



Supermarket chain Colruyt linking up with Peruvian smallholders.

A glimpse of the canned asparagus chain set up by Vredeseilanden (VECO)



A better
deal for
farmers



The two references of asparagus: natural and marinated

Setting the scene

As you walk along the aisles on an ordinary Saturday doing groceries in a Colruyt supermarket, you may have noticed a new product on the asparagus shelf. 2 references of green asparagus, a jar with natural asparagus and another one with marinated asparagus are available for your choice. What makes this asparagus worthy as protagonist of a story, is the fact that it has been sourced completely from smallholder farmers in Peru, through a farmer organization called REOPA (La Red de Organizaciones Productivas Agropecuarias). Juan Miranda, the director of REOPA testifies: "The idea is to valorise and fully benefit from our product. We see a great potential for development in the following years. A market opportunity opened up because we looked for an added value of the produce we couldn't sell on the fresh market". For the asparagus farmers, besides receiving a better income for their asparagus, this means the marketing of a product they have the whole year-round, a fraction of 38% of their asparagus production that is not suited for the fresh export market (mainly US in their case). The valorisation of this product is enabled by Vredeseilanden (VECO) in its collaboration with Colruyt, the largest supermarket chain in Belgium.



Colruyt's sustainability efforts

Colruyt started investing in sustainability with the set up of its green line 20 years ago. After investments in energy-efficiency of their supermarket infrastructure, distribution system, etc sustainability efforts started focusing on sustainable sourcing. An example of sustainability efforts around trade and education were brought together in the Collibri project. The project envisions niche markets, enhancing the empowerment of farmers and the support of educational projects for youngsters. These projects help developing young people's skills in order to contribute to a worthy livelihood. "Colruyt is always 'à la pointe' of the sustainability, with initiatives enhancing sustainability born in the '80s. We were working already with an efficient distribution system, in the nineties and later on with energy-efficient systems, such as wind mills, solar panels, several hybrid trucks and quite recently cars on compressed natural gas. So actually sustainable sourcing is a very logical step, it follows the other steps in the process (Herman Strobbe, buyer import at Colruyt)."

Since more or less five years, Colruyt's sustainability program focuses on sustainable sourcing policies, envisioning sustainability in mainstream non-food products, with a product sector approach. Recently, this choice is also made for food products. This is both an exciting and challenging approach, since Colruyt offers more than 10.000

food products. The first result of this sustainable sourcing approach is their sustainable fish policy, having developed five-fold sustainability criteria for their sourcing.

Inclusion of smallholder farmers

In their specific cooperation, Colruyt and Vredeseilanden (VECO) have engaged in a long-term collaboration to create sustainable agricultural chains, with a focus on the 'inclusion of smallholder farmers'. Business models that include smallholders are promising for the future in order to feed the 9 billion people expected on the Earth in 2050. More and more companies are engaging in inclusive sourcing because they are aware that sourcing from smallholders is necessary to secure their own supply in terms of quantity and quality, but also to secure sustainability on a global level.

A first product they worked with, was rice from Benin. Now asparagus was the choice for a new pilot, focusing on inclusive modern markets. The idea was to identify a product already on Colruyt's shelf and track its sourcing. Asparagus was sourced in both China

and Peru. In China, the asparagus export is organized in a less formal way, dominated by middlemen. In Peru, export is mostly dominated by large companies exploiting large-scale plantations. After studying the two areas, the Peruvian chain was chosen to scrutinize and set up in a more inclusive way.

The asparagus sector

Many poor countries have been able to make a shift from heavy reliance on a few traditional export commodities (cocoa, coffee, etc.) to a higher diversification in food export and export of higher value produce (fruits and vegetables). The booming asparagus sector in Peru is a good example of this tendency. Asparagus in Peru is the second largest production worldwide.

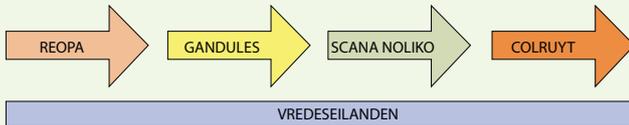
In Peru, asparagus is largely cultivated by 11 large producers-exporters, accounting for 66% of the export value. Of the other 34%, 28% is generated by medium-scale exporters. Small-scale exporters only account for 6% of the export value, while largely outnumbering the large exporters.



Foto: Herman Strobbe (Colruyt), Jos Coenen (Scana Noliko), Juan Manuel Miranda (REOPA)

The Pilot in 2012

For Colruyt, a logical partner in the asparagus chain was Scana Noliko, one of its providers. They import, amongst many other canned goods, canned asparagus from Peru. Scana Noliko organ-ised a field trip to Peru in September 2011, together with Colruyt, in order to identify the exporter, Gandules and the farmer organization, REOPA. There are thus 4 actors in the chain, plus Vredeseilanden present along the whole chain, as illustrated below:



REOPA

An association of small-scale farmers founded in 1998. The farmers are situated in the Peruvian region La Libertad, in the province of Ascope. The association brings 11 organisations of 1st level members together, with each 15 to 27 members. Their cultivation of asparagus in total is 168ha, resulting in about 700 tons yearly exported primary produce. REOPA is exporting their fresh asparagus directly to the USA.

Gandules

One of the most important Peruvian agribusiness companies, employing 4,000 workers. It is an export company wholly integrating production processes and exporting in more than 40 countries. The produce is a range of products such as pigeon peas, jalapenos, sweet peppers, chilli peppers, asparagus, sweet corn, beets and pineapple.

Its factory is located just next to its fields (irrigated by drip irrigation), ensuring an opti-mal processing.

Scana Noliko

A processor of preserved produce and ready-to-eat meals. Their focus lies on local products, and they are a private label producer. Scana Noliko also imports preserved produce from other countries. It is one of the top 5 companies in Europe in this segment of the value chain, with a turnover of 184 million. They are a daughter company of Pinguin Lutosa, a very important group of frozen vegetables and other foods.

Colruyt

Colruyt is a Belgian family-owned supermarket chain, one of the major chains in Belgium with 217 supermarkets, and 47 supermarkets in France. They employ 25.000 persons. Colruyt showed interest in sustainable sourcing for many years. 20 years ago, the company started its CSR (Corporate Social Responsibility) efforts launching its Green Line Program, an environmental program resulting in – amongst others – investments in renewable energy programs.

Vredeseilanden (VECO)

Vredeseilanden is a Belgium-based, international NGO with 40 years' experience in sustainable agricultural development, renowned for its expertise on sustainable farming practices and efforts to strengthen farmer organisations. The partner organisations get support through 8 VredesEilanden Country Offices (VECOs). That is why, outside Belgium, the organisation is mainly known as VECO. The main focus today is on developing sustainable agricultural chains, from local to international levels. VECO cooperates with the private sector aiming at inclusive business models enabling the participation of small-scale farmers.



Victor Morales (Gandules), Herman Strobbe (Colruyt), Yves Roucourt (Scana Noliko)

The pilot is a multistakeholder process, in which VECO has a facilitating role, enabling interaction between the 4 partners. The first delivery from REOPA to Gandules was planned from half January to March 2012, agreed on providing 150.000 jars of natural green asparagus and 20.000 jars marinated green asparagus, more or less 60 Tonnes of primary material. The conditions were a base price of 0,40 USD/kg and a premium of 0,46 USD/kg for the asparagus meeting the quality demands. The supply of produce to Gandules flowed very fluently the first month, but after that, delivery slowed down. During the pilot, there was a discussion on drawback, and insufficient communication flow. The first export test in 2012 is now pushing forward the actors to improve the chain on several issues. Some bottlenecks were identified from this first pilot experience. First, prices that were set for the farmers have not been transparent to all actors. Also, there was no agreement made on the valorization of the rest-fraction (the part of the asparagus that does not fit the quality requirements of this specific project, and the part that is left after processing, and therefore not goes into the jars). Then, communication between the 4 parties has not always been optimal. Language difference, distance and little use of technology are one of the main causes here. Then, there were trust issues at stake, sometimes resulting directly from an unclear price setting and difficult communication. Therefore, continuity has been threatened. However, the actors involved are eager to continue and up until the date of writing, primary produce is being delivered to Gandules and will find its way to Colruyt's shelves by mid 2013. To evaluate this first pilot project, the LINK methodology, developed by CIAT, an investigation center was used. The LINK-methodology is a toolkit developed to build inclusive and sustainable trading relationships linking small-scale farmers to modern markets. It is based on 4 steps (1) mapping a value chain, 2) build a business model canvas, 3) assess New Business Model Principles and 4) Walk through a Prototype Cycle), of which 3 have been undertaken by Vredeseilanden so far. The principles characterizing inclusiveness of the chain are chainwide collaboration, market linkages, fair and transparent governance, equitable access to services, inclusive innovation and measurement of outcomes. For each of these principles, CIAT developed specific criteria that can be qualified and

monitored. Vredeseilanden did an assessment of these criteria via interviews with each of the partners (the evaluation with Gandules still needs to be done) to verify how the chain actors perceive the respect and realization of these principles in the project. The result of this evaluation is visualized in the figure aside:

As such, the LINK method offers a tool for continuous improvement of the chain since it shows key points for attention to be worked on, the different expectations of the actors that need to be harmonized, etc.

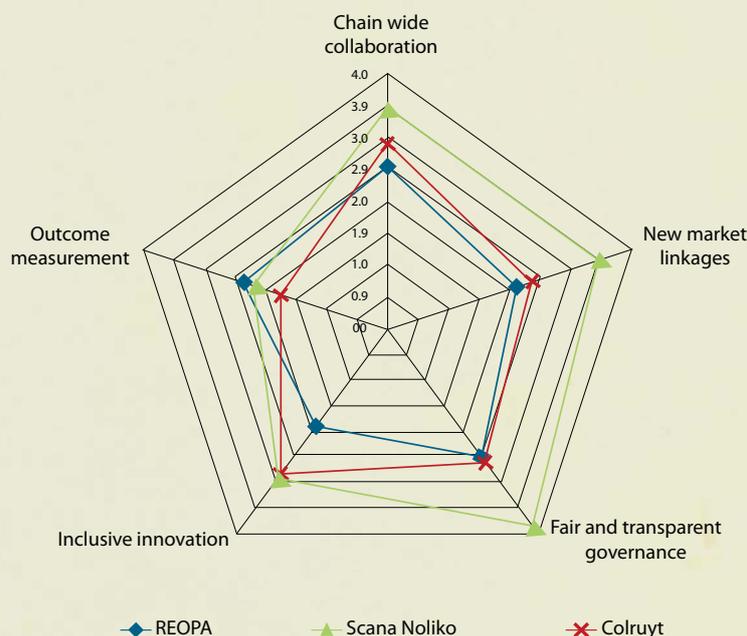
Achievements

The achievements are clear: REOPA's canned asparagus has found its way to Colruyt, generating a surplus value to their production of asparagus not suited for the fresh market. 21% of their asparagus production in 2012 until beginning of 2013 was 'florido', asparagus not suited for the fresh market, which was all marketed to Gandules, whereas before the project started they had to sell it on the local market.

The economic impact of the project is quite high: 7% of REOPA's total income in 2012 originated from the project in partnership with Gandules, Scana Noliko and Colruyt.

Furthermore, the analysis done by Vredeseilanden has provided a clear picture of the functioning of the chain and the production, processing and marketing of asparagus by REOPA.

The chain approach has proved itself to be useful: "What is special about this chain approach, is that we go beyond the commercial relations and articulate the work of all the actors. As an organization you need to be able to negotiate in the process in order to make it a win-win situation. This goes much further than just buying and selling. The experience can be amplified to other markets as well. This work of sustainable sourcing policies is the perspective for the future (Paola Mercado, Vredeseilanden)."



Challenges

The challenges in this case are based on the results of the assessment with the LINK methodology and following reflections and are common bottlenecks the actors identified and will need to be tackled by a joint effort of the different chain actors. There are 5 main challenges to overcome: establish price references, set up fluent communication, increase trust, guarantee continuity and re-pond to quality demands. Both communication along the chain, and communication towards the consumers are issues to be dealt with during the following year. There are also ecological issues at stake, such as water use for irrigation that will need to be answered. "If we buy as we do now, it will be an ending story. Production will have to be shifted to other production areas, or the product will simply not be available anymore, because of the soil erosion and the water management problem. So we believe we need to be very

careful with this and anticipate. And hopefully others will follow our example (Herman Strobbe, buyer import Colruyt)."

Also labor conditions present challenges. Social sustainability needs to be included in the analysis, examining a minimum wage for the farmers and optimizing labor conditions on the processing plant. Lastly, one can imagine that a chain approach for 10.000 products is challenging in terms of practical feasibility: "Put positively, we have really focused 'à fond' on this chain and scrutinized it very well. But on the other side, it is a great challenge, because if you look at all of the effort made to put up just one chain, you realize the enormous challenge to do this for all of the other products Colruyt sources (Philippe Toussaint, Responsible Sustainable Sourcing Colruyt.)"



Field visit REOPA with VECO, Colruyt and Scana Noliko

Future scenarios

Following the engagement and enthusiasm of all the actors involved, it was decided upon the continuation of the project in 2013, with support of the asparagus chain by Vredeseilanden. The farmer organization REOPA asked for support in strengthening their social base and their business performance. The delivery of 2013 has been evaluated: trust has increased significantly, all of the parties are satisfied with the agreements made on price setting etc.

A next step is the integration of lessons learned from the case in the sustainable sourcing policies of Colruyt. The most important lesson is the fact that sourcing asparagus from smallholders in Peru is feasible. Then, the communication problems ask for specific and concrete solutions to make communication fluent. The challenges also show the importance of a neutral, facilitating actor along the chain in the initial phase, a role that was taken up by Vredeseilanden. Another lesson learned is the significance of gaining insight in the

whole system. Further, it is important to arrive at a complete valorization of the produce for the farmers, formalize agreements on supply and buying conditions and measure the impact of the project on the income of the farmers. Important from the experience is the spaces of dialogue that were created, going beyond a usual buyer-seller relationship. In these spaces, common objectives and work plans were established, and the pilot experiences were evaluated.

Different scenarios for inclusive business within Colruyt's mainstream purchasing policies are possible and during the following years new key products for private label products will be identified to work on inclusiveness for small farmers.

Finally, it is very important to share the experience with other partners and expand the lessons learned towards other companies, ngo's, ... interested in including smallholders into their product chains.



Asparagus processing unit, REOPA



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