



How private standards designed for export produce also influence Kenyan domestic markets

Henry Kinyua

Henry Kinyua is an agribusiness and private sector development professional (value chain and project management specialist) currently working as a senior business advisor with Technoserve Kenya.

In the late 1990s certification news on fresh exports from Kenya was received with apprehension across all of the horticulture industry. Some feared certification would omit smallholders from the export market. In response, the government, through the Ministry of Agriculture and Horticultural Crops Development Authority (HCDA), launched an information campaign to exporters and to farmers - but still a lot remains to be done. Several studies have shown a decline in the number of smallholders participating in the fresh produce export market in Kenya since the introduction of the GlobalGAP standard in 2003. Some studies have estimated up to a 60 per cent decline. This paper gives a personal view on the impacts of private standards such as GlobalGAP on smallholders in Kenya, both in export and domestic markets.

Are standards like Global GAP denying smallholder farmers an income?

Is the declining participation in export horticulture good or bad for smallholders? I see the standards as a positive impact on the lives of growers. Complying with certification is definitely an expensive venture, and therefore for a farmer to participate, s/he must be guaranteed return. Smallholders were forced to assess their participation in the industry and undertake a cost benefit analysis. For a number of farmers, fresh produce production (green beans) was found not to be profitable and they voluntarily dropped out of the system and diversified into other agri-enterprises.

Production of fresh produce (like watermelons, kales and bananas among others) for the domestic market actually became a higher income earner for some farmers compared to beans. This had two direct effects:

1. The government and other organisations also started to focus more on the domestic market. Currently there are more horticulture development projects focusing on domestic market than five years ago.
2. Only farmers with sufficient resources (including financial resources) were left producing beans for export. This meant that they were more committed to quality and also guaranteed exporters of available produce for export. There is anecdotal evidence that, cases of exceeding maximum residue levels have reduced in produce from Kenya in the last three years.

One key benefit of diversification is that, in the event of one industry declining, the farmer is not left without a source of

income. In the 1970s and 1980s most of the farmers in central Kenya relied heavily on coffee as a source of income. When the prices plummeted, farmers were left very poor and it took them a long time to recover. True diversification has its own challenges. However the average size of an agricultural plot is 1.7 acres (~0.7 hac)¹ and smallholders can produce a single crop on plots as small as 100 square meters (0.01 hac). Therefore land is not an issue as such for small-scale farmers to diversify produce, addressing domestic market value chains such as the Technoserve value chain intervention on bananas and dairy and the GTZ/MOA (Ministry of Agriculture) on potatoes, among others.

Can the domestic market pay as well as the export market?

Domestic markets dwarf export markets in volume and value. With expected urbanization growth in Africa, the trend is bound to be repeated. Over the last 30 years, sub-Saharan cities grew at the astonishing rate of over 5 per cent per year while the growth in North Africa was 3 per cent. Over the next 25-30 years, the urban populations of Africa are projected to grow at an average of 4.3 per cent. In total, this will be an urban increase of some 440 million people. Simultaneously the rural population will grow at less than 1 per cent.²

¹ Kenya Integrated Household Budget Survey (2005/6), 2007

² Partnerships for Agribusiness Development, Agricultural Trade, and Market Access by TechnoServe for NEPAD, November 2004

This domestic market is yet to be regulated by standards like GlobalGAP, or Kenya GAP, but momentum built by GlobalGAP in terms of information flow on good agricultural practices is still sustainable. Farmers are more aware of the impact of their farming practices upon the environment than was the case before. Farmers like those working with Technoserve in central Kenya on banana production and marketing are now more conscious of the impact of chemicals including inorganic fertilizers. This knowledge can, to some extent, be associated with the GlobalGAP popularity of the late 1990s and early 2000s.

Key lessons drawn on Technoserve's experience

Technoserve has been working with smallholder farmers with bananas in central Kenya since 2003. Preliminary findings shows that farmers who are, or were at one time, involved in horticultural production for export, thus exposed to standards are more likely to take up commercialisation of domestic horticulture than those who have never been exposed at all. Our study demonstrated that efficient value chains increased a farmer's earnings by up to 100 per cent. Notably farmers, particularly those who took up banana production as a commercial activity in addition to other horticultural crops, earn more than their counterparts pursuing the export route alone.

In summary, standards like GlobalGAP, have had a tremendous impact on smallholder farmers in Kenya:

- For farmers who could comply with GlobalGAP, certification has ensured continued participation in the fresh produce export market.
- Additionally several smallholders have diversified into other agricultural enterprises thus securing their future farm-based income.
- Training (particularly on chemical usage and good agricultural practices) which is part of the standards has also benefited domestic market bound produce.

As a way forward I would recommend all actors, including government agencies, NGOs, the private sector, and even development organisations to consider using the basic requirements of the standards such as GlobalGAP, to develop training curriculum for farmers. At the same time development initiatives focusing on creating efficiencies along domestic market agricultural value chains, should be promoted, to benefit both domestic and export market.

Technoserve Banana Project Brief

The horticulture industry in Kenya is responsible for more than 60 per cent of export earnings. However, except for flowers, agriculture in Kenya is mostly subsistence dominated by smallholder farmers. Declining productivity gains and the gradual collapse of the traditional cash crop economy has left millions of smallholder farmers impoverished and unequipped to supply local and regional markets, let alone the export market. These farmers have the potential to play a major role in strengthening and diversifying Kenya's horticulture industry. Technoserve has discovered that the local banana industry is hugely untapped and has the potential to expand considerably both in local and export markets as a raw and value added product. Bananas play a crucial role in food security and the local economy and grow throughout the year providing a steady source of additional income to smallholder farmers.

The industry however, consists of large numbers of small, disorganised farmers and subscale traders who lack the resources and commitment to service increasingly sophisticated urban, regional and export markets.

In 2003, Technoserve embarked on a project in central & Eastern Kenya that organises farmers into Producer Business Groups (PBGs) – groups of approximately 30 farmers who bulk their products together - and equips them with business development skills necessary to run a formal business. The project works with the farmers to improve pre- and post-harvesting techniques to increase productivity and to improve market access. Marketing Service Centres (MSCs) which constitute the collaboration of several PBGs have been set up to bring guaranteed high quality produce for wholesalers and better prices for farmers to one central location thus eliminating middle men. The MSCs are run purely by the farmers in the PBGs.

The project has been largely successful and has seen farmer incomes raised by 50-100 per cent. The project has already reached or exceeded almost all of the targets. 6,616 farmers have been trained through the program and 145 PBGs have been formed with two fully operational MSCs. The MSCs have also brought farmers together as one collective voice empowering them to influence constituency level policy. The centres have developed into hubs for other products and have initiated other investments by farmers such as a bio-gas plant and fruit pulping machines. Revenue from banana sales more than doubled in the first year.

Though the project has been largely successful, farmers still face some challenges in gaining access to credit facilities for farm inputs. The project also faces challenges with buyers lacking an unreliable transportation structure, creating new markets and the lack of government support for the banana industry. The project will now focus on organising buyers, working with local authorities to develop infrastructure in markets and creating a national banana industry policy to attract private sector investment. Registration of PBGs as legal business entities is ongoing.

Technoserve would now like to deepen and broaden the existing project and to replicate the project in other areas in Kenya such as Western & Coast Provinces and throughout East Africa (Tanzania, Rwanda, Uganda and Burundi). The current project does not address issues along the whole value chain sufficiently to have maximum impact on the farmer and is not large enough to create a large scale successful national banana industry. Expansion of the project in existing sites will look at addressing issues along the whole value chain such as access to credit facility for farm inputs, soil testing, diversification of banana varieties, bulking, ripening, storage, packaging, branding, transportation and private sector investment in value added banana products to create a larger market for bananas all year round.