following its decision to convert to certified sustainable tea, Unilever began to look for cost-effective ways of getting Kenyan smallholders on board. Working with KTDA to make sustainable agriculture an integral part of the ongoing extension program was the natural way to go.

Unilever bought approximately 40% of KTDA total production. Therefore, being able to supply the volumes of certified tea required by Unilever on time was a market imperative for KTDA.

Since FFS had proved to be an effective tool in fostering changes in the way smallholders managed their crops, Unilever and the Rainforest Alliance decided that it would also be a good tool to deploy the capacity-building component to certification. Combining the generic FFS training curriculum with more specific certification criteria was seen by the two organizations and their partners as a cost-efficient way to reach out to individual farmers. The training of FFS facilitators and the monitoring of results were the responsibilities of Wageningen UR and ETC East Africa. The Rainforest Alliance was responsible for training the trainers on the implementation of certification practices and for managing the certification/auditing process with its SAN partners.

The FFS curriculum was expanded to include other aspects of farming and to cover the social, environmental and economic requirements for certification such as ecosystem conservation, wildlife protection, worker rights and safety, water and soil conservation, agrochemical reduction, decent housing and legal wages for workers. FFS meetings were also used as a vehicle to increase farmers' awareness of the price premiums[10] paid by Unilever for certified tea.

New groups were created in four factories and the FFS project was expanded to involve another 600 farmers. The following year, the partners decided to use the scaled-up project as a platform for certification of the four factories serving 38,000 farmers. Transitioning from pilot projects to the roll-out with almost 40,000 farmers was largely made possible due to the organization, experience and strong network of relationships of local partners, such as ETC East Africa. In addition, KTDA had qualified people in their local extension teams who understood the requirements for international certification and at the same time knew how to engage with local farmers.

However, scaling up to this many smallholders was not without challenges since balancing the expectations and priorities of partners with different organizational cultures required lengthy discussions and conscious flexibility. Boselie explained:
'We, the international partners, wanted to optimize logistics to take advantage of all available resources. So, it made sense for us to concentrate the upscaling phase in one region, thus reducing trainers' travel and saving time and money. But for KTDA, the criteria for choosing regions and factories were broader than operational optimization. For them it was not about the cheapest solution but rather maintaining political goodwill and support for the program. KTDA understood that distributing the benefits and revenues of certification across different tea producing regions was a key element to secure its effective roll-out. We trusted their judgment and worked with factories in different regions.'

In 2008, the first groups concluded their FFS and certification training and the initiative could count on communities of farmers capable of demonstrating practices, sharing new skills and showing the results in their own fields to other farmers.

In 2009, KTDA initiated the roll-out phase of the project, aiming at stretching the scope of the FFS to achieve:
I) the implementation of 6 FFS groups per factory, in all 59 factories; and
II) 21 Rainforest Alliance Certified factories by 2011 (corresponding to approximately half of KTDA's tea production area).

A new funding scheme was put in place to support the accelerated expansion of the FFS reach. The activities for training the trainers – that is, KTDA's training staff at factory level and lead farmers at community/buying center level – received financial support from IDH. Wageningen UR applied for a grant from the Agricultural Counselor of the Dutch Embassy in Nairobi. Unilever committed to cover the factories' costs of certification/audit until they started receiving benefits from bringing certified tea to the market.[11]

On the operational side, the organization introduced a third layer of extension agents: the lead farmers. Winnie Mwaniki, regional projects manager in East and South Africa for the Rainforest Alliance, explained their role:
'Lead farmers set a good example for their neighbors, help with the training and internal inspections. They also work to improve their own environment; protecting the rivers, getting the water cleaner, planting trees to improve the local micro-climate.'

3.3 Certifying Kenyan Smallholders

By December 2009, some 12,000 smallholders had become Rainforest Alliance Certified, having succeeded in making the social, economic and environmental changes necessary to achieve compliance. The farmers supplied the Momul Tea Factory Company, owned by KTDA. It was not only the first group of smallholders in Kenya to meet Rainforest Alliance Certified standards but also the largest single group to reach this status worldwide.

Resources to finance the purchasing of personal protective equipment and other farm productive investments, such as farm equipment, dairy animals and poultry, came from a micro-finance institution created by KTDA in August 2009. Greenland Fedha Ltd was created as a subsidiary of KTDA as a non-deposit taking institution, in order to provide financial services to low-income households in the tea sector[12] and help curb the high cost of borrowing by offering lower interest rates.

Monsarrat described how certification led to multiple benefits:[13]
'On average, farmers taking part in the FFSs saw their yields increase by 5%-15% in just two years – a huge success. The factory has distributed 140,000 tree seedlings to the farmers, thus ensuring that streams and rivers are protected. After removing thirsty eucalyptus trees (not native to Kenya) from the edges of streams, they found that many previously dry streams are beginning to flow again. Farmers are happy, as they are producing more and better tea after the training and are able to sell it at higher prices.'

As of February 2011, five factories were certified in Kenya and another nine were being audited.

3.4 Roll-out Challenges

Transitioning from the upscaling phase to a full roll-out of the capacity-building aspect of certification through the FFS was not without obstacles.

In 2009, a short-term lack of external resources[14] caused disturbances in the activities of external experts and put additional constraints on operations. Nevertheless, KTDA was able to carry out the roll-out of the FFS model. According to Boselie:
'The intrinsic benefits of the Farmer Field Schools were strong enough to motivate KTDA to keep expanding its reach even under external funding constraints. It demonstrated the potential of the approach and the existence of a self-propelling force in this type of technical assistance provision.'

Nonetheless, the self-propelling potential would not be strong enough to bring certification capacity-building to the required scale if it counted solely on KTDA resources. Although very effective, the FFS participatory approach had been relatively costly and time consuming. The availability of co-funding from international institutions such as IDH and the DFID was crucial to make the project feasible. It was therefore inevitable by late 2010 that there would have to be a rethink about the capacity-building approach, as Monsarrat explained:
'We have been very cost effective on the training side, using an ongoing funded project as a springboard. Our focus has been to run the training in a way that can be continued in the years to come. However, we have not yet analyzed what that will require institutionally and how it can be done if and when the co-funding is no longer available. And we need to do so soon.'

Furthermore, the organizations driving the process were already questioning whether the intensity and group-focus approach of the FFS was the only way forward. Boselie observed:
'Would a much lighter version of instruction and training do the job? Although the participatory approach has proved effective, we don't know if a lighter version of the FFS approach would be sufficient to achieve our purpose just as well. This is a crucial question, but we are still in the early stages of learning by doing. We are thinking about alternatives, such as combining group focus on the actual training of farmers with the use of information technology for the monitoring of results and technical feedback.'

In addition, because participation in the FFS was voluntary, the factories and producers that had engaged so far were the ones that were less resistant to change, those who were most willing to experiment and innovate. Therefore, it might be the case not only that late followers and laggards could require a completely different approach than the one taken with the front runners, but also that the speed of conversion could significantly slow down.

On another issue, Monsarrat voiced Rainforest Alliance's concerns that the level of turnaround of extension staff could put knowledge transfer and training efficiency at risk:
'There is a danger that lessons learned will be lost since good extension officers and assistants are leaving the project in search of other career opportunities. The whole process could slow down if new extension agents "re-invent wheels" at a critical moment when the number of groups to be trained is growing at a fast pace.'

Boselie raised other crucial challenges to be faced in the years to come:
'Today we are facing new questions. KTDA covers various end markets and has been involved in different certification schemes, such as Fairtrade, Organic, UTZ certified and the Rainforest Alliance Certified, so as to be able to answer to customers' demands of specific certification schemes. As a general principle, KTDA has divided the different certification schemes across its factories.[15] Nonetheless, there is some overlap between certification schemes and there are definitely important overlaps with other initiatives, such as the FFS and the IDH Tea Improvement Program.[16] KTDA is monitoring what each certification scheme brings in terms of economic and financial benefits, and market penetration. How can we attribute observed successes to one other scheme or intervention when certification schemes and interventions overlap? Providing the proof of principle[17] is important to get projects and co-financing going. For future improvement, we need to understand where the biggest impacts are coming from.'

3.5 Potential for Replication

As of August 2010, Kenyan smallholders were producing 22.4% of their total volume of tea in Rainforest Alliance Certified farms.[18] It was an unprecedented achievement compared with other crops. Edward Millard, sustainable landscapes director at the Rainforest Alliance, highlighted the two major enablers of success for smallholder certification in Kenya:
'Momentum for certification in tea has grown rapidly in Kenya owing to two major factors. First, a big market player, Unilever, helped us to send clear signs that certification had become a market reality, and since we were working in a country where tea exports play a crucial role in its economy, the business case was clear from the start. Second, there was an unusually efficient mechanism facilitating access to smallholders, KTDA. The economic and political strength, professionalism and engagement of this local partner were major assets.'

The replication dilemma was a crucial one for Unilever and the Rainforest Alliance.

On the one hand, a fast roll-out to smallholders in other countries could not rely solely on the strength of local farmers' responsiveness to market incentives offered by the global company. As demonstrated by the Kenyan case, it would depend to a great extent on the Rainforest Alliance's capacity to find local partners able to quickly and effectively reach out to a large base of smallholders and engage them in the certification process.

On the other hand, a partner similar to KTDA was not easy to find, since the organization was able to quickly achieve scale and engage farmers in the certification process due to a quite unique combination of factors, as described by Monsarrat:
'As the second largest black tea exporter in the world, it has a strong position in the tea value chain. Its organization around factories, each having several thousand farmers, already provided the needed scale for a quick roll-out. Being a farmer-owned organization was definitely a plus for engagement. Its well-organized production and marketing model is not easily found among smallholder organizations. In addition, because of its good relationships at governmental level in Kenya, KTDA was able to unlock political barriers.

It is definitely more challenging in other countries where smallholders operate on a one-to-one basis (and not as a group) with factories. It is generally a big struggle around the world to organize a large number of small producers in a competitive manner. Even where smallholder associations do exist, they are not as strong and do not provide such comprehensive services as KTDA does.'

Working with a large base of farmers on an individual basis was a major challenge, as it would require quickly and efficiently organizing them in functional groups. Emulating the creation of organizations similar to KTDA in other countries was an even bigger challenge under Unilever's stretched deadlines to fully convert its tea supply-chain. It would not only require extensive time and resources, but also substantial structural changes on existing value chains.

The roll-out of certification in Argentina was a good example of the potential for reaching out to smallholders in countries in which mechanisms facilitating access to smallholders were absent. In Argentina, certification roll-out had to be built "from scratch" since there was little organization in the tea value chain, no track record of extension work with smallholders and significant issues regarding quality and productivity.

Chapter 4
Building from Scratch in Argentina

‘Certification is the main driver of the economic revival in the region. New agricultural practices help avoid deforestation of critically endangered rainforest.’

Marina Piatto,
Lead Auditor, Imaflora

Tea is produced in Misiones province in the north-east section of Argentina, close to the border with Brazil, in the heart of the largest remaining area of the Atlantic Forest in South America.

Misiones tea is considered to be of medium-low quality but it has the unusual property of retaining its clarity when poured over ice. It has secured its place in the global tea market as a key component of iced tea blends. Unilever uses tea from Argentina mainly in Lipton Ice Tea sold in the US market.

In 2009, approximately 57% of the tea produced in Argentina went to the US and 40% of the black tea sold in the US market came from Argentina.[19] The five major tea primary processing companies – Las Treinta; Casa Fuentes; Don Basilio; El Vasco; Koch Tschirsch – were responsible for more than half the tea produced that year.

As of 2009, Argentina had approximately 6,500 small tea growers, or *colonos*.[20] Their family-managed farms were typically less than 50 acres (or 25 hectares).[21] Tea contributed to half of the family’s income. The other half came from herb mate production or complementary incomes from annual crops or animal production. Tea roasters in Misiones estimate that there are over 9,000 families growing tea, exporting around $100,000 annually, making it the third most important income in the region, after pulp or wood and tobacco.

4.1 Capacity Building for Sustainable Tea Growing

The certification roll-out with tea producers in Argentina started in late 2007 through one of the SAN partners, Imaflora. Imaflora had carried out a diagnostic of tea plantations in Argentina in early 2007, following its participation in the auditing of Unilever’s Kericho Tea estate in Kenya, the first Rainforest Alliance Certified tea farm.

Box 3. Imaflora
Imaflora (Institute for Agricultural and Forest Management and Certification) is the partner organization responsible for the Sustainable Agriculture Network certification in Brazil (since 1995) and Argentina (since 2007). It is a non-profit organization working to encourage conservation and sustainable use of natural resources and to promote social benefits in the forest and agricultural sectors.

Rolling out tea certification in Argentina represented a substantial challenge since the process had to be started from scratch. The key success factor in Kenya, the presence of a strong smallholder organization, was not present. In addition, the organization of the tea value chain was loose and there were significant issues regarding quality and productivity to be addressed.

The completely mechanized coarse plucking, done mainly with high-clearance tractors, allowed for reduced costs but had a negative impact on tea quality and plantation density.[22] In addition, other issues such as low dissemination of relevant technical knowledge, information and skills on tea production, poor tea breeding and absence of integrated pest and weed management hindered improvement in tea quality.

Productivity and quality were also issues in primary processing, since only 40% of the 100 tea factories in Argentina used well-developed technology and had streamlined operations.[23]

In addition, the organization of *colonos* was very poor. Although most of them were associated with cooperatives, these were poorly organized and provided few services – basically negotiating prices and quantities with tea factories. They also did not have any kind of support from the government or research agencies and their relationship with tea processing factories was loose. There was no track record of work in health and safety or soil and water conservation. The vast majority of *colonos* did not receive any training[24] and no formal mechanism existed for the dissemination of good agricultural practices. Marina Piatto, lead auditor at Imaflora, remarked:
'The *colonos* did not have access to technical services and their approach to farming can best be described as "sitting down and watching the bushes grow; then jumping on the tractor and picking the leaves." They had no experience in adopting good agricultural practices.'

As learned in Kenya, the feasibility of certification roll-out depended to a large extent on the commitment to certification of a strong local partner. Thus, as a first step to certification roll-out, Imaflora brought the leading local tea companies on board. The NGO discussed with the tea companies the impact that Unilever's decision to fully supply Lipton with tea from Rainforest Alliance Certified farms would have on their business. Although they were competitors, Imaflora was confident they would realize that it was in their common interest to join forces to make certification happen. Piatto explained:
'Tea companies in Misiones had no choice regarding the certification of their supplying farms. Once Unilever's decision was made, the only alternative to certification was losing their main customer. It was a no-return road. We knew that, and we used the power of the market signal sent by Unilever to convince the local tea companies to join forces to finance and implement the training component of certification.'

A partnership with the local tea companies was established, providing funds and human resources for training and implementation monitoring. Imaflora began by training the group managers – agronomists, social agents and biologists hired by the tea companies. The group managers were then made responsible for the actual rolling-out of training with the *colonos*. They started by organizing the *colonos* into groups based on their location and buyer company. The groups carried out intense preparations, developing a comprehensive diagnosis, a streamlined work plan and fulfilling all the necessary conditions to start the implementation of changes in their farms. Some of the groups took almost a year to get ready to implement the agricultural, environmental, social and heath and safety practices required for certification.

As in Kenya, getting tea producers on board was challenging. However, scaling up went faster than expected once the initial resistance had been overcome. Piatto explained:
'Certification is a big step for producers, especially for farmers like those in Argentina who had no previous experience with good agricultural practices, environmental or social programs. They had to work simultaneously on many different issues and invest in farm equipment and infrastructure. Initially, they were suspicious and perceived it rather as a punishment, or as some sort of meaningless hard work. Few of them saw it as an opportunity. Thus, we decided to start by working with a few small groups, made up of the less resistant *colonos*. The others took a "wait and see" attitude. However, the group managers worked with the first groups of farmers to create a visible positive experience and deliver quick wins that were easily demonstrated in the field. In this way, after the first year, suspicious farmers saw themselves witnessing the productivity gains achieved by their neighbors. They also saw premium prices being paid for certified tea and became more motivated. Thus, they changed their view toward certification. Once they came on board, they started putting a lot of effort and energy into getting certified. They also brought along neighbors and relatives.'

Once the groups were trained and started to implement changes on their farms, the group managers monitored developments in the field on a regular basis, provided technical assistance, helped with group meeting facilitation and made the liaison between certification groups and tea companies. Equipment and infrastructure were financed with smallholders' own resources, or through cash advances given by the local tea factories,[25] since neither governmental funding nor microcredit was available.

4.2 Harvesting Results

In July 2008, the first group of tea growers in Argentina was certified.[26] By the end of the year, another six groups – representing 90 farms, nearly 200 smallholders and 16,000 acres of tea plantations – were certified. By December 2010, a total of eight groups were certified, involving 230 producers in 480 farms.

Table 1. Rainforest Alliance Certified groups in Argentina, December 2010

Company (group) name	Total farms (or operations)	Conservation Area (ha)	Tea Plantation Area (ha)
AsoLT (Grupo Las Treinta Obera)	67	162,39	837,28
Casa Fuentes (Grupo Colonos)	52	267,35	465,70
Casa Fuentes (Chacras Própias)	6	1938,00	1178,00
Don Basilio	56	470,00	1277,00
El Vasco	155	792,68	1835,45
Koch Tschirsch	59	157,61	581,23
Koch Tschirsch – San Vicente	49	230,82	520,72
Las Treinta	36	117,60	950,03
Total:	**480**	**4,136,45**	**7645,41**

Source: Imaflora, 2010

The positive results of adopting the agricultural practices required for certification were quickly seen in the field as improved productivity and quality. Piatto exemplified: **'One of the tea companies worked with farmers conducting soil analysis and financing fertilization. Before that, tea growers in the region did not use fertilizers and had never done soil analysis. The results of a single annual application of fertilizers were astonishing. Some farmers doubled their productivity.'**

Victor Tschirsch, manager at Koch Tschirsch,[27] wrote on the Rainforest Alliance blog:[28] **'We observed that the farms under certification increased their yields notably, beyond the contributions made by the climate. They also suffered fewer pest attacks and as a result the farmers had less work to combat pests (and lower costs, of course). Furthermore, the quality of the raw material has improved notably, which has led to an improvement in the quality of the black tea that has received the approval of international buyers.**

It is also undeniable that favorable environmental impacts have contributed to the economic aspects mentioned above: covered soils, conserved and recovered ecosystems, biodiversity and active fauna contributing to pest control, responsible agrochemical use, better cultural techniques, integrated pest management, fertilization programs based on soil analyses and sound waste management are the foundation of the economic benefits.'

Piatto described certification of tea producers in Argentina as a driver of broad changes: **'It is on these farms that Imaflora has seen the biggest impact of certification in the whole of South America since we started in 1996. Certification has been the main driver of the economic revival that is now taking place in the region. And the new agricultural practices are definitely helping to avoid further deforestation of a critically endangered rainforest.'**

Major changes with regard to the occupational health of the *colonos* were also achieved, for example, using personal protection elements when applying agrochemicals in a systematic way and using those agrochemicals more responsibly. Other benefits were improved access to potable water, the incorporation of safety systems during mechanical harvest, and increased knowledge in terms of recognizing and handling medical emergencies.

Changes in the social organization of *colonos* were impressive and gave rise to important intangible benefits described by Piatto: **'The *colonos* appreciate participating in group work and having access to training for the first time in their lives. They told me that before certification they felt abandoned and that now they are feeling included and valued. Through certification they have become visible to the society of the country they live in. They have been invited to talk at events; they have been interviewed and appeared in regional, national and international TV and radio programs. They now perceive themselves as pioneers and are proud of that. They have gained a lot of self-esteem in the process.'**

An area where impacts of certification were clearly seen was gender relationships. *Colonos* lived in very traditional communities and women were kept out of commercial or work-related relationships. Imaflora used the certification process as an opportunity to promote gender diversity and empower women to have an active role in the economic life of their properties (and communities). Piatto recalled: **'I was probably the first woman to ever enter a tea factory in Argentina. At the beginning, there were only men present at the meetings we organized with the *colonos*. Then we asked them to bring along the whole family to future meetings. We explained that women had a very important role to play in the certification process. For example, after the training we gave women the responsibility to produce and keep the documentation required for certification. We also put them at the center of the work we did on health issues.**

As a result, their husbands, fathers and sons started to identify their potential to bring contributions to the family economic activity. We got many testimonials from women, expressing how grateful they were for being invited to participate in the meetings. They also told us that they felt more valued and included since they started to play an active role in their family business.'

Changes also took place in the relationships between local tea companies and *colonos*, and among the companies themselves.

Because companies were offering benefits such as medical care and technical assistance to fulfill certification requirements, stronger bonds were created between them and the *colonos*. In addition, since the *colonos* started to build loyal relationships with their certification groups, they became less tempted to sell their tea to other companies. The *colonos* also perceived concrete benefits from the improvement in their relationships with the local tea companies.

As the local companies continued to work together on other pre-competitive issues, a series of effects was seen such as: increased collaboration in advocacy for governmental support in technical, scientific and commercial issues; higher efficiency in practical matters, such as the processing and management of obligatory paperwork for agro-chemicals registration; reduced costs in building common infrastructures for treatment and final destination of agro-chemical packaging waste; and the creation of local and regional fire brigades.

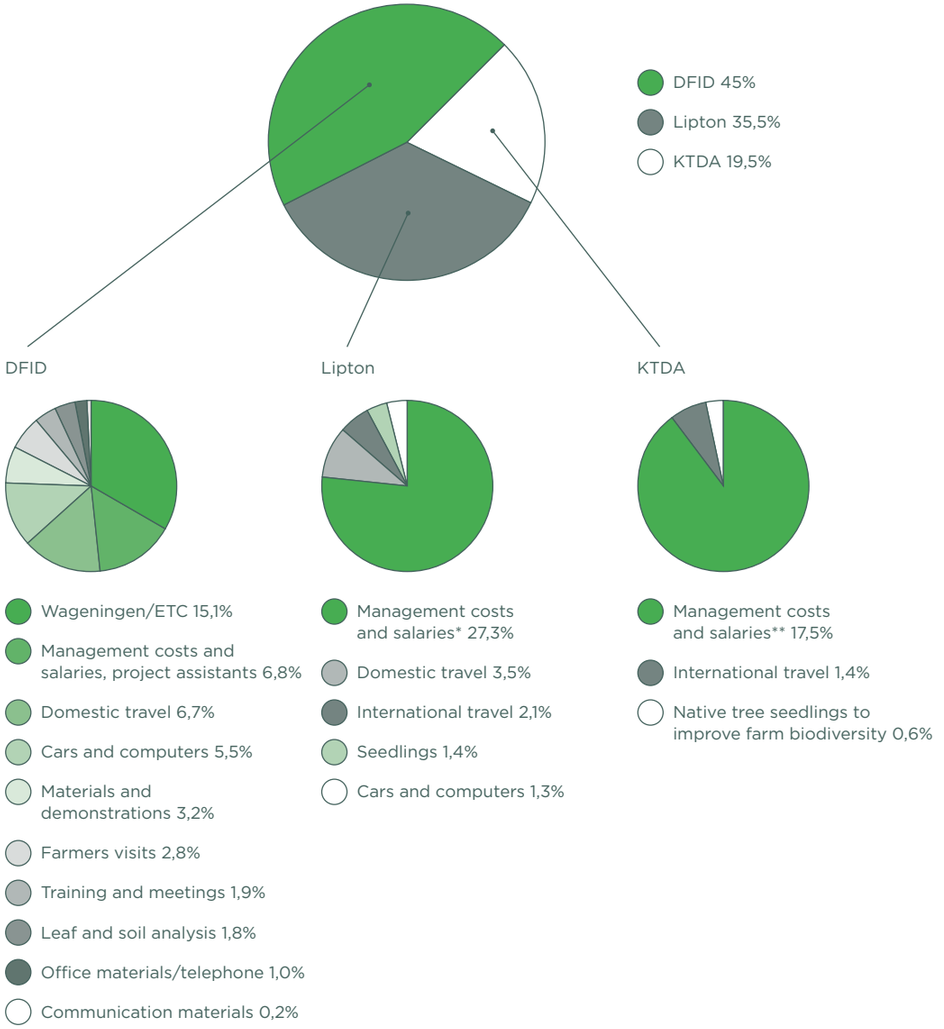
4.3 Challenges and Potential for Replication

As of December 2010, the roll-out of certification in Argentina had achieved sufficient scale to fulfill Unilever's expectations regarding the conversion rate to Rainforest Alliance Certified tea. However, as major tea brands around the world were also converting to certified tea,[29] demand was expected to grow fast. Future challenges for certification roll-out in Argentina relate to expanding certification to the *colonos* that supply smaller tea companies, which have a lower capacity to finance training and support implementation.

Another challenge concerns the likely arrival in Argentina of other tea certification schemes, such as Fairtrade, Organic and UTZ Certified. It could represent a burden to smallholders in terms of adapting practices to different requirements and keeping up with cumulative documentation work.[30]

The roll-out of certification in Argentina brought some interesting learning regarding the potential for replication in countries where the level of organization of smallholders is low. It shows that although the factors that enable quick upscaling are not universal, some good practices can be transferred, such as training trainers, working through and strengthening local organizations, empowering and actively including women and building the necessary good relationships with local tea companies and other key stakeholders, including governments.

Figure 1: FFS Contributions and Expenditures (% of total) – From 2006 to 2009



Source: Unilever. Brochure "Farmer Field School project: Growing sustainable tea in Kenya." 2009

* including time of management and staff spent directly on the project
** including project manager and financial management

References

1 A case study detailing the decision-making process and the roll-out strategy of Unilever sustainable tea is available at http://www.duurzamehandel.com/en/idh-publications. Refer to Braga, T., Ionescu-Somers, A., and Seifert, R. Unilever Sustainable Tea, Part I: Leapfrogging to Mainstream. IDH, 2010.

2 In order to get the Rainforest Alliance CertifiedTM green frog seal, farms need to comply with the Sustainable Agriculture Standard developed, managed and owned by the SAN – Sustainable Agriculture Network – a coalition of leading conservation groups that links responsible farmers with conscientious consumers.

3 For information on tea market fundamentals refer to Braga, T., Ionescu-Somers, A., and Seifert, R. Unilever Sustainable Tea, Part I: Leapfrogging to Mainstream. IDH, 2010.

4 The FFS is a participatory training approach aimed at helping farmers to build knowledge and skills for sound crop management decisions. It was first used in 1989 by the FAO in a project in Indonesia.

5 Marc Monsarrat's post on February 4, 2010 at the Rainforest Alliance UK Blog. http://thefrogblog.org.uk/2010/02/04/marc-visits-francis-a-kenyan-tea-farmer.

6 Buying centers are where farmers take their tea to be collected by KTDA.

7 "Tipping-in" is a crucial moment in the plant's growth where the height of the tea bush is set, with major implications for plant productivity.

8 Source: Brochure "Farmer Field School project: Growing sustainable tea in Kenya." Published by Unilever. 2009.

9 Hiller, S., Ondureo, D.D., and de Jager A. Sustainable Tea Production. Report 2008-078, LEI Wageningen UR, The Hague. February 2009.

10 According to KTDA, the premium amounted to $0.10 per kg as of January 2011. In January 25, 2011, the average price of top quality Kenyan tea auctioned in Mombasa was $3.83 per kg.

11 Once factories started receiving a price premium for certified tea, they would take on the cost of certification and of maintaining internal control systems.

12 According to KTDA, 81% of the Kenyan population has no access to banking services.

13 Post on February 4, 2010 at the Rainforest Alliance UK Blog. Available at http://thefrogblog.org.uk/2010/02/04/marc-visits-francis-a-kenyan-tea-farmer.

14 The funding from DFID came to an end before the funding from new sources became available.

15 For example, among the 59 factories, 20 are to process tea from farmers certified by the Rainforest Alliance. The choice of the 20 factories was made taking into consideration the need to match KTDA's offer with Unilever demand – in terms of both quality and quantity – for Rainforest Alliance Certified tea.

16 IDH works with major tea brands/companies such as Unilever, Sara Lee and Twinings and with certification bodies to help accelerate the embedding of sustainability in the tea sector, by supporting the identification and successful addressing of the biggest bottlenecks and through the dissemination of best- and innovative practices. It also provides financial support for the roll-out of innovative capacity-building programs that lead to certification and impact on the Millennium Development Goals.

17 Proof of principle is a demonstration in principle of a theory – or causality relation – which verifies its pertinence and usefulness.

18 Estimated by Marc Monsarrat, Rainforest Alliance.

19 Information provided by the Agriculture Ministry of Argentina, available at http://www.alimentosargentinos.gov.ar.

20 *Colonos* are descendants of European immigrants – mainly German, Hungarian, Polish and Italian – who arrived in the region during the three first decades of the 20th century. The majority of them lived in relatively closed communities, according to the culture/traditions brought by their ancestors from their countries of origin.

21 Half of the area is used to cultivate black tea. The other half of the area is divided between herb mate (also grown as a commercial crop), cattle, eucalyptus (for subsistence use) and conservation areas with remaining fragments of Atlantic Forest.

22 High-quality tea is obtained through fine plucking – manually plucking the bud, the second and the third leaves only (the rest of the leaves should not be included). In coarse plucking, more leaves can be included and harvesting can be mechanized, but it results in teas of medium- to low-quality. Mechanized harvesting also requires a greater distance between bushes, decreasing plantation density.

23 Information provided by the Agriculture Ministry of Argentina, available at http://www.alimentosargentinos.gov.ar.

24 Information provided by the Agriculture Ministry of Argentina, available at http://www.alimentosargentinos.gov.ar.

25 Repayment took place after the harvest, in instalments agreed beforehand between factories and smallholders.

26 Tea was also the first crop in Argentina to become Rainforest Alliance Certified.

27 Koch Tschirsch is one of the five main tea processing companies in Argentina.

28 Post on May 7, 2010 at the Rainforest Alliance UK Blog. Available at http://thefrogblog.org.uk/2010/05/07/look-into-your-tea-cup-and-see-the-world-in-the-golden-liquid.

29 For further information on the market transformations that took place following Unilever initiative refer to Braga, T., Ionescu-Somers, A., and Seifert, R. Unilever Sustainable Tea, Part I: Leapfrogging to Mainstream. IDH, 2010.

30 As of March 2011, UTZ and Rainforest Alliance were discussing how they can collaborate more effectively on the ground as to minimize the audit burden to smallholders.

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