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Development practice, agrifood standards, and smallholder certification: The elusive quest for GlobalGAP?

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There has been a widespread fear among different international development organisations that the proliferation of GlobalGAP (formally EurepGAP) would lead to the exclusion of smallholder farmers from high value markets in horticulture producing countries across sub-Saharan Africa (SSA). Accordingly, supporting smallholder certification to GlobalGAP and related capacity development at both farm and institutional levels has been put on the development agenda by GTZ, the Department for International Development (DFID), the United States Agency for International Aid (USAID), the Comité de Liaison Europe-Afrique- Caraïbes-Pacifique and the Pesticides Initiative Program (COLEACP/PIP), and recently the World Bank in several developing countries, including Ghana and Kenya as prominent examples.

This paper draws on results from a research project on the impact of GlobalGAP on value chains in the horticulture sub-sector in Kenya (and to a lesser extent on preliminary results from a new project on Ghana[1]) with critical reference to the certification of smallholder farmers.

Background research questions to address

The following research questions guided the original research project in Kenya:

1) What reorganisation has taken place in exporters' procurement systems due to the proliferation of GlobalGAP and what implications did this have related to sourcing from smallholder farmers?
2) What are the costs and benefits of GlobalGAP certification and compliance for smallholder farmers and is Option 2 a viable means for integrating smallholder farmers into high value fruits and vegetables (HVFV) markets?
3) What are the major obstacles apart from monetary costs for integrating smallholders into HVFV markets?
4) How far has the institutional environment been supportive to the integration of smallholder farmers into HVFV markets and what strategies are deployed in order to sustain the integration?
5) What role have donors played in the adoption to the GlobalGAP standards and what future implications do the findings have for future development strategies?

The work in Kenya adopted a qualitatively-oriented framework and is based on semi-structured interviews with exporters, importers, farmer groups, individual farmers, and various experts from development organisations as well as public and private institutions and agribusiness service providers. Furthermore a digital questionnaire was distributed to exporters and a cost-benefit analysis was conducted, drawing on project data as well as on other secondary data available. This paper concentrates on questions two to five with particular emphasis on the realm of development policy and practice and GlobalGAP certification.

The mixed impacts of GlobalGAP on the Kenyan horticulture sub-sector

In the case of Kenya the proliferation of GlobalGAP has lead to significant restructuring of agrivalue chains with regard to the organisation of value chains and the actors involved in these. Yet, this restructuring cannot be exclusively attributed to GlobalGAP. It is also related to other factors such as supply chain integration due to product and process innovation or increasing economies of scale. In Ghana, for instance, most pineapple smallholder farmers have not been pushed out of the market by GlobalGAP, but by the introduction of the MD-2 pineapple variety.

Contrary to earlier assumptions, exporters in Kenya have been, or are in the process of shifting to, larger commercial farmers instead of integrating their business vertically, to the detriment of smaller growers, who do not

[1] The empirical data in Kenya was gathered from February to June 2007 for a Master's thesis at the University of Bayreuth, Germany. The case of Ghana is currently part of a PhD thesis on the rise of the Ghanaian horticulture industry (with focus on pineapples and mangos) in times of the restructuring of agricultural markets, Institute for Human Geography, University of Frankfurt, Germany (2008-2010).

have the financial or managerial capacities to meet the requirements of the standard. Yet, there is no single trajectory for the inclusion or exclusion of smaller-sized farmers; it depends on the individual corporate practices and relations between farmers and exporters. In successful cases, exporters usually pay for the audit as well as for system maintenance. These cases have been able to develop paternalistic support systems or cost-effective quality management models while spreading the costs of certification along the value chain. Exporter-linked farmers have experienced mostly non-tangible benefits, ranging from less input use and higher productivity levels. In some cases farmers received higher farm-gate prices and obtained a preferred supplier status where strong linkages with exporters were given. However, these were mostly more commercially-oriented farmers with sufficient resources and skills at their disposal.

Most exporters received donor assistance, which can be helpful if carefully targeted. However, this has not always been the case. Donor projects were often uncoordinated and not informed sufficiently about the nature of horticultural markets and value chain relations. The 'green bean rush' and the call for the market inclusion of smaller players often resulted in the certification of groups, who are no longer in existence today due to a breakdown or lack of exporter linkages, group mismanagement or lack of funds. As empirical results show, sustainable certification of smallholder farmers rests on several determinants, which must be kept in mind when supporting certification at project or programme level.

Key lessons from Kenya and Ghana

- Smallholder farmers can achieve GlobalGAP certification, but continuous maintenance is a problem due to the high costs of compliance, technical barriers to entry and the need for a steady cash flow in a sector that is vulnerable to problems such as seasonality, water shortages or pest infestations.
- Certification is not an option for every farmer since there is a threshold of economic viability (e.g. size of land).
- Farmers cannot maintain the GlobalGAP system without firm exporter-linkages and significant external assistance support (in most cases through exporters).
- Donor projects, which neglect market linkages and lack a clear exit strategy, are destined to fail.
- The challenges posed by GlobalGAP are not a mere private sector issue and have to be seen in the wider context of problems related to local production systems, markets, and the local institutional setting and governance structures.

Solutions for improvement and sustainability

From the empirical results from Kenya and Ghana the following implications for sustainable development support can be outlined:

- Pushing farmer groups into GlobalGAP certification as a 'die-hard-strategy' is not a solution. Due to the need for continuous system maintenance, selected farmer groups (albeit from sufficient resource endowments and solid group structures) need a stable market and credit-linkages in case of production breakdowns. Selected groups should have a good organisation and management structure as well as being familiar with farming as a business, which includes full awareness of the advantages of long-term business relations and a transparent outline about the costs and benefits of GlobalGAP.
- There is a clear need to enhance knowledge flows in respective countries in the public sector as well as the private sector in order to ensure coordination of activities and avoid repeating mistakes. This also means to provide locally adapted solutions and take standards 'out of the hands of consultants' through simplified solutions (e.g. low-cost pesticide stores as promoted in Ghana through a USAID funded Trade and Investment Programme for a Competitive Export Economy).
- It is important to set out clear policy guidelines on the relation between poverty alleviation and export-led development, which takes into account potential trade-offs between certification of farmers delivering to high quality markets and pro-poor smallholder development.
- Exporters have to be an integral part of all support initiatives; this is not only necessary because farmers need support from exporters, but also because it raises critical questions with regard to certificate ownership issues.
- Supporting private-public sector fora helps identify key public investment areas to maintain competitiveness of the sub-sector and smallholder farmer market inclusion.
- One must ensure government support in terms of building up analytical capacities as well as developing a clear policy on contract farming, including the establishment of extra-legal dispute settlement mechanisms for tackling issues such as breaches of contract.
- It is essential to foster mechanisms of self-regulation in the industry to ban poaching of produce; a major factor in undermining investments by exporters into certification of smallholder farmers due to the fear of a lack in return.
- Despite the high annual revenue generated by export horticulture, venturing into complementary strategies is essential (e.g. in Kenya only 3 per cent of the annual agricultural output of Kenya is destined for the export market). Encouraging alternative markets (domestic and regional markets) and diversification into other products or niche markets is one appropriate strategy in the light of new challenges imposed by private standards. This is particularly the case for smallholder farmers on one to 1.5 acres or below (economic threshold to GlobalGAP certification) as for the case of Kenya.
- Opening up to alternative certification approaches (as currently supported by Dutch NGO NAC-Agro in Senegal and Kenya) and incorporating them into the revision of the GlobalGAP in 2008 must be considered.