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Private standard impacts on developing country producers: a personal experience of GlobalGap certification in Kenya

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Kenya is predominantly an agro-based economy, with agriculture employing about 80 per cent of the population. Agriculture accounts directly for 26 per cent of the gross domestic product and indirectly for an additional 27 per cent. It is estimated that small-scale farmers or smallholders account for about 60 per cent of the country's total agricultural output. Although smallholders in Kenya have traditionally dominated the horticultural sector, during the past decade they have steadily lost market share, owing to the limitations of their size of operation, as well as inadequate technical knowledge and managerial capacity. Their position has been further eroded by the introduction of stringent new laws and market standards that aim to ensure sound environmental management, ethical trade practices, good agricultural practices, and high quality. This paper draws on field experience of the implications of GlobalGap certification on Kenyan producers and offers some key factors for success in sustaining smallholders' participation.

The GlobalGap challenges for developing country smallholders

During the 1990s, increased consumer awareness and stricter food regulation in the EU propelled retailers into developing strict commercial standards, which resulted in the introduction of GlobalGAP (European retailers' protocol for Good Agricultural Practice). These standards pushed for a change in producer and exporter practices. GlobalGAP has since changed its title to GlobalGap, in recognition of its spread to other parts of the world. This has led to the adoption of identical criteria in several continents and countries, including Africa, South America, Thailand and Japan.

Such standards are reasonable for farmers in developed countries and large-scale farmers in developing countries, who have adequate resources and capacity to bear the costs associated with compliance. However, with smallholder farmers the situation is very different. They have neither the resources nor the capacity to comfortably meet these standards, making compliance an uphill task for them. Factors that make it particularly difficult for smallholder farmers include the high cost of compliance, lack of technical capacity and knowledge, and sometimes requirements that are difficult to implement within the local context. Under these circumstances, is it therefore possible for smallholder producers to comply with voluntary private standards on a sustainable basis?

Improved quality, yields and hygiene thanks to GlobalGap certification

One positive impact of the implementation of GlobalGap has been the entrenchment of good agricultural practice in producer farming operations, thus improving yields and product quality and – it can be argued – ultimately leading to sustainable agriculture. Vegcare, an independent horticultural company formed as a partnership between CARE and a leading exporter in Kenya, has been working with groups of smallholder, farmers linking them to markets and facilitating their compliance with GlobalGap. The company has seen quality of produce increase by 15–20 per cent, as evidenced by reduced level of rejects by exporters. The improved quality and reduced reject levels can be attributed both to better weather conditions to and compliance with GlobalGap standards.

Another positive impact has been the improved hygiene of producers and their farms/environment. In the case of Vegcare farmers, this has been seen in various ways including – but not limited to – ensuring availability of clean toilet and washing facilities and keeping farm land and equipment clean. The improved farmer hygiene has benefited customers in that they are able to purchase more hygienic produce.

Additional investments do not yield higher prices

The costs of complying with GlobalGap have been too high and have proved to be prohibitive for some smallholder farmers, who have insufficient resources to cover them. It costs Vegcare farmer groups approximately US$6,500 per average group of 30 farmers to successfully go through the entire process and attain certification. These costs have been subsidized by CARE through donor funding. In addition to this, once groups are certified there are still annual charges and costs related to the annual renewal of the certificate. While CARE subsidized the initial group certification, Vegcare agreed with its farmers that all renewal costs would be paid for by the farmer groups.

For the farmers who manage to attain certification, the fact that the certified produce does not command a higher price than non-certified produce is demoralizing, because they see no difference in their income when they compare before certification and after certification. However, even though there is no price difference between certified and non-certified produce, one of the key advantages of certification is that it provides a larger market opportunity, so certified farmers stand to earn more because they can access markets that are not available to non-certified farmers.

Another failure of GlobalGap has been the inability to contextualize its requirements to a developing world environment, therefore making it harder for farmers in developing countries to understand the requirements and comply with them. It is hoped that the newly launched KenyaGap has addressed this issue, and has developed protocols that are relevant to the Kenyan context.

The expertise needed to implement the voluntary private standards is not readily available. Only a few local people have the expertise, resulting in the need to hire foreign consultants. Vegcare had to hire a South African firm to develop a GlobalGAP Certified Quality Management System. This proved very costly and time-consuming. Where local expertise has been available, it has been difficult to hold on to the personnel, as their skills are in high demand within the industry. Thus, there is need for more localized expertise in this area.

Small-scale farmers do not benefit much from private voluntary standards. While the cost of compliance is high, there is no commensurate price increase for their produce. On the other hand, larger farmers benefit more as they are able to easily comply with these standards at a lower cost because of benefits from economies of scale and from implementation of harmonized systems that increase their efficiency. However, the main beneficiaries of these standards are the end customers, as they are able to purchase higher-quality and more hygienic products without necessarily paying more for them. Often, the investment the producers have to make in complying with these standards actually outstrips the benefits.

Key factors for more successful smallholder participation in GlobalGap certification

- There is a need to reduce the costs of compliance, so as to make the process of compliance more affordable to smallholder farmers. Linked to this is the need to introduce different price structures for certified and non-certified produce. This would encourage compliance, as farmers would clearly see the correlation between certification and their incomes.

- The need to contextualize the requirements is also important as this will make the process of certification much easier to understand and implement.

- There is a need to develop local expertise on the voluntary private standards. This will enhance farmers' access to pertinent information, skills and training and eliminate the necessity of relying on international consultants, thereby saving on time and costs.

Shifting the cost of compliance down the chain

Any discussion of how to achieve improvements and sustainability in the system should be linked to the question of who actually pays for compliance to private standards such as GlobalGap. Because the main beneficiaries of these standards are the end consumers, they should contribute to the cost of compliance by offering a higher price for certified produce. This will encourage compliance because when farmers carry out a cost-benefit analysis they will clearly see that the benefits outweigh the costs.

In addition to this, the improved market access that results from the better infrastructure benefits the entire value chain – including the bottom line of the buyers/exporters. Therefore the buyers/exporters should contribute towards these infrastructure costs, rather than pushing them down the chain to the supplier.