Fresh perspectives
Agrifood standards and pro-poor growth in Africa
2008
agrifoodstandards.net

Tackling the exclusion of smallholders from fresh produce markets: a personal view

Ruth Nyagah

Ruth Nyagah has worked in the fresh produce sector for the last 14 years. Her experience includes production, quality control at the processing stage, and training on food safety. More recently she has also provided training to producers on research and inspection to meet international standards. Since 2004, she has been working at Africert, covering fruit and vegetables under GlobalGAP; coffee, tea, fruit and vegetables under the Rainforest Alliance; coffee under Starbucks C.A.F.E and 4C, HACCP and BRC.

Private market standards are playing an increasing role in determining access to export markets for small-scale farmers. Producers who cannot meet the standards are facing marginalisation. The emergence of international standards as requirements for entry to some segments of the export market is of interest for a number of reasons. The market dictates its requirements in terms of volume and timing, and the producer will often have no choice but to comply, regardless of the level of risk or cost to them. On the other hand, compliance brings a number of benefits along the supply chain, in terms of improved producer health, environmental issues, conditions for workers etc. But such costs and benefits often remain unquantified and are generally not taken into account in price negotiations between buyers and producers.

Drawing on many years' experience of quality and food-safety issues in the private sector (both pre- and post-farm gate) and extensive research, this paper seeks to give a personal view of the impact of international standards on African smallholders. It discusses the role of farm size and weight in the exclusion of smallholders from the market, and the key conditions for inclusion. Finally, the paper suggests how to improve access to markets for smallholders who are unable to qualify for export markets.

The impact of international standards on smallholders

International standards have had an undeniable impact on small-scale producers, both positive and negative. The positive impact in terms of monetary returns has not yet been fully quantified. However, other benefits have been identified over the last two or three years, including free training for producers, mostly funded by development partners either through export companies or private training institutes. Topics have included IPM, basic quality management systems (QMS), environmental management, the safe use and disposal of pesticide containers, basic business management skills and group dynamics, record-keeping, and food safety. Such training has, in turn, impacted on the production methods used by farmers, in most cases improving produce quality, which effectively results in increased market security and savings on inputs.

On the negative side, international standards have disadvantaged the smallest producers, those without strong farmer group/exporter support. Such producers have become marginalised from the export chain and have in most cases stopped producing. Larger-scale producers have more bargaining power with the market because of the volume of their production and because they are able to meet contractual demands on quotas reliably.

A trend of further marginalisation of the smallest growers has been identified within smallholder producer groups. A producer with an output of only one kilo of beans twice a year will often not be admitted to a producer group. Exporters in turn prefer to deal with strong groups with assured volumes – those groups that are even more inaccessible to the smallest producers. So the cycle of marginalisation continues and the gap between the smallest producers and the exporters widens.

THE POSITIVE IMPACT OF MARKET STANDARDS ON SMALLHOLDERS: AN EXAMPLE OF A SMALLHOLDER GROUP WORKING WITH AN EXPORTER, DEMONSTRATING HOW EARNINGS HAVE GROWN PROGRESSIVELY THROUGH BINDING GROWER-BUYER CONTRACTS AND CERTIFICATION

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- Group had 33 members in 2006 (nine women, 24 men) and grows French beans for the export market.
- Started in 2003 with nine members doing ad hoc export farming for multiple exporters.
- Minimum land size per farmer is 1ha, with a maximum of 4ha, to enable a minimum of 0.25 acre of French beans to be planted every month, with a projected monthly production of 800kg. Average price is US$0.60 per kilo, with production costs of average US$0.39 per kilo.
- In 2004, GlobalGAP training started, provided by the exporter. Group improved its internal dynamics through development of a constitution with strict membership criteria and penalty clauses for defaulters.
- At the same time, group entered structured informal domestic markets to boost group's sales and create a strong financial base.
- In 2005, group achieved its first fixed annual price contract with exporter as group became more organised and committed.
- In 2005, weekly production of French beans averaged four tonnes.
- In 2006, weekly production doubled to an average of eight tonnes as members dedicated more of their land to export production (either by a farmer allocating more of their own land or by leasing more land with their increased income).
- GlobalGAP implementation (QMS) started in 2006 and certification was achieved in December of that year.
- Employment increased from 15 workers to 264, carrying out various temporary or permanent production activities across the production year, including planting, weeding, harvesting, spraying, supervision, record-keeping etc.
- Group's gross income increased from US$7,000 in 2004, when group was still just consolidating itself, to US$20,000 in 2005, when farmers started dedicating themselves to serious export farming through contractual volumes and pricing. In 2006, income reached US$130,000, when farmers raised their weekly production volumes through increased production area, better production methods, and increased price per kilo of produce.

Source: Exporter and Author

Key conditions for inclusion of smallholders in the fresh produce export market

a) Size of land (this justifies a certain level of inputs to expect a given amount of produce), which actually determines if the farmers make a loss or gain.

b) Guaranteed annual prices, although these may differ at certain times of the year, based on the volume the group is able to supply to the market, as per annual contractual arrangements with the exporter.

c) Commitment of farmers to implement and sustain compliance with GlobalGAP: this is based on both internal and external factors, e.g. technical support from exporters and, internally, the ability of the group to work together.

Finding new market opportunities for marginalised smallholders

- It is possible that not all small producers will be able to qualify to produce for the fresh export market. The dynamics of the fresh produce export market are complex and smallholders without support and good linkages to the market may not be able to keep up with them. Furthermore, the export market may not be large enough to accommodate every producer. It is therefore important for sustainable development to look at how to improve production and market access for producers, without necessarily focusing on a particular fresh export market. For example, the development of value-adding at the production level could avoid high-season waste (e.g. drying fruit, tomatoes etc.), as well as provide access to different segments of the market.

- Domestic markets are poorly developed in Africa and this is an area of development that is often overlooked. Despite the limited size of the fresh produce export market, a lot of attention, effort and resources have been put into it, often at the expense of developing and growing local domestic markets. Such markets could provide an important outlet for smaller producers excluded from the export market.