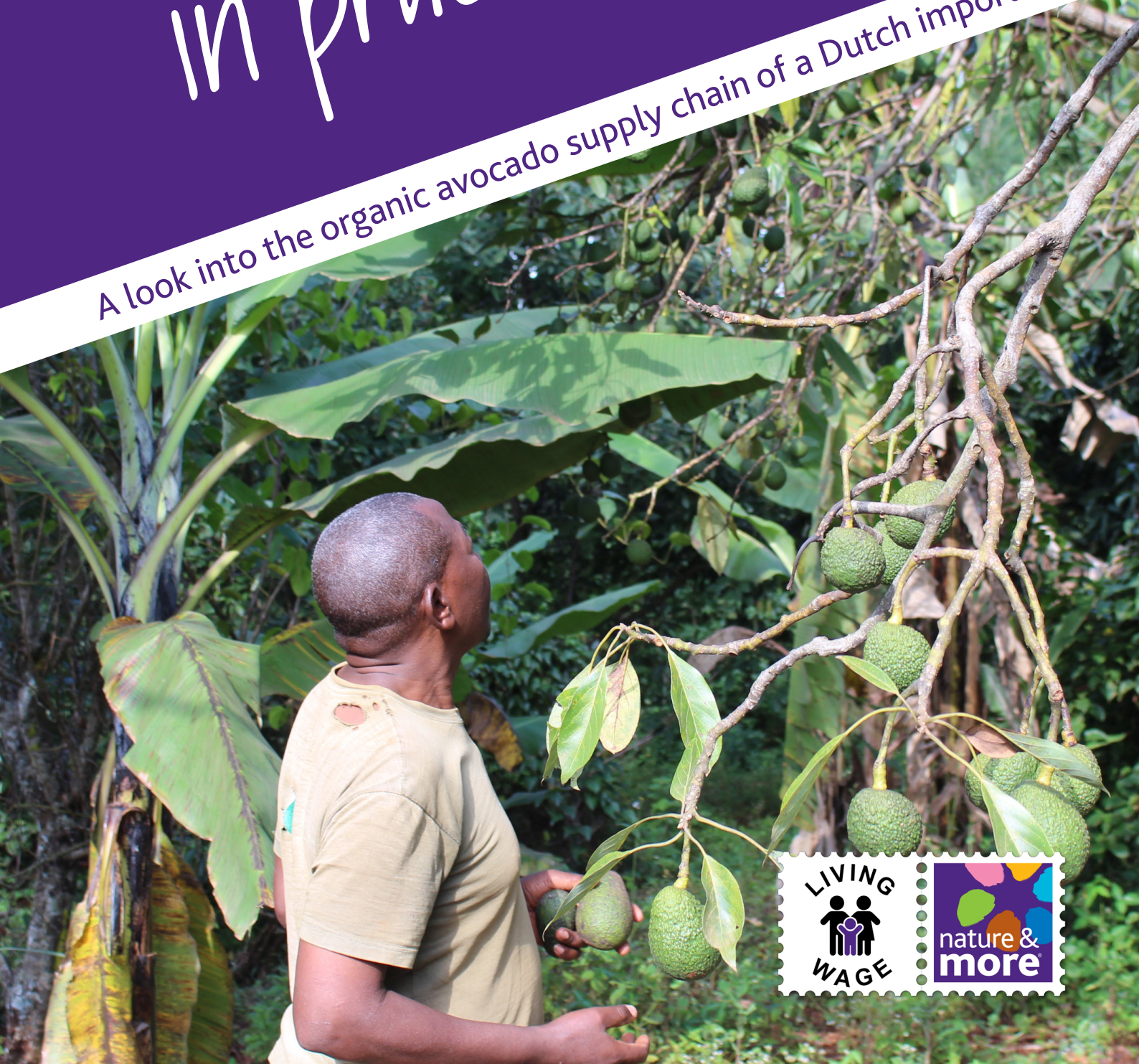


Living wages in practice

A look into the organic avocado supply chain of a Dutch importer



This publication is produced by
Eosta

With support from:
IDH, the Sustainable Trade Initiative

Written by
Nada van Schouwenburg

Contributors

Volkert Engelsman, CEO, Eosta
Marieke Veldhuizen, former QD manager, Eosta
Gert-Jan Lieffering, QD manager, Eosta
Michael Wilde, Sustainability manager, Eosta

Sonia Cordera, Program Manager Fresh and Ingredients, IDH
Marjolein Motz, Consultant at Fair & Sustainable Consulting

Kristina Ullrich, Manager Public Private Sector Relations, Hivos
Isabelle de Lijser, Coordinator Living Wage Lab, Hivos
Anna Lentink, Living Wage and Livelihood Expert

November, 2018





FOREWORD

Eosta, in close cooperation with the FAO (Food and Agriculture Organization of the United Nations), published the first True Cost Accounting pilot in 2017. It was a radical move forward in financial accounting because it included not only a clear overview of the hidden costs of fruit production but also provided an integrated 'new economy' kind of profit and loss account. The reactions from the market and the enthusiasm from the public exceeded our expectations. Today, almost three years since Eosta embraced this issue and worked it out all the way to shop floor level, True Cost Accounting has entered the DNA of the financial sector, NGOs, and consumer groups. Just recently, for example, the Dutch National Bank performed a climate stress test for institutional investors which showed that around €159 billion worth of investments are evaporating as a consequence of climate change and climate change regulations.

True Cost Accounting is currently focused on natural capital. The impact on social capital so far remains obscure. Four years ago, FAO estimated that, when it comes to the hidden cost of food production, the impact on social capital is \$2.7 trillion, even bigger than the impact on natural capital of \$2.1 trillion. Unfortunately, at the time of the 2017 pilot, we found that the models were not sufficiently developed to enable us to calculate the social costs.

At Nature & More, however, we measure social impact through our own integrated model: the Sustainability Flower, which pictures both the ecological and social aspects of sustainability. We use it to measure, manage, market, and monetize the impacts. In the social domain, the Sustainability Flower has three petals: the individual, the society, and the economy.

For the individual, we look at the unique potential of the person, which can ultimately lead to true freedom. For society, the focus is on equality and the same opportunities for everyone. For economy, we look at a fair distribution of wealth. Living wages have a direct impact on all three domains. The connection with the economy is clear, but living wages are also about education and therefore the development of the individual and the freedom that brings. Additionally, living wages have a direct impact on society when we consider justice and the same opportunities and rights for everyone.

Research by the SOMO foundation in the Netherlands in October 2018 demonstrated that there is no social label that guarantees a living wage. Certification in general is constrained in that it evaluates the production process reactively. Eosta, as a supply chain manager, wants to address sustainability issues starting at the beginning of the production chain, on the farmer's fields. The Living Wage concept offers a positive, workable approach for this.

We are thankful and proud to present this pilot report, together with IDH and Hivos, as one of the first in our business. Apart from concrete results about our own supply chain, we hope this pilot also helps to develop a joint, generic strategy that leads to living wages for workers in our sector around the world.

Volkert Engelsman, CEO Eosta

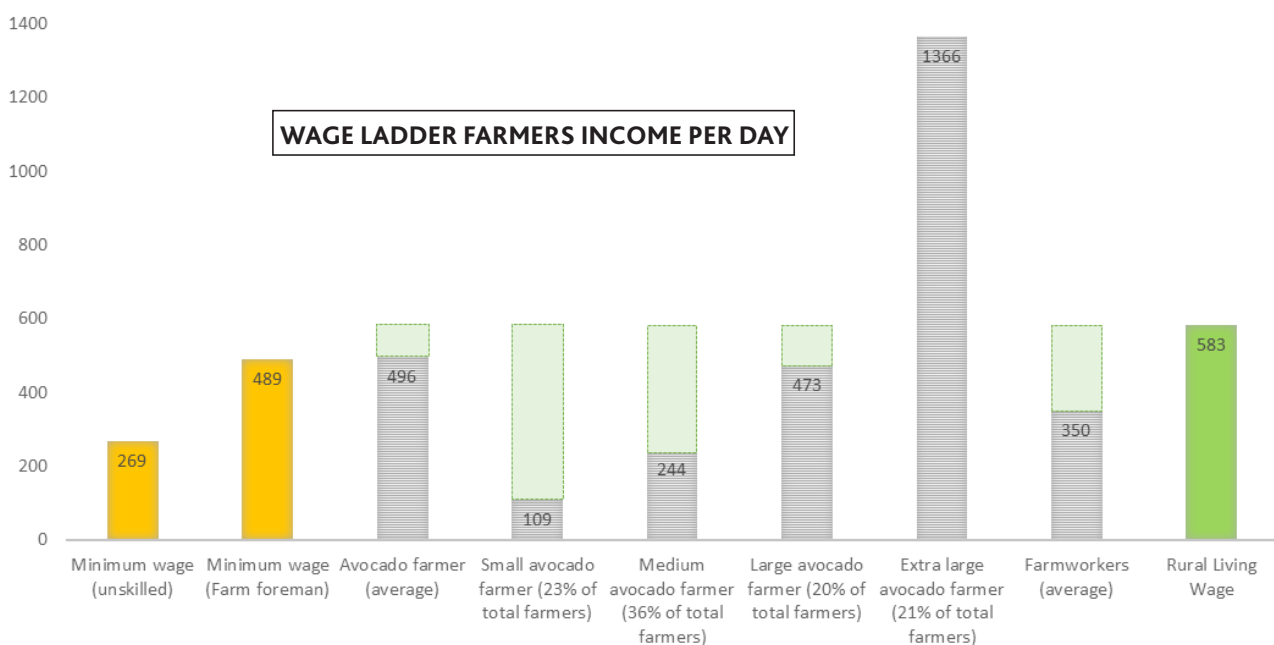


Summary

The aim of this research is to learn more about living wages in a corporate context. Most living wage research that has been conducted so far are in-depth analyses focusing on one particular case. For Eosta, an international importing business with a large product range of organic fruits and vegetables, this detailed research approach is not a feasible option. Accordingly, we decided to conduct a research pilot, focusing on one particular case; Kenyan avocados, and use the learnings and best practices to define a more broadly applicable approach. This study focuses on the case study of organic avocados from Kenya. We partnered with one of our Kenyan exporters to map the supply chain and research current wages.

OVERVIEW CURRENT WAGES AND LIVING WAGES

Stakeholder	Minimum wage (Ksh)	Current wage (Ksh)	Living wage (Ksh)	Wage gap (Ksh)	Wage gap %
Farmworker	269.4 - 313.75 / day	300 - 400 / day	583.39 / day	233.39 / day	40%
Harvester	2,000 / day	313.75 / day	583.39 / day	None	None
Field manager	Not relevant	21,928 / month	22,573 / month	645 / month	3%
Export office workers	Not relevant	17,270 / month	Unknown for Nairobi	Unknown	Unknown
Packaging workers	622 / day	600 - 650 / day	Unknown for Nairobi	Unknown	Unknown



LIVING WAGE DEFINITION

Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her of his family. Elements of a decent standard of living include food, water, housing, education, healthcare, transport, clothing and other essential needs including provision for unexpected events (Anker & Anker, 2017)

RESULTS

- There is especially a large wage gap for the farmworkers (40%) and the packaging workers (at least 36%).
- Right now 21% of the farmers whom the exporter works with can earn a living income. These farmers are ranked as 'extra large' farms. Most farmers belong to the 'small' or 'medium' sized farms, with production levels between 1.000 and 10.000 pieces a year.
- If we want the average farmer (from the farmers our exporter works with) to earn a living income the piece rate paid for each fruit should increase with 24% from 9.5 Ksh to 12,5 Ksh (€0,11). This is called a 'living price'.

LESSONS LEARNED

- Living income is considerably harder to assess than living wage. As the income is dependent on many different factors it is rather difficult to quickly assess whether the average farmer earns enough for a decent life. This seems to be an area where further research is needed.
- Furthermore, living income cannot be discussed without taking the context of the economic market into account. If quality and efficiency are not up to international standards, it becomes almost impossible to improve prices.
- We designed a 'quick assessment' tool (p 34) with the key questions per stakeholder to collect the right wage information. This tool should help us with getting an overview of current wages (and gaps) for the different suppliers we work with.
- Improving wages or income is not as simple as just increasing prices. In order to increase prices at farmer level in a sustainable manner, the different stakeholders throughout the supply chain need to be willing to pay a premium. In this case, transparency throughout the supply chain is a important first step to living wages.
- An important next step is to communicate the results of this study with the different stakeholders involved in this specific supply chain. We can use the acquired knowledge to start a dialogue with both the exporter and packaging business as well as the farmers.

1

INTRODUCTION

Introducing Eosta
Defining living wage and living income
Outline and goals of this research

2

METHODOLOGY – A BRIEF OVERVIEW

Living wage research
Desk research
Data collection

3

LIVING WAGES IN KENYA

Wage benchmarks
Kenya avocado context

4

KENYAN AVOCADO SUPPLY CHAIN

Overview of the supply chain including wages and incomes

5

CONCLUSION OF THE RESULTS

Comparison of benchmarks with current wages
Conclusion per stakeholder

6

QUICK ASSESSMENT QUESTIONNAIRE

7

DISCUSSION AND RECOMMENDATIONS

General conclusion
Recommendations for this specific case

Introduction

There is no sustainability without transparency

Eosta is an international distributor of organic fruits and vegetables. Representing hundreds of organic farmers in six continents, Eosta is a known market leader in the European organic fresh products industry. The company's mission is to contribute to a healthy food system, taking care of both people and planet. This is why the consumer trace & tell system, Nature & More, was brought to life. Nature & More aims at making the global supply chain more transparent by communicating the story of farmers directly to consumers. As part of the Nature & More transparency brand, Eosta actively uses the Sustainability Flower, a framework to assess and communicate the sustainability impact of an organization or production process.



The Sustainability Flower

Through the Nature & More website, the Sustainability Flower is used as a web based navigation tool to communicate the ecological and social performance of the allied growers. The flower exists of seven petals, of which three represent the social impact and four are concerned with ecological impacts. Each Nature & More grower is assessed against the performance indicators linked to the seven petals, which are accordingly used to monitor, manage, monetize and market the unique sustainability performance of each grower.

True Cost Accounting

In 2017 Eosta conducted a True Cost Accounting for Food, Farming & Finance (TCA-FFF) pilot together with Soil & More Impacts, EY, Triodos Bank and Hivos. In this pilot the true cost profit and loss account of several fruits and vegetables was calculated. True Cost Accounting, sometimes also referred to as True Pricing, is the principle in which external costs that come with the production of a in this case fruit or vegetables are monetized. This means for example that the effects of pesticide use on water quality and biodiversity are assessed, monetized and taken into account for the overall costs. In our current economic system, damages done to planet and its people are often not taken into account when calculating the costs of a product. When the water is contaminated because of the use of certain pesticides, the government (and thus the future generation tax payer) will have to invest to clean the water. True Cost Accounting aims to monetize these externalities that come with producing a good and take these costs into account for the profit and loss statement of an organization.

Based on the Sustainability Flower, the TCA-FFF pilot monetized the 'true cost' of several fruits and vegetables, comparing conventional and organic production methods. In this initial attempt to provide an overview of externalities that come with the production of fresh foods, the following impacts were measured and published: consumer health due to pesticide exposure (individual), greenhouse gas emissions and carbon sequestration (climate), water pollution (water), and soil erosion (soil). The pilot illustrated how quite some ecological externalities can already be monetized, however the social impact is often harder to assess and monetize. How does one monetize the worth of a human life? And what is the financial loss if a person does not have access to quality education or healthcare?

One relatively accessible impact for monetizing the social impact is wages. Building on the Sustainability Flower framework explained above, a higher wage has an obvious positive impact on the "economy" petal. Higher wages means more money to spend for a family and higher tax income for the government. However, wages do not only have a direct impact on economy, but also have an indirect impact on the societal and individual indicators. A higher wage can impact one's healthcare, education possibilities, development of the local community, and give room for research and innovation.

Beyond certification

The discussion about the use of certification to promote sustainable behavior seems never-ending. Certification schemes are tools used in the supply chain to verify conditions, communicate about the status and build trust among stakeholders. The certificates aim to promote sustainable products at consumer level and prompt actors in the supply chain to activate sustainable practices. Still, over time research showed that the promised results of certification are lacking (Poynton, 2015). There are many different certificates, each differing slightly in its approach, which often leaves consumers confused. Besides the complexity of the different certification methods, it is rather costly for farmers and the reward is not always clear. However, the goal of these certificates is to support sustainable development and facilitate more transparency across the supply chain, which are goals that are very much aligned with Eosta's company values.

At Eosta we try to go further than 'checking a box' with mandatory certification schemes. We hold a holistic view of sustainability, which is reflected in our Sustainability Flower assessment framework. Specifically, this means that we see certification as a useful tool to identify areas where development is needed, which we accordingly focus our expertise and resources on.

Defining living wage and living income

The idea of a living wage is that workers and their family should be able to live a decent life with the remuneration they receive. Thus, a living wage should do more than simply keep workers and their families out of poverty. It should allow them to take care of themselves and their family members, both in terms of housing, food and healthcare. Wages should be sufficient to ensure that workers and their families are able to afford a basic life style considered decent by society at its current level of development. Workers should receive a living wage in normal work hours without having to work overtime. Anker & Anker (2017) define a living wage accordingly:

Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her of his family. Elements of a decent standard of living include food, water, housing, education, healthcare, transport, clothing and other essential needs including provision for unexpected events.

For this pilot we use the above definition of a living wage.

The research for this living wage pilot is to a large extent based on the Anker & Anker (2017) living wage methodology and existing benchmarks. Although this research is not meant to form a benchmark, nor is it an official Anker & Anker assessment, the information presented in this report relies heavily on prior research done by the Anker duo.

Building on the idea that a living wage research should be more than just reporting a number, this report will include as much relevant information as possible to paint a transparent picture of the status quo.

Figure 1: Cost of a basic but decent life for a family

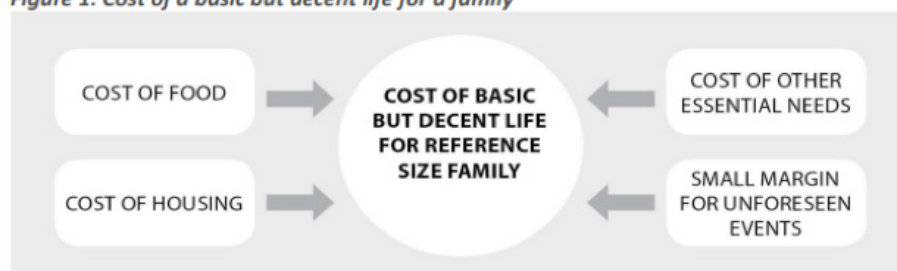


Figure 2: From cost of a basic but decent life for a family to calculation of a net living wage

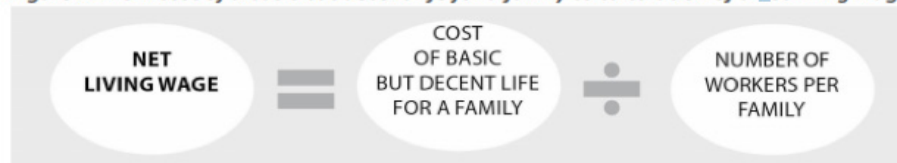
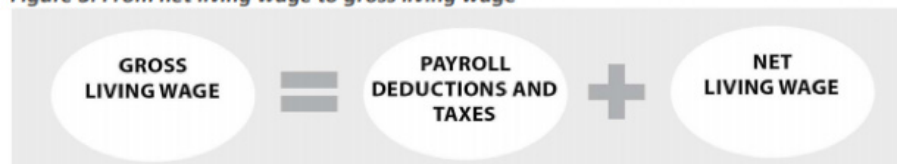


Figure 3: From net living wage to gross living wage





The difference between living wage and living income

A living wage is referred to when one is employed and thus receives a regular financial remuneration for work done. In the agricultural industry however, much of the labor done comes from small farmers who are not paid a monthly salary but receive money for the products sold. This is where the term living income is used. As both living wage as well as living income are concerned with the amount of money that is needed for a decent life for a family, living wage studies based on the Anker & Anker methodology can also be used for calculating a living income for smallholder families (Anker & Anker, 2017).

For this pilot both living wage and living income will be analyzed, as the research will include various stakeholders in the supply chain.

A practical approach to living wages for Small- and Medium sized Enterprises

Up until now most research into living wages have been rather in-depth and elaborate studies. From a corporate point of view, conducting an elaborate social impact study on wages for every product that's being traded is not feasible. Therefore, this research aims to explore the possibilities of assessing living wages in a relatively quick though accurate manner. Therefore, the aim of this research is to explore living wages from a corporate perspective. This living wage pilot is an exploratory research into the practical application of living wages in the supply chain of Eosta, an international trading company for organic fruits and vegetables.

The idea of this pilot is that by conducting an actual living wage research with one of our corporate suppliers, we hope to learn more about available methods, best practices and possibilities for incorporating living wages in our corporate supply chain.

This pilot zooms in on wages earned by people working in the organic avocado supply chain in Kenya. The research was conducted in partnership with one of our organic avocado exporters in Kenya. The reason why Kenya was selected for this case study is because there are already several living wage benchmarks for Kenya available. Moreover, there is a good relationship with the Kenyan exporter, which makes communication about a rather sensitive issue such as wages easier. For privacy reasons we have decided to publish the results of this study without exposing details of our corporate partners.



Steps of the research pilot

1. Living wage research

- Find existing living wage benchmarks Kenya
- Research possibilities for simplifying living wage methodology



2. Desk research

- Look into certificates from the exporter: SMETA / Global GAP / GRASP
- Collect information internally
- Provide context with online data
- Contact involved stakeholders send them information about living wage research



3. On-site data collection

- Interviews with exporter
- Farm visits
- Visit packing warehouse



4. Report living wage pilot

- Collect all data in one overview
- Review results with partners
- Recommendation for next steps



5. Quick assessment

- Questionnaire focusing on different stakeholders in the supply chain
- Can give overview of current situation for several focus suppliers



6. Dialogue

- Communicate results with supplier
- Publish results study to spark living wage discussion
- Identify partners interested in working on living wage research



← Next steps →

Partnership

Eosta is part of the Sustainability Initiative Fruit and Vegetables (SIFAV), an initiative from IDH (Initiative for Sustainable Trade), focusing on the major sustainability challenges in the global agricultural sector. This platform includes all key sector players who have committed to the SIFAV covenant, aiming for 100% sustainable sourcing by 2020. One of the focus areas of this initiative is the working conditions and livelihoods of farmers, which initiated the dialogue about living wages in the global supply chain. Accordingly, we founded this research pilot about living wages in the corporate supply chain of Eosta. In close collaboration with IDH and other experts, such as Hivos Netherlands, we started looking into the Kenyan organic avocado supply chain with the aim to learn more about the methods and complexities regarding living wage research and implementation. IDH has provided meaningful technical support throughout the research, which has had a significant impact on this final report.

Methodology

The aim of this research is to better understand how living wages can be analyzed and implemented in the corporate supply chain of Eosta. By focusing on one specific supply chain, our organic avocados from Kenya, we get practical experience and hope to draw an overview of the best practices for measuring living wages in a practical manner.

In this part, the different phases of the research will be briefly explained.

1

Living wage research

For this pilot, we relied on existing living wage benchmarks for Kenya. Through the online portal from Global Living Wage Coalition (<https://www.globallivingwage.org/>) an overview of official living wage benchmarks is presented. The benchmarks from GLWC are all verified by Anker & Anker themselves and focus on a specific region in a country. As there is no study on urban living wages in Kenya (yet), this living wage information was supplemented by living wage information from the Wage Indicator Foundation (www.wageindicator.org). WageIndicator uses prices from the Cost of Living Survey to calculate living wages in more than 60 countries. Their definition of a living wage is: approximate income needed to meet a family's basic needs including food, housing, transport, health, education, tax deductions and other necessities.

Desk research

CERTIFICATION

Each organic farm is assessed on its social compliance through various certification and auditing schemes. The two most common are SMETA (Sedex Member Ethical Trade Audit) and Global GAP (Good Agricultural Practices). The latter is a food safety standard used to assess the adoption of Good Agricultural Practices. For this pilot, the SMETA report was used to draw an initial profile of the exporter. The following information was considered useful:

- **WORKER ANALYSIS** / overview of permanent and temporary workers
- **WORKER INTERVIEW** / general attitude workers
- **FREEDOM OF ASSOCIATION** / existing trade unions and collective bargaining
- **LIVING WAGES*** / policies and procedures regarding wages and benefits
- **WAGE ANALYSIS** / lowest paid workers, deductions required, defined living wage
- **REGULAR EMPLOYMENT** / overview type of workers and sub-contractors involved

*The ETI Base Code, used for the SMETA analysis, requires that workers are paid a living wage, and the minimum requirement is national legal standard or industry benchmark standards whichever is higher. In addition, wages should be enough to meet basic needs plus some discretionary income. In cases where there is no defined process for establishing the living wage, the auditor should say so on the audit report and use the minimum legal wage and correct overtime premiums as the measurement standard

INTERVIEWS

At Eosta there are several employees who work closely with the avocado exporter. Through semi-structured interviews focusing on quality issues, payments and our relationship with different stakeholders involved, it was possible provide more context for the pilot. The interviews were conducted with four relevant persons, namely: the avocado product manager, QR manager, junior purchasing trainee who did extensive research into the quality issues with Kenyan avocados, and sustainability auditor who had experience with the exporter.



Data collection

The data was collected in Kenya in august 2018 by Nada van Schouwenburg (Eosta) and Marjolein Motz (consultant Fair & Sustainable Consulting) . The data was collected over a period of 3 days, of which you find the itinerary below.

ITINERARY IN KENYA

Day 1 Visit the exporter office

- Interview with employees
- Overview of farmers contracted
- Payroll
- Overview of costs

Visit packaging station

- Tour through warehouse
- Interview with CEO about employment and wages

Day 2 Field trip

- Murangu region (80% of their avocado farmers are located there)
- Sample of 4 farms, different sizes
- Estimation of costs and income
- Interview with farmers and field-manager

Day 3 Finalizing

- Analyze data collected
- Interview with CEO exporting company for additional questions



FIELD TRIP

The field trip took 1 day, in which one of the field managers guided the farm visits. The field manager advised which farms best to visit. The aim was to include farms from different sizes and family composition. We visited a sample of four farms in the area of Murang'a. The interviews were conducted in a semi-structured manner, in which both researchers asked questions to the farmers. If necessary, the field manager translated.

INTERVIEW FARMERS (SEMI-STRUCTURED)

Introduction of the farm

- Who owns the farm
- Size of the land
- Trees and crops: varieties / amount of produce
- Family structure: size / gender / age / working

Income

- Annual income from harvest (cash crops)
- Other sources: Livestock, breeding, local market
- Off farm income: labor
- Income division: percentage cash crops and other incomes

Costs

- Paid labor: when, how often, tasks, day rate
- Maintenance of land (input for harvest)
- Housing, electricity, water
- Food
- Education
- Other (e.g. healthcare)

Main issues at the farm (open question)

USEFUL DATA FROM EXPORTER

- Farmers list (2018): names, region, hectares, annual harvest, piece rate
- Sample of 'batch overview': amount collected, piece rate, costs of transportation and harvesting
- Payroll employees at exporting business

Living wages in Kenya

The goal of this research is to check whether current wages in the supply chain are up to living wage standards. Accordingly, this research pilot makes use of existing living wage benchmarks in Kenya. The Global Living Wage Coalition website offers a clear overview of the Anker & Anker verified benchmarks available for each country. In the case of Kenya there are two verified benchmarks available, one for rural regions and one focusing specifically on Lake Naivasha. To complement these existing benchmarks, we also relied on other sources for collecting wage information.

Anker & Anker benchmarks

Currently, two official living wage studies have been conducted in Kenya by Anker & Anker. The first benchmark is focused on the Lake Naivasha Region from March 2014. According to this study, a monthly living wage is estimated to be 18,542 KSh (approximately €160) per worker with a family of 1.69 full-time workers. An updated version from October 2016 estimates a living wage to be 22,104 KSh (approximately €190). However, this living wage estimate was not representative of a living wage for rural Kenya, as the workers from the Lake Naivasha case study lived in urban areas near flower farms, and not in rural areas.

The second benchmark conducted by Anker & Anker is from June 2015 in the rural area of Mount Kenya. A living wage in this area is estimated to be 12,969 KSh per worker with a family of 1.71 full-time workers. In an updated version from October 2016 the living wage is estimated to be 13,943 KSh (approximately €120). As prices in the rural Mount Kenya are reasonably representative of prices in other rural areas in Kenya according to the Kenya National Bureau of Statistics (KNBS), this living wage benchmark can be used for all rural cases in Kenya.

At this point, a third benchmark conducted by UTZ / Rainforest Alliance in a peri-urban area in Kenya is on its way. As this benchmark is not officially verified by Anker & Anker yet (will likely happen in Oct 2018), we can therefore only use unofficial figures that are available at this moment. It is estimated that the living wage for a peri-urban area in Kenya is 22,573 Ksh.



Other living wage information

The WageIndicator Foundation also publishes data concerning living wage estimates in Kenya. Their latest update for living wages is from January 2018. The foundation uses prices from the cost of living survey to calculate the living wage in a certain country. It represents an estimate of the monthly expenses necessary to cover the costs of food, housing and transportation, with a 10% margin for other expenses, such as education, health, and clothing. Their living wage estimate is for a full-time worker, which makes it possible to compare to a minimum wage and calculate real wages. According to the WageIndicator website their estimation of living wages is consistent with the methodology developed by Richard and Martha Anker for the Global Living Wage Coalition. The living wage estimates from WageIndicator are not specific for one region, but focuses on Kenya as a whole.

As is made clear in the overview below, the WageIndicator living wage estimate is significantly higher than the Anker & Anker benchmarks for rural and peri-urban. As it is unclear why this estimate is this high, we will only use the WageIndicator data as a comparison in this pilot.

FAMILY LIVING WAGE (MONTHLY / KSH)

Typical family (2 adults / 4.4 children / 1.8 working)	34400 - 46200
Standard family (2 adults / 2 children / 1.8 working)	28600 - 38400
Two parents and two children, 1 working	51500 - 69100
Single-adult (0 children / 1 working)	17800 - 25000

OVERVIEW LIVING WAGE ESTIMATES, KENYA

Source	Family size	Region	Year	Living wage (Ksh)
Anker & Anker	2 adults / 3 children / 1.69 working	Lake Naivasha	2016	22,104
Anker & Anker	2 adults / 3.5 children / 1.71 working	Rural Mount Kenya	2017	13,943
Rainforest Alliance	Unknown	Peri-urban	2018	22,573
Wage Indicator	2 adults / 4.4 children / 1.8 working	Unknown	2018	34,400
Wage Indicator	Single-adult	Unknown	2018	17,800

Minimum wages in Kenya

According to the labor institutions act which came into force in July 27th 2017, the following regulations of wages in the agricultural sector are legally valid. These minimum wages are for the rural regions in Kenya.

Occupation	Per month (Ksh)	Per day (Ksh)
Unskilled employee	6,415.55	269.40
Stockman, herdsman, watchman	7,409.00	313.75
House servant or cook	7,323.65	278.85
Farm foreman	11,573.55	489.10
Farm Clerk	11,573.55	489.10
Senior foreman	7,492.40	318.60
Farm artisan	7,668.00	326.05
Tractor driver	8,131.40	345.40
Combine harvester driver	8,957.95	380.10
Lorry driver or car driver	9,400.80	398.50

LABOUR POLICIES AND LAWS

- To date, there are no collective bargaining agreements for the agricultural sector in Kenya.
- There is no provision in law for unemployment insurance and benefits.
- Social security in Kenya is currently regulated and provided for under many laws. The National Social Security Fund (NSSF) is the largest social security scheme covering almost all of the formal labor force. NSSF is a state-administered provident fund though the government ensures that every worker is provided with minimum social security protection.
- According to the General Wages Order, 'normal' working hours are 52 per week and 60 hours per week for the night workers. For young workers normal working hours are 6 per day.
- The workers covered under the National Hospital Insurance Fund Act are entitled to medical benefits in the case of hospitalization and these include general medical care, specialist care, medicine, hospitalization, and transportation.
- The National Social Security Fund Act 2013 provides for old age benefit (pension) when the insured person (male or female) attains the age of 60 years, or retired from regular paid employment.

Kenyan avocado context

UNDERSTANDING THE INDUSTRY

Kenya is one of the world's largest producers of avocado, with estimated production of 115.000 metric tons annually. Local varieties dominate Kenyan production (about 70% total), whereas Fuerte and Hass, the varieties suitable for export, make up approximately 20% and 10%. Most of the avocado farms are near Nairobi, where the export packaging facilities are located. Of the total production, 20-25% is exported, which ranks Kenya as the sixth-largest exporter to Europe. The Kenyan Hass harvesting season extends later in the year than Peru's, which grants Kenya a supply window. An estimated of 70% of Kenyan avocados are produced on smallholder farms. Smallholder farmers sell their avocados to exporters through an out-grower scheme or middlemen. These middlemen are either legally government-certified agents or unofficial brokers (Source: World Economic Forum).

To ensure that only mature avocados are exported, the Kenyan Agriculture and Food Authority has set the criteria of at least 20% dry matter and oil content of 8% or higher. In Kenya avocado is an important product for the local cuisine. At the same time, the international market is screaming for avocado's, which puts high pressure on the production. This pressure results in traders buying unripe fruits from farmers too early in the season to fulfill the demands of the export market. As the avocado low season is almost half a year, a lot of smaller farmers struggle at the end of the low season to make ends meet, which makes it hard for farmers to wait till their fruits are fully mature. This is why in January 2018 the government decided to lock down the export market of Hass and Fuerte avocado trade, as the still unripe fruits were already picked and exported in large quantities.

AGING

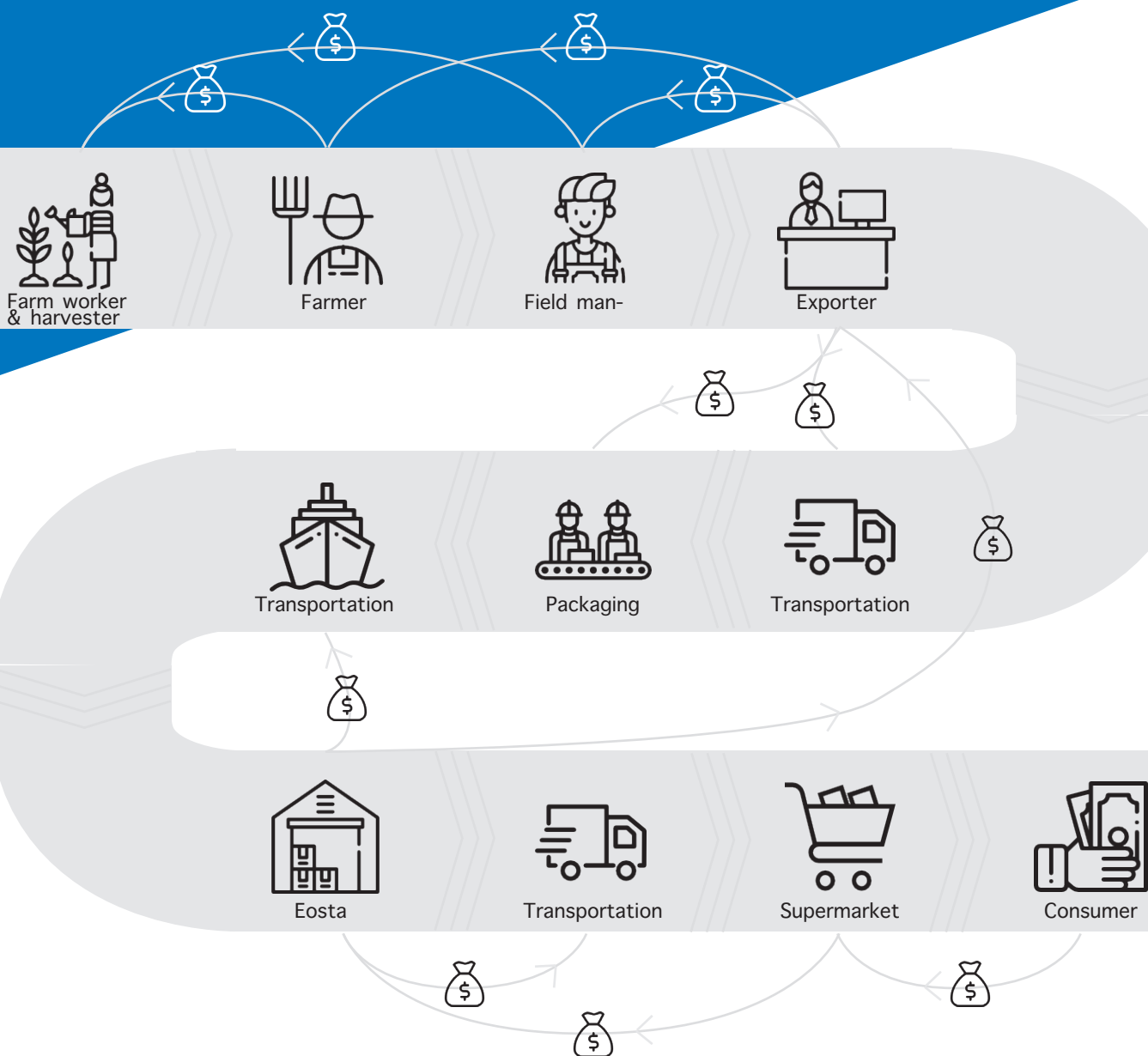
The average age of a Kenyan farmer is 60 years. Even though, 78% of the Kenyan population is below 35 and unemployment rates with the youth is 68%, the youngsters are not interested in a career in agriculture. Despite the sector emerging as the second largest foreign exchange earner in the Kenyan economy, a large divide exists. The youth population has opted to abandon agriculture in pursuit of white collar job opportunities in urban centers and cities. In the past, the occupation of farming was passed on from father to son. The land owned by the farmer was, and still is, equally divided by the number of sons, which over generations has led to some farmers inheriting land so small that it's barely profitable.

TRANSPORTATION

The Kenyan avocados are transported by ship. This is done in collaboration between the exporter and the importer, in this case Eosta. The exporter makes sure the avocados get to the Mombasa port, from which the shipment is arranged and paid for by Eosta.

Kenyan avocado supply chain

In this research pilot we try to include as many stakeholders as possible so as to get a good overview of what information is available or missing regarding wages in the supply chain. This study does not aim to be a complete analysis of the avocado production in Kenya, but aims to offer the best overview considered available time and resources. In the overview below you can see which stakeholders are involved and how the financial streams flow across the different actors. This chapter gives an overview of all the information that has been collected per stakeholder during the desk and field research, which will be further analyzed in the next chapter.





FARMWORKERS

Three out of the four farms we visited, employed people to assist with taking care of the land. From conversations with farmers and the field manager it seemed that it's quite normal (especially for the larger farms) to hire labor for maintaining the land.

Farm	Frequency	Including	Paid per day (Ksh)
1	At least 1 employee per day	Breakfast and lunch	400
2	Occasionally	Only mornings	300
3	Two permanent staff	Housing and food	8000 / month
4	None	None	None

HARVESTERS

Harvesters are seasonal workers hired by the exporter. These young men come from their villages to this region in high season. They are paid 1Ksh per avocado fruit. Every evening they are paid in cash by the field scouts. They can decide prior to harvesting whether they want to be paid for their team effort or individually. On average a harvester can pick between 1000 and 3000 avocados per day. They work around 3 days a week in the peak season. The money they can make in a day is relatively high, however there is no job security and the work requires hard physical labor.



FARMERS

Farmers have a written contract with the exporter, which is quite rare as most exporters and brokers just buy on the spot for the best available price. The exporter negotiates a piece rate with each farmer prior to the start of the season. The organic certification needed for exporting for Europe is provided for by the exporter as well. The farmers are paid per piece. The payment is done via the mobile Empesa system and bank. The field managers hand in their receipt from harvest to the exporter office who then transfers the money via bank and Empesa to the farmers. The piece rate varies per season and between farmers. In 2018 a 'normal' rate for a small scaled farmer would be around 9,1 to 10 Ksh per piece. However, larger farmers can negotiate a higher price. Almost all farmers have a variety of trees, next to avocado trees they also often grow bananas and macadamia nuts. Some farmers own livestock which allows them to sell the milk to the local market.

For this research we visited a sample of four farms in the Murang'a area, which is the region with most avocado farms. An elaborate overview with details of each farmer can be found in the appendix. The following table gives a summary of the four farms.

	Farm 1	Farm 2	Farm 3	Farm 4
Land size	1,7 ha	0,6 ha	1,1 ha	0,6 ha
Trees	47	50	50	11
Pieces	20.000	30.000	100.000	3600
Piece rate	9,5	10	10	10
Percentage income from avocado	60%	Unknown	70%	60%
Income (Ksh)	190.000	300.00	1.000.000	36.000





FIELD MANAGERS

The field managers are employed by the exporting company and are in direct contact with the farmers. They spent every day on the fields, visiting farmers, providing trainings, maintaining relationships, sampling for quality and guiding harvesting. As they have to visit the farms on a daily basis, they live in a more peri-urban area near Murang'a. In the following table the monthly wages for the three field managers are made detailed.

	Basic income	Housing allowance	Gross pay	Tax paid	NSSF	NHIF	Net pay
Field manager 1	30.500	5.246	35.746	3.716	1.080	950	30.000
Field manager 2	25.000	4.371	29.371	2.441	1.080	850	25.000
Field manager 3	18.700	3.236	21.936	1.106	1.080	750	21.928



EXPORT OFFICE WORKER

The office employees live near the office in the east of Nairobi and can walk to work. The following table presents the detailed wages of the office workers.

	Basic income	Housing allowance	Gross pay	Tax paid	NSSF	NHIF	Net pay
Head of finance	36.000	6.426	42.426	5.346	1.080	1000	35.000
Assistant	21.700	3.921	25.621	1.691	1.080	850	22.000
Packaging coordinator	16.406	3.000	19.406	726	1.080	600	17.270



PACKAGING WORKERS

The packaging facility is located in the industrial area of Nairobi. At this facility the avocados are washed, dried and packed after which they are directly transported to the port. The packaging facility is not owned by the exporting company. The packaging company employs 36 permanent office workers and around 60 seasonal workers. There are four different positions among the seasonal workers: regular packaging workers, supervisors, quality controllers, and truck drivers. The seasonal workers are paid per day at a urban minimum wage of 600 – 650 Ksh. Most casual workers live nearby the packaging station and can walk to work. The casual workers are all returning workers, the packaging company tries to give them as much regular work as possible.

Conclusion

Based on the information provided in the previous chapter, we will now provide an overview of all the information collected in this research. The analysis will be divided in two parts, distinguishing between stakeholders who receive a wage and the farmers who receive an income. The overview below shows for each stakeholder the current wage and the estimated living wage, identifying the present wage gap.

LIVING WAGE PER DAY

The living wage benchmarks are monthly wage estimates, however often workers are paid per day. To calculate what a living wage per day should be, we need to know the working hours per week for a full-time employment in Kenya. However, there is no clear consent about the full-time working hours in a week. The General Wage Order states that a full time workweek consists of 52 working hours, whereas Anker & Anker rely on a working week of 37 hours. From the interviews for this study, we learned that in general a working week consists of 8 hour days from Monday to Friday and half a day on Saturday, which results in 44 hours. For this research we will assume a 44 hour workweek.

A full time workweek of 44 hours results in a living day wage of 583.39 Ksh (approx. €5)

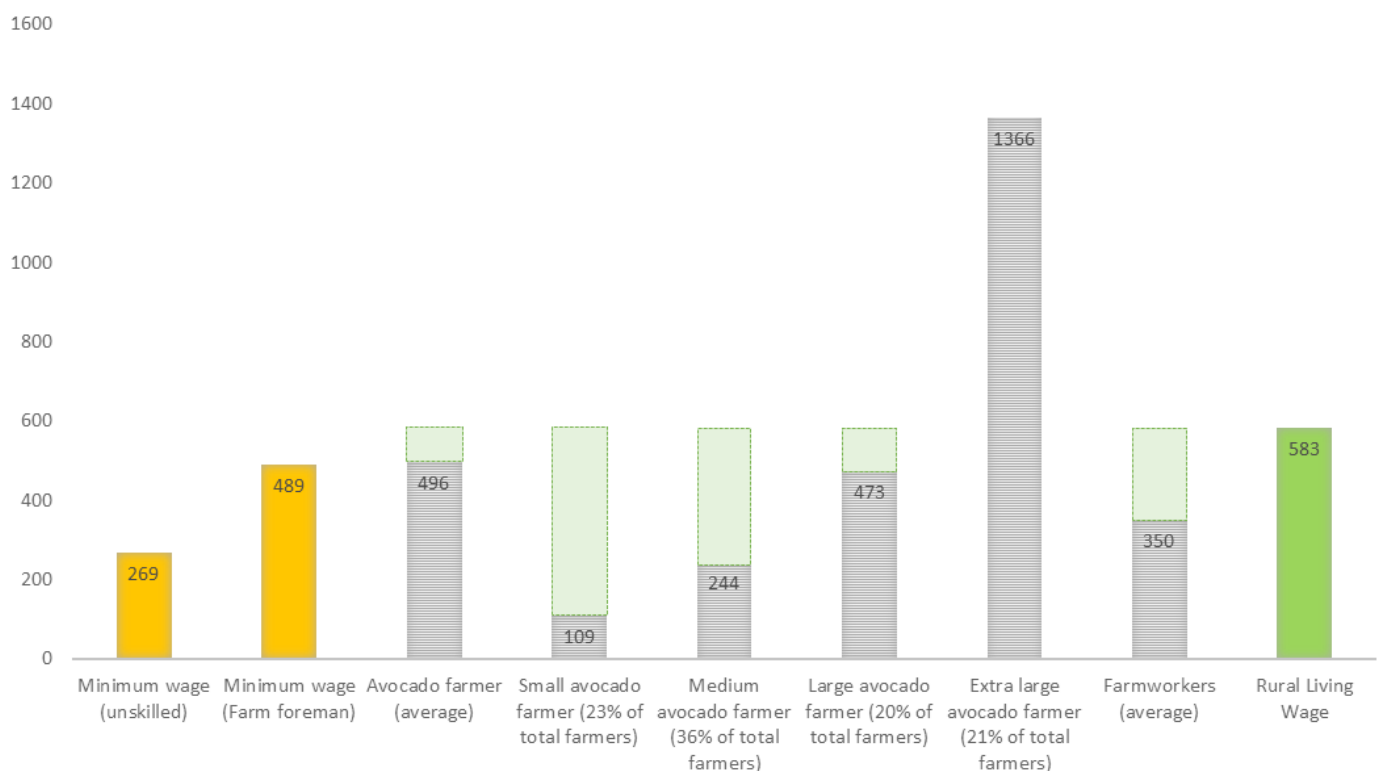
WAGE OVERVIEW

Stakeholder	Tasks	Contract	Living area	Current wage	Minimum wage	Living wage
Farmworkers	Maintaining land	Temporary	Rural	300-400 / day 8000 / month	269.4 - 313.75 / day	583.39 / day 13,943 / month
Farmers	Managing the farm	None	Rural	Income - to be explained		
Harvesters	Fruit picking	Temporary	Rural	2,000 / day 24,000 / month	313,75 / day	583,39 / day 13,943 / month
Field managers	Managing farms and harvesting	Permanent	Peri-urban	21,928 / month	Not relevant	22,573 / month 944,48 / day
Export office workers	Financial administration and packaging coordination	Permanent	Nairobi outskirts	17,270 / month	Not relevant	Unknown
Packaging workers	Sorting and packaging products	Temporary	Embakasi, Nairobi	600-650 / day 13,200 / month	622 / day	Unknown

Overview of wage information for each stakeholder in the supply chain

* The lowest paid employee per organization is used for this overview

DAILY WAGE (KSH)



LIVING WAGE

Living wage gap per stakeholder

Each of the following stakeholders in the avocado supply chain receives a wage. Accordingly, for each stakeholder the results of this research are discussed and a living wage gap (if present) is defined.



FARM WORKERS

Farmworkers are employed by farmers to help with the land maintenance and household work. Depending on the size of the farmers family and the land, a farmer would hire one or more temporary or permanent workers. The data for the farm workers is limited to the four farms in sample that we visited during the field research. As the farmworkers are not officially employed, nor do they have a written contract, the work and payment are unofficial and thus we can solely rely on the information we received during the interviews. The day wage these workers receive is below the living day wage, with a rather large wage gap of 40%. However, the workers from the sample only worked mornings, due to the hot weather, and got meals on working days. For the full-time employed workers on one of the farms in the sample, the housing and food was included, however the monthly wage gap between current and living wages is 43%.

In general, it is hard to assess whether these workers receive enough money to afford a decent life. As there are no official contracts, there is limited available information to get an accurate insight into the lives of these workers. However, with the information that is known, we conclude that the farmworkers' wages in the sample are not up to living wage standards.



HARVESTERS

The avocado harvesters are seasonal workers. Based on the average number of avocados one harvester can pick in a day and the average number of days a week they work, they likely earn around 24,000 Ksh (approx. €206) per month. Accordingly, their wage during the high seasons is well above the set living wage in rural areas. However, these workers are not guaranteed to have a job and depending on their physical abilities to pick fruits, their wage differs significantly. Moreover, they often don't live in the avocado region and move back to their hometowns in low season. Therefore, more research is required to come to a definite conclusion about the wages of harvesters.



FIELD MANAGERS

The field managers are employed by the exporting company and live in peri-urban areas, near to the avocado farms. The lowest wage of a junior field manager is slightly below living wage (3% wage gap). However, taking into account that the other field managers who are more experienced and employed for a longer time, do earn a living wage, it can be expected that the junior field manager will likely be promoted to a similar level.



EXPORT OFFICE WORKER

The administration employees at the exporting company work and live in the outskirts of Nairobi. The most junior employee, who was hired a few months back, earns 17,270 Ksh (approx. €150) per month, which is a 23% wage gap with the peri-urban living wage estimate. Considering that this employee lives in the city but receives a wage that is below peri-urban standards, it's definitely not up to urban living wage standards. However, this junior employee has only been working for the export company for a few months and only recently graduated. All three employees are rather young and from the interviews it's known that neither of them has a family to support.

This brings us to another discussion. Namely, should someone with a junior position who recently graduated also earn a living wage, which is intended for people who have a family? The WageIndicator living wage distinguishes between single adults and adults who have a family to support in their calculations. A Kenyan living wage for a single adult is said to be 17,800 Ksh (approx. €154). Accordingly, this would mean that even the junior employee would earn up to living wage standards. Are the living wage estimates meant to be a minimum for anyone with a job regardless of their age, experience or family size? It can be argued that anyone with a job should be able to afford a family. On the other hand, living wage is intended to make sure a person earns enough to live a decent life, which would mean that as a junior, living on his or her own, you need less money to have a decent life than if you have to support 4 children.



PACKAGING WORKERS

The workers at the pack house earn around 600 KSh (approx. €5) a day. Most of these workers live in the outskirts of Nairobi, which is a peri-urban area. Although there is no living wage benchmark for urban Kenya yet, the wage gap of the current wages and peri-urban living wages is around 36%. As the costs of living in Nairobi are definitely higher than in a peri-urban region it can be concluded that these packaging workers do not receive a living wage.



LIVING INCOME



FARMERS

Farmers' income differs significantly, depending on the size of the land, number of trees, maturity, quality of the trees and the piece rate. Based on the farmers list of the exporter we can calculate the average amount of avocados per acre and the average income they receive from the harvest. However, as there are such enormous differences between farmers, it's hard to generalize 'farmers' as one group. Accordingly, we have categorized the farmers in four groups: small, medium, large and extra-large farms. For each category the average amount of avocados is calculated, which is then used for the living income calculations.

Category	Number of avocado pieces	Number of farmers	Percentage of farmers	Average amount of avocados	Average income per year in Ksh	Income in euros (approx.)
Small	1000 – 5000	30	23%	3278	31,382 Ksh	€271
Medium	5001 – 10.000	48	36%	7311	69,994 Ksh	€604
Large	10.001 – 20.000	27	20%	14623	135,638 Ksh	€1171
Extra large	20.000 +	28	21%	41623	391,826 Ksh	€3384

Based on the sample of this research it can be concluded that the Kenyan avocado farmers do not solely rely on the avocado sales for their income. Although this is in most cases the major source of income (around 60%), it is complemented with other crops, such as macademia nuts and bananas, which are sold on the local market. Furthermore, some farmers own livestock or chicken for their own consumption or alternatively sell the milk and eggs to other villagers. It is unknown what the income derived from these other sources is, hence the conclusions about farmers' income will rely solely on the avocado data.

■ Efficiency

The amount of land and trees does not automatically equal a certain amount of output. Mature trees can grow a lot more than young trees, but there are also many other aspects that impact the production of avocado, such as health of the tree, weather, soil quality and pests. The income of a farmer is dependent on the amount of fruits he or she can harvest from the land and the alternative income he or she receives. Accordingly, a farmer needs to sell a certain number of avocados to earn a living income. This issue will be discussed in-depth on the following page.

- Financially trapped

Quite some small farmers are barely able to make ends meet. Often this is because of the small plot of land or lack of mature and healthy trees. In order to earn a living wage these farmers that would need to invest in their farm. However, these farmers do not have the means to invest and applying for a loan at the bank is very hard without a healthy financial track record.

- Quality & responsibility

When exporting the avocados, the exporting company receives a certain price for the container based on the quality, quantity and market mechanisms. This means that when quality issues arise, which is a frequent problem with Kenyan avocados, the price drops drastically in the European market. At the moment, this financial loss does not directly trickle down to the farmer, as the exporter negotiates a set price prior to the season with the farmers. This means that as soon as the avocados leave the farm gate, the farmers receives the set price and is not involved in the rest of the journey of the avocado. In a 'normal' market situation you would expect that the quality of a product is the responsibility of the producer, thus the farmers. However, in this case the responsibility lies with the exporter, who need to educate the farmers on quality issues and harvest the ripe avocados.

One of the reasons the exporter is committing to this responsibility, is because they want to build strong and trustworthy relationships with the farmers. Also, the market for Kenyan avocado is rather competitive, which means that if the exporter does not offer a 'good' price, they will sell to someone else.



LIVING INCOME CALCULATIONS

Average piece rate	9,5 Ksh
Living income per month for a family (based on Anker & Anker rural)	23,842.53 Ksh
Living income per year from avocado sales (see calculations next page)	188,828.64 Ksh
Number of avocados a farmer has to sell per year	19.876

To decide whether it is possible to get to a living income with the current piece rate, some calculations were done. As showed in the table, with the current piece rate a farmers family needs to harvest at least 19.876 avocados in a year to receive a living income. From the 133 farmers in Muranga that our exporter works with, only 28 farmers (21%) are able to grow more than 19.876 avocados a year, and thus receive a living income from their avocado harvest.

Thus, for a farmer to receive a living income he or she needs a certain amount of land and trees to be able to produce enough avocados. In this case, the amount of harvest needed is relatively high, as only 21% of the farmers are at this level. However, the question does arise: what should the minimum amount of harvest be for a farmer to earn a living income? Obviously, if your business is too small you will not be able to survive, but where do we draw that line?

On another note, what should the piece rate be for the average farmer to be able to earn a living income with the avocado sales? This is where the concept of living price comes in, which is calculated on the following page.

■ Complexity

Should the piece rate increase or the productivity of the farmers? As stated earlier, it is not possible to increase the price of the avocados when the quality of the products is not up to European standards. Also, how does one decide what the minimum size of a farm should be able to earn a living income?

■ Conclusion

Right now, only 18% of the farmers, which are thus only the large and extra large farms, sell enough avocados to earn up to living wage standards. However, these calculations are based on the assumption that all income should come from the farm, which in reality is not always the case. Moreover, these calculations do not take into account that quite often the farmers are producing their own food. Furthermore, as briefly discussed above, farming is much like running a business, which means that the responsibility for high enough productivity and quality lies with the business owner. This debate between market mechanisms and a fair trade system in which farmers are paid a living price is one that hopefully will be sparked by this research.

LIVING PRICE

A price for a product that includes all production costs and net income that covers the portion of the 'living income' for the farmer that the product provides. This portion can be determined according to percentage of the income that is derived from the product; the man hours worked for the product or the area covered of the land of the farmer.

Bronkhorst, 2016 & Fairfood, 2017

CALCULATING THE 'LIVING' PRICE OF AN ORGANIC AVOCADO IN KENYA

The question that remains from the above analysis is what should the piece rate be, if we want the average farmer to earn a living income with the avocado sales. These calculations are based on the example from Fairfood about living prices of Indonesian coconuts . For these calculations the following information is needed:

- What is the average amount of pieces a farmer can harvest in a year?
- What is the living income needed by a farmer?
- What is the percentage of income from avocado sales?

Average amount of avocados per year = 15109
Average percentage of income from avocado sales = 60%

Living income = [living wage X average nr of working household members] + 10% investment costs

As it is unknown what the average number of working household members is, it is rather hard to calculate the living income based on the Fairfood formula explained above. Therefore, we will make use of the Anker & Anker living wage benchmark for rural Kenya, which is based on a family with 3.5 children and 1.71 household members working. A full-time salary for one person would then be 13,943 Ksh. The monthly living wage needed to support the whole family would then be $[13,943 \times 1,71] = 23,842.53$ Ksh.

For this case it is assumed that the whole income should come from the farming practices. However, from the interviews with farmers it estimated that for the average farm about 60% of the income comes from the sales of the avocados. Moreover, as it is unknown what the investment costs of an avocado farm are, we will stick with the 10% used in the coconut case example. This means that the income from avocado sales per year should be $[12 \times \{23,842.53 \times 0,60\} + 10\%] = 188,828.64$ Ksh

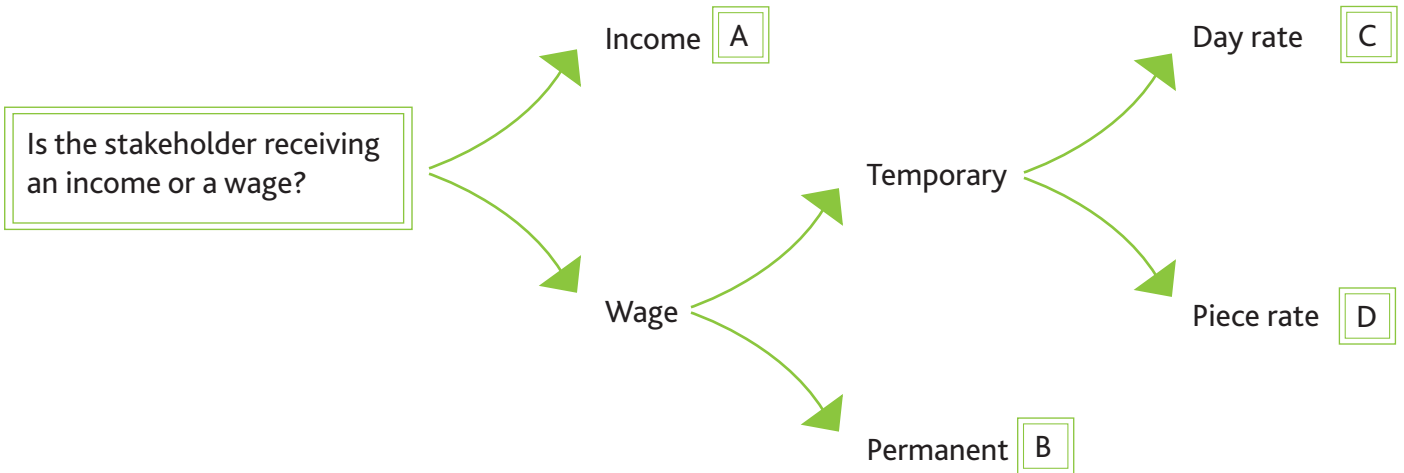
Piece rate = income from avocados per year / average amount of avocados per year
 $= 188,828.64 / 14068 = 12,5$ Ksh (€0,11)

The current piece rate is 9.5 Ksh for the average farmer. When production is higher than average, a higher piece rate can also be negotiated. According to above calculation the current living price gap is 24%

Quick assessment

With the best practices from this research pilot, we have developed a four-step quick assessment. This assessment focuses on the information we deemed essential for a living wage research.

Step 1. Define all stakeholders involved in the supply chain and the percentage of workers for each category



Step 2. For each stakeholder take a sample to conduct these mini-interviews

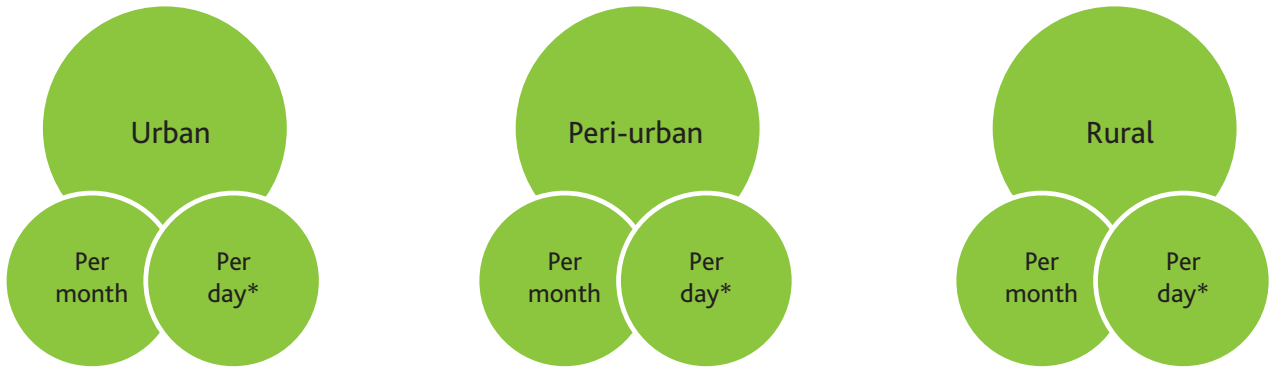
- A**
1. What is the size of your land? What fruits do you produce for sale?
 2. How much volume can you harvest annually?
 - 2.1 What is the average amount per tree?
 3. What is the price per kg/piece?
 4. What sources of income do you have (farming / off farm labor / other sources)
 - 4.1 Please show the percentage of income you get from each source
 5. Estimation of costs (per month or year)
 - 5.1 Maintenance of land (e.g. manure / water etc.)
 - 5.2 Hired labour: when, how many, how much paid per day/piece
 - 5.3 Education: school fee, books, clothing etc.
 - 5.4 Housing: rent, water, electricity, maintenance
 - 5.5 Other: food, clothing, transportation, healthcare
- OR CHECKLIST BASED ON LIVING WAGE BENCHMARK

- B**
1. What positions exist at the organization?
 - 1.1 Please rank from lowest to highest
 2. For the lowest ranked positions, what is the average monthly salary?
 - 2.1 What is included in the salary: tax / health benefits / pension fund / housing / other extras
 3. In what area do most lower ranked people live?
 - Urban
 - Peri-urban
 - Rural
 4. Are there transportation costs for getting to work? Are these costs covered by the organization?
 5. Are meals during the work day provided for?
 6. Is there a bonus system in place? If so, how does it work?

- C**
1. What positions exist at the organization?
 - 1.1 Please rank from lowest to highest
 2. What is the day rate for the lowest ranked positions?
 3. How many days a week does a temporary worker work in a week?
 - Low season: ...
 - High season: ...
 4. When and how long is the high season?
 5. How and when are wages paid?
 6. Is there a bonus system in place? If so, how does it work?
 7. In what area do these people live?
 - Urban
 - Peri-urban
 - Rural

- D**
1. What positions exist at the organization?
 - 1.1 Please rank from lowest to highest
 2. What is the piece rate for the lowest ranked positions?
 3. How many days a week does a temporary worker work in a week?
 - Low season: ...
 - High season: ...
 4. When and how long is the high season?
 5. What is the lowest, average and highest amount of piece one can deliver in one day?
 6. How and when are wages paid?
 7. In what area do these people live?
 - Urban
 - Peri-urban
 - Rural

Step 3. Living wage per region



* DAY WAGE DEPENDS ON THE AVERAGE / LEGAL / ASSUMED HOURS WORKED IN A MONTH

- What are the legally set minimum wages per occupation?
- What mandatory taxes and benefits are available in the country?

Step 4. Comparing wages - fill out the following table

Stakeholders	Contract	Living area	Current wage	Minimum wage	Living wage	Wage gap
Farmworker						
Farmer						
Harvester						
Truck driver						
Field manager						

Eosta step-by-step plan

- Based on the 80/20 rule, select the focus products and growers. For each selected grower:
 - Inform exporter about living wage research and why they should cooperate
 - Review the SMETA analysis
 - Conduct the quick assessment
 - Check whether living wage costs estimates are viewed as correct by stakeholders
 - When product manager is visiting, briefly check living wage information
- Create an overview of the selected growers and the existing wage gap per stakeholder
- Communicate results with concerned growers and define strategy for improvement
- Identify potential partners in the supply chain for implementing living wage



Discussion & Recommendations

This pilot assessed whether the wages in the Kenyan avocado supply chain are up to living wage standards. However, the goal of the research was not to solely focus on the Kenyan avocado market but to explore living wages more generally in a corporate context. Through this 'learning by doing' research pilot we looked into the practical application of living wages in the supply chain of an international trading company.

This pilot is meant as an initial step towards a more transparent and fair trade system. Based on this research pilot several recommendations for next steps are formulated. These recommendations are divided in two parts, first a more general conclusion about living wages in a corporate context and then some more reflections from this specific Kenyan avocado case.

GENERAL DISCUSSION

1

Living wage research, what did we learn?

CIRCLE OF INFLUENCE

As is visible in the table in the previous chapter with the overview of wages per stakeholders, there are several stakeholders in the Kenyan avocado supply chain who do not earn up to living wage standards. The wage gaps vary significantly between stakeholders. To get a coherent overview of wages in the supply chain we included as many stakeholders as possible. However, for the next steps it is important to formulate priorities and focus on Eosta's circle of influence. Eosta aims at making the supply chain more transparent and therewith bringing the end-consumer in 'direct' contact with the farmers. Improving the wellbeing and livelihood of these smallholder farmers is in this case our main priority. These farmers are however not in our direct circle of influence, as we work with the exporting company who in turn is in charge of contact with suppliers. This means that our efforts to improve wages and working conditions at farmer level need to be in partnership with the export company.

COMPLEXITY OF LIVING INCOME

During this research it became clear that examining living income is much more complex than looking into living wages in the supply chain. The living wage analyses were relatively simple when current wage figures were available. Living income, however, seems almost impossible to accurately assess. Farming is like running a business, being able to deliver a certain amount of products with a specific quality level in a efficient manner is important to maintain a business. There are many factors that influence the income of a farmer, such as the size of the land, the number of trees, the efficiency and health of the trees, the different sources of income, the

piece rate, the quality of the products and the climate that influences harvest. As the income is dependent on so many different factors it is rather difficult to quickly assess whether the average farmer earns enough for a decent life. This seems to be an area where further research is needed.

RELEVANCE OF CONTEXT

Another important conclusion from this research is that living income cannot be improved without taking the context of the market into account. In this case, improving the quality of the avocados is the first priority for eventually improving prices. As long as the farmers are not part of the quality discussion that is going on further down the supply chain, there is no incentive for farmers to change production methods. Accordingly, without high quality products it is not possible to increase prices and thus improve standards of living in a sustainable manner.

QUICK ASSESSMENT

Following this research, we designed a 'quick assessment' which is meant to be a relatively easy method for performing a living wage scan with multiple suppliers. It would be recommended to prioritize suppliers according to the 80/20 rule, focusing on the top 20% of our suppliers, who are responsible for 80% of the revenue. Expanding the living wage research efforts with the quick assessment method would broaden the internal living wage knowledge. Accordingly, this information can be used to start more in-depth dialogue with the exporting companies that we work closely with. Moreover, we can identify the suppliers with particularly large wage gaps, who might need more support from our side to improve living conditions for the farmers.

DEFINING OUR ROLE IN IMPROVING WAGES

There is no standard recipe for increasing smallholder income. Unfortunately, it is not as simple as increasing prices at farmer level, as the entire global supply chain should be involved. What we learned from this case study is that wages and incomes throughout the supply chain are influenced by many different factors caused by various stakeholders. Each stakeholder in the supply chain has a role to play in improving working conditions and wages.

In the case of Kenyan avocados and Eosta, the products need to be at a certain quality level to be sold in the market. Dependent on the demand for the product, the price is negotiated and eventually paid to the supplier. Eosta is a midfielder in the supply chain, being in direct contact with both the overseas suppliers and European supermarkets. This position requires a certain responsibility concerning transparency and communication, which is something we at Eosta take very seriously. It is our responsibility to invest in the development of farmers and improve transparency throughout the supply chain and therewith create a more equal playing field. This report is yet another step in that right direction.

BEST PRACTICES

- The export company puts a lot of effort in building and maintaining strong relationships with smallholders. The field managers have direct contact with all farmers on (at least) a weekly basis, where they check in with the families and discuss prevailing issues. Next to this, the exporter has written contracts with all farmers and the piece rate is discussed prior to the high season. According to the smallholders, this stability is exactly what is needed for sustainable growth.
- The financial administration of the export office is organized and updated, which made it fairly easy to collect the relevant data for this living wage research.
- The field managers organize regular trainings for the farmers about improving the health of their trees and maintaining their land. This is especially relevant because there are often quality issues with the Kenya avocados.
- With regular contact and the possibility to offer small loans, the field managers try to convince farmers to wait with harvesting the fruits until they have ripened.
- The exporter is currently exploring the options of using an mobile application for making the supply chain more transparent and keeping track of administration.

MAIN PROBLEMS

- There is a general problem in Kenya with the aging of the farmers and the lack of interest in farming from the next generation. Next to this, when the farmer is too old to work or passes away, the land is divided among the sons of the farmer. Over generations the land is divided in increasingly smaller pieces, up until a point where the land is too small to host a profitable farming business.
- For the past years the avocados coming from Kenya weren't the best quality. Specifically, the dry matter level was highly problematic. There are many factors that influence this low quality, namely: the extremely high European quality standards make it hard for farmers to live up to, the increasing market pressure to harvest (too) early in the season, and a lack of knowledge to produce healthy and high-quality products at farmer level.
- Only 21% of the farmers are now able to earn a living income with the current piece rate. The income of the farmer depends on two factors: the piece rate and the number of avocados he or she can harvest. The latter is dependent on the size of the land, the number of trees and the productivity of the trees. Dependent on the maturity of the tree and the maintenance of the land, the number of avocados one tree can produce can differ significantly.
- At this point, there is no official farmer cooperation nor a collective bargaining agreement for the Kenyan avocado farmers.

RECOMMENDATIONS

Dialogue

First and foremost, it is recommended that the results of this research are presented and discussed with all stakeholders involved. It is important that all parties are informed about the living wage requirements and the current wage gaps. Accordingly, a plan can be formulated to improve working conditions.

Involve

Bringing about a more fair and transparent trade system requires intensive partnerships, predominately with partners from different sectors. Although we take our responsibility in the supply chain very serious, there is a limit to what Eosta, as a regular importing company, can accomplish when it comes to improving the working conditions of farmers. As explained above, we can instigate dialogue with our suppliers and together work on improving transparency and working conditions. However, when it comes to problems such as gender inequality, lack of collective bargaining and deficient laws and policies, we need the expertise and resources of other parties, such as NGOs and government.

Develop

The main priority for improving the income of smallholder farmers is investing in training and development. Farmers need to be given the tools and knowledge to produce high quality products, which are requested on the global market. Moreover, farmers should be rewarded for their effort to improve quality and efficiency. Also, the communication flow of the farmer should not stop at the gate, including farmers in the information distribution further along the supply chain will improve knowledge and understanding for all involved. Simultaneously we need to work on improving transparency in the supply chain, including supermarkets and end-consumers in the discussion of improving wages throughout the supply chain.

References

Anker & Anker (2014) Living wage benchmark report for non-metropolitan urban Kenya

Anker & Anker (2016) Living wage benchmark report for rural Kenya

Anker, R., & Anker, M. (2017). Living wages around the world. Edward Elgar Publishing Limited.

Bronkhorst, R (2016). Guide how to calculate fair prices. Infobridge.

Eosta, Soil & More, Triodos bank and hivos (2017) True Cost Accounting for Food, Farming and Finance (TCA-FFF)

Fairfood. Berekening eerlijke prijs kokosnoot. Retrieved from: <https://fairfood.nl/wp-content/uploads/2018/01/170725-Berekening-premie.pdf>

MyWage. Work Hours, Overtime and Paid Public Holidays in Kenya. Retrieved from: <https://my-wage.org/kenya/labour-laws/compensation/overtime-paid-public-holidays>

Poynton, S. (2017). Beyond certification. Routledge.

The Labour Institutions Act, No.12 of 2007 provides for Minimum Wages. Part VI

World Economic Forum. Kenyan Avocados: Connecting to High-value Export Markets. Retrieved from: http://reports.weforum.org/enabling-trade-from-valuation-to-action/enabling-trade-from-farm-to-fork/a6-case-studies-f2f/kenyan-avocados-connecting-to-high-value-export-markets/?doing_wp_cron=1540815596.7405428886413574218750