IMPACT OF EU PRIVATE STANDARDS ON AFRICAN SMALLHOLDERS ACCESSING EU FRESH PRODUCE MARKETS

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NRI & IIED

IIED-NRI-DFID PROJECT

SMALL-SCALE PRODUCERS & STANDARDS IN AGRIFOOD SUPPLY CHAINS

- 3 year project (Sept 05), partnership between UK Govt, research, & private sector
- Objective – Minimise adverse impact of standards on market access for African/developing country producers
- 3 themes, Dialogue (between all players), Information (impact of standards, cost benefit analysis) & Good Practice (strategies for implementation of standards by small-scale growers--SSGs)
- **www.agrifoodstandards.net**

DO PVS HAVE ANY IMPACT ON AFRICAN SMALLHOLDERS?

2006: Cost benefit analysis

Zambia, Kenya and Uganda

2007: Peer review &
Further investigations

WHY EUREPGAP?

SAI
SOCIAL ACCOUNTABILITY INTERNATIONAL
SA 8000

EUREPGAP®

BRITISH RETAIL CONSORTIUM

TESCO

RAINFOREST ALLIANCE
CERTIFIED
EST 1987

APPROACH

- **ZAMBIA:** Exporter (1), supporting organisation, PMO, smallholders (12/85), donors – most detailed
- **KENYA:** Exporters (11/18 = 2 large, 3 medium, 2 small-medium, 4 small-scale), VMO (1), supporting organisations, donors, smallholders, SHG's (7) + smallholder members
- **UGANDA:** Similar to Kenya – BUT no certified farmers & different market

EUREPGAP SYSTEM

EUREPGAP
NRI-IIED VIEWS

- No problem with overall content of EUREPGAP protocol
- Worker safety & food safety of pesticides much improved
- Hygiene (sanitary & phytosanitary) much improved
- Vertical & horizontal traceability possible
- Good management & control of system

FARMERS LIKE EUREPGAP CONCEPT – WHY?

- Better control of inputs (reduced theft, more efficient use) due to records & traceability system
- Improved understanding of profitability of farming as a business (records)
- Improved farm management (planting plans, crop rotation, crop husbandry)

FARMERS LIKE EUREPGAP CONCEPT – WHY?

- Increased exportable yields (several GAP factors)
- Better organised for price negotiations & professional pride (PMO & group organisation)
- Food hygiene training useful at home

IMPACT OF EUREPGAP ON SMALL-SCALE GROWERS

IMPACT DEPENDS ON SCALE & SOPHISTICATION OF OPERATION

- Large Commercial Operations (100-1000ha): Finance, infrastructure & personnel are no problem

- Small-Scale Operations (0.1-4.0ha): Lack finance & infrastructure, personnel shortages & low capacity

VARIATION IN SSG OPERATIONS

IMPACT DEPENDS ON WHO MANAGES THE SYSTEM

- Large-scale exporter: Finance, infrastructure & personnel are no problem

- Small-scale exporter or farmer owned PMO: Lack finance & infrastructure, personnel shortages & low capacity (Business management skills)

QMS AUDIT REQUIRES ACCESS TO OVER 400 DOCUMENTS!!

COSTS ASSOCIATED WITH EUREPGAP

- Staff with capacity to implement & manage EUREPGAP compliant GAP system
- Initial & ongoing costs of training and re-training of staff and training materials such as laminated posters

COSTS ASSOCIATED WITH EUREPGAP

- Initial & ongoing cost of record keeping duplicate books and filing system
- Establishment & maintenance of the QMS system
- Farm inspections, internal & external audits

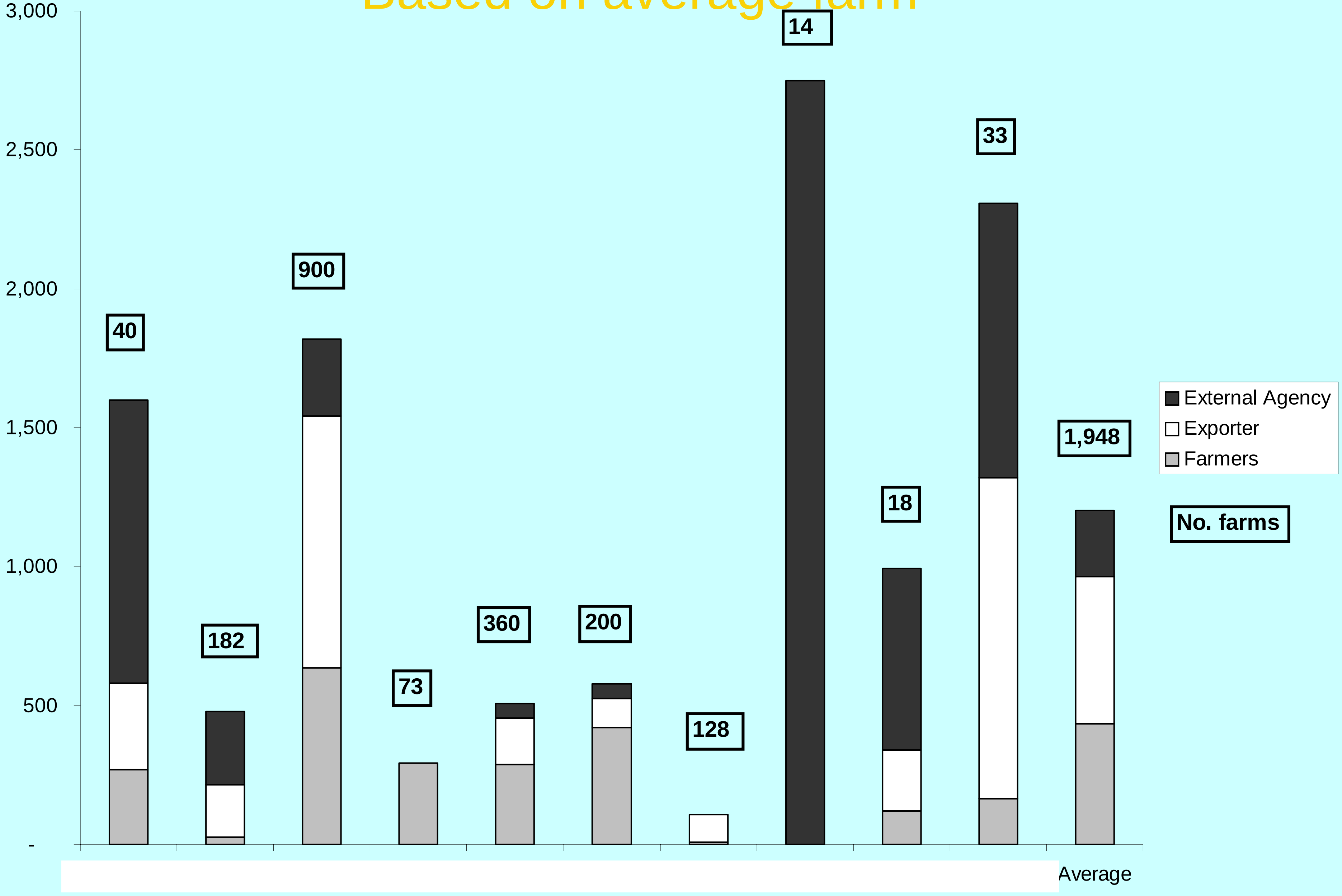
Who pays?

	Farmer	External	Exporter	Total
Initial costs	433	238	530	1,201
	36%	20%	44%	
Recurrent	104	0	750	854
	12%	0%	88%	
Margin	182			

- But lots of variation
- Relative costs not factored-in

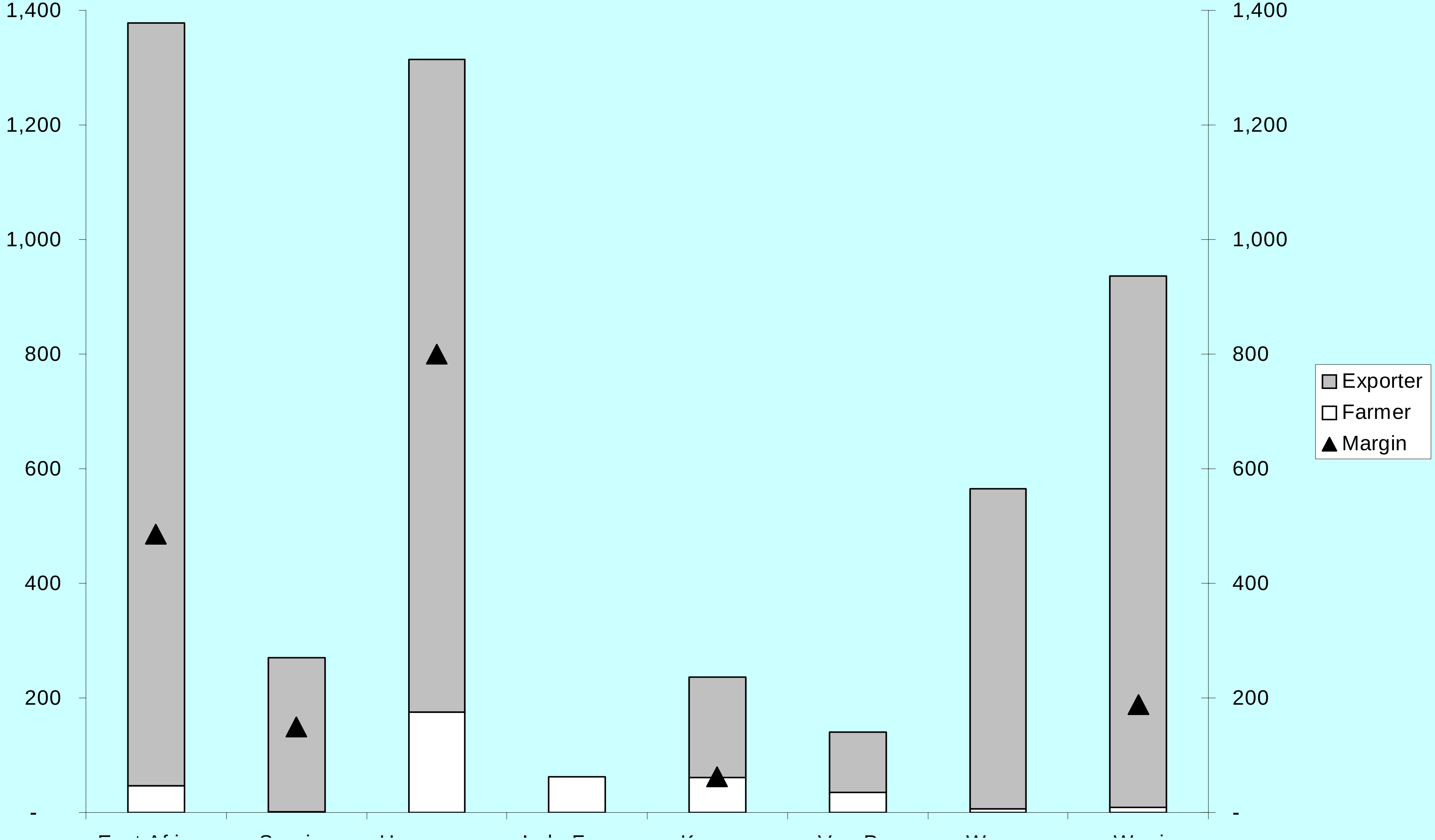
Who pays initial costs?

Based on average farm

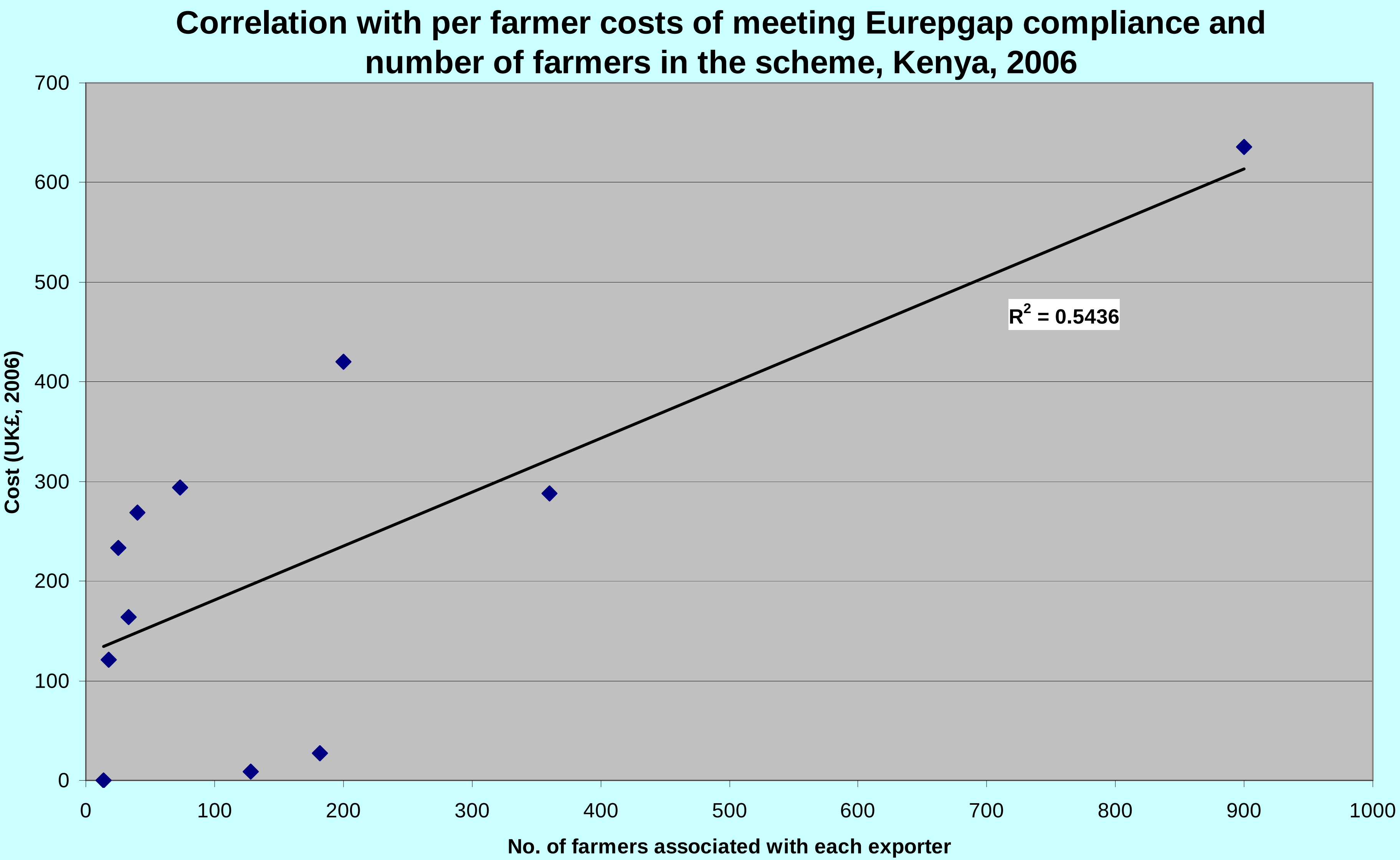


Who pays recurrent costs?

Based on average farm



Why we need to link with industry



EUREPGAP COSTS

- Results from a 2006 study by NRI/IIED in Kenya found that 60% of smallholders appear to have lost access to high value EU supermarket exports due mostly to the high cost of implementing and maintaining EUREPGAP

- Smallest growers linked to small exporters with limited resources were worst off

ARE ALL COSTS JUSTIFIED?

- Retailer perception of risk v objective data – suggestion for more MRL testing
- Retailer standard change from cotton spray suit (annual $28) to water-proof suit (annual $80), export income ~$400-$800 – but only handle small volumes
- CB auditor demanding hand-wash logbook NO trust in the system

CONTINUED ESCALATION?

- Successful systems – exporter significant role form: financial & logistical support
- SSG good news: risk transfer, reduce land & water burden on own farms, politics
- Continued escalation of standards – squeeze exporters margins
- Kenya, several exporters introduced minimum area policies in 2006, reduce smallholder participation

DONOR INTERVENTION INTRODUCING / MAINTAINING INEFFICIENCY?

- Successful systems – donor support to a sustainable system
- Failed systems – donor support distorted reality, system is not self sustaining
- Exporter / farmer concerns – coordination of effort, short-term expenditure

DFID – NEXT STEPS

- Research findings demonstrate that a problem exists – PVS are impacting adversely on African smallholders
- Need to work with the standard setters (EU supermarket retailers & private standards such as EUREPGAP

DFID – NEXT STEPS

- In collaboration with GTZ – funding an African Observer / Smallholder Representative within EUREPGAP

- Focal point for expert opinion on smallholders & EUREPGAP, feed information into EUREPGAP system & provide feedback to interested parties

DFID – NEXT STEPS

- Food Retail Industry Challenge Fund (FRICH) – under development, planned launch August 2007, $5 million 2007-2011, pilot UK retailers & their suppliers, future extend wider EU
- Development of innovative systems to support African smallholder access to UK retail sector

FRICH – OUTPUTS

- Supply chain innovations, enhance African smallholder competitiveness
- Support for smaller & lower income African producers entering UK supply chains
- Positive consumer perceptions of African sourced products maintained and enhanced

DFID – NEXT STEPS

- WTO debate on applicability of Article 13 of SPS agreement to PVS
- Conclusion from legal analysis: - PVS not covered, no consensus to reword or change interpretation of SPS, COP unlikely to work
- Possibility to develop a forum to bring representatives of EU retailers, LDC’s & SPS experts together to resolve issues

NRI / IIED – NEXT STEPS

- Continuation of Kenya work – what happened to the 60% who appear to have lost out due to EUREPGAP?

- Assessment of EUREPGAP V3.0 identify potential smallholder hotspots

NRI / IIED – NEXT STEPS

- Pro-Poor Procurement Forum (3PF) under discussion – chain-wide engagement, open debate on changes required to ensure +ve developmental impact of high-value horticulture, ensure all voices are heard

- Recommendations for adjustments to PVS & procurement practices

NRI / IIED – NEXT STEPS

- Keen to avoid dilution of effort, duplication & fragmentation

- Desire to work with other interested parties / share resources to maximise impact of work

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