

Moving From Niche to Mainstream Sustainability: Lessons Learned from Transforming the Fresh Fruits & Vegetables Market

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1. Introduction

IDH the Sustainable Trade Initiative is a public private partnership facility that accelerates and up-scales sustainable trade by building impact oriented coalitions of front running companies, civil society organizations, governments and other stakeholders that will deliver impact on the Millennium Development Goals 1 (poverty reduction), 7 (safeguarding the environment) and 8 (fair and transparent trade). The strength of IDH derives from the public and private partners we work with who bring in funds, entrepreneurship, procurement power, legislation, laws, regulations, know-how, networks, local expertise and credibility.

One of the commodity programs concerns the Sustainability Initiative Fruits and Vegetables (SIFAV). The program aims to make imports of fruits and vegetables from Africa, Asia and South America 100% sustainable in 2020. IDH, Dutch retailers, international traders in the sector and civil society organizations have signed a covenant committing to 100% sustainable sourcing. In January 2014, 30% of companies' total import (in volumes) will be sustainable, with 50% in January 2015 and 100% in January 2020. The program is approaching international retailers, traders and brands to join the SIFAV program. By now major players such as Chiquita, ICA and Ahold have joined the initiative.

Market Challenges

Consumers are aware of how their purchases affect social conditions of millions of factory and farm workers around the world. Media publicity surrounding environmental impact, deplorable working conditions, health and safety issues, low wages in many producer countries have increased consumers' interest in knowing where their products comes from and under what condition they are produced. Retailers and traders in the sector are working towards sustainability and transparent supply chains. There is an urgent need to work towards sustainability and good agricultural practices throughout the sector. IDH, retailers and traders seek to work with sustainability initiatives in producer countries to empower producers and small holder farmers and improve working conditions for their workers as well as to increase productivity, product quality and food safety.

Market Drivers

The global demand for fruit and vegetable has increased in recent years due to healthier lifestyles in the West and a growing Middle Class in developing countries. In order to meet this increased demand, the entire fruit and vegetable sector needs to adopt more sustainable production methods:

- International markets require sustainability and transparency in the supply chain. Respect for the environment, acceptable wages as well as decent work place for all.
- There is a clear interest from public and private sector to work together in order to support producer countries to promote and increase good agricultural practices.
- The business world has acknowledged that eradicating deplorable working conditions, increasing food safety and security are only possible with improvements in good agricultural practices and sustainable production.

The fruit and vegetable program is built on three work streams:

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1) Market transformation: setting up the minimum requirement for social and environmental sustainability and building a broad sector commitment for a transition agreement for 100% sustainable sourcing which gives sufficient market pull for other value chain partners to adopt.

2) Global Standard Equivalency:

Working with eight existing social and environmental standards in the fruit and vegetable sector as well as encouraging and supporting them to go through Global Social Compliance Program (GCSP) equivalence benchmarking process.

3) Producer support program:

Setting up producer projects in producer countries so that major hurdles (hotspots) towards mainstreaming sustainability are addressed and solved.

Based on the experiences in the fresh fruits and vegetable industry we believe that this experience could be a valuable input for the ingredients and processing industry to make a market transformation towards sustainable production and sourcing. In the following sections we will elaborate upon the key ingredients towards success.

2. Defining sustainability targets on basis of basket of voluntary standards

The first step that was made in the fresh fruits and vegetable sector was to create a common language and understanding of the joint sustainability targets by building on a framework of voluntary sustainability standards. This set of equivalent standards was combined with commonly agreed sustainably sourced volume targets and documented in a so-called covenant. In order to do a first standards comparison IDH collaborated with the ITC Standards map tool which compares standards on criteria across a range of indicators. See figures below which provide an example of such comparison and graphics:

ITC Standards Map - Benchmarking tool:



International Trade Centre

ITC - Standards Map Benchmarking tool

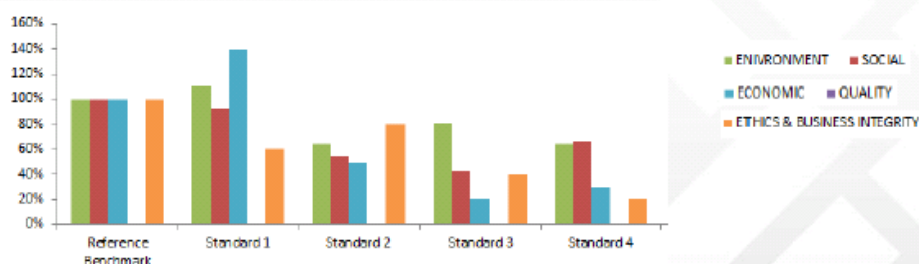
Weightings	Critical	Short-term	Medium-term	Long-term	Recommendation
	1	1	1	1	1

	Reference	Standard 1	Standard 2	Standard 3	Standard 4
OVERALL AVERAGE	100%	⇒ 61%	⇒ 96%	⇒ 53%	⇒ 60%
ENVIRONMENT	100%	96%	91%	74%	58%
SOCIAL	100%	46%	108%	46%	72%
ECONOMIC	100%	0%	71%	14%	21%
QUALITY	100%	100%	0%	0%	67%
ETHICS & BUSINESS INTEGRITY	100%	0%	167%	67%	33%

Adapting weightings as necessary

Weightings	Critical	Short-term	Medium-term	Long-term	Recommendation	Exploit reference (ER)	No exploit reference (NER)		
	1	1	1	1	1	1	1		
	Environment	Social	Economic	Quality	Ethics & BI				
	1	1	1	1	1				
Environment	Soil	Forests	Chemicals	Biodiversity	Animals	Waste	Water	Energy	Climate-Carbon
	1	1	1	1	1	1	1	1	1
Social	Fundamental rights		Conditions of work		Conditions of employment		Empowerment of workers		
	1		1		1		1		
Economic	Economic viability		Administration & management		Production sites		Supply chain		
	1		1		1		1		

Generating graphs and analyses



The percentage of sustainably sourced fresh fruits and vegetables are measured based on the quantity of kg / tonnage that complies with a sustainability standard that is at least equal to the

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minimum standard as agreed by the participating parties of the covenant. The participating private sector parties report about this to the steering committee.

Sustainability criteria

The sustainable products need to have a clear improvement in terms of socio-economic and environmental criteria in comparison to conventional products:

To social criteria the following applies: The claim for 100% sustainable sourcing of fresh fruits and vegetables in 2020 needs to be based on a sustainability standard that is at least equivalent to BSCI, ETI (audited), SAN / Rainforest Alliance or Fairtrade according to FLO and IMO - Fair for Life. This will be tested through the benchmarking process of GSCP. For the main social indicators (to be determined), the standards need to score at least level B.

To environmental criteria the following applies: The claim for 100% sustainable sourcing of fresh fruits and vegetables in 2020 needs to be based on the GLOBALGAP standard. In 2020 concrete and significant improvements must have been achieved through projects in production areas aimed at addressing relevant hot spots in the field of environment. These hot spots cannot be resolved by individual companies. The steering committee will play a decisive and guiding role and will annually establish a project agenda.

The program also works towards a systemic change through standard harmonization. There is a wide range of different sustainability standards used throughout the sector, which can lead to lack of mainstream acceptance of standards in general. Encouraging and supporting standards to go through GSCP equivalent benchmarking tools, creates a critical mass of comparable standards that should lead to wider, mainstream acceptance of standards within the sector.

Harmonization of the standards can deliver benefits to producers and farmers e.g. recognition and endorsement of different standards by the market. This provides a level playing field creating a “bottom-up” approach where producer countries can develop own standards and seek international recognition and endorsement.

3. Measuring progress via evidence based monitoring protocol

As part of the Si-FAV program, a growing number of fruit and vegetable retailers and traders are committed to 100% sustainably sourcing the fresh fruits and vegetables they source from developing countries. In order to follow up on the publicly announced ambition, IDH is annually monitoring and reporting progress on realizing 100% sustainably sourced fresh fruits and vegetables from developing countries, as well as the intermediate targets of 30% in 2014 and 50% in 2015. To be able to do so all companies in the Covenant will report individually to IDH every year. IDH has contracted an independent trusted third party, Price Waterhouse Coopers, PwC to build a database and to perform a review of the reported data prepared and submitted by all the committed Covenant parties.

This Monitoring Protocol is designed to make the process of reporting transparent for Covenant parties, to establish a common understanding of the definitions that are to be used when reporting and to provide guidance in establishing a minimum level of data quality. One of the main objectives of this Monitoring Protocol is to ensure that Covenant parties report (1) based on the same

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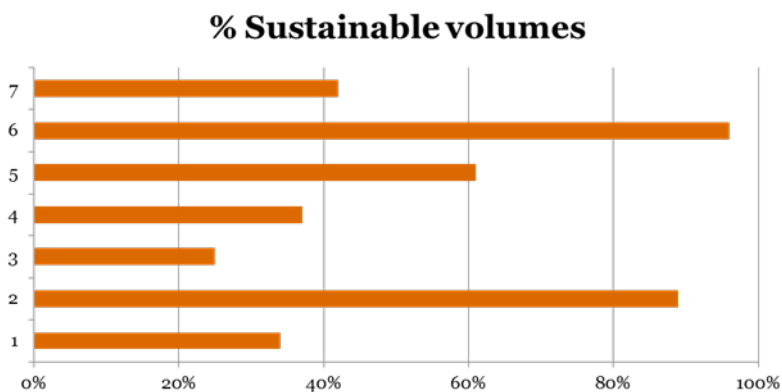
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definitions as well as (2) comparable levels of data quality. The definitions included in the protocol gives answers to questions like:

1. What totals are in scope?
2. What is the scope of import?
3. What is the definition of fresh fruits and vegetables?
4. Which countries are included per region?
5. What is the reporting entity?
6. What is the definition of sustainably sourced?
7. What is the reporting period?

The Protocol was based on baseline studies conducted in 2013 at a dozen companies to establish an understanding of the diversity as well as the maturity of the existing reporting systems in place which will be used to generate the data required. Additionally, basic accounting principles were taken into consideration in defining the approach on data quality and validation. Figure 1 gives a visualization of the first results:

Figure 1 Anonymized results of monitoring of sustainable sourcing volumes of selected companies in 2013



By having a third party check on the performance data the program has gained credibility and it enables to integrate the companies results into their annual sustainability reporting.

4. Investing in conversion, compliance and professionalization

The SIFAV program recognized the need to mobilize upstream investments and enable producers and producer organisations to convert and comply with the new market requirements. For that purpose IDH provides public funds which are co-invested together with the private sector partners on basis of a fifty-fifty contribution .

The objective is to support producers and farmers to increase yield, products quality, food safety, working conditions and sustainable water use. These provide access to lucrative and established markets, reducing the risk associated with volatility of demand for producers.

The increase in yield, product quality and access to established local and international markets provides a steadier and more reliable market for producer and farmers. This should ultimately result in increased income, better working conditions and a good quality of life for producers, farmers and their workers

5. Going beyond standards and certification – addressing the root caused of sustainability issues

While working on standards and certification in the various value chains, IDH has become increasingly aware that some sustainability issues need to be addressed differently and more profoundly with a wider cross-sector scope.

From a business perspective sustainable land and water management addresses risks to businesses beyond the farm/facility, and recognises that long-term business success is tied to healthy communities and safeguarding natural resources and ecosystems. Land and water constraints may compromise the ability of key agricultural production systems to meet demand. Climate change, for example, will affect agriculture through higher temperatures, greater crop water demand, changing rainfall patterns and extreme weather events. This represents a serious threat to long term business perspectives.

The management of those threats exceeds the span of control of individual stakeholders, be it local authorities or companies. A company may operate water neutral, but in a region where other users operate in a non-sustainable way, or in a region with too many users competing for the same aquifer, water resources and reserves may still be at risk. To mitigate such risks coordinated actions of governments, NGO's, companies and other stakeholders are required to develop impactful approaches to reduce shared water risks. From a public perspective Involvement of private companies is a prerequisite to mitigate social and environmental risks that are directly related to agro-commodity production, extraction or tourism.

As a response to this challenge IDH launched the Sustainable Land and Water Program on Friday 28 February 2014 in The Hague.

6. Concluding: Back to Juices

Although the authors are very well aware of the intrinsic differences between the fresh fruit and vegetable industry, we also see a broad range of opportunities to learn from each other and exchange best practices.

The fresh fruit industry and fruit ingredients industry are often directly linked (e.g. in the case of bananas, apples and mangos) where primary producers serve both market channels and processing can be an extra opportunity for waste valorization. Furthermore the principal of “garbage in – garbage out” applies in the sense that processors need to better understand the field level (sustainability) practices in order to source responsibly.

We invite the industry to contact us with their best practices and requests for further information.