Impact of private agrifood standards on smallholder incomes in Kenya

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The Kenya Horticultural Development Program (KHDP) is a five year USAID-funded programme established in October 2003. The aim of the programme is to sustain and increase smallholder sales and incomes through production and employment in the fresh and processed food sector in Kenya. We provide marketing, post harvest handling, processing, and agronomic support for smallholders and allied agribusinesses. One strategic area of support given to smallholders is training and certification in GlobalGAP (formally EurepGAP) – a private voluntary food standard required for export to European retail markets. This paper seeks to summarise the methodology and the key findings from the USAID/KHDP programme, focusing on the impact of food standards on smallholder incomes.

Industry involvement in sustainable GlobalGAP compliance for smallholders
Since 2003 Kenyan smallholders wishing to continue exporting to EU retail markets were required to comply with GlobalGAP. However many small-scale growers (SSGs) were unable to meet these new requirements. Moreover a risk for Kenya of non-compliance was to lose market share leading to a drop in fresh produce exports and a reduction in income for suppliers and employees. To offset these trends, exporters would maintain market share by establishing large-scale farms and thus buying less from outgrowers. This lead to income loss in rural areas.

The horticultural industry anticipated these threats and made practical interventions to achieve compliance for SSGs; in particular, cost sharing support between farmers, export companies and donors complemented by direct donor funding to assist SSGs. Simultaneously lobbying begun to make standards more “smallholder friendly” alongside the continuous monitoring of the impacts of food standards.

Methodology for impact analysis
KHDP collected the data used in this survey through:

- Eight KHDP field agronomists working directly with growers and exporters who are based in the field in six of the eight provinces – Central, Rift Valley, Eastern, Nyanza, Western, Coast.
- Six GlobalGAP partnerships with major export companies.
- Continuous interaction with the industry in Kenya and the EU.
- A survey of 1020 growers in September 2006 in twelve of the main districts that produce more than 80 per cent of fruits and vegetables. This was done by Farm Produce Technologies; a lead consulting firm in horticulture in Kenya.
- A survey of 23 brokers and 15 export companies in 2007 by KHDP.

Very positive results

- Ability to comply with GlobalGAP and other food standards
Results showed that smallholders have succeeded in being certified to GlobalGAP. By December 2007, 2210 plus outgrowers had achieved certification for fresh fruits and vegetables (FFV) and 6,000 plus for processed vegetables. It is estimated that there is more than 20,000 farmers growing fresh produce for the export market.

- Raise in fresh produce exports
Kenya has maintained its market share and increased its fresh produce exports (see Figure 1). Fresh produce exports have not dropped since 2003 but Kenyan and more specifically outgrower vegetable exports have increased (see Figure 2).
5. Conclusions and lessons learnt

Compliance with GlobalGAP and other food standards has been achieved in Kenya by thousands of SSGs. Outgrowers who meet market standards benefit from greater competition for their products. Moreover the findings suggest that standards have not reduced smallholder incomes from export horticulture in Kenya – they have actually increased significantly since 2003, as has average production per grower.

In addition the experience has brought positive outcomes in terms of organisation, investment, export supply and local demand. These benefits serve the value chain as a whole, improving conditions of trade for fresh produce.

Key findings of successful inclusion of smallholders in Global GAP certification include:

- Increased investment in technical support to their contracted outgrowers by exporters.
- Increased cooperation between exporters, intermediaries, government and development agencies.
- Increased transparency along the value chain.
- Increased demand for food safety from domestic market consumers.

6. Recommendations for sustained smallholder inclusion in GlobalGAP

- Costs of compliance need to be continuously assessed and minimised. For example questions should be asked such as “can the frequency of third party audits be reduced?”
- Costs of certification coupled with erosion of margins down the value chain are the biggest threat to smallholder incomes – retailers need to share the costs.
- SSGs need to consolidate production in producer groups or scale up their production to be more competitive. It is noted that those who have less than two acres of land cannot meet the cost of certification. This is only explained through economies of scale. The groups that are successful are those who are commercial and not formed specifically to target certification.
- More technical research could be directed specifically at SSG compliance to keep production costs competitive e.g. maximum residue levels needed for minor crops.