



The impact of private standards on West African growers producing for domestic and regional markets: a personal view based on the Afrique Link Ltd experience

Kwabena Adu-Gyamfi (Afrique Link Ltd)

Kwabena Adu-Gyamfi co-founded and directs Afrique Link Ltd, a tomato production and processing company. The plant also processes mangoes during the season. Over the past five years the company has worked with about five outgrowers (500 farmers) to supply fresh tomatoes and mangoes to their plant for processing. Kwabena is a Chartered Accountant by profession and also holds a Diploma in Business Strategy.

Afrique Link Ltd (ALL) in conjunction with Unilever (Ghana) Ltd, Ghana's Ministry of Food and Agriculture and GTZ launched the Wenchi Tomato Processing Project (WTPP) to train 500 farmers in the production of quality fresh tomatoes to enable ALL processes to achieve the private specifications of Unilever.

- **Out of the 500 only about 20 per cent complied with the requirements of the production protocols. The remaining 80 per cent continued with old practices.**
- **Of the successful 20 per cent only 5 per cent respected the supply agreements. Most of them side-sold to the fresh market for better money. The above situation was observed because of the supply demand imbalance.**
- **Five years down the line the situation has not improved. Imports of fresh tomatoes and processed tomatoes grew by an average of 11 per cent per annum.**

Drawn on the ALL experience, this paper gives a personal view on how private standards affect West African farmers producing for domestic and regional markets and it provides some key lessons to take more advantage of opportunities.

Background

Rural livelihood activity is mainly agricultural. According to the 2007 budget statement of the Government of Ghana (GOG) the agricultural sector employed 60 per cent of the labour force and contributed 40 per cent of Ghana's GDP. However, for unclear reasons investment in agriculture by governments over the past 25 years has decreased. It was less than 4 per cent of government expenditure in 2007.

Globalisation has seen an increase in competition. Many companies have developed private labels and standards in response, amongst other things, to marketing (e.g. herb tea manufacturers in Europe and USA). Requirements are set higher than some of the internationally known standards such as GlobalGAP (formally EurepGAP).

This obviously creates opportunities and threats to the rural African farmers (except South Africa). A high percentage of rural African farmers are illiterate and do not have the knowledge or experience to appraise the impact of these standards on their businesses. Those who are outgrowers to the more nucleus commercial farmers can only move up or down with the performance of the nucleus farmer. The stand-alone

subsistence farmer only looks at the domestic market and is unaware of the competitive world market place, which is at his doorstep. For instance in Ghana, ShopRite, a South African retailer, has opened a branch. This opens up opportunities for local rural farmers to supply fresh vegetables and fruits. However competition is also present from South Africa who imports some products into Ghana.

The issues raised above on the effect of globalisation are still relevant and applicable to the appraisal of the impact of private standards. However, it must be stated that the farmer in West Africa has not been (or will not be) affected by globalisation or private standards as such. For example with the introduction of GlobalGAP the main beneficiaries were the big commercial farmers. The small-scale rural farmer was indifferent. Their current supply does not meet the demand for the fresh market let alone the processing market. The small-scale farmer is inefficient and not commercially structured in his/her production system. Until this single issue is addressed any other intervention will fail as has been experienced by the several donor support programmes in the sector in the past.

Current situation

Local typical rural West African farmers are illiterate and oblivious of globalisation and private standards. They operate on a subsistence basis, with little or no managerial and commercial skills. Technology transfer is done through the central government (though even the agriculture department extension services staff needs training in most of the staple food groups; rice, maize, plantain, cassava, chillies pepper, tomatoes, garden eggs, cowpea, soya beans, animal rearing etc). Consequently quality and yields are poor. Currently yields are about 10-20 per cent of world standards.

It should be noted that there are quite a number of anti-globalisation and anti-private standard NGOs in Ghana and West Africa, who are running campaigns to inform farmers that these private standards are attempts to introduce non-tariff restrictions to limit the African farmers from entering European markets.

A few international companies and local skilled entrepreneurs have established companies here and are working with farmers to take advantage of the opportunities. The relationship with the farmers though is a typical hard supplier-customer business relation. Not much technical assistance or support is provided to farmers.

Admittedly there is assistance from donor agencies (United States Agency for International Development (USAID)/Trade and Investment Programme for Competitive Export Economy (TIPCEE) in Ghana, GTZ and Department for International Development (DFID) in West Africa, etc). They provide technical assistance in farm production (e.g. irrigation, improved seed varieties, new technologies to control pests and diseases) and thereby help to increase yield. In addition USAID/TIPCEE also goes to the additional effort of assisting in market linkages and export market access. Their support is not widespread to make any substantial and sustainable impact, because beyond this technical assistance, funding and management skills for the rural farmer to sustain the improved system at the commercial phase is lacking. ALL has incorporated a subsidiary company to farm and work with entrepreneurial rural farmers on a nucleus farmer outgrower basis.

Major key success factors of positioning the rural farmer to take advantage of the opportunities that private standards bring

- **Commercialisation of agriculture:** Agriculture should move from being a subsistence activity to a commercial venture. For example, the few private agriculture-based companies should work with the few entrepreneurial rural farmers on a block land basis for them to appreciate how a commercial farming business is managed. Governmental support through funding and market access of government agencies will also contribute to accelerated growth. Because of the inefficiencies in agricultural production already identified they are not able to compete with imports from Europe notably.

- **Establishment of good value chain support linkages:** A conscious effort to establish linkages of the value chain actors is vital.
- **Access to timely provision of finance:** As a commercial venture, access to capital in a creative and timely manner is vital.
- **Nucleus farmer/large block farming synergies:** There must be nucleus farmers, who are operating as a commercial business, to work with the rural farmers to pass on their business skills.
- **Introduction of modern technologies:** Current manual cutlass and hoe agriculture, which is still commonplace should give way to modern technologies, which can be only made economically viable on farm sizes of ten hectares or more.

Suggestions for improvement and sustainability

- **Buyers teaming up with brokers to link farmers to market access.** Working hard to achieve these expensive certifications does not guarantee market access; hence there is a need for a commercially minded broker to link farmers to buyers. The farmer by himself does not have the knowledge or experience to market his products in country let alone in the export market.
- **Concept of nucleus farmers (who have skills in management, etc) to work with farmers on a block land basis.** Services like irrigation, tractor services, and other mechanisation services are provided for them as a block unit. This introduces efficiency and reduces manual application. The farmer on a small unit within the block will benefit from a technology increase and a reduction in unit cost making them competitive and profitable.
- **Payment of premium price for extra effort.** For example a trend of informal standardisation is emerging in the fresh tomato and mango sector. Large sized (70-100grams), hardy, firm, long shelf-life (five -14 days) fresh tomatoes attract a premium price of about US\$1 per kilogram, whereas others are priced about 40-80 per cent lower. The same goes for firm, non-bruised, fibre-free mangoes. If the nucleus farmer shares the premium with the small-scale farmers there is the likelihood that they will pursue improved technologies for better quality and higher yields.
- **Nucleus farmers supported by large block farming farmers.** The socio-cultural setting of the rural farmer makes his expectation and motivation rather mediocre. There is the need for any nucleus farmer to target entrepreneurial lead farmers, who can employ the others and pay them wages to eliminate any risks.