



DIAGEO

THE IMPACT OF SOURCING FOR GROWTH (S4G) IN ETHIOPIA

INTRODUCTION

Simply put, we want to have a positive influence wherever we work. So we're growing our business and agricultural supply chains in ways that benefit rural economies, particularly in emerging markets such as Africa.

Our commitment to local sourcing gives a sustainable source of income to more than 50,000 smallholder farmers across Nigeria, Ghana, Cameroon, Ethiopia, Kenya, Uganda and Tanzania. Local sourcing provides much-needed investment in local economies and supply chains. It also offers governments and other organisations a model for agricultural growth and inclusive business.

Since 2013, our Sourcing for Growth (S4G) programme has been helping 6,000 farmers in Ethiopia to grow and sell barley locally – raising people's quality of life and strengthening local farming, as well as our supply chain.

Three years into the scheme, we commissioned independent research to look closely at its impact. What positive changes have we helped to create in people's lives? Have there been any unexpected negative consequences? Most importantly, what can we learn from our findings to work more positively and actively within farming communities, as well as with the government and our partners on the ground?

In this summary of the research, we also look at how we can draw on these insights to continue to effectively source 80% of our agricultural raw materials locally in Africa.

Targets like these are important for Diageo. But just as vital, is a true understanding of how our activities affect the people and communities where we work. We don't just want to be a strong business; we also want to be a thoughtful and inclusive one – creating sustainable relationships with the people around the world whose lives we touch.

ABOUT S4G

THE VALUE OF A LOCAL SUPPLY CHAIN

Establishing a reliable local supply of barley has many benefits – for us, for our partners and for local communities.

- It helps local farmers to grow and sell more – improving their families' livelihoods and wellbeing, as well as the economy and food security of the community. Embedding sustainable farming skills also leads to better soil quality, healthier ecosystems and stronger food security.
- It gives the brewery a secure and sustainable ingredient supply – minimising transport costs and the related environmental impact, and insulating against volatility in the crop markets.
- Programmes like S4G help us to understand the intricacies and challenges of local communities, and to work intelligently and responsibly within them to develop and empower farmers and their families everywhere.

In 2013, we began working with farmers in the Oromia region of Ethiopia to produce and sell barley to our local brewery through the S4G project. We started with 800 smallholders on the scheme, and by 2016 there were more than 6,000 farmers taking part across the region. Our goal is to strengthen our supply chain by replacing imported agriculture raw materials with locally produced ones – and in doing so to improve local smallholders' incomes and wellbeing.

The programme was designed with two main activities in mind:

1. To increase the local production and productivity of barley
2. To improve farmers' access to reliable markets for selling their crops.

To do this, we've worked alongside the Ethiopian government and TechnoServe (an NGO that helps farmers in the developing world become more effective and competitive) to:

- Provide farmers with improved seeds, fertilizer and chemicals through an affordable credit system
- Train farmers in their fields on how to use sustainable growing practices and improve their productivity
- Set up competitive contracts for the barley harvest with farmers.

In some areas, we've also piloted crop insurance and crop rotation training.

ASSESSING OUR IMPACT

Understanding what and why we're investing in a project like S4G is, of course, important. But it's by no means enough. We have to look closely at our impact – both the benefits and risks – to develop and refine our sustainable development activity. It's important to know that we're making a clear contribution to shared value in the markets where we do business.

This is why we've commissioned impact reports on a number of our programmes – Learning for Life and female empowerment, for example – and will continue to run studies across the various pillars of our sustainability strategy. These 'deep dives' and our higher level Social Impact Framework allow us both to measure the changes resulting from our programmes and to better understand the causes of these changes.

Accurate 'reality checks' like this – and the actions that come out of them – are the key to true sustainability. We need to be asking the right questions about our programmes, finding reliable and accurate ways to check their results and refining how we work with communities as a result. And, importantly, we need to share evidence of our progress and learning with people both within and outside Diageo.

EVALUATING S4G

In 2016, we commissioned Bath Social & Development Research (BSDR, www.bathsdr.org) – a research company created from work at the University of Bath – to carry out an independent study of S4G that would answer two questions:

1. **What impact has S4G had on farmers' livelihoods and wellbeing?**
2. **What lies behind the changes in barley yields and sales at household level?**

We also wanted to see how, if at all, the S4G project had affected farmers' families, including their children's education.

We assessed S4G in Ethiopia using the Qualitative Impact Protocol (QulP) developed by the researchers in Bath. Through our wider work with this team, we're exploring and developing how we can more broadly assess the impacts of our projects and respect the complex interdependencies of the local communities we affect.

HOW THE STUDY WORKED

Using a combination of interviews and focus groups, in July 2016 an independent research team asked people in the Gese Bilbilo and Oddo Leka areas of the Oromia region (where S4G has been active) what changes they'd experienced over the past three years. The questions were designed to uncover both positive and negative changes in:

- Food production and consumption
- Cash income and spending
- Assets
- Working time around the family farm (for both adults and children)
- Relationships within the family and the community
- Overall wellbeing.

Crucially, the research then explored what the farmers attributed these changes to. One important aspect of the QulP approach to impact assessment is that it attempts to

reduce bias in the results by ensuring that researchers and respondents on the ground don't know the assessment is connected to Diageo or our projects. So any links the farmers made to the S4G project and TechnoServe were completely unprompted.

It's also important to recognise that the data from this study is not statistically representative of all smallholder farmers selling to Diageo. This 'deep dive' deliberately focused on two farming communities in Ethiopia at opposite ends of the spectrum in terms of how much of their farming was dedicated to growing barley for our brewery.



THE FINDINGS

The study found that the S4G project has affected farmers' livelihoods and wellbeing in both positive and negative ways. There were noticeable differences in the effectiveness of the programme in the two places we conducted the research, largely due to the failure of the barley and enset crops in the 2015/16 season in Oddo Leka.

Positive changes

The S4G project seems to have positively affected many farmers' lives, particularly in Gese Bilbilo. Most people there reported being able to grow more and better crops and earn more money. This increased income has led to greater spending, more family assets, better relationships (in families and in the wider community) and improved wellbeing.

Farmers directly attributed these positive changes to:

- Better barley seed and fertilizer
- A reliable market for their crops
- Helpful agricultural training.

Success in the field also led to an increased commitment to and security in farming itself. More sustainable growing practices increased productivity, and in turn, people rented more land for growing crops and raising livestock. People also said that because they're spending more time farming, they're wasting less time during the day, which has improved their relationships with their families.

But it's the increased income that has made the most difference to people's lives. Being able to save money, cushions people from unexpected shocks. Financial security has allowed people to do more in the community and to enjoy better relationships. Many farmers in Gese Bilbilo also said that, because they had a better income, their children were spending less time in the fields and more time at school.



"I have more money now, because I get seed and fertilizer from TechnoServe and training on farming techniques. So my family can eat better and dress in nicer clothes and shoes than before."
Farmer in Gese Bilbilo

Farmers in Oddo Leka noticed similar positive changes during the first year of the S4G project. As a result, many of them put more land aside for growing barley and invested more in their farming.

In the second year, however, poor seed led to a smaller yield or in some cases complete crop failure for around half of the farmers in the study – with adverse consequences for them and their families.

Negative changes

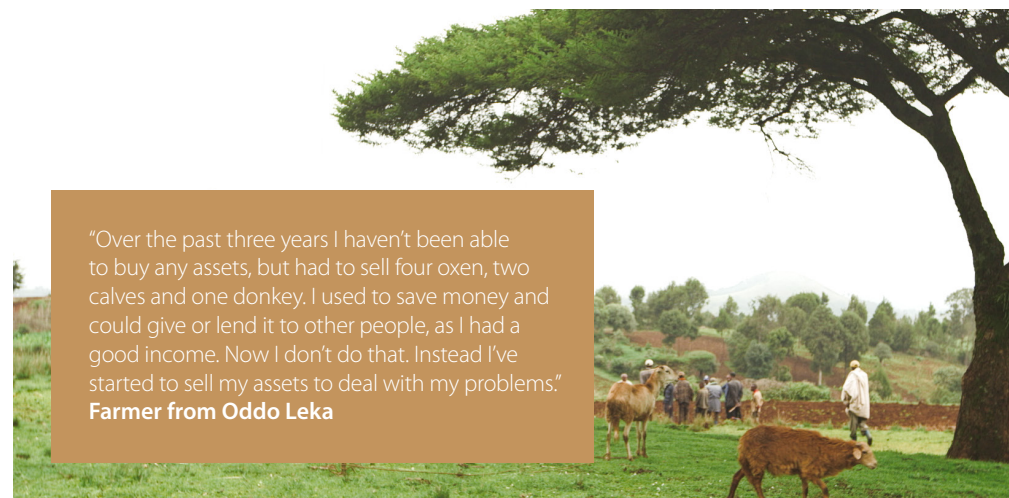
Many farmers and their families in Oddo Leka described a range of negative changes in their lives. They attributed these to having been given a type of barley seed that wasn't compatible with the agro-climate.

The primary result of this was a poor income, and in many cases debt, due to having little or no barley to sell. This was made worse by some people having allocated more of their land to barley crops in light of the previous year's successful harvest. Others said they needed to borrow money or sell assets to buy more fertilizer to continue farming. An increase in inflation compounded people's financial difficulties. And the seed failure also led to lifestyle changes, with people saying they spent less time farming and more of their day time-wasting – harming their relationships with families and others.

Despite all this, people were largely positive about the project and wanted to continue to be involved as long as quality seeds, farm visits and training were provided.

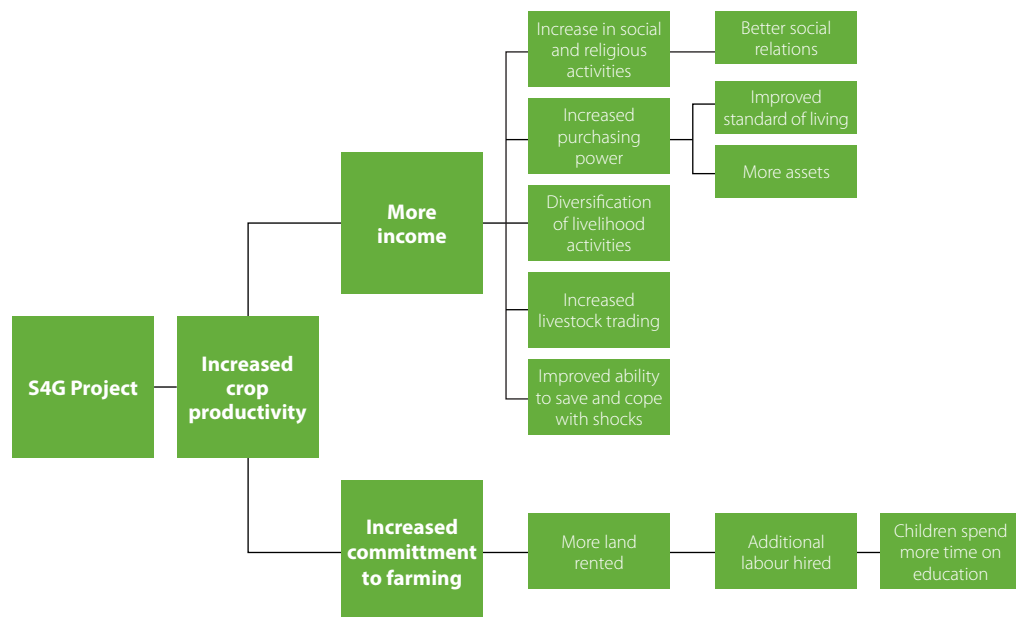
Most people in Oddo Leka said there had been no change in their children's educational activities – although a handful said that their children were spending less time at school and more in the field.

Although the reported changes to farmers' lives in the other community (Gese Bilbilo) were largely positive, people there mentioned a few negative outcomes. These were directly related to the success of their barley crop, such as more expensive fertilizer and higher land rents due to increased demand.

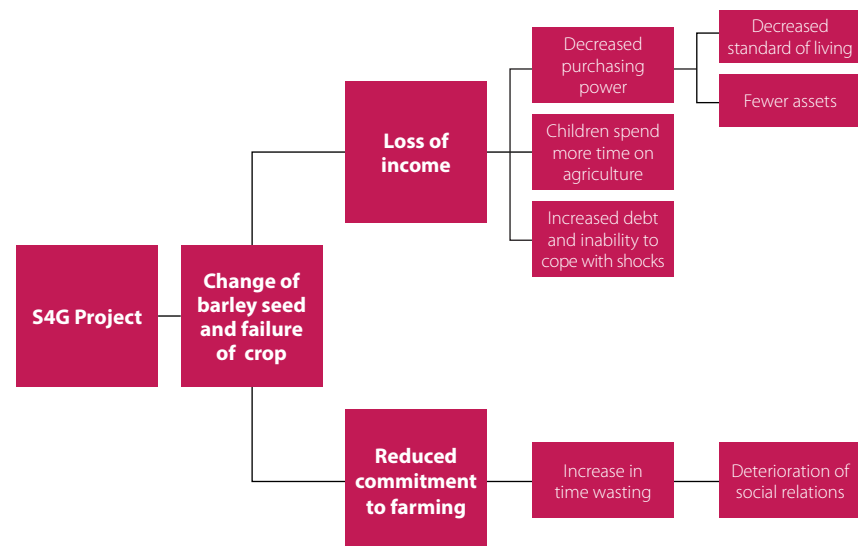


"Over the past three years I haven't been able to buy any assets, but had to sell four oxen, two calves and one donkey. I used to save money and could give or lend it to other people, as I had a good income. Now I don't do that. Instead I've started to sell my assets to deal with my problems."
Farmer from Oddo Leka

Stories of positive change linked to S4G



Stories of negative change linked to S4G



IMPROVING OUR PROGRAMME

Unfortunately, no development project is without its complications. And there are always risks in agriculture – not least the weather. Our aim with this piece of research was to identify early on how we can refine and improve our S4G programme so that it works as well as possible – both for Diageo and for farming communities across Ethiopia.

We can see that we are adding value overall to the lives of many farmers, their families and the communities they live in. People appreciate the holistic nature of the programme and the difference it's made to their everyday lives.

But just one thing going wrong can have huge consequences. Many smallholders in the communities we work with are in a delicately balanced financial position. If one crop is poor or fails, this can have devastating results for them and their families. People's fallback options are limited, especially when other crops also fail.

So we're listening and we're learning – and putting measures in place to minimise the fallout if things go off track at any stage of a programme like S4G.

ENSURING SEED QUALITY

One of the obvious questions the findings raise is why the seed was so poor in Oddo Leka one year. And most importantly, what can we do to ensure seed quality and to help protect farmers from the consequences of this kind of crop failure?

Seed supply is a good example of the interdependencies within the communities we support. The supply chain in Ethiopia is a complex system managed by the state, involving regulation and established processes and players. There is widespread recognition that the system needs to be improved; changes are being made, but there's still a long way to go.

In the case of Oddo Leka, when it became obvious that the seed quality was poor that year, we agreed to buy farmers' crops even though they didn't meet our quality standards. So we shared the problem with the farmers to help support them through the season.

On a larger scale, we're actively working with the government to improve the regulation and quality of seed production and supply throughout the country. We're also partnering with selected sustainable private seed suppliers to develop a reliable supply of strong seed varieties. And we're working with Self Help Africa, who have support from the Irish government to help farmers become seed propagators, to improve the availability of seed and create an additional income for smallholders.

We have seen an improvement in barley seed quality throughout Ethiopia since this study was carried out. We're not there yet, but things are moving in the right direction.

PROTECTING AGAINST RISK

The seed failure that this study highlights poses the wider question of how we help farmers to insulate themselves from risk. One of the ways we're doing this is by encouraging (and in some cases insisting on) crop insurance for smallholders' security.

This is not without its challenges. Crop insurance only pays out in cases of adverse weather or non-controllable pests and diseases – not where the seed is faulty, as this is considered a controllable factor. It's also a cost that many farmers find hard to justify given their financial position.

We've developed good-value insurance packages for farmers and are educating them about how insurance works and how it can help them. And as the cost of not having it can be calamitous, crop insurance is now a non-negotiable part of the S4G support package.

Our work to protect farmers against risk is essentially about creating security and trust in the communities we support. For programmes like S4G to be truly successful, we need to understand people's often very different perspectives and priorities – and to structure, present and communicate our work in this context.



THINKING AHEAD

The S4G study has given us valuable insights into the impact of our programme in two farming communities in Ethiopia. We're also thinking larger scale and longer term about how we can create security and improve livelihoods in farming communities across Africa and the rest of the world.

In any country, it's important to establish initiatives that will work within the complex ecosystem of cultural norms, regulations and stakeholders on the ground. We can only be truly successful if we have mutually respectful, understanding and supportive relationships with the other organisations and people involved: governments, NGOs, suppliers, farming co-operatives and the like. And often this needs supportive government policies that holistically support the approach – for example, through joining up agricultural policy, water management and the fiscal policies that affect farmers and businesses like ours.

We also need to be thinking laterally, and beyond our own needs. For example, if most smallholders are in financially precarious positions, how can we help them to diversify to better withstand one or two pressures? This may mean helping farmers to grow complementary crops that protect and add to the health of the soil – giving them better resilience to a crop failure.

It may mean finding ways to enhance the knowledge and skills of farmers' spouses and children, so that they're willing and able to support sustainable farming practices for their family. It may extend beyond farming, for example to the quality and availability of communities' water – something we've made great headway with over the past 10 years through our Water of Life programmes across Africa.

Ultimately, it's in our best interest to make sure we understand and respect people's needs and challenges. We're working thoughtfully to find ways to enhance and improve the lives of communities long term – in Ethiopia, in Africa, and around the world.

Programmes like S4G are a careful step in the right direction. There are many more to come, and we'll continue to look closely at our impact so that we can adapt and improve with every step.

DIAGEO

Diageo Plc
Lakeside Drive
Park Royal
London
NW10 7HQ
United Kingdom

T: +44 (0) 20 8978 6000

www.diageo.com

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