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Donor responses to the challenge of GlobalGAP in Kenya

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Food safety has moved up the agenda in all industrialised countries in recent years, partly as a result of successive food scandals and its consequences for consumer confidence. Governments have tightened both product standards and standards for the processes through which food is produced, transported and processed. Business, too, has had to respond. It faces legal requirements to meet ever more stringent public food safety standards and the need to maintain customers' confidence at a time when global supply chains are becoming more complex. Private voluntary standards developed by groups of companies are one response to this challenge.

The GlobalGAP (prior to September 2007 known as EurepGAP) standard for horticulture is, however, intricately bound up with the development of European Union food safety regulations and with the obligations the European Union places on supermarkets (and other food business operators) to ensure food safety. It is also bound up with the management of horticultural value chains that link together and coordinate the activities of producers, exporters, importers and retailers. As a pre-farm gate standard, GlobalGAP extends the principles of risk identification and management to farm production, introducing internal audit and third-party certification to the preparation, growing, harvesting and packaging of horticultural products.

In January 2005, GlobalGAP's European supermarket members made certification obligatory for suppliers. This meant that all exports from Kenya to GlobalGAP members in Europe would, in principle, have to come from certified farms. Kenyan fresh vegetables are sold predominantly to the United Kingdom and the Netherlands, where GlobalGAP-member supermarkets have a dominant share of imported fresh produce sales. If the participation of small-scale farmers in this thriving business was to continue, they would have to be certified.
This paper summarises a forthcoming IDS working paper by the author entitled: *Private Standards, Small Farmers and Donor Policy: GlobalGAP in Kenya*

How donors' priorities to support smallholders respond to the new risk of exclusion?
This challenge was recognised by numerous development agencies, and they decided to do something about it. For these agencies, the immediate challenge was to ensure that the implementation of GlobalGAP in Kenya did not undermine their broader goals of reducing poverty and delivering pro-poor growth through promoting a vibrant small-scale farmer sector, including export horticulture. If small-scale farmers were excluded from export horticulture, this would have consequences for the incomes of small-scale farmers and for employment on export smallholdings, with broader knock-on effects in the non-farm rural economy. GlobalGAP was perceived to threaten small-scale farmers and rural livelihoods because of the financial resources, agrinomic techniques, management systems and certification costs needed to implement it. However, GlobalGAP seemed to offer a viable strategy for small-scale farmers through what is known as Option 2, certification of farmer groups.

By late 2004, there was urgency about donor initiatives. In the words of one donor, there was the sense that donors needed to 'do something' and that hasty action was required if the marginalisation of small-scale farmers was to be avoided. Another donor described the sentiment prevailing in the second half of 2004, "We were panicking about January 1st, of course. Everyone was doing some activity. All of us were running around, panicking. We did understand that there was going to be a deadline. We did understand that this was going to be an important thing."

The goal of the donors was not, in many cases, framed in terms of integrating small-scale farmers and farmer groups into those horticultural export value chains that required GlobalGAP certification. Rather, it was framed in terms of making it easier for small-scale farmers, and particularly farmer groups, to achieve GlobalGAP certification.

This had three consequences:

- First, the challenge was defined in terms of the certification process rather than the management systems that lay behind it. Certification is not the end in itself, but rather verification that a quality system has been put in place.
- Second, the costs of certification rather than the costs of maintaining the quality system were emphasised. For farmer group certification, the GlobalGAP

requirement of a quality management system is particularly onerous.
- Third, the focus was on farmers and farmer groups rather than the value chain linkages in the export horticulture business and the critical role played by exporters in securing access to those buyers that required GlobalGAP certification.

Understanding the evolving roles for value chain agents

The value chain focus redefines the problem. Exporters have responsibility for sourcing GlobalGAP -certified produce. If they want to retain the business of their customers, then they must ensure a supply of certified produce. If, pre-existing suppliers of fresh vegetables have difficulties in meeting the standard, then it is the exporters and importers that have to resolve the problem. If importers in the key northern European markets for GlobalGAP-certified produce (the United Kingdom, The Netherlands and Germany) cannot obtain such produce, then they will be obliged either to switch to suppliers (exporters) that can supply the product, or they will have to work with their existing suppliers to enable them to meet the GlobalGAP requirement. This is the price the importers have to pay to ensure that they keep the retailers's business. The retailers expect the importers to solve this problem.

As GlobalGAP becomes a condition of market access, the pressure is transferred down the chain. If the exporters can grow this produce on their own farms, or work with large-scale farmers, the problem may be relatively easy to solve. Large contract farms and exporter-owned farms do not have much difficulty in meeting the standard. If, as in Kenya, small-scale farmers have been an important and cost-effective part of the export industry, then it is the exporters' responsibility to ensure that the value chain is adapted to the new requirements. If there is a gap between the new requirements and supplier capabilities, it is the exporters, in particular who should be filling it. In the context of declining supplier competence relative to the new value chain requirements, exporters would either take production in-house, or work with closely-supervised 'captive' suppliers.

Donors can intervene in support of local-level adaptation. However, an analysis of the fresh produce value chain reveals the importance of changing the way the standard itself is defined and enforced. As a commercial organisation itself operating in the standards business, GlobalGAP has an interest in the widespread acceptance of its standard, and efforts to modify the standard and to establish equivalent local standards (ChileGAP, KenyaGAP etc.) have helped to reduce certification costs.

Policy implications for donor agencies to support smallholder's inclusion

There consequences of these findings for donor policy are clear:

- When working with global value chain agents, donors need to start from the business case for any particular form of value chain organisation. Working against the business logic will be ineffective. Sustainable inclusion of small-scale farmers has to be profitable.
- The goal of donor interventions has to be reducing rural poverty, not sustaining particular forms of agricultural production. Small farm horticulture export may not be a viable business proposition. Alternatively, large-scale farming may be poverty reducing, as studies on Kenya and Senegal have shown.
- A value chain analysis identifies not only the key decision-makers at different points in the chain, but also ways in which value chains can be restructured in response to the new market challenges. Some effective donor interventions have targeted GlobalGAP as an organisation and also the business services sector in Kenya, rather than small-scale famers directly.