BEDFORD, UK, AUGUST 2, 2009. Mark Birch summarized on paper his reactions to the conversation he had just had with Michiel Leijnse.

During the past two years the two executives had been working together to steer an ambitious effort to source all the tea used in Lipton, PG Tips and Lyons teabags sold in Western Europe from Rainforest Alliance CertifiedTM farms.

The first year brought quick wins on the supply chain rollout, supported by already existing capacities in Lipton’s own tea plantations in Kenya. Year two was marked by sturdy efforts to extend the effort to more fragmented parts of the supply chain.

However, the rollout on the market side was faster than expected (refer to Exhibit 1 for a description of marketing rollout in different countries). The initial strategy of focusing on the Western European market for the first three years was reviewed. Japan, the US and Australia were keen to accelerate the introduction of the initiative in their markets, speeding up market rollout and putting extra pressure on supply chain conversion.

Leijnse told Birch that soon the other major players in the global tea market, such as Twinings and Tetley, would publicly announce the conversion of their own brands and supply chains to tea from Rainforest Alliance Certified farms, following in Unilever’s steps.

They discussed the implications for Lipton and other Unilever tea brands of the competitors’ move and examined what they needed to do to keep the changes in Unilever’s tea supply chain on schedule.

**Accelerating Rollout with Large Tea Estates**

To ensure accelerated rollout on the supply chain side, Unilever and the Rainforest Alliance focused on quickly converting large estates in a few selected countries.
Working with large estates was efficient not only because of obvious scale advantages – rapid conversion of large areas and large volumes of tea within a short time span – but also because they were professionally managed and had competent technical staff. Marc Monsarrat, Rainforest Alliance manager for East Africa and South Asia, recalled:

Usually, after a single training session, the staff of large tea estates was able to acquire the basic knowledge to start implementing the changes we required for certification. They quickly learned how to use available tools to improve management systems. They were able to train growers to work more efficiently in the plantations. In fact, for many of them it was more about fine-tuning current practices. In a few months we could stir sufficient changes to bring many to compliance level with certification standards.

Unilever and the Rainforest Alliance worked together to grade suppliers based on an evaluation of how close/far they were from certification standards and how strategic they were in meeting Unilever’s needs in key markets (refer to Exhibit 2 for a graphic representation of criteria for supplier priority setting). Birch explained:

Some suppliers have already invested a lot of time and effort on sustainability. It was relatively straightforward for them to get certified. We were sure that they would pass the audit as they already had good practices in place. For some other suppliers, we knew that they had significant work to do. They would need to invest in improvements on the ground, buying new equipment and upgrading facilities before they could attempt to get certified. We also looked at our needs. We knew that we wanted to communicate in certain markets; we knew how much tea we needed in order to supply them; and we knew exactly where the tea we used in the blend sold in those markets came from.

From this process, Kenya – the world’s biggest exporter of black tea – was the natural place to start. Certification was relatively straightforward since Lipton owned large tea plantations in Kericho, where sustainability initiatives had been carried out for more than ten years. In addition, there were a few large suppliers that already had excellent standards and could be certified relatively easily.

Large estate suppliers in India were also a clear priority, since Lipton had suppliers there who had already done some work in sustainability, although they were not as advanced as in Kenya. Unilever supply chain managers did not expect to have difficulty in convincing large Indian suppliers to become certified and put in the additional work required to achieve the standards. Also, there was a strong legal framework in place regulating working conditions and employee benefits on tea plantations, and although regulation was not well enforced, plantations that did follow the law were automatically on a good footing.

In producing countries where conditions for rollout were more complex or where the supply base was more fragmented, a strategy was put in place to gradually bring suppliers into certification by 2015. Large tea estates in Tanzania, Malawi, Argentina and Indonesia were aligned from the start for a first wave of gradual certification, followed in 2009 by Zimbabwe, Burundi, Rwanda, Uganda, Brazil and Vietnam. The scale of the challenge was significantly higher in Sri Lanka, where the government was not in favor of certification,1 and China, where there were major issues regarding pesticides and labor.

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1 The government in Sri Lanka had concerns that certification would give Western NGOs and multinationals the power to set standards and control the tea industry, significantly reducing the reach of public policies on a strategic crop for the country.
Reaching Out to Smallholders

Reaching out to a large and fragmented base of smallholders was the most challenging part of the supply chain rollout. However, it was not negotiable, since full conversion of the supply chain could not be achieved without it.

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

Kenya

Once again, Kenya was the place to start. Edward Millard, sustainable landscapes director at the Rainforest Alliance, described the factors allowing momentum for certification in tea smallholdings to grow rapidly in Kenya:

First, a big market player, Unilever, helped us to send clear signs that certification had become a market reality, and since we were working in a country where tea exports play a crucial role in the economy, the business case was clear from the start. Second, there was an unusually efficient mechanism facilitating access to smallholders, the KTDA [Kenya Tea Development Agency]. The economic and political strength, professionalism and engagement of this local partner were major assets.

Since 2005, Unilever and KTDA had been working with smallholders in Kenya on an extension program using the Farmer Field School (FFS) approach. It aimed to provide tea smallholders with the motivation, skills and technical assistance to improve production and to implement more sustainable farm management practices. The first pilots took place in 2006 and involved 120 farmers at four KTDA buying centers. Within a year they explored a

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2 As of 2007, Unilever (Lipton) bought approximately 40% of KTDA’s total production.
3 The tea sector supports, in a direct and indirect way, approximately 10% of Kenya’s population.
4 The FFS is a participatory training approach aimed at helping farmers to build knowledge and skills for sound crop management decisions. It was first used in 1989 by the FAO in a project in Indonesia. Unlike more traditional directive and top-down approaches to technical assistance, which provide farmers with instructions on what to do, when and how, the FFS approach is experiential and bottom-up. Groups of farmers gather together regularly, assisted by competent facilitators, to find solutions to improve their practices and to share learning from the trials they carry out in the field.
5 Buying centers are facilities where farmers take their tea to be collected by the KTDA.
range of issues such as plucking intervals, tipping-in height of bushes after pruning, agro-
ecology, safe use of agrochemicals and bookkeeping, using trials on the ground, field visits,
short talks, debates, storytelling and other activities. The results, monitored in the field by
Wageningen University,\textsuperscript{6} proved encouraging in terms of improved yields per hectare, better
product quality, adoption of better agricultural practices, biodiversity conservation and
reduced soil loss. The project evaluators also reported positive results on farmers’
empowerment, knowledge improvement and group cohesion.

In 2007 the FFS extension program was used to deploy the capacity-building component of
certification. The generic FFS training curriculum was expanded to include other aspects of
farming and to cover the social, environmental and economic requirements of certification
such as ecosystem conservation, wildlife protection, worker rights and safety, water and soil
conservation, agrochemical reduction, decent housing and legal wages for workers. New
groups were created in other KTDA factories, expanding the program to involve another 600
farmers. The following year, the partners decided to use the upscaling of the project as a
platform for certification of the four factories serving 38,000 farmers. In early 2009 the
KTDA raised the bar of its ambitions, aiming to stretch the scope of the FFS to achieve: i)
the implementation of six FFS groups per factory, 59 factories in all; and ii) 21 factories
Rainforest Alliance Certified by 2011 (corresponding to approximately half of the KTDA tea
production area).

By August 2009, the upscaling of smallholder certifications in Kenya was on schedule. It
was made possible due to the organization, experience and strong network of relationships of
local partners. The presence of local extension staff who combined a good understanding of
the requirements for international certification with the ability to engage with local farmers
was also a key enabler.

However, it was not without challenges. Although extremely effective, the FFS’s
participatory approach was costly, time consuming and heavily dependent on the availability
of co-funding from international institutions.\textsuperscript{7} The organizations driving the process were
questioning whether the intensity and group-focus approach of the FFS was the only way
forward. Dave Boselie, senior researcher in sustainable supply chain development at
Wageningen,\textsuperscript{8} observed:

Would a much lighter version of instruction and training do the job? Although the participatory
approach has proved effective, we don’t know if a lighter version of the FFS approach would
be sufficient to achieve our purpose just as well. This is a crucial question, but we are still in
the early stages of learning by doing. We are thinking about alternatives, such as combining
group focus on the actual training of farmers with the use of information technology for
monitoring results and technical feedback.


\textsuperscript{7} From 2005 to 2009, the DFID (Department for International Development), a UK government
agency managing Britain’s aid to poor countries and working to eradicate extreme poverty, has
financed 45% of the FFS extension program. Unilever funds amounted to 35.5% and the KTDA
contribution was 19.5%. (\textit{Refer to Exhibit 3.})

\textsuperscript{8} Wageningen was the scientific partner of the FFS extension program, responsible for knowledge
transfer and for keeping track of farmers’ progress in adopting agricultural good practices.
Another challenge that we have not yet specifically addressed is how to go beyond the low-hanging fruits. It might be the case that our current good success in capacity building and certification comes from the fact that we have engaged front runners, those smallholders that are most willing to experiment and innovate. The late followers and laggards might require completely different approaches.

The replication dilemma was a crucial point to be solved by Unilever and the Rainforest Alliance. On the one hand, as demonstrated in Kenya, a fast rollout to smallholders was feasible, but it depended to a great extent on the Rainforest Alliance’s capacity to find a local partner able to quickly and effectively reach out to a large base of smallholders and engage them in the certification process. On the other hand, a partner similar to the KTDA was not easy to find, since the organization was quite unique, as Montsarrat noted:

As the second largest black tea exporter in the world, the KTDA has a strong position in the tea value chain. Its organization around factories, each having several thousand farmers, already provided the needed scale for a quick rollout. Being a farmer-owned organization was definitely a plus for engagement. Its well-organized production and marketing model is not easily found among smallholders organizations. In addition, because of its good relationships at governmental level in Kenya, KTDA was able to unlock political barriers.

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

Argentina

The certification rollout with tea producers in Argentina started in late 2007 through one of the SAN partners, Imaflora. Rolling out tea certification to the approximately 6,500 small growers in Argentina represented a substantial challenge. The key success factor in Kenya – partnering with a strong smallholder organization – was not present. In addition, the organization of the tea value chain was loose, and significant issues regarding quality and productivity needed to be addressed.

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

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9 The tea Unilever purchased in Argentina was a key component of the blend of the Lipton Ice Tea sold in the US market. Although it was a tea of medium-low quality, it had the unusual property of retaining its clarity when poured over ice.

10 Imaflora was the SAN partner organization responsible for the Rainforest Alliance Certification in Brazil (since 1995) and Argentina (since 2007).

11 High quality tea is obtained through fine plucking, a method which consists of manually plucking the bud, the second leaf and the third leaf only (the rest of the leaves should not be included). In coarse plucking, more leaves can be included and the harvest can be mechanized, but it results in teas of medium to low quality.
The organization of farmers was extremely poor and there was no track record of adoption of good agricultural practices. In addition, the vast majority of smallholders did not receive any kind of training. Marina Piatto, lead auditor at Imaflora, remarked:

They did not have access to technical services and their approach to farming can best be described as “sitting down and watching the bushes grow; then jumping on the tractor and picking up the leaves.”

As learned in Kenya, the feasibility of certification rollout depended to a large extent on the commitment to certification from a strong local partner. Thus, as a first step to certification rollout, Imaflora brought the leading local tea companies on board. The NGO discussed with the tea companies the impact on their business of Unilever’s decision to fully supply Lipton with tea from Rainforest Alliance Certified farms. Although they were competitors, Imaflora realized that it was in their common interest to join forces to make certification happen. Piatto explained:

Tea companies in Misiones had no choice regarding the certification of their supplying farms. Once Unilever’s decision was made, the only alternative to certification was losing their main customer. We knew that, and we used the power of the market signal sent by Unilever to convince the local tea companies to join forces to finance and implement the training component of certification.

A partnership with the local tea companies was established, providing funds and human resources for training and implementation monitoring. Imaflora began by training the group managers – agronomists, social agents and biologists hired by the tea companies. They were then made responsible for rolling out the training with the smallholders. They started by organizing them into groups based on their location and buyer company. The groups carried out intense preparations, developing a comprehensive diagnosis, a streamlined work plan and fulfilling all the necessary conditions to start implementing changes in their farms. Once the groups started to implement changes on their farms, the group managers monitored developments in the field on a regular basis, providing technical assistance, facilitating group meetings and making the liaison between certification groups and tea companies. Getting smallholders on board was challenging. However, scaling up went faster than expected once the initial resistance had been overcome. Piatto explained:

Certification is a big step for producers, especially for those farmers in Argentina with no previous experience with good agricultural practices. They had to work simultaneously on many different issues and invest in farm equipment and infrastructure. Initially, they were suspicious and perceived it rather as a punishment, or as some sort of meaningless hard work. Thus, we decided to start by working with a few small groups, made up of the less resistant ones. The others took a “wait and see” attitude. However, the first groups of farmers delivered quick wins that were easily demonstrated in the field. After the first year, suspicious farmers witnessed the productivity gains achieved by their neighbors and saw premium prices being paid for certified tea. They became motivated and changed their view on certification. Once they came on board, they started putting a lot of effort and energy into getting certified.

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13 The five major primary tea processing companies in Argentina were responsible for more than half the tea produced in the country. Each of them owned from five to ten tea processing factories, which in turn were supplied by groups of up to 300 smallholders.
By the end of 2008, seven groups of tea producers – representing 90 farms, nearly 200 smallholders and 16,000 acres of plantations – were Rainforest Alliance Certified. The positive results of adopting the agricultural practices required for certification were quickly seen in the field as improved productivity and quality. Victor Tschirsch, manager at Koch Tschirsch,\textsuperscript{14} wrote on the Rainforest Alliance blog:\textsuperscript{15}

We observed that the farms under certification increased their yields notably. They also suffered fewer pest attacks and as a result the farmers had less work to combat pests (and lower costs, of course). Furthermore, the quality of the raw material has improved notably, which has led to an improvement in the quality of the black tea that has received the approval of international buyers. It is also undeniable that favorable environmental impacts have contributed to the economic aspects mentioned above: covered soils, conserved and recovered ecosystems, biodiversity and active fauna contributing to pest control, responsible agrochemical use, better cultural techniques, integrated pest management, fertilization programs based on soil analyses and sound waste management are the foundation of the economic benefits.

Changes in the social organization of farmers and in gender relations were impressive and gave rise to important intangible benefits described by Piatto:

They appreciate participating in group work and having access to training for the first time in their lives; they told me that before certification they felt abandoned, but now they are feeling included and valued. Smallholders now perceive themselves as pioneers and are proud of that.

At the beginning, there were only men present at the meetings. Then we asked them to bring along the whole family to future meetings and explained that women had a very important role to play in the certification, for example by producing and keeping the documentation required for the process and working on health issues. We got many testimonials from women, expressing that they felt more valued since certification allows them to play an active role in their family business.

By August 2009 the rollout of certification in Argentina was on schedule to allow the five major local tea companies to fulfill Unilever’s projected demand for the US market by the end of 2010. However, any further growth in demand would require the expansion of certification to farmers who supply smaller tea companies, which have less capacity to finance training and support implementation.

The Competition Gets on the Bandwagon

Back in 2006 Unilever had decided to drop out of the Ethical Tea Partnership (ETP), an initiative created by the tea industry in 1997 to work on a pre-competitive basis on supply chain issues, with a focus on labor conditions through monitoring and self-assessment. According to Vis, Unilever’s decision was motivated by the resistance of other players to adopting broader sustainability criteria and going beyond self-assessment.

\textsuperscript{14} Koch Tschirsch is one of the five main tea processing companies in Argentina.

Certification provided Unilever with a third-party independent endorsement of sustainability efforts in a way that an industry-led organization such as the ETP would not. Once Lipton, PG Tips and Lyons certified tea started to appear on shelves, it proved to be an effective tool in consumer communication and a good driver of market growth. Leijnse explained:

Sustainability has proved to be a major creator of value for Lipton. Our expectations of market share growth have been surpassed. In countries where the link between the brand and certified sustainable tea could be done in a straightforward way, sales and market share went up both during and following the campaign period. Market research also showed that certified tea had an enormous appeal for consumers and that in places like Italy, it was attracting younger consumers.

Communicating and advertising on certification also had positive indirect impacts. Mercedes Tallo, director of Sustainable Value Chains at the Rainforest Alliance, explained:

Unilever confirmed that by engaging in a dialogue with tea consumers on sustainability and certification it could open the door to very powerful messages and imagery which it was not able to communicate before.

Then a snowball effect took place inside and outside Unilever. On the internal front, the planned gradual expansion to other markets was accelerated by the dynamic of the first year, as Lipton marketing teams in Japan, Australia and the US attempted to introduce certified tea in their markets ahead of schedule. On the external front, a surge in the demand for certified tea was about to take place.

At the same time as Leijnse and Birch were having their phone conversation, the ETP was preparing to make public the revision of its position regarding certification. A collaboration between the ETP and the Rainforest Alliance to build capacity within the tea industry and streamline the certification process for tea producers was about to be launched. Yorkshire Tea had already made public its decision to convert to tea from Rainforest Alliance Certified farms, and it was followed by Twinings\(^\text{16}\) with its Twinings Everyday brand. Tetley was also negotiating a certification target with the Rainforest Alliance for the Tetley brand.\(^\text{17}\) Tallo commented:

ETP would engage in recognizing third-party certification schemes. We jointly designed a program to train producers on how to use ETP monitoring and self-assessment tools and it would become a key step should they decide to pursue certification. Those producers supplying ETP member companies that were already Rainforest Alliance Certified would be recognized as complying with the ETP requirements. This agreement was beneficial for tea producers, since it reduced the burden of going through the different and cumulative processes of audit and assessment. It facilitated the entrance of other big players in the playing field and we saw some other major brands committing to certification. I estimate that by the end of 2011, 70% of the volume of the tea sold by UK retailers will be Rainforest Alliance Certified. By 2016

\(^{16}\) Twinings was planning to start its Rainforest Alliance journey in January 2010, with 30% content. Its commitment was to have 100% of the Twinings Everyday brand sourced from Rainforest Alliance Certified farms by 2015.

\(^{17}\) Tetley, the world’s second largest tea company, planned to have all branded tea bags and loose black, green and red tea certified in UK and Canada by 2011 and to start converting the tea in the US, Australia and Europe in 2012.
Unilever, Tetley and other mainstream brands would, in conjunction, convert 20% of the world’s tea producers to certified tea.

Demand for certified tea was about to skyrocket and the supply side was getting cloudy. Because the Rainforest Alliance certified farms and not buyers, there was a risk that once certified, producers might decide to sell to other companies. In addition, once the low-hanging fruits were harvested, converting new suppliers to certified tea would require more time and investment. Entering new producing countries where there was no track record would be increasingly difficult, as it would be more challenging to convert producers without prior experience with sustainable practices. Birch took some time to reflect on the ideas he has just discussed with Leijnse on how to ensure that the demand surge would not lead competitors to leverage the supply base that had been certified at Unilever’s cost without having to make a significant investment.
Exhibit 1
Market Rollout

Once certified tea became available in 2008, Unilever deployed an advertising campaign linking sustainability with Unilever’s major tea brands and communicating to consumers that the tea was now certified, what that meant and the benefits of certified tea.

The UK was an example of a straightforward marketing rollout. The market was concentrated on one product/brand: black tea, PG Tips. The quantities of tea needed to supply the market were significant, but once the company had identified which producers needed to be certified, it all happened relatively quickly.

Examples of Material Used for Communication Campaign – UK market

Source: Unilever

Other European markets required a different approach. Because the Lipton portfolio covered different flavors and varieties of tea, supply and thus certification became more complex. In these markets, a short-term shift from 0% to 100% as achieved in markets like the UK was less feasible. The Rainforest Alliance Certified seal did not appear on all products and ranges at the same time, and not immediately at the fully certified level, requiring extra efforts to explain to consumers why some products were certified while others were not yet.

The French market was a particularly challenging case. French consumers of black tea were typically from older and more traditional segments of the population, prone to reject change. Lipton had concerns that if anything changed, sales would drop, as had happened previously following design changes on the front of the pack. The approach taken was to familiarize existing consumers before introducing the green frog seal. First the seal was put on the interior of the pack and then moved to the back of the exterior of the pack. In this way, consumers were gradually exposed to the seal and reassured that the taste of the tea had not changed. When it finally appeared on the front of the pack, it did not cause any surprise.

In Australia – a relatively small market for Lipton with business concentrated in the “ready-to-drink” segment with Lipton Ice Tea – and in Japan, where iced tea also accounted for a significant share of Lipton’s sales, the launch was carried out in a comprehensive way, along the lines adopted in the UK market. By June 2009, both markets had been successfully converted. In the US, the launch took place more gradually. Lipton’s market in the US was spread through different product ranges, meaning that tea originated from many different sources and supply represented a bigger challenge. The conversion of black tea was done quickly, as in other markets, but specialties like Assam and Darjeeling required more time to be converted.
Exhibit 2
Summary of Criteria Used to Prioritize Suppliers

Source: Elaborated by the authors based on interviews with case protagonists.
Exhibit 3
FFS Extension Program: Contributions and Expenditures (in %)