

Proactively complying with private voluntary standards - Key findings of country case studies in Ghana, Kenya and Uganda

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Private voluntary standards (PVS) are becoming more frequent and complex and have both positive and negative effects on producers in developing countries. Some years ago, UNCTAD created the Consultative Task Force (CTF) on Environmental Requirements and Market Access for Developing Countries to help facilitate a dialogue between public and private stakeholders on the impact of and adjustment to PVS. (So far, CTF work has focused on two sectors: electrical and electronic equipment and horticulture, in particular fresh fruit and vegetables (FFV)).

PVS can be broken down into different categories. PVS that are communicated to consumers can be used as an instrument for product differentiation and segmentation. These standards are proliferating (e.g. social and ethical standards), and some of them may lead to price premiums. Other PVS are used in the business-to-business context. In the latter case, retailers have attempted to harmonise specific elements through collaboration of core attributes and procedures^a. These standards are characterised by a quality management system approach, with third-part audits to certify conformity.¹ One example is GlobalGAP.

This paper draws on recent UNCTAD publications on the trade and development implications of PVS, in particular the GlobalGAP standard for FFV and proactive adjustment policies that can assist developing countries in coping with and deriving possible benefits from these standards. The publications cover three developing regions: South and Central America; the Association of South East Asian Nations (ASEAN); and sub-Saharan Africa (SSA)^{b c d}. This paper focuses on the experiences of SSA, largely based on case studies carried out by experts in Ghana, Kenya and Uganda and a series of stakeholder dialogues in these countries, organised jointly with the Food and Agriculture Organization of the United Nations (FAO).

Export markets for SSA produce and PVS

The European Union (EU) represents a very dynamic market for FFV: the dollar value of extra-EU imports almost doubled between 2000 and 2006 (an average annual growth rate of around 12 per cent). It is also one of the highest-priced markets for FFV. The EU market absorbs some 75 per cent of all FFV exports from SSA excluding South Africa. Exporting FFV to the EU market has contributed significantly to poverty alleviation in rural areas, export diversification and often higher unit values compared to those obtained for traditional agricultural exports.

Small-scale grower (SSG) participation in exports is declining where PVS is a requirement

However, certain developments have affected the ability of SSA producers to maintain their participation in FFV value chains. First, SSA producers and exporters targeting the EU market face growing competition from other developing countries. Second, exporters are increasingly required to conform to PVS and they may pose greater challenges to SSA producers than to competitors in other developing countries. Several studies published in the Fresh Insights series show that the emergence of PVS has exacerbated the exclusion of SSGs from value chains. In many cases, small-scale export production has been replaced by larger farmers working as outgrowers or by vertical integration i.e. exporters sourcing a larger share of produce from their own production on industrial estates.

SSGs are still retained by exporters in outgrower schemes to use their cost competitiveness in labor intensive vegetable production and to spread the risk caused by weather extremes^e. From a pro-poor development perspective, it should also not be overlooked that the expansion of agri-industrial estates offers increasing employment opportunities.² Sautier et al. (2006) suggest that wage employment on commercial farms and in processing plants may make a greater contribution to poverty reduction than promoting SSG producers. They estimate that in Kenya only 2 per cent of SSG produce for export (with the share linked to global supply chains being even lower). SSGs acting as outgrowers account for 25 per cent of those engaged in FFV export production, whereas farm labourers account for about 75 per cent.

It is difficult to know the implications, if any, of PVS on the volume and value of SSA exports of FFV. In recent years, EU imports of FFV from SSA continued to grow, but at a much

¹ In discussions in the SPS Committee of the WTO, many developing countries have expressed concern that PVS can be both more restrictive and more prescriptive than official import requirements and act as barriers to market access.

² In Ethiopia, for instance, an average small-scale farm provides an income to the whole family of about 450 Euro per annum, whereas a salaried job on flower farms earns some 240-300 Euro, and several members of the family may be salaried (UNCTAD, 2008:82).

slower pace than FFV imports from other developing countries. As a result, the SSA share in EU imports from developing countries decreased. This could be attributed largely to the erosion of ACP tariff preferences³ the introduction of new varieties, and supply-capacity problems in SSA. The larger penetration of PVS in the EU market and stricter application of GlobalGAP in this period could also have affected FFV producers and exporters in SSA, but more detailed analysis would be needed to assess such effects. The fact that trade performance has been uneven among SSA countries⁴ indicates that many other factors have played a key role.

In the case of large and traditional trade flows, producers and exporters in SSA seem to have coped well with more stringent public and private sector standards, although this masks, to a certain extent, a shift from smallholder to agrifood estate production. In some countries with smaller trade flows and in smaller countries, problems in complying with PVS may result in export losses.

Of the three SSA countries, Kenya, a traditional supplier of UK supermarket chains, has the most exposure to private sector standards, whereas Uganda, which largely exports to wholesale markets, probably has the least exposure. Ghana may be somewhere in the middle, as the competitiveness of Ghanaian FFV exporters has so far been based on supplying the lower end of the market, but this is likely to change as the focus shifts to supplying higher value added products, in particular in the fresh fruit sector.

Harnessing the benefits of PVS – factors of success

All three studies demonstrate that the wider use of good agricultural practices (GAP) can bring both commercial benefits and sustainable development benefits. These benefits are however not specific to GlobalGAP. To fully harness these benefits, SSA governments, the private sector and donors need to promote proactive adjustment policies that will help developing country producers to enhance their capacities to meet relevant standards – both public and private – in key markets. Targeted assistance should be provided to small- and medium-sized producers and viable producer groups, to give them the capacity to participate in global value chains in a sustainable way. Increased employment of wage labour on agri-industrial estates may also contribute to pro-poor agricultural development. There may nevertheless be a need to explore alternative market outlets for those SSGs that cannot be integrated into high-value supply chains.

From the various case studies, it is clear that there is no “one-size-fits-all” solution for addressing the challenges of PVS and developing and implementing national GAP schemes. Kenya has successfully benchmarked national GAP standards to GlobalGAP. Ghana has developed a roadmap and is currently considering various options. In Uganda, developing and implementing a national GAP is quite a challenge, but the country's experiences in the flower sector and with organic agriculture may be very helpful.

³ As of 1 January 2008, almost all SSA countries receive duty and quota free access to the EU market under Economic Partnership Agreements.

⁴ Imports from Namibia, Senegal, the United Republic of Tanzania, Ghana and Ethiopia grew faster than imports from developing countries as a group. Imports from Zimbabwe, Swaziland, Cote d'Ivoire and Madagascar actually declined.

When contextualising national GAP programmes, it is important to realise that they need to be part of a development framework that emphasises both the commercial context (i.e. compliance with downstream market standards) and the non-commercial sustainability aspects, such as social, environmental and economic benefits. This is the rationale for using public (and development assistance) resources to support national GAP implementation.

In short, the factors of success for meeting PVS standards are:

- Enhanced awareness of the benefits of GAPs and promotion of their wider use.
- Improved infrastructure (e.g. cold storage facilities, transport), public-private partnerships, an enabling legal/regulatory framework to facilitate compliance with GAP control points and compliance criteria, extension services and support to private sector activities (e.g. in the area of support services and certification).
- Strengthening linkages between producers with exporters/importers.
- Support effective and stable producer organisations.
- Deploy tools and mechanisms to reduce compliance and certification costs of small farmers.

For developing and implementing national GAP schemes the following issues are important:

- Clear understanding of the concepts and objectives of GAP, adequately reflecting smallholder conditions and market requirements (a modular approach may be needed).
- Assuring broad stakeholder participation and clearly defined roles of the government, the private sector and other stakeholders.
- An enabling policy framework that assures enforcement of mandatory food-safety requirements and provides incentives to comply with PVS.
- Flanking/supportive measures to address constraints of GAP implementation, in particular as regards small-scale farmers.
- Reliable and internationally accredited inspection, certification and laboratory services.

^a Fulponi L (2007). The Globalization of Private Standards and the Agri-food System. In Swinnen (ed.) *Global Supply Chains, Standards and the Poor: How the Globalization of Food Systems and Standards Affects Rural Development and Poverty*.

^b UNCTAD (2007a). The Implications of Private-sector Standards for Good Agricultural Practices. Exploring Options to Facilitate Market Access for Developing-country Exporters of Fruit and Vegetables: Experiences of Argentina, Brazil and Costa Rica. UNCTAD/DITC/TED/2007/2. New York and Geneva, 2007.

^c UNCTAD (2007b). Challenges and Opportunities Arising from Private Standards for Food Safety and Environment for Exporters of Fresh Fruit and Vegetables in Asia: Experiences of Malaysia, Thailand and Viet Nam. UNCTAD/DITC/TED/2007/6. New York and Geneva, 2007.

^d UNCTAD (2008). Private-sector Standards and National Schemes for Good Agricultural Practices. Implications for Exports of Fresh Fruit and Vegetables from Sub-Saharan Africa: Experiences of Ghana, Kenya and Uganda. UNCTAD/DITC/TED/2007/13. New York and Geneva, 2008.

^e Mithöfer D, Nang'ole E and Asfaw S, Smallholder access to the export market: the case of vegetables in Kenya (forthcoming).

^f Sautier D et al. (2006). Case studies of agri-processing and contract agriculture in Africa. Background paper for the World Bank, World Development Report 2008; accessible at: www.rimisp.org or www.cirad.fr, Rimisp-Latin American Center for Rural Development.