

PIP - SURVEY

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Survey of fresh fruit and vegetable exporters in sub-saharan Africa

Changing buyer requirements and their impact on supply chains



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Index

Acknowledgements	3
Glossary	5
Executive Summary	6
Introduction	11
Background	12
CHANGES IN THE TRADING ENVIRONMENT	12
CHANGES IN THE REGULATORY ENVIRONMENT	12
THE GROWTH IN PRIVATE SECTOR VOLUNTARY STANDARDS	13
SCOPE OF THE PVS	14
IMPLICATIONS FOR ACP SUPPLIERS	16
PIP SURVEY	17
SURVEY METHODOLOGY	18
Results	20
VOLUME OF EXPORTS	20
FACTORS AFFECTING EXPORTS	23
CERTIFICATION TO PRIVATE VOLUNTARY STANDARDS	28
SOURCING OF PRODUCE BY EXPORTERS	32
OUTGROWER SUPPLIERS	36
CERTIFICATION OF OUTGROWERS	42
Discussion	48
DISTINCT VALUE CHAINS	48
EU REGULATIONS	49
NON-MARKET CONSTRAINTS	49
TRACEABILITY	50
PRODUCT SPECIFICATIONS – THE CASE OF MD2	51
PRIVATE VOLUNTARY STANDARDS	51
CERTIFICATION OF EXPORTERS	52
CERTIFICATION OF OUTGROWERS	53
MAINTAINING CERTIFICATION	55
PROCUREMENT FROM SMALL-SCALE GROWERS	56
SUPPLIERS IN SUB-SAHARAN AFRICA AT A DISADVANTAGE	58
HOW TO LEVEL THE PLAYING FIELD	60
References	62

Glossary

ACP	African-Caribbean-Pacific
BRC	British Retail Consortium
BSMDP	Business Services Market Development Project (Kenya)
COLEACP	Comité de Liaison Europe-Afrique- Caraïbes-Pacifique (Europe-Africa-Caribbean-Pacific Liaison Committee).
DANIDA	Danish Institute of Foreign Affairs
DC	Developing Country
DFID	Department for International Development (UK)
EU	European Union
FFV	Fresh Fruit and Vegetables
FLO	Fairtrade Labelling Organisation
GAP	Good Agricultural Practice
GFSI	Global Food Safety Initiative
GTZ	German Technical Cooperation
HACCP	Hazard Analysis and Critical Control Points
IFS	International Food Standard
ISO	International Standards Organisation
KHDP	Kenya Horticultural Development Project
MRL	Maximum Residue Limit
NGO	Non-Government Organisation
NRI	Natural Resources Institute
OECD	Organisation for Economic Cooperation and Development
PIP	Pesticides Initiative Programme
PVS	Private Voluntary Standard
SIDA	Swedish International Development Agency
SPS	Sanitary and Phytosanotary
SSA	Sub-Saharan Africa
SSG	Small-Scale Grower
SQF	Safe Quality Food
USAID	United States Agency for International Development
WTO	World Trade Organisation

Executive summary

During the closing months of Phase 1 of the COLEACP Pesticides Initiative Programme (PIP), a sample of beneficiary export companies was surveyed. The aim was to assess their current compliance status following PIP support but also, at this time of considerable change in the regulatory and trading environment, to identify emerging market access problems. It focused particularly on private voluntary standards (PVS) and their impact on exporter procurement practices.

The survey was conducted using semi-structured interviews. Between October 2007 and March 2008, a total of 102 export companies were interviewed, distributed across East and West Africa, and Madagascar. All respondent companies had received technical support from PIP to meet EU food safety and traceability requirements. In this respect they were not a random sample of ACP exporters, but nevertheless they represented a broad cross section of countries and companies, and the findings give a comprehensive overview of current trends.

EXPORTS AND VALUE CHAINS

Aggregate exports of respondent companies showed an appreciable growth between 2000 and 2006, corresponding with the general growth in ACP exports over this period. The results also suggest distinct value chains for fresh produce exports. The first (the “Anglophone” value chain) is predominant in Kenya, Zambia, Uganda and Ghana, and directs the bulk of exports towards supermarkets in the UK, Germany, Netherlands and Switzerland. The second (“Francophone” value chain) predominates in Madagascar, Senegal, Ivory Coast, Benin, Mali and Burkina Faso, and directs exports principally to “other buyers” (wholesale, catering and others) in France, Italy and Switzerland, with a smaller portion of produce sold direct to supermarkets. A third includes plantation crops (litchi, mango and pineapple) that are sold via French importers to a range of market segments throughout Europe, from wholesale to high value retail.

Distinct differences were found between companies supplying these value chains in terms of the demands and pressures they face from buyers, as well in the adaptations they make in order to meet them.

EU REGULATIONS

Few companies had experienced rejections at border controls due to contravention of EU regulations. Where these occurred they were predominantly due to quarantine problems rather than food safety. This supports the literature in suggesting that fresh fruit and vegetables (FFV) sourced from Africa, a high proportion of which are supplied by smallholders, is not high risk when compared with FFV from other sources. It questions the proportionality of some EU retailer policies which, assuming higher risk (Harris et al, 2001¹), apply more stringent controls on developing country suppliers Fulponi (2006²).

1 Harris, C., Hegarty, P.V., Kherallah, M.X., Mukindia, C.A., Ngige, J.A., Sterns, P.A., & Tatter, J. (2001). The impacts of standards on the food sector of Kenya. Report organized by the Institute of Food and Agricultural Standards at Michigan State University.

2 Fulponi, L. (2006b). Private Standard Schemes And Developing Country Access To Global Value Chains: Challenges And Opportunities Emerging From Four Case Studies. OECD: AGR/CA/APM(2006)20

NON-MARKET CONSTRAINTS

A range of factors not related to markets were perceived by exporters to be having a negative impact on their business. Many of these were country specific, such as the political crisis in Ivory Coast, and failure in Ghana to sign the EPA agreement. Other issues were more widespread, such as the increasing cost of fertiliser, fuel, and freight; poor access to credit, and lack of government policy or support for the sector. Addressing problems such as these requires effective engagement between national players, and makes a strong case for the continued strengthening of public-private platforms such as the national horticultural task forces (COLEACP, 2005³).

TRACEABILITY

EC traceability regulations came into force on 1 January 2005. They are limited to a “one step forward, one step back” principle within the EU, with no obligations to keep records in third countries. In practice, however, EU buyers are going beyond the strict legal requirements and full traceability forms an integral part of many PVS, including EurepGAP/GLOBALGAP.

When ACP suppliers first faced demands for traceability, there were strong protests due to the perceived complexity and costs involved. Establishing full traceability systems were disproportionately more difficult for African suppliers because of the many smallholders and frequent use of intermediaries and informal purchasing arrangements. During the survey, traceability emerged as one of the most significant requirements requested by buyers in recent years, but surprisingly it was not generally considered as difficult to meet. Most companies (albeit often with external support) have risen to the challenge by installing traceability systems and now recognise that it brings substantial benefits. It involved major adjustment over a short timescale, and illustrates the capacity of ACP exporters to adapt and meet new technical requirements.

PRIVATE VOLUNTARY STANDARDS

The survey results demonstrate a growth in buyer demands in recent years, most notably the dramatic expansion in the requirement for private voluntary standards (PVS) (particularly EurepGAP/GLOBALGAP). Respondent companies generally considered PVS as difficult or very difficult to meet. The speed and stringency with which demands for certification have been required varied markedly according to value chain. Exporters supplying the “Anglophone” value chain were very much more likely to score PVS as the most significant buyer requirement than those supplying the “Francophone” value chain. This is expected as PVS certification is a more profound market access requirement in the context of direct links between supermarkets and exporters. It also reflects the more stringent demands of the Northern European supermarkets, particularly the UK, compared to other European buyers. The consequence is that respondents supplying the “Anglophone” chain appeared to be under more pressure, and experiencing more problems, than those supplying the “Francophone” value chain.

³ COLEACP (2005) Task Forces in the Fruit and Vegetable Sector: Strengthening Public-Private Dialogue”. PIP Magazine No. 7. <http://www.coleacp.org/pip>.

A majority of respondent companies (58%) considered that increased buyer demands in recent years had reduced profits. This was most marked among companies in countries where EurepGAP/GLOBALGAP certification is just beginning, probably reflecting the considerable investments needed to install the required infrastructure. Over the longer term some companies reported reduced profits due to the lack of price premium and increased costs of maintaining certification.

CERTIFICATION OF EXPORTERS

EurepGAP/GLOBALGAP was the only standard for which there was an appreciable number of certified companies. 57% of respondent companies were certified for at least a part of their production, but there was marked variation in certification status between countries. Respondent companies were certified first in Ghana (2000), Kenya (2001) and Zambia (2003), corresponding with early demands from (in particular) UK supermarkets. Certification rolled out to other exporting countries as demands for EurepGAP/GLOBALGAP extended to other market segments, but in many cases only began in earnest during 2006-7. By December 2007 most respondent companies supplying plantations crops or the “Anglophone” value chain were either certified or working towards it. In contrast, those supplying the “Francophone” value chain have not, up to now, faced the same pressures and only a minority were certified.

Certification is often addressed piecemeal (Sylvie Fontaine & Nursel Gumusboga, PIP Management Unit, personal communication). Companies generally adopt a staged approach to spread costs, and gradually increase the proportion of production supplied from certified premises. Respondent companies recorded as “certified” may thus have been so for only a part of their production.

CERTIFICATION OF OUTGROWERS

In general only once company farms are certified do exporters work towards compliance and certification of outgrowers. Outgrower certification is expensive and again they work piecemeal, certifying one or two groups at a time. EurepGAP/GLOBALGAP was the only standard with significant numbers of certified outgrowers, the vast majority of these (77.6%) in Kenya and Madagascar. Outgrower certification had taken place among respondent companies in Kenya from 2005, but in Madagascar and most other countries was a very recent phenomenon. Most were certified under Option 2. Despite very substantial donor support, a relatively small number (3616 or 15.9%) of all outgrowers supplying the respondent companies were certified by March 2008.

The survey supported the finding of other workers that SSG certification is generally achieved with substantial support from exporters and/or donors, also that maintaining certification over the long-term may not be cost effective. 20% of companies with certified outgrowers reported that some had chosen not to renew their certificate despite the fact that they had the infrastructure, procedures and knowledge in place. All were in Kenya and Ghana; there were no withdrawals in other countries, where certification is very recent and the full impact of recurrent costs is not yet felt.

PROCUREMENT FROM SMALL-SCALE GROWERS (SSG)

Earlier workers have warned of the risk that more stringent buyer demands could force exporters to increase production from company farms and reduce sourcing from SSGs. The survey suggests that this is not yet the case. Data from the sample companies show that outgrowers provided the bulk of production for many companies across the survey countries. The aggregate data from all respondent companies suggests that volumes sourced from outgrowers changed relatively little between 2000 and 2007, though there had been a general shift away from sourcing via intermediaries. The aggregate figures, however, conceal marked differences between countries.

Other researchers (largely working in Kenya) have recorded that very small-scale (<1ha) outgrowers are being excluded from high-value retail supply chains due to the demands of PVS (e.g. Graffham et al, 2006⁴). This survey showed that while there are difficulties in obtaining and maintaining EurepGAP/GLOBALGAP certification for smallholders, and few are so far certified, only in Kenya and Ghana, which have been under more pressure and for longer by the high-value retail sector, does there appear to have been a decrease in real terms in sourcing from small-scale (<1ha) growers.

There are a number of possible explanations. Procurement practices of exporters may have been influenced by donor projects, many of which have given support specifically directed towards (and sometimes conditional upon) the retention of smallholder outgrowers. In addition, the stated policy of some major retailers to source only from EurepGAP/GLOBALGAP certified producers in DCs may not be strictly applied in practice. There are strong commercial and technical reasons for exporters, as well as for EU buyers, to continue to purchase smallholder sourced produce, and substituting the large volumes provided by the SSG supply base would be difficult over the short term.

The future trends for sourcing from SSGs are unclear, but there is a risk that the pattern seen in Kenya will be repeated elsewhere as demands for PVS (notably GLOBALGAP) become more widespread and tightly enforced.

SUPPLIERS IN SUB-SAHARAN AFRICA AT A DISADVANTAGE

Dolan and Humphrey (2000⁵) note that institutional weaknesses and rising compliance costs, will contribute to the marginalisation of weaker economic players including small and poor countries, small and medium sized enterprises and, smallholder farmers. On top of this, the global harmonised PVS (notably EurepGAP/GLOBALGAP) and private label schemes based upon them, may be putting SSA suppliers at a disadvantage. A global standard is inherently inflexible, and this is most problematic for suppliers who operate under circumstances that vary most significantly from the norm. As the content and functioning of many PVS are designed with a “European” context in mind, they are poorly adapted to the SSA production environment.

4 Graffham, A., Karehu, E. & MacGregor, J (2006). Impact of EurepGAP on small-scale vegetable growers in Kenya. Fresh Insights (6). London. International Institute for Environment and Development.

5 Dolan, C & Humphrey, J. (2000). Governance and Trade in Fresh Vegetables: The Impact of UK Supermarkets on the African Horticultural Industry. Journal of Development Studies 37 (2): 147-176

Coupled with this are high and variable auditing costs in SSA countries, and inconsistencies between auditors in the interpretation of compliance criteria. The net result is that PVS such as GLOBALGAP may be disproportionately more difficult to meet for suppliers in SSA, particularly smallholders.

HOW TO LEVEL THE PLAYING FIELD?

The horticultural export sector in sub-Saharan Africa provides an important opportunity to generate GDP, as well as contributing to rural poverty alleviation in some of the world's poorest countries. The survey highlights the fact that buyer requirements, in particular PVS, can create obstacles as well as opportunities to market access for some SSA players. This results not only from technical demands to achieve compliance, but also the costs constraints associated with proving compliance through certification, and to maintaining this over the long-term. These challenges need to be addressed at different levels.

To meet the evolving regulations and requirements, the expanding demand for PVS for an increasing number of destination markets, and to support the many SSA suppliers who are not yet compliant or certified, there is a need for continued technical assistance both from national and international agencies.

There is a need for improved routes of engagement with those who set and implement the PVS, as well as mechanisms to adjust them, in order that they can be better adapted to local circumstances. Some elements of the PVS that make them most costly and inaccessible to SSA suppliers (particularly smallholders) may not bring tangible benefits; they may simply be a consequence of translating inflexible EU-centric standards into the very different SSA production environment.

Improved dialogue is needed with EU buyers in order to ensure that their policies create and enhance opportunities to trade. It is not in the interests of buyers to implement policies or PVS that could exclude important elements of the supply chain unnecessarily. As well as potentially restricting supply, this could impact on reputation among EU consumers increasingly concerned with fair and ethical trade. Issues for consideration here include the fairer apportioning of costs along the supply chain: passing down the costs of PVS, for example, has a major impact on resource-poor developing country farmers. Dialogue is also needed on the potential expansion of the retailer driven PVS into areas previously the domain of NGOs and government (e.g. social accountability, environmental management, and animal welfare) in order to ensure that this results in benefit, rather than loss, to SSA suppliers.

Finally, as noted by Jaffee (2005⁶) “developing countries should aim to be as proactive as possible in achieving compliance and in influencing the ways in which the international rules of the game are applied”. To achieve a level playing field for DC suppliers there is a pressing need to strengthen the capacity of DC players to engage more effectively with policy makers and standard-setters, as well as to create better opportunities for engagement.

⁶ Jaffee, S. (2005). Food Safety and Agricultural Health Standards: Challenges and Opportunities for Developing Country Exports. World Bank Report No. 31207

Introduction

The purpose of the COLEACP is to facilitate the flow of trade in fresh fruit and vegetables between Africa-Caribbean-Pacific (ACP) countries and the EU. One element of its work is to identify potential barriers to trade, and then to mobilise assistance to meet or challenge these barriers. During the 1990's COLEACP foresaw that new EU food safety regulations could create difficulties for ACP suppliers. Lobbying by COLEACP led to the creation of the Pesticides Initiative Programme (PIP) specifically to ensure that ACP producers and exporters were able to comply with them.

The first phase of PIP was managed by COLEACP from 2001-2008. It was financed by the European Development Fund and designed within the framework of the European Commission's strategy for supporting development of the private sector. The global objective was to strengthen the competitiveness of the ACP horticultural export sector over the long-term, enabling ACP countries to maintain their share of EU markets. The specific objective was to prevent any negative effects on the ACP export sector resulting from the EU regulatory changes, in particular safeguarding the position of smallholders.

The programme involved direct support to producers and exporters to establish internal systems of food safety management, traceability, and staff training. The underlying aim was impact on a sustainable basis. This was achieved not through one-off training, but medium-term support that strengthened company structures and procedures, and mainstreamed changes in behaviour. Phase 1 of PIP gave direct support in 21 countries to 320 export companies who, together, supplied 78% of the ACP-EU trade in fresh fruit and vegetables (FFV). However, while companies were assisted to meet the EU legislation, EU markets began to introduce more stringent commercial requirements, putting further pressure on ACP suppliers. In day-to-day work with producers and exporters, PIP found that many were struggling to maintain market access.

During the closing months of the programme a survey of PIP beneficiary export companies was conducted. The aim was to assess their circumstances following PIP support, but also to identify emerging market access problems, and better understand how companies are adapting the way they do business to meet them. The purpose was to identify new threats and challenges facing ACP suppliers, and to strengthen the ability of COLEACP to lobby and advocate on their behalf. Care is needed in the interpretation of the results. All companies surveyed had received technical support from PIP to meet EU food safety and traceability requirements and in this respect do not represent a random sample of ACP exporters. The situation is likely to be different and perhaps more challenging among companies not in receipt of similar support.

Additional econometric analyses of the data have been conducted by Spencer Henson and Oliver Masakure, and will be reported separately.

Background

CHANGES IN THE TRADING ENVIRONMENT

The international market for fresh and processed fruit and vegetables has changed dramatically over the past 20 years. The trade in horticultural products as a percentage of total world exports of agricultural products has increased from 13.7% in 1980/81 to 18.9% in 2000/2001. Developing country (DC) exports of fresh and processed fruit and vegetables now exceed the combined value of the traditional exports of tropical beverage crops, cotton, sugar and tobacco (UN COMTRADE).

At the same time, the supply chain has been subject to marked vertical integration, with a major reduction in the number of firms active in the European market (Temu & Marwa, 2007). Jaffee (2005) notes that in 2001, 30 grocery retailers accounted for 10% (in revenue) of all global food sales. Consolidation has resulted in immense market and purchasing power on the part of the multiples (supermarkets and major retailers), as well as a trend towards global sourcing. This purchasing power gives multiples the ability to negotiate favourable terms with their suppliers, as well as to impose strict product requirements and standards. Jaffee emphasizes the unequal balance of power, whereby the multiples can impose stringent requirements on suppliers, but with suppliers bearing the ownership risk, and often without receiving a large margin.

During the same period consumers, notably in Western Europe, have become more demanding, requiring more variety and year-round availability of horticultural products, as well as becoming more selective. Increasingly they look beyond simple quality attributes such as taste and freshness, and focus on food safety as well as aspects of production such as animal welfare, environment, and labour conditions (Fulponi, 2006).

These changes have induced shifts in critical competitiveness factors, and in the functions required in suppliers. This, in turn, has required higher levels of investment, acting as a barrier to new entrants, and increasing costs for existing suppliers.

CHANGES IN THE REGULATORY ENVIRONMENT

Changes in the trading environment have been accompanied by a transformation of the regulatory environment. Consumer confidence in the safety and integrity of food was undermined by a series of food safety incidents in Western Europe during the 1990s. The public questioned the response of Government, and potential weaknesses were identified in the existing European systems of regulation and safety enforcement.

The EC and individual Member States reacted by beginning a process of institutional and regulatory reform. European Commission policy was outlined in a White Paper in 2000, setting out a programme of change that transformed the general approach to food safety management. This recognised that food safety is a risk management operation requiring the efficient integration and operation of all elements in the supply chain. Hazards threaten the food chain at many different stages, and the new approach required action to be targeted at critical (risk sensitive) points in the supply chain.

Another major change in the regulatory environment was the introduction of the Due Diligence Clause into the UK 1990 Food Safety Act. This specified that: "It shall be a defence for the person charged to prove that he took all reasonable precautions and exercised all due diligence to avoid the commission of the offence by himself or by a person under his control". This radically changed food safety management systems in the UK food sector as individual firms now had to undertake all the verifications, or at least be able to provide evidence that they had undertaken all possible steps to prevent the product from causing harm. Firms became responsible for the safety and quality of their food inputs, the conduct of their suppliers, and the safety of consumers.

THE GROWTH IN PRIVATE SECTOR VOLUNTARY STANDARDS

The Due Diligence Clause, combined with the increasing use of liability laws by consumers, had widespread repercussions as they forced the private sector to develop comprehensive self-governing systems. These were based around industry codes of practice, or "private voluntary standards" (PVS). The process began in the UK with codes of Good Agricultural Practice (GAP) (e.g. the Assured Produce Scheme) and a protocol of good hygiene practices (later the BRC Food Standard). These in turn were a major driver for the development of similar food safety initiatives by the private sector throughout Europe (Jaffe, 2005). Traditionally retailers in the fresh produce sector were interested in the capacity of suppliers to meet their requirements in terms of volume, continuity, and price. Now they also require suppliers to comply with a range of PVS that govern production, manufacturing and distribution practices.

Fulponi et al (2006) found that the main objective of retailer firms in adopting PVS was to maintain and enhance their reputation. They considered food safety management to be the most important attribute of the PVS as a serious food safety incident can do enormous damage to reputation.

The second most important driver for the standards is to mitigate risk, and there is little doubt that the due diligence clause, and the increasing use of liability laws, has stimulated the growth and stringency of the PVS. The standards allow players along the supply chain to demonstrate that they have put in place systems that ensure all necessary precautions (under their capability) have been taken to supply safe and quality food. The PVS, and their certification by a third party, act as an insurance policy in the event of civil or criminal prosecution.

Finally, Fulponi notes that the PVS are used for product differentiation. When governments pass regulations setting minimum standards for products or processes, this can have the effect of reducing the "quality" difference between firms. The result of this is, potentially, to increase price competition. To avoid this, and to protect their revenues, retailers use private label (quality) schemes that raise standards above those required under the regulations, and thus encourage competition on quality criteria, rather than price.

Though recent years have seen an increase in the use of private label schemes by the major retailers, particularly in the UK, there has also been an increased tendency by the multiples to use business-to-business (B2B) standards as well. In contrast to the private label schemes, these are not generally visible to the consumer, and so are not used to promote competition. Instead they are used as procurement and governance tools to improve chain performance and

reinforce links between retailers and suppliers. PVS schemes are part of procurement systems now used by many multinational retail chains such as Tesco, Walmart, and Ahold, in their global operations (Fulponi, 2006).

The main industry PVS are subject to third party auditing. This should increase objectivity and transparency but, in practice, has the effect of shifting the cost of auditing and certification onto suppliers.

SCOPE OF THE PVS

In the fresh fruit and vegetable (FFV) sector, the emphasis of the PVS in recent years has been directed primarily at food safety management. Suppliers are required to comply with PVS that demonstrate good hygiene, risk management, and quality control practices. They include a range of process-based standards covering good agricultural practice (GAP), good manufacturing practices (GMP), and HACCP. Traceability is a key element of the standards and, should an incident occur, firms demand rapid and complete re-call. ISO 22000 harmonises the requirements of food safety management systems on a worldwide basis.

In general, retailers are tending to increase the intensity of monitoring and auditing in the food safety arena. At the same time, rising demands by consumers and civil society (as well as close monitoring by NGOs) are pushing the multiples to consider not only food safety and quality, but also provenance. Increasingly they are being asked to address issues of labour, environment, safety, and corporate responsibility. These areas have, up to now, been dealt with primarily by public and international agencies or NGOs. With the increasing interest and pressure from consumers, there are indications that retailers are attempting to take the lead in these areas also.

Food Safety

Several individual food-safety based PVS are in operation covering both production and processing including BRC, IFS, Dutch HACCP, SQF 2000 (all of which incorporate Codex defined HACCP principles), and SQF 1000.

In addition to these has been the evolution of some B2B schemes into collective standards, or standard setting coalitions, including the Global Food Safety Initiative (GFSI) and GLOBALGAP (formerly EurepGAP). These recognise that food safety is a non-competitive issue as an incident could cause repercussions throughout the sector. In both cases leading firms have collaborated to address an industry-wide need, offering a competitive advantage to member firms, and overseeing activities from production to distribution. These attempts at the harmonisation of retailer requirements have the potential to reduce transaction costs through the supply chain.

GFSI is trade association created by retailers in 2000 to counteract the growing number of firm-level protocols. The initiative aims to cut costs by reducing the number of in-house inspections, audits, and certifications. GFSI also goes beyond food safety to include environment and labour standards. The ultimate goal of GFSI is to have a single industry-wide standard but, for the time being, it operates through benchmarking of schemes that meet GFSI guidelines (<http://www.ciesnet.com/>).

GLOBALGAP (EurepGAP) began in 1997 as an initiative by retailers belonging to the Euro-Retailer Produce Working Group (EUREP). EUREP began to develop harmonized standards and procedures for the development of Good Agricultural Practices (GAP) in conventional fruit and vegetable production systems. The aim of GLOBALGAP is to ensure that GAP is applied by producers so that they meet the EU food safety regulations, as well as achieving agricultural sustainability. It is a pre-farm-gate-standard that: “covers the process of the certified product from before the seed is planted until it leaves the farm.” Local codes of practice can be benchmarked to GLOBALGAP (www.GLOBALGAP.org). As a business-to-business standard it is not visible to the consumer. Instead it is a governance tool used by the coalition to manage food safety, environment and (increasingly) social accountability in the supply chain. Fulponi (2006) found GLOBALGAP to be the most frequently required PVS for FFV in the European market.

Environment and Social Standards

The principal management systems used for verification of the conditions and rights of workers in the retail supply chain are based on the Social Accountability 8000 (SA 8000) Standard. This was established in 1997 by Social Accountability International (SAI): “an expert, international, multi-stakeholder, advisory board that includes representatives of trade unions, human rights organizations, academia, retailers, manufacturers and contractors”. SA 8000 sets minimum standards to ensure a safe and healthy working environment, freedom of association, and a company strategy to address workplace issues (<http://www.sa-intl.org/>).

ISO 14001 is designed to help the implementation of environmental management systems. It requires firms to develop and implement an environmental management system, also to respect national environmental regulations, but does not set specific performance levels. It is the only ISO standard that can be used for certification (<http://www.iso14000-iso14001-environmental-management.com/>).

In some Western European countries, there is an increasing trend to supply products under the FairTrade label. To obtain certification, producer associations must agree to pay a minimum price to producers, also a FairTrade premium. Producers themselves must agree to comply with labour rights, environmental and social requirements. Standard setting and certification are under the control of the FairTrade Labelling Organisation International (FLO) (<http://www.fairtrade.net/>).

Private Label Schemes

In addition to the PVS addressing food safety, environment and social responsibility, those wishing to supply the high-value end of the retail market, notably the major supermarkets, are also increasingly required to be certified to retailer private label schemes such as Tesco Natures Choice, LEAF Marque (Waitrose) and Field to Fork (Marks and Spencer).

IMPLICATIONS FOR ACP SUPPLIERS

In summary, ACP suppliers wishing to export must now meet the new EU legal controls (regulations), but they must also meet the requirements (PVS) of the major importers and retailers, which are often more complex and stringent than the regulations. While the standards are voluntary - because they are not required by law - increasingly they are necessary in order to “do business” and so, in practice, are becoming mandatory. Failure to be PVS certified effectively excludes suppliers from key sectors of the market.

Fulponi (2006) found that the major EU retailers express that they require certification (to GLOBALGAP or SQ1000) for almost all products sourced from developing countries. In addition to this, though they have pushed for greater harmonisation (through GLOBALGAP) to facilitate global sourcing, many also still require certification to their own company private label scheme. This contradicts the original goal of harmonisation, but reflects a trend to greater standards-based competition. Suppliers thus face a plethora of different PVS, each implying a cost for both compliance and certification. Pressure from the PVS is not likely to ease in the future. Standards are expected to extend more and more to non-food areas such as environment and social accountability as retailers fear irregularities being exposed, and the consequent damage to reputation.

Trade barriers have declined for ACP countries as a result of the Uruguay Round Agreements, but at the same time market entry conditions, in particular from PVS, have risen, and are increasingly replacing tariffs as the main barrier to accessing OECD markets. This has important implications for developing countries (DCs) seeking to export, and may affect their ability to use opportunities arising out of the EU's increased access arrangements.

In June 2005, the issue of PVS – in particular GLOBALGAP – and their implications for trade, was raised at the WTO SPS Committee by St Vincent and the Grenadines. Other DCs shared the concern, arguing that GLOBALGAP was more demanding than the EU regulations and was becoming trade-restrictive. Though GLOBALGAP is a private sector requirement, and thus not in conflict with EU regulations or WTO rules, the importance and sensitivity of the PVS issue was recognised and, reflecting this, it has remained as a standing item on the agenda of the Committee.

In general economic terms, PVS are a good thing: retailers benefit from increased efficiency of the supply chain, competitive advantages, protected revenues, and reduced risk of liability; consumers benefit from access to high quality, safe, and affordable food. For ACP suppliers, the PVS can also provide considerable benefits. GLOBALGAP, for example, has translated the regulatory requirements into a “package” that permits them to be applied in practice. Compliance can increase productivity and competitiveness by reducing input costs (pesticides, fertilisers), and assisting farmers to adopt GAP, record keeping, improved hygiene, and modern management methods. Certification to PVS also creates the potential to access high-value markets, and to expand markets, thus increasing demand for export horticulture. There can in addition be wider social benefits through, for example, the production of safe food, improved worker health and hygiene (Okello, 2005), and an increase in the value of skilled labour.

However, while the PVS improve the efficiency with which the food chain can deliver products with required attributes, they are exclusionary to those who are unable to meet them. Different players and nations vary in their ability to respond: the smaller and less well-resourced players are least able to comply. Dolan and Humphrey (2000) note that institutional weaknesses, coupled with rising compliance costs, will contribute to the marginalisation of weaker economic players including small and poor countries, small and medium sized enterprises, and small-holder farmers.

A decline in many of the traditional DC exports in recent decades has prompted investment in non-traditional exports. This has focused on sectors such as fresh fruit and vegetables (FFV) that use labour intensively and where they have comparative advantage (Dolan and Humphrey, 2000). As a result, horticultural exports have grown dramatically in many sub-Saharan countries over the past 10 years. A substantial proportion of these exports are produced by smallholders, and many people are employed on farms or in processing and related activities. In Kenya, McCulloch and Ota (2002) found that the horticultural export industry was an important source of income and a key contributor to poverty alleviation in rural areas. Against this background, the potential impact of PVS on the FFV export trade has become a concern for donors and governments alike (COLEACP, 2007). It has gained a political profile, reflected by a plethora of projects, workshops and discussion papers on the subject.

The pro-poor strategy of many donor agencies, and policies to address rural poverty in particular, have tended to focus attention on the impact of PVS on small scale growers (SSGs) and the potential of the PVS to exclude them from high-value retail markets. There have been numerous research papers and reports on the subject, particularly concerning GLOBALGAP as the main pre-farm-gate standard.

In Kenya Graffham et al (2006) found that between 2003 and 2006, following the introduction of EurepGAP (GLOBALGAP), some 60% of smallholders who had been operating as outgrowers to export companies, had been dropped by the company, or had withdrawn from compliance schemes, as a direct result of their inability to comply with or maintain GLOBALGAP certification. In Senegal, Maertens & Swinnen (2006) found that 72% of smallholders producing vegetables under contract, lost their contract between 2000-2005, either because exporters left the business, or because they shifted production to company farms. Both studies found that in general the new environment favoured larger outgrowers as contract farmers. A decline in smallholder participation has also been noted by (among others) Fulponi (2006b) in case studies from Peru, Ghana, South Africa, and Chile, and by Kleih et al (2007) in Uganda.

PIP SURVEY

PIP has been providing day-to-day support to ACP suppliers at a very practical level to enable them to comply with PVS requirements. During the process it has become evident that DC players, particularly SSGs, face real difficulties in achieving and maintaining PVS certification. In order to effectively address the problems they face, either at a practical or policy level, PIP recognised the need to better understand the precise elements of the PVS – their content and modus operandi – that are problematic and potentially exclusionary. Also, while there is considerable discussion concerning the impact of PVS on DC suppliers, much of this has focused on Kenya. There is less information, and less detailed understanding, of impacts in other African countries.

A central mandate of PIP has been to focus support on maintaining the place of SSGs in the supply chain. While some SSG cooperatives and groups export direct, the numbers are very small; the bulk of SSGs supply via export companies (often through intermediaries). Thus whether or not SSGs continue to supply export markets in significant numbers is largely in the hands of the companies who source from them. Understanding the impact of market access constraints on exporters, and their decision making process with regard to outgrower sourcing, is therefore key.

The aim of this survey was first to collect and document evidence of general changes to the supply chain in recent years, particularly on smallholder involvement, in a range of countries from East and West Africa. Secondly the survey aimed to gather an understanding of if, how, and why export companies are changing their sourcing practices. This information will add to the current debate at the policy level, but also at a practical level, by helping to determine how the PVS could be modified such that their negative impact on DC suppliers is minimised.

The PIP was in a unique position to conduct a survey of this kind because of its breadth of contacts with horticultural export companies in ACP countries. In addition, dialogue on sensitive topics was facilitated by the good working relationship that PIP personnel have developed with company staff during the course of their work over the past 7 years.

SURVEY METHODOLOGY

The survey was conducted using semi-structured interviews; the questionnaire (interview guide) is shown in Appendix I. Interviews were carried out by local PIP resource persons, each of whom had prior contact, knowledge and familiarity with the export companies. Prior to the survey, interviewers took part in a training session in Brussels in order to conduct dummy-runs of the questionnaire, and to ensure consistency of interview technique.

The main part of the survey was completed during October-December 2007. Local unrest led to a delay in completing the survey in Kenya and, of necessity, 11 interviews were postponed until March 2008.

PIP has signed a Memorandum of Understanding with a total of 320 ACP export companies. All companies who in 2007 were still exporting produce to the EU, and who had signed a full MoU with the PIP, were included in the survey pool. Companies that had signed a mini-protocol within the previous months were not included as there was insufficient prior knowledge and contact. Companies in the pool thus had an established relationship with the PIP built up over one year or more.

A total of 102 companies were interviewed, distributed across Kenya (26), Uganda (15), Zambia (2), Madagascar (13), Ghana (7), Ivory Coast (10), Senegal (7), Burkina Faso (10), Mali (5) and Benin (7).

Companies that were no longer exporting to the EU were not surveyed. Companies where key personnel for interview (production managers, food safety managers, or general managers) were not available during the survey period were also left out. Data from one company in Kenya was excluded because of errors in recording methodology. Finally, a small number of companies located far from the main production areas (for example in Ivory Coast and Madagascar), which could not be reached within the time available, were also omitted.

The latter may have introduced a minor degree of bias towards companies in the main production areas. In all other respects, survey companies are considered typical of PIP beneficiary export companies.

PIP beneficiaries together supply 78% of the flow of FFV export into the EU, and so constitute an important segment of the supply base. No measure was taken of the extent to which PIP beneficiary companies are representative of ACP exporters in general. In very general terms, companies that were first to apply for PIP support (and thus are more likely to have a full MoU) may be better informed and/or more progressive, but there are many exceptions to this assumption. More importantly, as all have received technical support from the PIP to meet EU food safety and traceability requirements, in this respect they do not represent a random sample of ACP exporters. The situation facing companies not in receipt of similar support is likely to be different and perhaps more challenging.

Each export company participated on the understanding that the information was provided on a confidential basis. No individual company is therefore identified in the text.

Results

VOLUME OF EXPORTS

Companies were asked to estimate the volumes exported in 2000, 2003 and 2006. Over the period 2000 to 2006, the aggregate exports of respondent companies increased in all countries, with the exception of Ghana (Table 1). Although these data need to be treated with caution, since they are based on the volume rather than the value of exports and may partially reflect shifts in the composition of exports, they do suggest appreciable export growth.

Table 1. Volume of exports (Metric Tons) by respondent companies ⁷

Country	2000	2003	2006	Percentage Change
Senegal	1071	2147	8330	678
Ivory Coast	67769	71772	80546	19
Kenya	20200	28215	51713	156
Ghana	9800	10651	7720	-21
Madagascar	3488	6003	8403	141
Uganda	735	2657	3414	364
Benin	1292	2171	2858	121
Zambia	0	2484	2728	-
Burkina Faso	950	1343	2802	195
Mali	740	912	1321	79
Total	108,045	130,358	171,841	59

Generally the sample companies exported to a range of markets, mostly within the EU (Table 2). It is possible to discern a pattern, however, between Anglophone countries - Kenya, Ghana, Uganda and Zambia - and the Francophone countries of West Africa - Senegal, Ivory Coast, Benin, Mali and Burkina Faso. The UK and the Netherlands, were mainly supplied by the Anglophone countries, while France was mainly supplied from Francophone West Africa.

Companies were asked to indicate, for each importing country, the percentage of produce sold direct to supermarkets compared to "other buyers", including importers, wholesalers, distributors, etc. Note that produce recorded as "other" may also be supplied to supermarkets, but via an importer/distributor. For example, a large proportion of mango, litchi and pineapple exports are purchased by French importers who then distribute to a variety of market segments, including supermarkets, in the EU.

⁷ Data for Benin is considered to be high and may include some processed as well as fresh fruit and vegetables.

Table 2. Changes in exports to each importing country during the period 2000 to 2006

	Importing country							
	France	Other	UK	Switzer-land	Germany	Italy	Holland	Dubai
Senegal	+++	---	+	--	+	+	-	0
Ivory Coast	++	+	0	0	+	-	+	0
Ghana	-	-	+	-	-	-	+	0
Kenya	+	+	++	+	+	0	+	+
Zambia	0	+	++	0	0	0	+	0
Madagascar	+	0	0	0	0	0	0	0
Benin	+	-	0	+	0	0	0	0
Mali	+	+	-	0	+	0	+	0
Burkina Faso	+	+	0	+	+	-	-	0
Uganda	+	0	+	0	+	0	+	0

Where +++ = large increasing, ++ = moderate increase, + = slight increase, 0 = no change (or no trade), - = slight decline, -- = moderate decline and --- = large decline

There was a distinct difference between the Anglophone (Table 3) and Francophone (Table 4) countries. A more substantial proportion of fresh produce exported by Kenya, Zambia, Uganda and Ghana was sold direct from the exporter to supermarkets. Conversely, exports from Madagascar, Uganda, Senegal, Ivory Coast, Benin, Mali and Burkina Faso were sold almost entirely to "other buyers".

Produce from Benin, Burkina Faso and Ivory Coast that was sold directly to supermarkets was destined for France, Italy and Switzerland. Where respondent companies in these countries supplied the UK and/or the Netherlands, this was generally to "other" markets rather than direct to supermarkets. Similarly, while Kenyan companies predominantly exported direct to supermarkets in the UK, Netherlands, Germany and Switzerland, exports directed at France, Italy and Switzerland were generally to "other" buyers.

Table 3: Mean percentage of volumes exported from Anglophone countries according to importing country and market segment (Note: SM: direct to supermarket; OR: Other)

	Year	Importing Country											
		UK		Netherland		Germany		France		Italy		Switzerland	
		SM	OR	SM	OR	SM	OR	SM	OR	SM	OR	SM	OR
Kenya	2000	44	56	45	55	23	77	22	78	0	100	0	100
	2003	33	67	38	63	23	77	21	79	0	100	0	100
	2006	40	60	49	51	48	52	27	73	0	100	47	53
Ghana	2000	50	50	17	83	20	80	50	50	33	67	0	100
	2003	0	0	0	0	0	0	0	0	0	0	100	0
	2006	0	0	100	0	0	0	0	0	0	0	0	0
Uganda	2000	8	92	25	75	50	50	0	0	0	0	0	0
	2003	13	88	21	79	25	75	0	100	0	0	0	0
	2006	8	92	20	80	17	83	0	100	0	0	0	0
Zambia	2000	90	10	50	50	0	0	0	0	0	0	0	0
	2003	93	8	60	40	0	0	0	0	0	0	0	0
	2006	93	8	55	45	0	0	0	0	0	0	0	0

Table 4: Percentage of volumes exported from Francophone countries according to importing country and market segment (Note: SM: direct to supermarket; OR: Other)

	Year	Importing Country											
		UK		Netherland		Germany		France		Italy		Switzerland	
		SM	OR	SM	OR	SM	OR	SM	OR	SM	OR	SM	OR
Madagascar	2000	0	100	0	0	0	0	0	100	0	0	0	0
	2003	0	100	0	0	0	0	0	100	0	0	0	0
	2006	0	100	0	0	0	0	0	100	0	0	0	0
Benin	2000	0	0	0	0	0	0	13	87	0	0	0	100
	2003	0	0	0	0	0	0	11	89	0	0	0	100
	2006	0	0	0	0	0	0	11	89	0	0	0	100
Burkina Faso	2000	0	0	0	100	0	0	0	0	100	0	0	0
	2003	0	0	0	100	0	100	11	89	100	0	45	55
	2006	0	0	0	100	0	100	11	89	100	0	50	50
Senegal	2000	0	0	0	100	0	0	0	100	0	100	0	100
	2003	0	100	0	100	0	0	0	100	0	100	0	100
	2006	0	100	0	100	0	100	0	100	0	100	0	100
Mali	2000	0	100	0	100	0	0	0	100	0	0	0	0
	2003	0	100	0	100	0	0	0	100	0	0	0	0
	2006	0	0	0	100	0	100	0	100	0	0	0	0
Ivory Coast	2000	0	0	0	100	0	100	33	67	0	100	0	0
	2003	0	0	0	100	0	100	30	70	0	100	0	0
	2006	0	0	15	85	0	100	28	72	0	100	0	0

FACTORS AFFECTING EXPORTS

Exporters were presented with a list of factors and asked to score the extent to which they had impacted their business, on a five-point scale from 'not important' (1) to 'very important' (5). Overall, freight costs and PVS requirements were considered the most important factors affecting the export business of respondents. Product specifications, crop damage and quality were also considered to be important. These results suggest the key role of food safety and quality requirements to export performance, with the latter being of greater importance. However, they also highlight the role of other competitiveness factors, notably freight costs.

Table 5. Mean importance scores for factors affecting export business over the period 2000 to 2007

Factor	Mean	Standard Deviation
Impact of freight costs	3.4a	1.6
Impact of PVS requirements	3.3a	1.6
Impact of product specification	2.7b	1.6
Impact of crop damage	2.6b	1.4
Impact of quality	2.6b	1.4
Impact of freight availability	2.2c	1.4
Impact of FOREX rates	2.2c	1.4
Impact of packing	2.1c	1.4
Impact of political situation	1.6	1.2

Note: Mean scores denoted by same letter are not significantly different at the five percent level

The importance scores for each factor varied across respondents by country (Table 6), although care must be taken in interpreting cross-country differences due to the small number of observations. For example, PVS requirements was scored most highly in Kenya; the only country where PVS was scored as the most important factor influencing respondents' export business. Further, the importance score given to PVS was much higher in Kenya, Ghana, Uganda and Madagascar than in Benin, Burkina Faso, Senegal, Mali and Ivory Coast. This likely reflects the predominance of exports direct to supermarkets and/or the UK, Netherlands, Germany and Switzerland in the former grouping of countries, where PVS are more widely applied. At the same time, in Ghana and Uganda freight rates clearly emerge as the single most important factor, suggesting that PVS requirements are of secondary importance.

Additional factors listed by respondents tended to be country specific:

- Burkina Faso:
 - High production costs
 - Mango variety change (Amelie to Kent): problems with quality
 - Fruit fly on mango
- Zambia
 - Increasing production costs (fuel, labour)
 - Supply of snow pea seed
 - Transport, and lack of direct flights to UK means transporting via RSA (1)

- Ghana
 - Difficulties in obtaining credit
 - Lack of government support for the industry
 - Low price paid for MD2 after much investment
 - Political problems, notably failure to agree EPA
 - High cost of inputs
 - Lack of working capital (buyers don't pay until they receive)
 - lack of local expertise

- Kenya
 - Cold Chain management
 - Water authority limiting water usage for irrigation
 - Production costs on outgrower farms increasing dramatically (due to certification)
 - Unstable market
 - Low price from buyers
 - High freight costs (60% of expenses)
 - Specification of extra fine beans for French market difficult to attain
 - Increasing production costs (power, minimum wage, inputs)

Table 6. Mean importance scores for factors affecting export business over the period 2000 to 2007 by country

Factor	Kenya	Ghana	Uganda	Madagascar	Benin	Burkina Faso	Senegal	Mali	Ivory Coast
Impact of freight costs	3.2	4.9	4.7	3.8	1.4	1.4	2.1	4.6	3.1
Impact of PVS requirements	4.0	3.0	3.7	3.6	2.3	1.5	1.4	2.4	2.8
Impact of product specification	2.2	4.9	4.3	1.9	1.4	2.7	1.9	2.6	3.3
Impact of crop damage	3.6	2.0	3.7	1.4	2.0	2.5	2.1	3.0	2.2
Impact of quality	2.3	4.1	3.8	3.5	2.0	2.5	1.1	1.8	2.0
Impact of freight availability	2.2	3.1	3.3	2.7	2.4	1.1	1.6	3.0	2.0
Impact of FOREX rates	2.9	2.0	3.7	1.8	1.0	1.1	1.0	1.6	2.8
Impact of packing	2.0	3.1	4.2	2.8	1.1	1.5	1.1	1.0	1.0
Impact of political situation	1.0	1.3	1.8	1.6	2.0	1.0	0.7	1.8	3.9
Mean	2.6	3.2	3.7	2.6	1.7	1.7	1.5	2.4	2.6

- Senegal
 - Financial problems
 - Fruit fly and anthracnose
 - Low market price; lack of buyer loyalty
 - Cold chain problem
 - Access to credit
 - Lack of locally registered Pesticides
 - Locusts

- Benin
 - No government support for export sector, especially for roads
 - Importer not paying regularly or for correct quantity sent
 - Inputs difficult to obtain and sometimes of poor quality
 - Meeting MRLs
 - High reject rate – poor management of quality specifications
 - No laboratory for MRL testing in Bénin
 - Exporters not organised
 - Lack of technical and financial support
 - Human resources inconstant and not always available

- Ivory Coast
 - Political crisis in Ivory Coast: number of boats decreased, insurance costs increased, input prices increased
 - Due to political situation: harassments and extra “taxes” on the roads
 - Demands for new varieties (MD2, Amelie)
 - Unexpected rains and violent winds during the production period
 - Infrastructure: Cold stores expensive; roads in very bad state
 - Competition from Central America (Forex)
 - Insufficient support given by the government to the sector
 - Lack of certification means some markets inaccessible & prices low
 - OCAB poorly organized

- Uganda
 - FOREX rates unfavourable
 - Freight costs increasing
 - Cost of implementing EurepGAP has big impact
 - No government policy on horticulture

- Mali
 - Lack of financial support for the sector

Respondents were also asked to itemise the most significant requirements that had been requested by their buyers during the last five years. Given that no prompts were provided, this perhaps provides a more reliable indication of the challenges faced by respondent companies in exporting fresh produce to the EU. Three requirements emerged as being of widespread significance: 1) variety/volume; 2) certification requirements; and 3) traceability (Table 7). Respondents were asked to score the difficulty they faced in meeting the buyer requirements

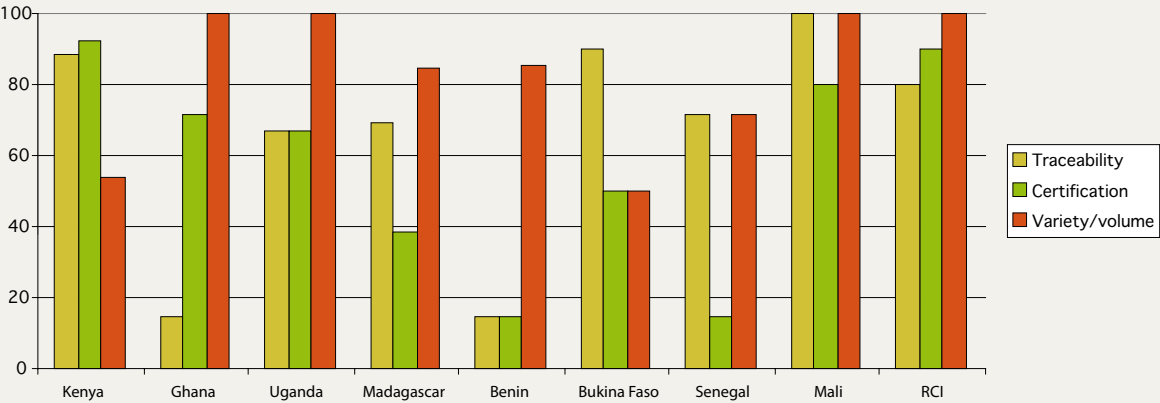
they had identified on a five-point scale from 'not very difficult' (1) to 'very difficult' (5). Certification requirements were considered the most difficult requirements to meet, followed by GAP/MRLs and variety/volume. Around 36 percent of respondents indicated that the requirements of their buyers had reduced the volumes they had been able to export, while 58 percent indicated that these had resulted in a decline in unit profits.

Table 7. Buyer requirements identified as being of most significance over the last five years and associated perceived difficulty

Requirement	Percent Mentioning	Difficulty
Traceability	52.0%	2.1
Food safety requirements	7.8%	2.7
Certification requirements	64.7%	3.6
Timing/planning	14.7%	2.1
GAP/MRLs	18.6%	3.3
Variety/volume	77.5%	3.1

There was appreciable variation in the number of respondent companies mentioning particular buyer requirements across the study countries. Figure 1 focuses on the three requirements mentioned most frequently across the sample as a whole. The greatest variation is seen in the number of respondents mentioning certification requirements, from less than 20 percent in the case of Benin and Senegal to over 90 percent in the case of Kenya. Again some care is needed in interpreting these results because of the small number of observations, but they do suggest notable differences in the importance of certification between the study countries.

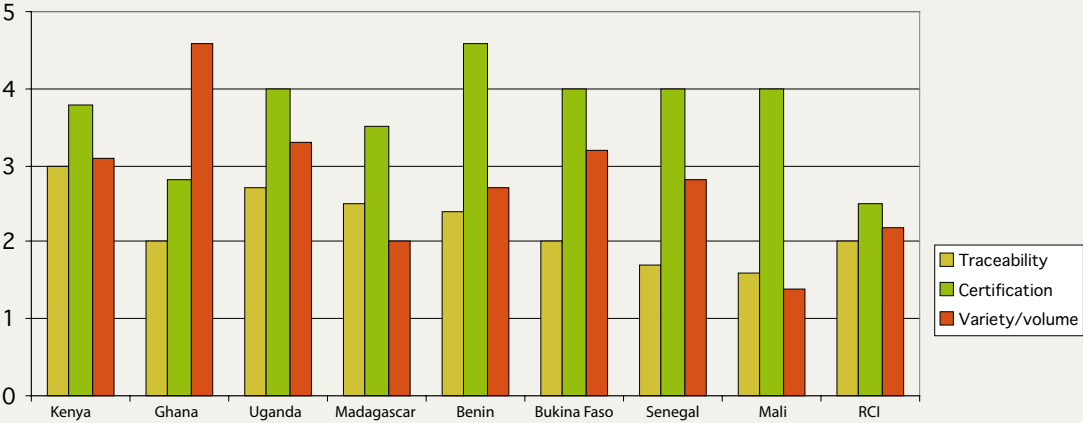
Figure 1. Percentage of respondents mentioning traceability, certification and variety/volume requirements from buyers



We can also observe appreciable differences in the perceived difficulty of buyer requirements across the study countries (Figure 2). Certification requirements were considered most difficult in Benin, followed by Burkina Faso, Senegal, Mali and Uganda. Note that certification requirements were mentioned by relatively few respondents in some of these countries, most notably Benin and Senegal. This suggest that, while only a minority of respondent companies in these

countries face certification requirements from their buyers, those companies that do, perceive these to be difficult to meet.

Figure 2. Perceived difficulty of traceability, certification and variety/volume requirements from buyers



Aside from buyer requirements, another potential barrier to exports is from border detentions due to non-compliance with legal regulations. These include non-compliance with phytosanitary requirements, MRLs, and microbial contamination (but do not include rejections due to quality problems).

Table 8: Number of rejects at point of import/export

	Number of rejects	Reasons Cited
Senegal	4	Fruit fly in mango; caterpillar in maize
Ivory Coast	2	Fruit fly in mango
Kenya	10+	Leaf miner in peas; caterpillar in mangetout; bollworm in Karela; pesticide residues in passion fruit
Ghana	0	
Madagascar	1	?
Benin	0	
Burkina Faso	5	Fruit fly in mango
Uganda	3	Lack of export license
Mali	4	Fruit fly on Mango
Zambia	2	Leaf miner in peas; caterpillar in mangetout

Respondent companies were asked if they had experienced rejects at border controls, either at the point of export or import. In total, 37.6 percent of respondents indicated that they had experienced rejections (Table 8). With the exception of rejects due to MRL exceedences in passion fruit from Kenya, all reported incidents were due to quarantine problems, rather than food safety.

Certification to Private Voluntary Standards

A total of 79.4 percent of respondents indicated that their buyers had requested that they demonstrate compliance with a PVS. Nearly 80 percent of respondents indicated that their buyers had requested EurepGAP/GLOBALGAP (Figure 3). Only a minority of respondents indicated that other standards had been requested, for example fair trade or the British Retail Consortium (BRC) standard. There was, however, appreciable variation in the proportion of respondents indicating that their buyers had requested EurepGAP across the study countries, from a low of 57 percent in Senegal to a high of 100 percent in Benin, Ghana and Ivory Coast (Table 4).

Figure 3. Percentage of respondents indicating that buyers had requested PVS certification

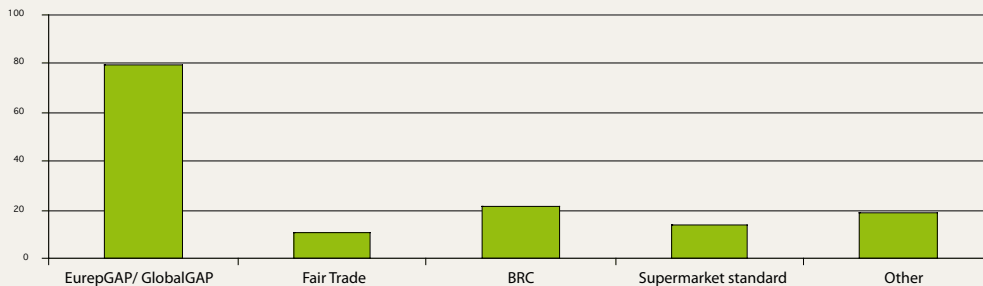
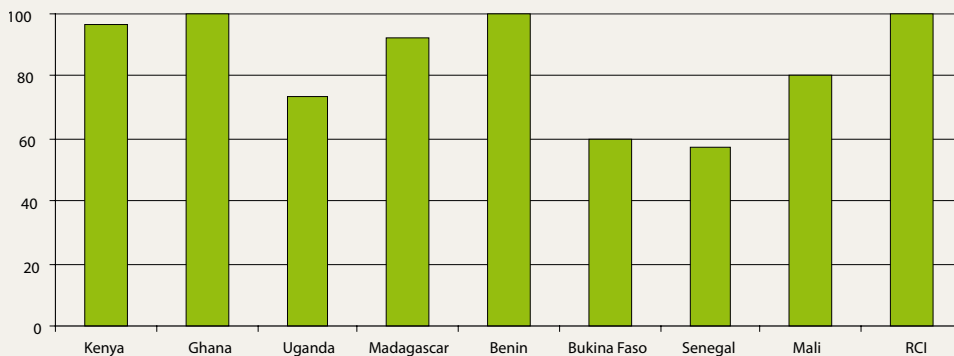


Figure 4. Percentage of respondents indicating that buyers had requested EurepGAP/GLOBALGAP by country

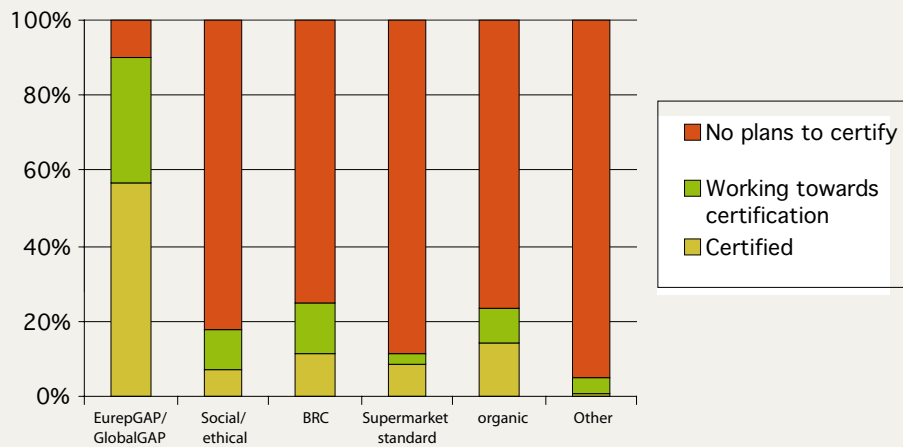


Looking across the results presented above, an inconsistent picture emerges about the degree to which the respondent companies are subject to PVS requirements from their buyers. Taking Benin as an example, while relatively few respondents mentioned certification requirements when asked to identify buyer requirements unprompted (Figure 1), all respondents indicated that their buyers had asked for EurepGAP/GLOBALGAP when asked explicitly (Figure 4). On the one hand, the fact that buyers may have 'asked for' EurepGAP/GLOBALGAP does not mean that they are enforcing this requirement; that is, EurepGAP/GLOBALGAP could be an aspiration on the part of buyers rather than a strict requirement.

Respondents were asked to indicate their current status with respect to particular categories of PVS, whether they were currently certified in some or all of their business, working towards certification or had no plans to certify. The majority of respondent companies (57.8%) were EurepGAP/GLOBALGAP certified for at least a part of their business (Figure 5), while a further 33.3 percent were working towards certification. A relatively small proportion of respondent

companies was certified or was working towards certification to social/ethical, BRC, organic or supermarket standards.

Figure 5. Certification status of respondents with respect to various PVS types



Across the study countries there was marked variation in the certification status of respondent companies with respect to EurepGAP/GLOBALGAP (figure 6). In Ghana and Mali, all respondent companies were certified, while in Kenya, Madagascar and DCI the majority of respondents was certified. Benin and, to a lesser extent, Senegal stand out as having appreciable numbers of companies that have no plans to certify to EurepGAP/GLOBALGAP. Kenya and Ghana also stand out as countries where there was significant early adoption of EurepGAP/GLOBALGAP (Figure 7); in both cases over 40 percent of companies were certified in the period 2001 to 2005. In all other countries, certification occurred in 2006 or 2007 (with the exception of one company in Senegal that achieved certification in 2004).

Figure 6. Certification status of respondent companies with respect to EurepGAP/GLOBALGAP by country

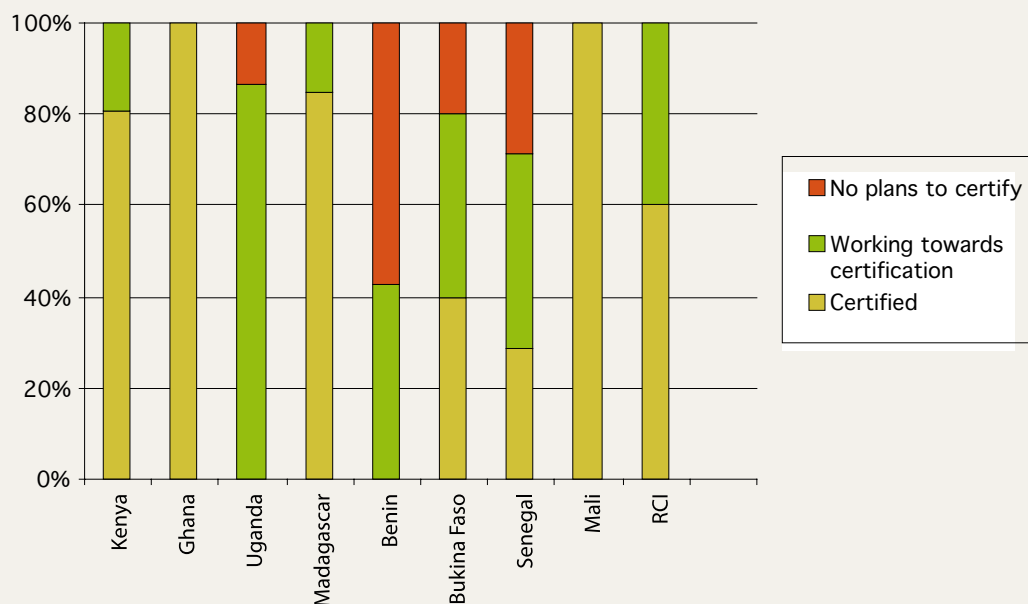
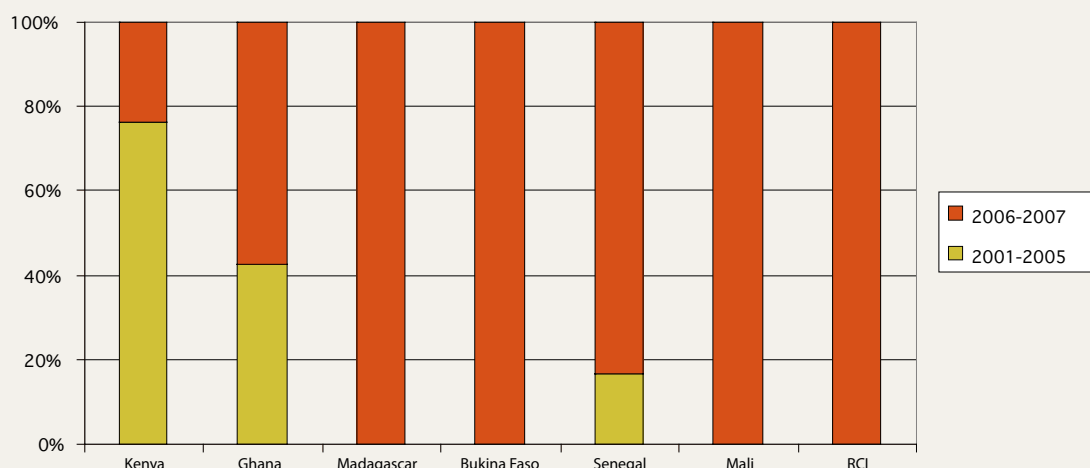


Figure 7. Year of first achieving certification to EurepGAP/GLOBALGAP



Exporters were asked which elements and compliance criteria have caused them most difficulty in becoming certified and/or maintaining certification to EurepGAP/GLOBALGAP. Most frequently mentioned were establishing company infrastructure and paperwork requirements (Table 9). A relatively large portfolio of issues concerning outgrowers was also identified including training for smallholders, establishing infrastructure for smallholders, and forming/managing farmer groups for Option 2 certification.

Table 9. Elements of EurepGAP/GLOBALGAP that have caused exporters most difficulty in obtaining or maintaining certification

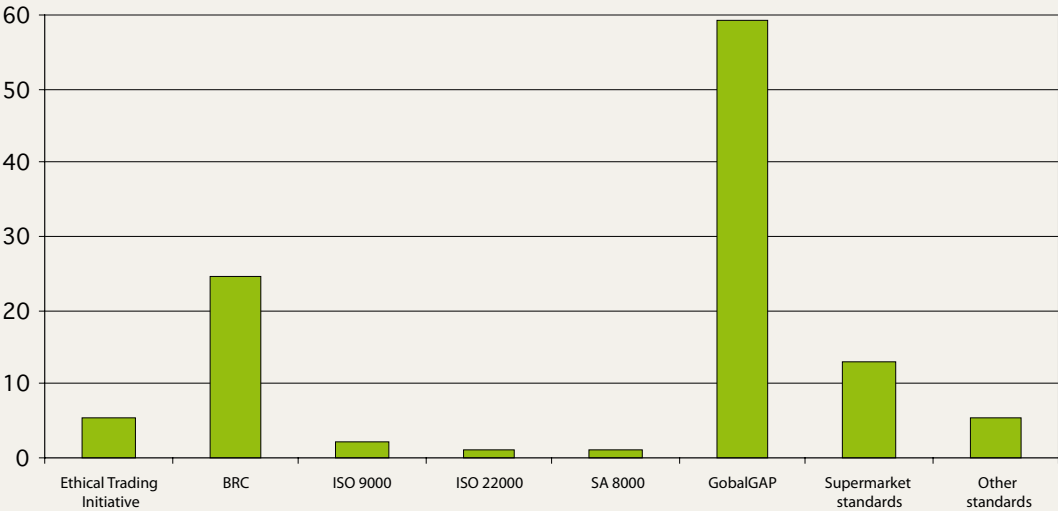
Reason	Total
Establishing company Infrastructure	34
Excessive Paperwork	31
Cost and frequency of MRL testing	17
Training smallholders	13
Establishing infrastructure for smallholders	10
Forming/Managing groups (Option 2)	10
Traceability to block	8
PPE requirements	7
Training company staff	6
Cost of audits	6
Option 2 QMS too complex/expensive	6
Pesticide management	5
Supervising outgrowers: too much time	3
Bringing smallholders up to standard	2
Harvesting & Spray records (stock)	2
Can't afford extra technical staff	2
Soil and water analysis	1
Environmental issues	1

Not surprisingly, given that all respondents to the survey had been involved with the PIP, 94.1 percent indicated that they had received technical support towards achieving certification with a PVS. Indeed, the majority of respondent companies had signed protocols with the PIP in 2005 or earlier, and so had received technical support for an extended period. A much smaller proportion of respondents (33.3%) had received financial support.

While certification to various standards (and EurepGAP/GLOBALGAP in particular) may be an aspiration, both on the part of exporters and their customers, it is important to get some indication of the degree to which non-certification impedes exports. Thus, respondents were asked to indicate whether they had been prevented from supplying supermarkets in the EU due to non-compliance with various standards (Figure 8). The results highlight the key role of certification to EurepGAP/GLOBALGAP, with almost 60 percent of respondent companies indicating that non-compliance had indeed prevented them from exporting to European supermarkets. This included companies that had been excluded from existing markets due to non-compliance (for example some Kenyan and Ghanaian companies), and others where lack of certification had prevented access to potential market opportunities (for example companies in Kenya, Uganda, Ghana, DCI and Senegal). Thus, some companies may have not even tried to export to European supermarkets without certification to EurepGAP/GLOBALGAP.

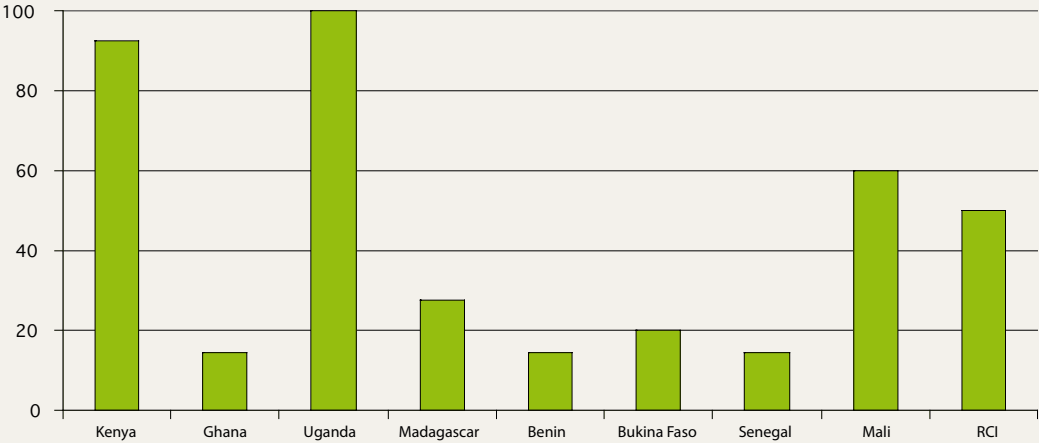
It is important to recognise here, however, that a variety of other factors might also have confounded the aspirations of respondent companies with respect to supermarkets, for example, product quality, ability to meet logistical requirements and transport costs. However, these results do give use some indication that EurepGAP/GLOBALGAP is seen as a key requirement in order to meet the requirements of European supermarkets.

Figure 8. Percentage of respondent companies indicating that they had been prevented from exporting to the supermarket sector due to non-certification to various standards



There is significant variation in the proportion of respondent companies indicating that non-compliance with EurepGAP/GLOBALGAP had prevented them from exporting to European supermarkets (Figure 9). While over 90 percent of Kenyan respondents indicated that this was the case, in Ghana, Benin, Madagascar, Senegal and Burkina Faso 20 percent or less indicated that non-compliance with EurepGAP/GLOBALGAP had impeded exports to European supermarkets. This gives further credence to the earlier delineation between direct exports to supermarkets (notably in Kenya) versus exports to “other” buyers, which then supply on to a variety of end customers.

Figure 9. Percentage of respondent companies indicating that they had been prevented from exporting to the supermarket sector due to non-certification to EurepGAP/GLOBALGAP by country



SOURCING OF PRODUCE BY EXPORTERS

In order to get a general perspective on where exporters sourced produce, and how this had changed over time, respondent companies were asked to estimate the percentage of their three main product exports, by volume, procured from their own farms, outgrowers and traders/intermediaries/other sources. Note that these data are not weighted by company size and so do not do not indicate the relative importance of different sources, but rather provide an indication of general trends.

Figure 10 reports the mean percentage procured from each of these sources in 2000, 2003 and 2007. Across the sample of companies as a whole there is an evident trend away from sourcing from intermediaries and other sources and towards company own farms and outgrowers. This is consistent with the need to have greater control over the supply chain in order to comply with PVS such as EurepGAP/GLOBALGAP. However, the trends in the sourcing of produce over time vary somewhat between the study countries (Table 10):

- In Madagascar and Mali, exporters began to source direct from the outgrowers that had previously supplied the export sector through intermediaries. Thus, we see a large increase in the proportion of produce sourced from outgrowers directly. It is probable that the total amounts sourced from outgrowers, directly and via intermediaries, has not changed appreciably.

- In Kenya, exporters appear to have replaced the use of brokers and outgrowers with increased production from company farms. Thus the overall proportion of exports supplied by outgrowers, both directly and via intermediaries, has diminished.
- In Uganda, Burkina Faso and Ivory Coast, there is no clear trend, and certainly not a sustained decline, in the use of intermediaries and other sources.
- Companies in Zambia, Senegal, Ghana and Ivory Coast traditionally sourced a greater proportion of produce from their own farms, and this has been maintained or increased.
- In Benin and Ivory Coast there has been a decline in the proportion of produce sourced from company own farms.

Figure 10. Mean percentage of main products sourced from own farms, outgrowers and intermediaries/ other sources



There are also differences in sourcing arrangements across products. Commodities largely sourced from outgrowers included avocado (in Uganda and Kenya), mango (in Uganda, Burkina Faso, Senegal, Mali and Ivory Coast), passion fruit (in Kenya and Uganda) and litchi (in Madagascar). Sourcing of haricot beans varied across the countries; these are grown predominantly by outgrowers in Kenya and Burkina Faso, on a mixture of outgrower and company farms in Senegal, and almost entirely on company farms in Zambia. Runner beans are grown almost entirely on company farms (in Kenya). While pineapple is predominantly sourced from outgrowers in Uganda, Benin and Ivory Coast, the shift in variety from Smooth Cayenne to MD2 in Ghana has been accompanied by a drastic decline in sourcing from outgrowers and towards company farms.

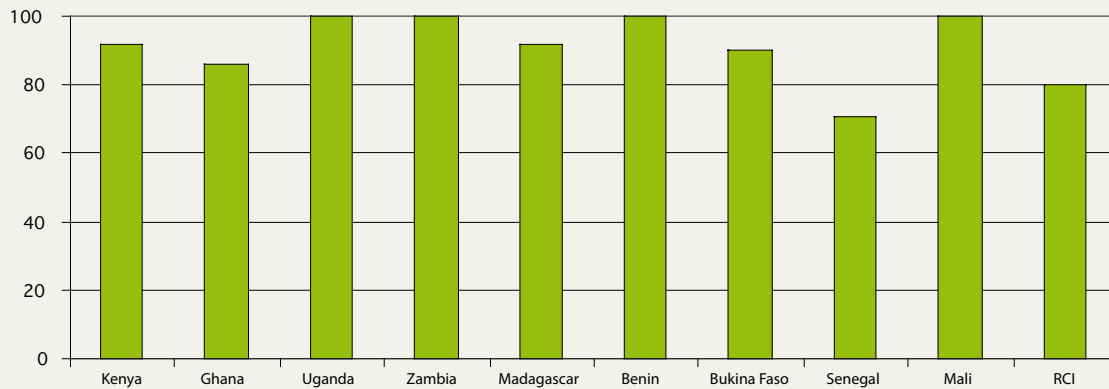
Table 10: Respondent estimates of percentage of three main products, by volume, sourced from own farms, outgrowers and intermediaries/other sources

Country		Mean Percentage from Outgrowers	Mean Percentage from Company Farm	Mean Percentage from Intermediaries and Others	
Kenya	2000		58.8	26.6	14.6
	2003		55.7	26.0	18.3
	2007		55.3	36.0	8.7
Ghana	2000		34.0	66.0	0.0
	2003		30.0	70.0	0.0
	2007		2.9	97.1	0.0
Uganda	2000		70.4	15.3	14.3
	2003		79.1	8.5	12.4
	2007		74.8	15.0	10.2
Zambia	2000		5.0	95.0	0.0
	2003		2.5	97.5	0.0
	2007		5.0	95.0	0.0
Madagascar	2000		17.3	0.2	82.5
	2003		22.3	0.7	77.0
	2007		46.4	3.6	50.0
Benin	2000		71.0	25.4	3.6
	2003		71.0	25.4	3.6
	2007		86.0	10.2	3.8
Burkina Faso	2000		80.0	0.0	20.0
	2003		87.8	0.0	12.2
	2007		84.0	0.0	16.0
Senegal	2000		55.0	45.0	0.0
	2003		54.1	45.9	0.0
	2007		52.2	47.8	0.0
Mali	2000		52.0	1.0	47.0
	2003		52.0	1.0	47.0
	2007		96.0	4.0	0.0
Ivory Coast	2000		44.6	41.1	14.3
	2003		46.9	30.9	22.2
	2007		45.2	34.8	20.0
Total	2000		51.7	24.3	24.0
	2003		55.2	22.2	22.6
	2007		58.2	27.7	14.1

OUTGROWER SUPPLIERS

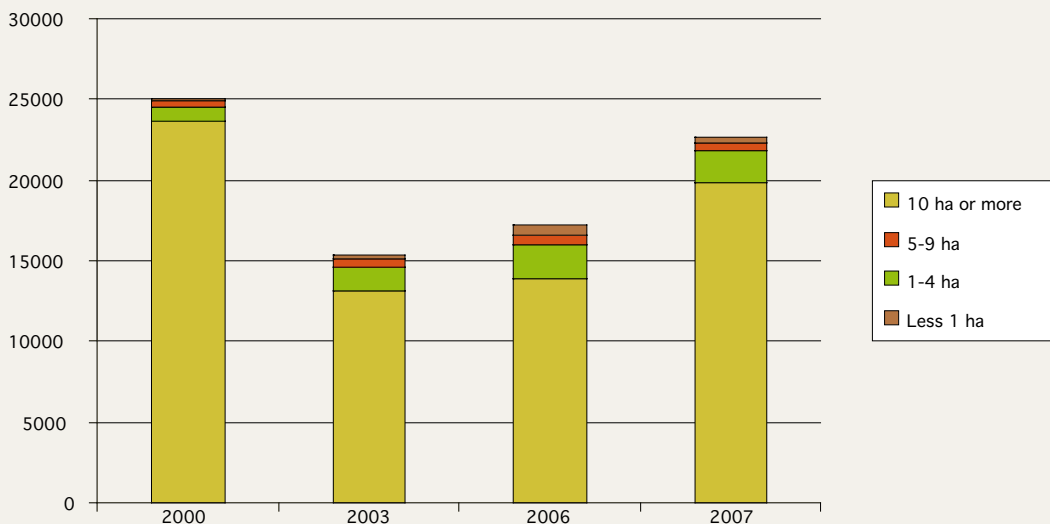
Direct sourcing from outgrowers was used by around 91 percent of the respondent companies. There was relatively little variation in the proportion of respondents sourcing from outgrowers across the study countries (Figure 11).

Figure 11. Percentage of respondent companies sourcing from outgrowers



Respondents were asked to estimate the number of outgrowers from which they directly sourced over time, disaggregated by size of the outgrower operation. Many respondents also sourced from outgrowers indirectly, via intermediaries, but they were not asked to estimate the number of outgrowers involved. It is important to recognise that these estimates are indicative and serve only to illustrate broad trends. It is likely that they underestimate total numbers of outgrowers supplying these export companies.

Figure 12. Number of outgrowers supplying respondent companies, by year



The total number of outgrowers from which the 102 responding exporters sourced declined from 25,089 in 2000 to 15,410 in 2003, and then increased to 22,671 in 2007 (Figure 12). This suggests, a modest decline in the number of outgrowers supplying the respondent exporters over the period 2000 to 2007 of 9.6 percent. The vast majority of the outgrowers were less than one hectare in size.

The aggregate figures suggest that numbers of very small outgrowers declined from 23,649 in 2000 to 13,085 in 2003, and then recovered to 19,785 in 2007, giving an estimated decline of 16.3 percent over the period 2000 to 2007. However, these global figures are skewed by big differences between countries in numbers of outgrower suppliers, both in aggregate and across size categories (Table 11). Some of the key observations are as follows:

- In Ghana the number of outgrowers of all sizes declined dramatically, due almost entirely to the changeover to pineapple variety to MD2.
- In Madagascar, litchi is produced almost entirely by very small growers. The apparent increase in numbers of outgrowers supplying exporters over the period 2000 to 2007 reflects the by-passing of intermediaries, such that there may have been little change in the aggregate number of growers. At the same time, these data are known to significantly underestimate the total number of small-holders, reflecting the fact that litchis are sourced from large numbers of scattered individuals, often with only one or two trees.
- In Kenya the number of small outgrowers (→1ha) supplying exporters directly has steadily declined from 7,583 in 2000 to 5,813 in 2007. Over the same period the number of larger outgrowers has remained constant or increased. The actual reduction in small-holder supplying exporters in Kenya is probably far greater than these data suggest, because of the “broker effect”. Prior to certification many exporters purchased substantial volumes of produce via intermediaries. While some degree of brokering still takes place, responses from companies in Kenya suggest that they are now buying less from outgrowers via intermediaries, and producing more on company farms. Recent smallholder numbers in Kenya have also been influenced by donors activity, in particular an NGO project that supported recruitment of 2500 smallholders (←1ha) by one respondent company in 2007.
- In Uganda, the number of small outgrowers (←1 ha) increased appreciably over the period 2000 to 2006, but declined from 2006 to 2007. The number of larger outgrowers has remained approximately constant.

Table 11. Number of outgrowers supplying respondent companies by country

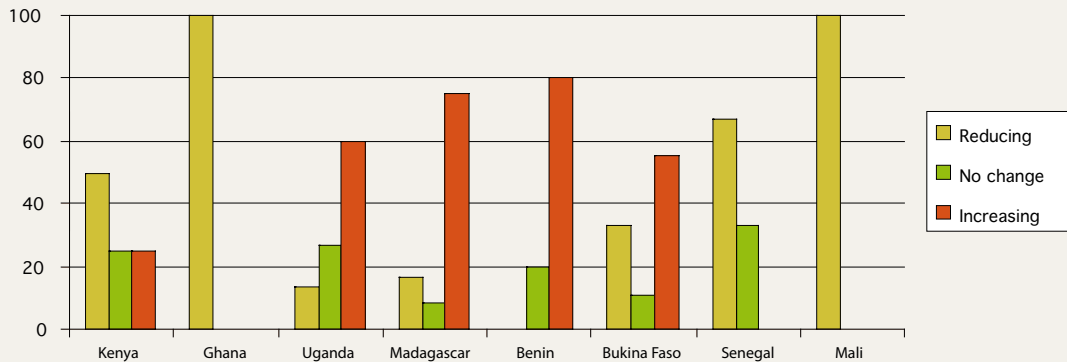
	Size	2000	2003	2006	2007
Kenya	←1 ha	7583	6779	5914	5813
	1-4 ha	596	253	466	645
	5-9 ha	5	60	65	72
	→10 ha	51	93	71	63
	Total	8235	7185	6516	6593
Ghana	←1 ha	30	120	3	0
	1-4 ha	15	15	4	0
	5-9 ha	108	8	3	5
	→10 ha	0	0	0	0
	Total	153	143	10	5
Uganda	←1 ha	67	423	609	576
	1-4 ha	32	139	156	165
	5-9 ha	28	40	55	57
	→10 ha	18	24	31	30
	Total	145	626	851	828
Zambia	←1 ha	0	0	0	0
	1-4 ha	0	0	208	208
	5-9 ha	0	0	0	0
	→10 ha	3	3	4	4
	Total	3	3	212	212
Madagascar	←1 ha	400	780	2216	4970
	1-4 ha	0	0	0	88
	5-9 ha	0	0	0	0
	→10 ha	0	0	0	0
	Total	400	780	2216	5058
Benin	←1 ha	119	430	569	576
	1-4 ha	54	87	145	143
	5-9 ha	93	101	161	164
	→10 ha	36	41	36	36
	Total	302	659	911	919
Burkina Faso	←1 ha	15030	4125	4475	7570
	1-4 ha	90	379	175	235
	5-9 ha	8	45	36	35
	→10 ha	1	7	5	2
	Total	15129	4556	4691	7842
Senegal	←1 ha	20	38	8	0
	1-4 ha	33	48	43	26
	5-9 ha	13	13	4	3
	→10 ha	0	0	0	3
	Total	66	99	55	32

Mali	←1 ha	400	390	90	280
	1-4 ha	89	99	94	114
	5-9 ha	12	12	17	29
	→10 ha	0	0	0	5
	Total	501	501	201	428
Ivory Coast	←1 ha	0	0	0	0
	1-4 ha	45	572	829	389
	5-9 ha	60	148	273	186
	→10 ha	50	138	416	179
	Total	155	858	1518	754

- In Zambia there were no outgrowers of less than one hectare supplying respondent exporters, but the number of larger outgrowers increased, due predominantly to a donor project that established a cooperative of 200 small-holders to produce baby corn for export.
- In Benin, the number of outgrowers of all sizes has increased, probably reflecting the general growth in the export sector.
- In Burkina Faso, the number of small (←1ha) outgrowers declined significantly over the period 2000 to 2003 from 15,030 to 4,125, but recovered to 7,570 in 2007. Most are small-scale mango growers, and numbers in any one year fluctuate very markedly depending on market demand and price.
- Senegalese respondents had the smallest number of outgrowers. Further, over the period 2000 to 2007, the number of outgrowers in all size categories, but especially small-holders (←1ha) declined.
- In Mali, the number of small outgrowers (←1ha) supplying respondents declined over the period 2000 to 2007, while the numbers in all other size categories increased.
- In Ivory Coast there were no small (←1ha) outgrowers. The number of outgrowers of one to four hectares increased over the period 2000 to 2006, but then declined from 2006 to 2007, due to the shift in variety to MD2.

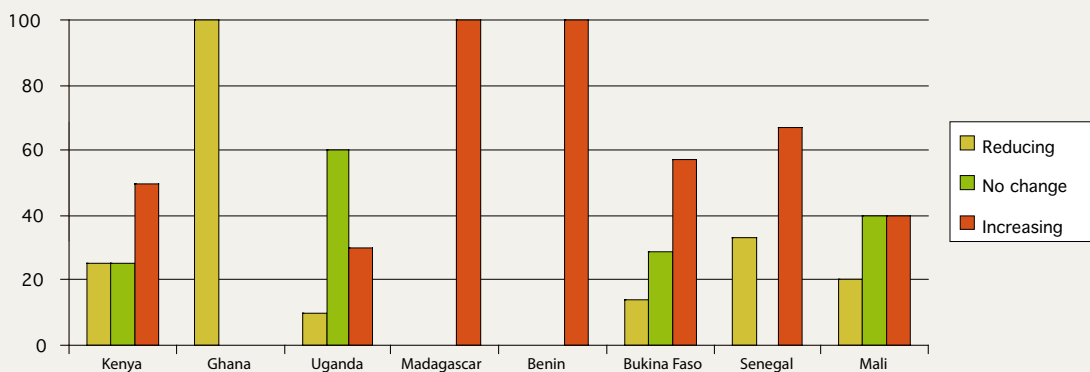
The trends described above reflect the sourcing decisions of individual exporters surveyed (Figures 13 and 14). Of respondents sourcing from small (←1ha) outgrowers, a significant number had reduced the number of small outgrowers in Ghana, Kenya, Senegal and Mali. Conversely, a number of respondents had increased the number of small outgrowers from which they sourced in Uganda, Benin, Madagascar (see above for this special case) and Burkina Faso. This suggests a rather mixed picture with respect to the role that small-scale outgrowers are playing in the production of export crops. With respect to outgrowers of one to four hectares, an appreciable number of respondents in Madagascar, Benin, Senegal, Burkina Faso, Kenya and Mali indicated that they had increased the number of outgrowers from which they sourced. Only in Ghana and Ivory Coast has there been a decline. Whether this reflects a switch in sourcing among some exporters from small to larger outgrowers is difficult to say from the data collected.

Figure 13. Percentage of respondents changing numbers of outgrowers of less than one hectare between 2000-2007



Note: Base is respondents sourcing from outgrowers of less than one hectare.

Figure 14. Percentage of respondents changing numbers of outgrowers of one to four hectares between 2000-2007



Note: Base is respondents sourcing from outgrowers of one to four hectares.

In order to make sense of the trends outlined above, it is necessary to look into more detail at the situation and strategy of individual exporters, which is beyond the scope of this survey. However, as illustration it is instructive to consider five companies in Kenya that had increased the numbers of small-scale outgrowers from which they source. One of these respondents was a large company in receipt of an NGO project. Four were very small exporters and relatively new companies, which had constructed pack-houses and were seeking to increase volumes to cover their costs. Given these companies did not have their own farm they had been forced to source from smaller outgrowers.

Companies that had reduced the number of outgrowers of four hectares or less (≤ 4 ha) were asked to indicate the reasons, in the form of an open-ended question. The responses were subsequently grouped (Table 12). By far the most frequently cited reason was problems attaining certification to a PVS. However, there was appreciable variation across the study countries. In Ghana, for example, the main factor was the change in pineapple variety to MD2. While small-

holders used to be the mainstay of pineapple production in Ghana, as a result of the varietal change these have been virtually excluded from the supply chain. While there are signs that small-scale production is returning through fair trade and/or organic production, the future role of small outgrowers is uncertain. In Kenya, while the majority of respondents specifically cited certification to PVS as the main reason for reducing outgrower numbers, some companies highlighted the greater cost efficient from dealing with fewer numbers of larger outgrowers, related to food safety management and traceability.

Table 12. Number of companies citing reasons for reducing the number of outgrowers of four hectares or less

	Unable to supply required volumes	Certification problems	Food safety problems	Unreliable	Other
Kenya	1	7	3	3	7
Ghana	0	3	0	0	6
Uganda	0	1	0	1	2
Zambia					
Madagascar	0	1	1	1	1
Benin	0	0	0	0	0
Burkina Faso	0	1	0	0	1
Senegal	1	0	0	0	1
Mali	0	2	0	0	3
Ivory Coast	0	2	1	0	2
Total	2	17	5	5	23

Respondents were asked to identify the type of relationship they had with their outgrowers and how this had changed over time. In virtually all cases, there was a tendency for relationships to become more formal, for example through a shift from informal arrangements to contracts (Figure 15). Respondents had also increasingly worked with outgrower groups (Table 13). Group formation was most evident in the case of small outgrowers (<1ha) and/or in countries where companies traditionally worked with outgrowers on an informal basis, such as Uganda and Madagascar.

Figure 15: Mean percentage of companies with formal contracts, established relationships or informal relationships with outgrower suppliers over time

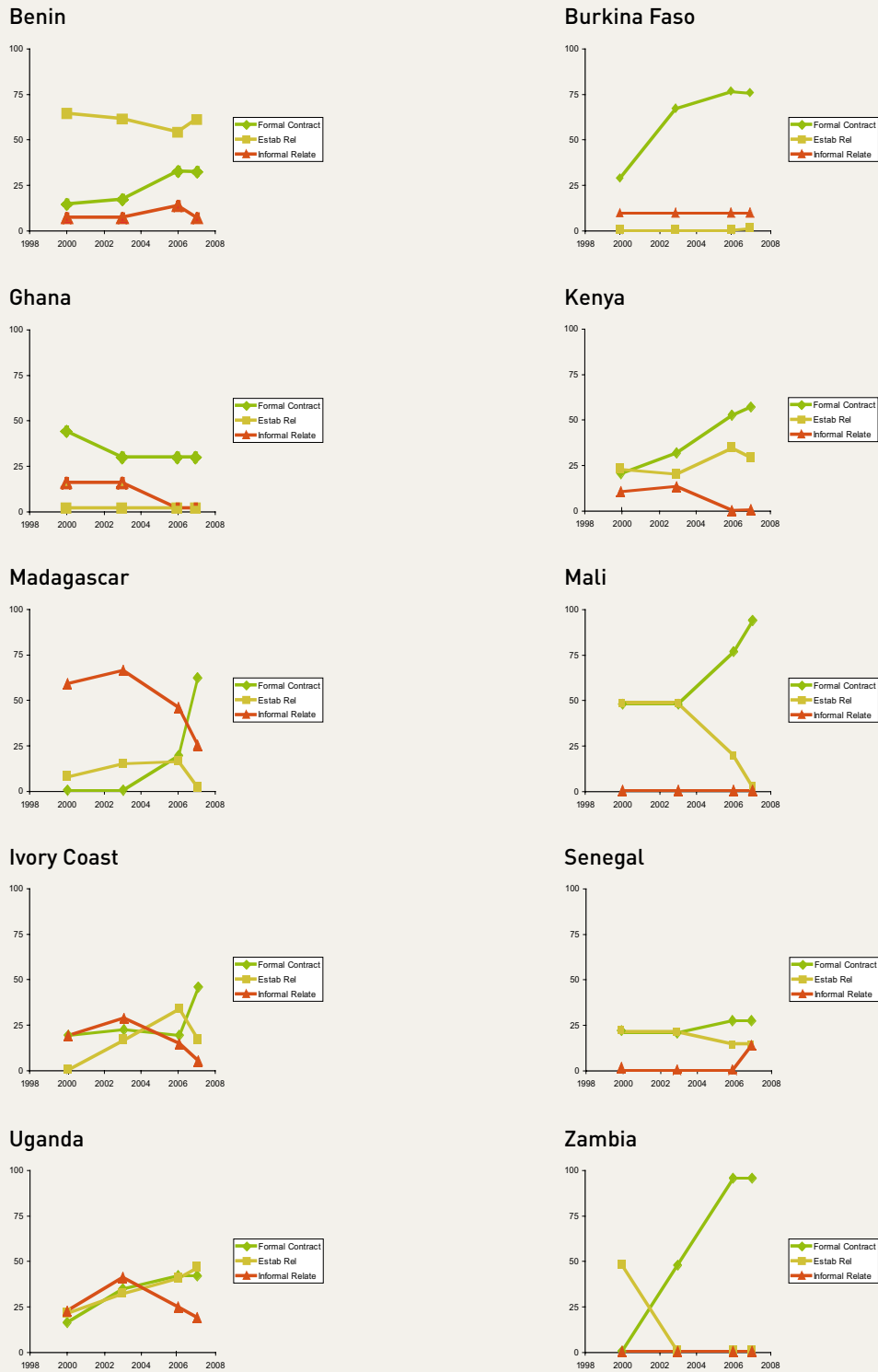


Table 13: Mean percentage of outgrowers supplying respondents formed into groups over time

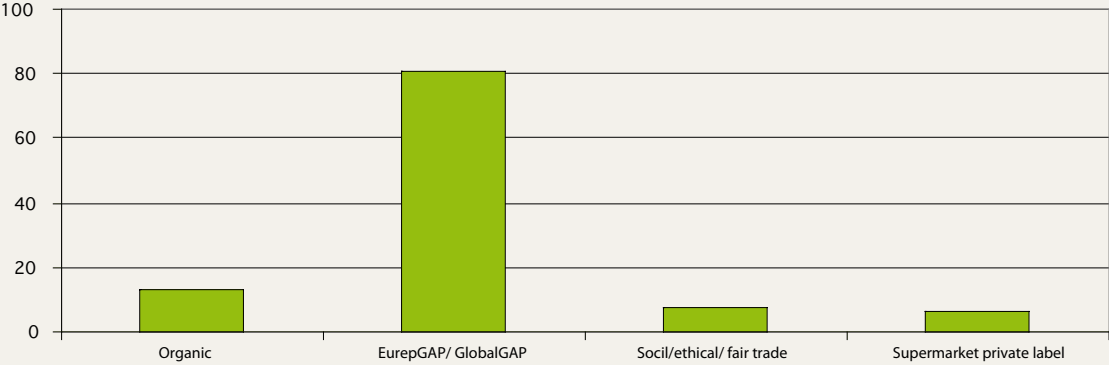
Country		Year		
		2000	2003	2007
Kenya	←2ha	30	36.1	58.3
	2-5ha	0	1.9	9.6
	→5ha	0	0	0
Ghana	←2ha	0	0	14.3
	2-5ha	14.3	14.3	14.3
	→5ha	14.3	0	14.3
Uganda	←2ha	6.7	30.3	70.7
	2-5ha	6.7	13.3	33.3
	→5ha	3.3	3.3	11.7
Zambia	←2ha	0	0	0
	2-5ha	0	0	90
	→5ha	0	0	0
Madagascar	←2ha	0	8.5	74.3
	2-5ha	0	0	7.7
	→5ha	0	0	0
Benin	←2ha	50	60	58.3
	2-5ha	50	64	60
	→5ha	38.2	48.5	41.6
Burkina Faso	←2ha	20	60	70
	2-5ha	20	20	20
	→5ha	10	10	10
Senegal	←2ha	0	0	0
	2-5ha	0	0	11.7
	→5ha	0	0	0
Mali	←2ha	60	60	100
	2-5ha	20	60	75
	→5ha	20	20	25
Ivory Coast	←2ha	0	0	0
	2-5ha	10	10	10
	→5ha	20	27	18
Total	←2ha	16.7	25.5	44.6
	2-5ha	12.1	18.3	33.1
	→5ha	10.6	10.9	12.1

CERTIFICATION OF OUTGROWERS

Respondents were asked if they had encouraged any of their outgrowers to become certified to a PVS (Table 14). Of the 93 companies who sourced from outgrowers, around 80 percent had encouraged outgrowers to become EurepGAP/GLOBALGAP certified (Figure 16). There was, however, appreciable variation between respondent companies across the study countries (Table 14). For example, in Benin none of the respondents had encouraged their outgrowers to obtain EurepGAP/GLOBALGAP certification.

A number of respondents volunteered additional information to qualify their promotion of EurepGAP/GLOBALGAP among outgrowers, saying that they were encouraging only some of their suppliers to be certified. One Zambian company, for example, said that they were encouraging their larger commercial outgrowers to become certified, but not smallholders as “they cannot sustain it”.

Figure 16. Percentage of respondents encouraging outgrowers to get certified to a PVS



In terms of other standards, many companies who were not encouraging outgrowers to become EurepGAP/GLOBALGAP certified appeared instead to be working towards niche organic/fair trade markets. Only in Kenya and Ivory Coast were companies supporting outgrowers to be certified to supermarket private label schemes, and in very small numbers. Another company, though supplying the UK supermarkets, said that their outgrowers did not have the infrastructure to achieve certification against any of the private label schemes.

Table 14. Number of companies encouraging outgrowers to become certified to a PVS by country

	Number of Companies Interviewed	Organic	EurepGAP/ GLOBALGAP	Social/ Ethical/ Fair-Trade	Supermarket Private Standards	Other
Kenya	26	0	25	0	4	0
Ghana	7	1	2	1	0	0
Uganda	15	4	11	1	0	0
Zambia	2	0	2	0	0	0
Madagascar	13	0	12	0	0	0
Benin	7	2	0	3	0	0
Burkina Faso	10	4	7	1	0	0
Senegal	7	0	4	0	0	0
Mali	5	0	5	0	0	0
Ivory Coast	10	1	7	1	2	0

In order to get some sense of how many outgrowers had actually achieved certification to a PVS, respondents were asked to provide estimates of the number of outgrowers from whom they sourced directly, that were certified in 2003 and 2007. As might be expected from the foregoing discussion, the only PVS for which there were appreciable numbers of certified outgrowers was EurepGAP/GLOBALGAP.

Of the recorded total number of outgrowers supplying respondent companies in 2007 (22,671), 3,616 (15.9%) were certified to EurepGAP/GLOBALGAP in 2007. Most were certified under Option 2 (Group certification), and only in Kenya were there any outgrowers certified under Option 1. This compares with 1.9 percent of the 15,410 outgrowers supplying respondents in 2003, indicating a significant growth in levels of certification in recent years.

Across the study countries, Madagascar and Kenya accounted for 48.7 percent and 28.9 percent of the total certified outgrowers supplying respondent exporters, respectively (Table 15). Outside of Madagascar and Kenya, certification to EurepGAP/GLOBALGAP remains limited to a handful of individual outgrowers or smallholder groups. In Benin and Senegal there were no certified outgrowers supplying respondent exporters at the time of the survey.

Table 15. EurepGAP/GLOBALGAP-certified outgrowers supplying respondent exporters, 2003 and 2007

	2003		2007	
	Option 1	Option 2	Option 1	Option 2
Kenya	20	101	72	975
Ghana	0	0	0	105
Uganda	0	0	0	0
Zambia	0	0	0	200
Madagascar	0	180	0	1763
Benin	0	0	0	0
Burkina Faso	0	0	0	67
Senegal	0	0	0	0
Mali	0	0	0	238
Ivory Coast	0	0	0	196
Total	20	281	72	3544

In the case of organic and fair trade schemes, numbers of certified outgrowers supplying respondent exporters were generally low and restricted to three or four study countries (Table 16). We observed appreciable numbers of outgrowers certified to an organic standard only in Uganda and Burkina Faso, and to the fair trade standard in Ghana and Benin.

Table 16. Organic or fairtrade-certified outgrowers supplying respondent exporters, 2003 and 2007.

Country	Organic		Fair Trade	
	2003	2007	2003	2007
Kenya	0	1	0	0
Ghana	0	100	0	100
Uganda	133	284	0	0
Zambia	0	0	0	0
Madagascar	0	0	0	0
Benin	0	0	100	153
Burkina Faso	405	200	105	0
Senegal	0	0	0	0
Mali	0	0	0	0
Ivory Coast	0	12	0	0
Total	538	597	205	253

In Kenya, 106 outgrowers were certified to a supermarket private label standard in 2003. Five of these were larger producers and certified on an individual basis, while 101 were certified as a group. There were no outgrowers certified to a supermarket private label standard in any of the other study countries.

The outgrowers supplying respondent exporters that had achieved certification to a PVS, had often received support, both technical and financial, from the export company and/or donors.

Indeed, for many of the responding companies, PIP had provided support towards outgrower certification. In addition to training, this included financial support towards the cost of soil analyses and certification. Most frequently, the support to outgrowers had taken the form of a grant by the exporter (Table 17), notably in Kenya and Madagascar, where rates of certification of outgrowers to EurepGAP/GLOBALGAP were highest. This often took the form of payment of certification fees. Donor support in the form of grants was observed most frequently in Benin, Burkina Faso, Uganda and Senegal, where rates of certification are low.

Table 17.: Number of respondents for which outgrowers achieving certification to a PVS had received financial support from the company and/or donors

Country	Grant from Exporter	Loan from Company	Grant from Donor/ Other	Loan from Donor/ Other
Kenya	20	4	1	0
Ghana	2	1	1	0
Uganda	5	1	2	1
Zambia	0	0	1	0
Madagascar	6	2	1	0
Benin	1	0	3	0
Burkina Faso	3	0	3	0
Senegal	2	0	2	0
Mali	5	2	0	0
Ivory Coast	4	4	1	0
Total	48	14	15	1

Respondent companies were asked if they pay a premium to outgrowers that are certified to the various PVS. All exporters paid a premium for fair trade products, as is required under the standard (Table 18). Around half of respondents paid a premium to outgrowers with organic or EurepGAP/GLOBALGAP certification. In the case of EurepGAP/GLOBALGAP, there is an interesting contrast between Madagascar and Kenya. In Madagascar, all of the 10 exporters with outgrowers certified to EurepGAP/GLOBALGAP paid a premium; these are predominantly small-scale litchi producers. In contrast, only 33 percent of exporters paid a premium to EurepGAP/GLOBALGAP-certified outgrowers in Kenya; these are predominantly small-scale producers of green beans.

Table 18: Number of respondent companies paying a premium for produce from outgrowers certified to selected PVS

Country	Organic		EurepGAP/GLOBALGAP		FairTrade	
	Number Of exporters with Certified Outgrowers	Number of Exporters Paying Premium	Number Of exporters with Certified Outgrowers	Number of Exporters Paying Premium	Number Of exporters with Certified Outgrowers	Number of Exporters Paying Premium
Kenya	1	0	15	5	1	1
Ghana	1	1	2	0	1	1
Uganda	3	3	0	0	0	0
Zambia	0	0	1	0	0	0
Madagascar	0	0	10	10	0	0
Benin	0	0	0	0	1	1
Burkina Faso	2	0	2	0	1	1
Senegal	0	0	0	0	0	0
Mali	0	0	5	3	0	0
Ivory Coast	1	0	4	1	0	0
Total	8	4	39	19	4	4

Finally, respondents were asked whether any of the outgrowers from which they source had achieved certification to a PVS and then subsequently withdrawn. A total of eight respondents, from Kenya, Ghana and Ivory Coast, reported that at least some of their outgrowers had withdrawn from EurepGAP/GLOBALGAP certification, sometimes at the behest of the exporter and sometimes the growers themselves (Table 19). A large Kenyan company, who was among the first to support outgrower certification in 2005, reported that 500 outgrowers had decided to withdraw from certification once they became liable for renewal of the certificate. Another Kenyan company supported outgrowers to become EurepGAP/GLOBALGAP certified in 2005, but in 2006 decided to withdraw support from most due to the high cost of pesticide residue testing and additional technical staff. One company in Ghana had five outgrowers in a group certified to EurepGAP/GLOBALGAP Option 2, all of which had withdrawn because of “high maintenance cost and absence of financial benefit”.

Table 19. Number of outgrowers that had withdrawn from individual or group certification to PVS

	Number of Companies with Outgrowers who Had Withdrawn from Certification	Number of Outgrowers Withdrawn from Individual Certification	Number of Outgrowers Withdrawn from Group Certification
Kenya	5 (GLOBALGAP)	18	547
Ghana	1 (GLOBALGAP)	-	5
Uganda	2 (Organic)	-	39
Burkina Faso	1 (Organic & FairTrade)	105	-
Ivory Coast	2 (GLOBALGAP)	1	5
Total	11	124	596

Withdrawals from organic/fair trade certifications were reported in two countries, namely Burkina Faso and Uganda (Table 19). These cases involved outgrowers involved in both individual and group certification.

Discussion

In this survey of export companies, PIP investigated current factors affecting ACP supply chains. The 102 companies included in the study were all beneficiaries of the PIP and in this respect, not a random sample of ACP exporters. Nevertheless, they represent a cross section of countries and companies and, together, supply a substantial portion of ACP exports. The findings of the study therefore provide a broad overview of experiences and opinions of ACP exporters, as well as current trends.

DISTINCT VALUE CHAINS

The survey began by exploring volumes and patterns of exports from the survey countries. Aggregate exports of respondent companies suggest an appreciable growth between 2000 and 2006, which corresponds with the general growth in ACP exports over this period. The results also imply distinct value chains for fresh produce exports.

The first predominantly directs exports towards supermarkets in the UK, Netherlands, Germany and Switzerland, with exports to other countries in continental Europe directed at “other buyers” (wholesale, catering, and other). Here we are likely to see integrated and more stable relations between exporters and their buyers. This structure appears to predominate in Kenya, Zambia, Uganda and Ghana, and for ease of reference is referred to here as the “Anglophone” value chain.

The second directs exports to France, Italy and Switzerland, predominantly to “other” buyers, but with some direct sales to supermarkets. Here we are likely to see less integrated and less stable relations between exporters and their buyers. The latter structure is seen more widely in Madagascar, Senegal, Ivory Coast, Benin, Mali and Burkina Faso and will be referred to here as the “Francophone” value chain.

This trend varies in the case of some commodities, most notably plantation crops in Ivory Coast, Senegal, Mali and Burkina Faso (mango, and pineapple) and Madagascar (litchi). These are mainly sold through large French importers in Rungis (Paris), who distribute throughout Europe to a variety of market segments, from wholesale to high-value retail. This will be referred to as the “Plantation Crop” value chain.

In the remainder of the survey, these distinct value chains were seen to have a marked influence on factors affecting exports as well as the sourcing of produce by exporters.

EU REGULATIONS

Relatively few respondent exporters had experienced rejections at border controls due to contravention of EU regulations. Except for a relatively small number of MRL exceedences in passion fruit from Kenya, all incidents mentioned were due to quarantine problems rather than food safety.

This supports the conclusions of Andrew Graffham (NRI, personal communication). Between 2000 and 2006 the UK Pesticides Safety Directorate (http://www.pesticides.gov.uk/psd_databases.asp) took 10,959 samples of fruits and vegetables for analysis of pesticide residues. FFV of African origin that contained pesticides in excess of stipulated MRLs accounted for only 0.2% of all samples. Graffham also studied records from the UK Government Public Health Agency (PHA) on microbiological analyses of FFV. Produce from Ivory Coast, Ghana, Kenya, South Africa, Zambia and Zimbabwe was mentioned in the PHA reports studied by Graffham, but none of the African produce contained unacceptable or hazardous levels of pathogenic micro-organisms.

The vast majority of African exporters are apparently producing safe food that complies with EU Regulations. FFV sourced from Africa, a high proportion of which is supplied by smallholders, is not high risk when compared with FFV from other sources. This questions the proportionality of the policies of some EU multiples who, assuming higher risk (Harris et al, 2001), apply more stringent controls on DC suppliers. Fulponi (2006), for example, found that EurepGAP was demanded by the retailers surveyed for almost all produce sourced from DCs, while this was not the case for produce sourced in the EU.

NON-MARKET CONSTRAINTS

The survey recorded a range of factors not linked to markets, that were perceived by exporters to be having a negative effect on their business.

Many of these were country specific. For example, in Ivory Coast the majority of companies mentioned the political crisis and its impacts such as the decrease in number of freight boats, the increasing cost of inputs and insurance, and “harassment” (e.g. bribes at road blocks). In Ghana companies referred to the failure of their government to reach agreement under the EPA negotiations.

Other issues were more widespread. The increasing cost of inputs such as fertilisers, fuel, and freight is currently having a major impact on export businesses, and was mentioned in several countries. Poor access to credit was also referred to, for example in Ghana and Senegal. Several countries cited the perceived lack of support from their governments (Ghana, Benin, Ivory Coast), or lack of coherent policy (Uganda) and investment (Mali) in the horticultural export sector. In Senegal, Ivory Coast and Uganda, exporters mentioned the lack of locally registered pesticides for export crops, reflecting problems with national regulatory authorities.

Addressing problems such as these requires effective engagement between national players, and makes a strong case for the continued strengthening of public-private platforms such as the national horticultural task forces (COLEACP, 2005).

TRACEABILITY

The EU General Food Law Regulation 178/2002 sets out the general EC principles and requirements for traceability, which came into force on 1 January 2005. EU food business operators at all stages of production, processing and distribution, must be able to identify any person that has supplied them, and must have in place systems and procedures that allow for this information to be made available to Competent Authorities on demand.

The requirements only relate to the EU (i.e. they do not cover ACP suppliers) and are limited to a “one step forward, one step back” principle, meaning that each EU food business operator must be able to identify only its immediate suppliers and immediate customers. However, while there are no obligation under the Regulations to keep records all the way down the supply chain to the farmer, in practice EU buyers are going beyond the strict legal requirements and demanding full traceability down to the field of origin. This is based more on supply chain management, and due diligence defence, than on any legislative requirement from the EU, and full traceability forms an integral part of many PVS, including EurepGAP/GLOBALGAP. In practice it promotes and enables improved management, and brings benefits to supply chain operators at all levels.

Full traceability generally requires the introduction of complex tracking and recording systems. When ACP suppliers first faced demands for traceability, generally through EurepGAP/GLOBALGAP, there were strong protests due to the perceived complexity and costs involved. Establishing full traceability systems were also disproportionately more difficult for suppliers from SSA because of the many smallholder suppliers and frequent use of intermediaries and informal purchasing arrangements.

PIP first began to receive large numbers of request from exporters to establish traceability systems in 2005 in Kenya, where many companies were already certified or working towards EurepGAP/GLOBALGAP certification. Traditionally a large proportion of the export produce was grown by smallholders and sold informally via brokers. At the time exporters were very alarmed, and feared that the future of the sector was at risk. Three years later, following investment by exporters, and with external support from PIP and other donors, most companies have installed either paper or electronic traceability systems and adjusted their purchasing arrangements accordingly.

In the PIP survey companies were asked to score the most significant buyer requirements that they had faced in recent years. Only three of the 26 exporters in Kenya mentioned traceability - this is a challenge that companies here have already dealt with successfully. The situation was similar in Zambia and Ghana.

In Benin, the issue of traceability was not yet recognised as a problem. In all other countries, where companies are still in the process of establishing traceability systems, it was declared by the majority of exporters to be one of the most significant requirements. Interestingly, however, it was generally not perceived as difficult to meet. It represents a major challenge, but is technically feasible and within reach.

The example of traceability illustrates the capacity of the ACP export sector to adapt and meet new market demands. Traceability is a new technical requirement that producers and exporters have been obliged to meet, in a short timescale, and involving major adjustments to purchasing practices and internal management. Most companies (albeit often with external support) have risen to the challenge, are adopting it, and in general recognise that it brings substantial benefits.

PRODUCT SPECIFICATIONS: THE CASE OF MD2

One of the buyer requirements mentioned most frequently by respondent companies was product specification (for example variety, volume, quality). In most cases, as in the case of traceability, exporters were able to deliver and generally did not view them as “difficult to meet”. The exceptions were in Ghana and Ivory Coast where respondents scored buyer demands as difficult or very difficult to meet, referring principally to the change in pineapple variety. In an attempt to diversify markets, and to compete at the high value end with fruit from Central America, exporters have switched variety from Smooth Cayenne to MD2. This has required major investment and restructuring to accommodate a variety that is agronomically more difficult to grow, for a market that is already well supplied by fruit from Central America. At the end of the process exporters perceived few benefits: companies in both countries reported lower prices and reduced profits despite substantial investment.

PRIVATE VOLUNTARY STANDARDS

The survey results suggest a general increase in pressure on exporters resulting from buyer demands. Most notably, recent years have seen a dramatic expansion in the requirement for certification to private voluntary standards (PVS), in particular for EurepGAP/GLOBALGAP. The survey results showed that the very stringent GLOBALGAP is now required for an increasing number of destination countries and market segments that previously demanded compliance only with the (less stringent) official regulations. However the speed and stringency with which EurepGAP/GLOBALGAP has been required has varied markedly according to value chain. Exporters in Sub-Saharan Africa (SSA) have thus faced very different pressures depending on the countries and market segments that they supply.

At the time of the survey, exporters supplying the “Anglophone” and “plantation crop” value chains were more likely to have EurepGAP/GLOBALGAP certification; it was required least frequently for companies in Benin, Burkina Faso, and Senegal supplying the French/Italian and wholesale markets. The “Anglophone” suppliers (notably Kenya, Zambia and Ghana) were also most likely to be early adopters of EurepGAP/GLOBALGAP, and more likely to score PVS as the most important factor affecting their business. In Kenya 90% of respondents listed certification among the most significant buyer requirements, compared to less than 20% in Benin and Senegal. Private label schemes and BRC were more likely to be required on top of EurepGAP/GLOBALGAP for those supplying UK supermarkets.

These findings are not surprising; it is to be expected that PVS certification will be a more profound market access requirement in the context of direct links between supermarkets and exporters. They also reflect the more stringent demands of the Northern European supermarkets,

particularly in the UK, compared to other European buyers. Supermarkets in France generally operate a company protocol which has greater flexibility and less cost implications for suppliers. In addition, in France and Italy, a higher proportion of produce is sold wholesale and, up to now, this has not required certification except for niche markets such as organic or FairTrade. In the case of mango, litchi and pineapple sold through Rungis, to facilitate pan-European distribution importers ask for all suppliers to be EurepGAP/GLOBALGAP certified, even though only a portion of the produce is sold through outlets that require it.

The PVS were considered the most difficult buyer requirements to meet from among the factors listed by respondents. The consequence is that respondent companies supplying the “Anglophone” value chain, in particular, appeared to be under more pressure: they generally perceived that their businesses were experiencing more problems, and scored more severe problems, than exporters supplying the “Francophone” value chain. Companies in Benin, Burkina Faso, and Senegal perceived the least problems, and scored less severe problems, from among the survey companies.

A majority of respondent companies (58%) considered that increased buyer demands in recent years had reduced profits. This was most marked among companies in countries where GLOBALGAP certification is just beginning (Mali, Uganda, and Madagascar). As exporters work towards PVS certification, considerable investments are needed to install the required infrastructure. In Madagascar, for example, companies reported investing up to 80% of profits in infrastructure last year to become GLOBALGAP compliant. Over the longer term companies reported reduced profits due to the lack of price premium, as well as the increased costs of maintaining PVS certification. The need to recruit more staff to cover the extra work, and for higher qualified staff with managerial or technical skills, were mentioned most frequently as the main factor.

Certification of Exporters

Among the companies surveyed, EurepGAP/GLOBALGAP was by far the most common PVS encountered in terms of number of companies certified or working towards certification. The discussion in this section therefore refers principally to EurepGAP/GLOBALGAP.

FoodPlus figures demonstrate a dramatic increase in the number of certified producers in recent years. In August 2002 there were 3889 certified growers in 20 countries; by the end of 2005 there were 350,000 in over 60 countries. From among the PIP survey countries, respondent companies were certified first in Ghana (2000), Kenya (2001) and Zambia (2003), corresponding with early demands from (in particular) UK supermarkets. By 2005 a substantial portion of Kenyan export companies were already certified, at least for a part of their output.

As the demand for EurepGAP/GLOBALGAP extended to other market segments, certification rolled out to other exporting countries, but in many cases only began in earnest during 2006-7. By the end of 2007 most of the respondent companies supplying the “Anglophone and “Plantation Crop” value chains were either already EurepGAP/GLOBALGAP certified, or working towards it. In contrast, companies supplying the “Francophone” value chain have not, up until now, faced the same pressures. At the time of the survey, only a minority of these respondent companies were certified, and several were not yet even working towards it.

Certification is often addressed piecemeal and so respondent companies recorded as “certified” may have been so for only a part of their production (though they would generally have been working towards compliance for the remainder). The approach taken by companies to achieve certification generally follows a pattern (Sylvie Fontaine & Nursel Gumusboga, PIP Management Unit, personal communication). They first work on compliance and certification within the company farm/s, generally using a staged approach to spread costs. In this way companies progressively increase the proportion of their production that is supplied from certified premises.

All of the companies surveyed have received technical support from the PIP that assisted them to achieve compliance. Many other donors have also supported the sector. For example, in Kenya the Dutch Nakagro project, USAID’s KHDP, and the DFID BSMDP project, all provided substantial support towards EurepGAP/GLOBALGAP compliance. In Zambia companies received support from DFID and the EU; in Senegal from GTZ, Agriconcept, Nakagro, CDE and FIDA; in Benin from NGOs including Agritera and Helvetas; in Uganda from DANISA and SIDA; etc.

As noted previously, receipt of technical support among respondent companies means that they are not a random sample of African exporters. Nevertheless, the survey findings serve to demonstrate that with external support, EurepGAP/GLOBALGAP compliance and certification are technically feasible for ACP suppliers.

Certification of Outgrowers

EurepGAP/GLOBALGAP was by far the most common PVS encountered in terms of number of outgrowers certified or working towards certification. The discussion in this section therefore refers principally to EurepGAP/GLOBALGAP. Again it is important to note that all respondent companies received support from PIP that specifically aimed to help them maintain their small-holder supply base. This included assistance towards compliance and certification of SSGs, which almost entirely concerned EurepGAP/GLOBALGAP (few companies requested assistance to meet any other standard). The survey results are therefore biased in this respect. It is to be expected that companies not in receipt of support will be in a more difficult situation.

In general, following the piecemeal approach described above, only once company farms are certified do exporters work towards compliance and certification of outgrowers (Sylvie Fontaine & Nursel Gumusboga, PIP Management Unit, personal communication). The tendency is for companies to focus in the first instance on certification of a small number of their more established (and often bigger) outgrowers. If the outgrower farms are sufficiently large, they may work towards GLOBALGAP Option 1, but if they are small-scale they generally target Option 2. Once the first set of outgrowers is certified, companies may begin to work with a second set, and so on.

Almost all companies working with the PIP have adopted this staged approach. Outgrower certification is demanding for the export companies in terms of financial and human resources as they must provide funds for infrastructure as well as staff for training and supervision. The certification of large numbers of outgrowers at a time is beyond the reach of all but the largest companies.

In Kenya, GLOBALGAP certification of SSGs has taken place from 2005 onwards, but in other countries is a very recent phenomenon. In Madagascar, for example, which has highest numbers of certified outgrowers, it has all taken place within the last year.

Despite very substantial donor support from PIP and others (e.g. the USAID KHDP project in Kenya), a relatively small number (3616 or 16%) of outgrowers supplying direct to the survey companies were certified by late 2007. However, though numbers of certified outgrowers are small, the majority (80%) of companies who sourced from outgrowers were encouraging at least some of them to work towards EurepGAP/GLOBALGAP certification. This corresponds with the experience of the PIP, which has received recent requests for support from a large number of exporters towards outgrower certification. Therefore, while the figures indicate that few outgrowers are yet certified, many are working towards and potentially achieving compliance.

Among the survey respondents, EurepGAP/GLOBALGAP certification was associated with donor projects. Most of the certified outgrowers were in Kenya and Madagascar where, traditionally, smallholder outgrowers have played a central role in the horticultural export sector. In Madagascar litchis are grown almost entirely by outgrowers, often each with only one or two trees. In both countries the horticultural export sector plays a key role in rural development and, as a result, has been in receipt of substantial donor support, much of it directed towards smallholder PVS compliance and certification. In addition to this the survey showed that outgrowers generally receive grants or loans towards certification from their export companies. This supports the findings of Graffham et al (2006) that SSGs could not establish or maintain EurepGAP/GLOBALGAP certification without substantial external financial and technical support.

This more widespread “adoption” of EurepGAP/GLOBALGAP has been reflected in changes to the exporter-outgrower relationship. In order to meet certification requirements, respondent companies were seen to be moving away from loose, informal arrangements with outgrowers and increasingly working with formal contracts. They were also found to be increasingly working with organised outgrower groups.

Unlike the FairTrade labels, few exporters in the survey paid a premium for produce supplied by EurepGAP/GLOBALGAP certified outgrowers. The exception was in Madagascar where 10 companies have been very recently certified (2007). In the first season following certification all of these companies paid a premium to their outgrowers assuming that they in turn would receive a premium from buyers. PIP has recently received complaints from exporters in Madagascar as they discover that this is not the case, and it is unlikely that they will continue to pay the premium to outgrowers in the future. Similarly in Kenya one of the exporters noted that he used to pay a premium of 3ksh above the normal market price, but dropped this as he did not see any benefit.

Without a premium for certified produce, it is unclear in the literature (e.g. Graffham et al, 2006; Asfaw et al, 2007) as to the financial benefits of GLOBALGAP certification for SSGs over the longer term. Though they generally receive support towards compliance, there are major cost (and opportunity cost) implications for outgrowers, most of them small-scale and resource poor. If, as suggested by the survey results, donors are playing a major role in the certification of SSGs, there are serious issues here for consideration as to the ethics of encouraging smallholders to make such investments when a return is currently so uncertain. In order to direct donor policy in this area, more extensive and more detailed cost-benefit analyses are needed from across ACP countries and commodities on the implications for smallholders of PVS certification.

Maintaining certification

Though there is disagreement as to the direct financial benefits to SSGs from EurepGAP/ GLOBALGAP certification, compliance with food-safety requirements per se can provide a broad spectrum of potential indirect benefits (Henson and Jaffee, 2004). Those complying can be expected to have higher productivity and good quality produce, which reduces the level of rejection, as well as health and environmental benefits stemming from changes in pesticide use and hygiene practices. Adopters are expected to have better market access and more stable income compared to non-adopters. Spill-over effects to domestic production could also benefit domestic consumers.

As noted above, numbers of EurepGAP/GLOBALGAP (or other) certified SSGs are so far very small, even in Kenya with its substantial donor support. The sustainability of smallholder certification is also under question. The survey found that none of the respondent companies had withdrawn in their entirety from EurepGAP/GLOBALGAP following certification, but 8 exporters (20% of all companies with certified outgrowers) reported that some of their outgrowers had withdrawn. This means that though they had the infrastructure, procedures and knowledge in place, they chose not to renew their certificate. The number of withdrawn outgrowers (720) is relatively small, but still constitutes a significant proportion of the total number of certified outgrowers recorded in the survey (19.9%). Given that outgrower certification is a relatively new phenomenon, this figure was surprising.

All of the withdrawn outgrowers were in Kenya and Ghana, where certification of outgrowers first occurred (from 2005-6). Not surprisingly, there were no withdrawals in other countries, where certification has generally been in place for only a year or less.

Reasons recorded in the survey for withdrawal from GLOBALGAP certification related to high costs and absence of price benefits. This supports the findings of Graffham et al (2006) that while SSGs can achieve GLOBALGAP compliance ("with substantial external support"), maintaining certification over the longer term (without external support) is not cost effective. The survey recorded few withdrawals due to technical incapacities, or lack of benefits "in kind". One exporter in Ghana, for example, said that he saw benefits in terms of improved management, and his rejection rate decreased, but these benefits were outweighed by the increase in cost and lack of premium. Another in Kenya stressed that if it were not for the high cost, he would consider EurepGAP/GLOBALGAP to be very positive as it has "allowed them to put a very good system in place".

It is important to continue to monitor the status of certified outgrowers. If this pattern is repeated, many SSGs who are more recently certified may decide to withdraw over the coming years. More information is also needed on changing exporter policy towards outgrower certification. During the survey two Kenyan exporters volunteered that following the successful certification of their first batch, they have decided to cut the number of outgrowers that they will support towards certification in the future. This was due principally to high cost and lack of perceived benefit. PIP has also seen this phenomenon in several export companies that initially requested staged support to certify all outgrowers, but following the first round have decided to restrict this to a limited number. With hindsight, this trend should have been explored in the survey and merits further study.

Exporters were asked in the survey to identify which elements of PVS caused them most difficulty in achieving or maintaining certification. The majority of factors they identified related to cost rather than technical constraints. This was despite the fact that many of the costs (financial and other) mentioned have been subsidised by PIP and/or other donors. One exporter in Ghana noted that the substantial support received from PIP towards GLOBALGAP compliance and certification means that they have “not yet felt the real cost”. The problems identified here relating to PVS certification may be greater among non-survey companies that have not received similar support.

Though there is much debate in the literature on the economics of smallholder certification, in practice exporters and SSGs themselves appear to be concluding that smallholder certification is not cost effective, and are demonstrating this by choosing not to maintain certified status. Maintaining certification over the long-term for many SSGs, with GLOBALGAP in its current form, appears non-sustainable.

PROCUREMENT FROM SMALL-SCALE GROWERS

For some commodities, particularly plantation crops such as litchi, and labour intensive/high risk field crops such as haricot beans, there are strong commercial pressures on exporters to continue sourcing from SSGs. Mithöfer (2007) found that although smallholders produce lower yields, they operate more efficiently than larger contract farms, and it is often less expensive to buy from smallholders despite the higher transaction costs. Sourcing from SSGs across a wide geographical area also spreads the risk of crop failure due to climatic factors.

The PIP survey attempted to ascertain numbers and trends of smallholders supplying the sample companies. From previous PIP data, we conclude that some companies have underestimated the number of outgrowers from whom they source direct. Other researchers have also found that exporters tend to underestimate the share of production that is smallholder sourced perhaps, according to Harris et al (2001), to satisfy the demands of European buyers who assume a higher risk of food safety and poor quality control. In addition to this, figures obtained in the survey refer only to outgrowers who supply direct: – they do not include the many SSGs who supply via intermediaries.

The figures obtained are therefore underestimates of the numbers of SSGs supplying the survey companies who, themselves, are only a percentage of companies in the countries surveyed. Nevertheless, the data provide a good indication of smallholder involvement. More detailed data is available for Kenya from Mithöfer et al (In Press) (who recorded 12,000 smallholders producing for the export sector in nine districts of Kenya in 2005), but there is very little alternative data on SSG involvement in the other survey countries.

Dolan and Humphrey (2000) predicted that more stringent buyer demands could cause exporters to reduce sourcing from SSGs and replace this with increased production from company farms. Over the ACP as a whole this is not yet the case. Data from the sample companies in this survey suggests that outgrowers (either supplying direct or via intermediaries) still provide the bulk of production for many companies. The survey data only cover the main (but not all) crops, and FFV combined, but nevertheless, among respondent companies, they suggest a considerably higher proportion of outgrower sourced produce than the 27% recorded previously by Jaffee (2003) or the 18% by Dolan and Humphrey (2000).

Taking the aggregate data across all survey companies, volumes sourced from outgrowers appear to have changed relatively little between 2000 and 2007, though there has been a general shift away from sourcing via intermediaries, especially in countries where companies are working towards PVS certification. In most cases sourcing from intermediaries has been replaced by direct contractual arrangements with outgrowers.

The aggregate figures, however, conceal marked differences between countries and companies, suggesting a somewhat mixed picture overall with respect to the role that outgrowers are playing in the production of export crops. Between 2000 and 2007, the majority of respondents in Uganda, Burkina Faso, and Benin increased the number of outgrowers from whom they sourced, while in Ghana, Kenya Mali and Senegal, the majority of respondents had reduced numbers. In Kenya and Ghana in particular, where respondent companies supply the “Anglo-phone” value chain, a decrease was observed in outgrower sourcing in real terms, with an associated decline in the number of smallholder (<1ha) suppliers.

In Ghana a drastic reduction in outgrowers between 2000 and 2007 has been associated with the change in pineapple variety to MD2. While smallholders used to be the mainstay of pineapple production in Ghana, as a result of this change to a variety that is more demanding and difficult to grow, they have now been virtually excluded from the supply chain, at least over the short-term. Data from Ivory Coast also shows a sharp decline between 2006 and 2007, again possibly due to the “MD2 effect”.

In Kenya there appears to be a trend to increased sourcing from company farms at the expense of intermediaries, signifying a reduction in the total number of smallholders supplying the respondent companies. There may also be a tendency for companies to increase the number of larger outgrowers at the expense of very small-scale (<1ha) growers, though this could not be verified with certainty from the survey data. It is important to note from the Kenyan survey data that the aggregate figures were skewed by the (donor supported) recruitment of 2500 smallholders by one respondent firm; the decline in SSG numbers here would otherwise be far more marked.

By far the most frequently cited reasons given by companies for reducing the number of SSGs concerned PVS certification including the complexity, administrative difficulties, and financial viability of obtaining/maintaining EurepGAP/GLOBALGAP certification.

Specific buyer policies concerning SSGs may also be important, perhaps fuelled by the perception that they are higher risk in terms of food safety and quality control. This was not explored in detail in the survey, but five Kenyan companies and one Zambian volunteered that their UK buyers are specifically asking them to reduce the number of smallholder outgrowers (or in one case to stop smallholder sourcing entirely) to guarantee traceability and quality. One company said “our UK importers have told us that outgrowers cannot make up more than 25% of production to safeguard on food safety, quality and traceability”.

Several researchers have recorded that small-scale producers are being excluded from the high-value retail supply chain due to the demands of PVS (e.g. Graffham et al, 2006; Reardon et al, 2003; Okello, 2005; Humphrey, 2006). However, their conclusions are to a large extent based on data from Kenya where companies are supplying the UK supermarkets which, according to Jaffee (2003), are the most demanding of markets, and which have for some years made

rigorous demands for PVS compliance. There is no doubt that smallholders face considerable difficulties in obtaining and maintaining EurepGAP/GLOBALGAP certification, and very few are so far certified. However, with the exception of Kenya, a widespread exclusion of smallholders from FFV exports as a result is not yet evident.

There are a number of possible explanations for this. Smallholder procurement by exporters may have been influenced by donor projects, many of which have given support that was specifically directed towards (and sometimes conditional upon) the retention of smallholder outgrowers.

In addition, evidence suggests that the stated policy of many of the major retailers to source only from EurepGAP/GLOBALGAP certified producers in developing countries (Fulponi, 2006) is not strictly applied in practice. There are strong commercial reasons for exporters to source from SSGs, as well as for EU buyers to continue to purchase smallholder sourced produce. The multiples need the produce, and substituting the large volumes provided by the SSG supply base is difficult over the short term. Perhaps because of this there has been inconsistent enforcement of EurepGAP/GLOBALGAP, as well as some continued activity of brokers in the supply chain (UNCTAD, 2008).

The future trends for SSGs are difficult to predict. There is a risk, however, that the pattern of decreasing SSG numbers seen in Kenya will be repeated in other countries as demands for the PVS become more widespread and more tightly enforced.

SSA SUPPLIERS AT A DISADVANTAGE

It is accepted that standards compliance can enhance the competitiveness of the developing country FFV industry. However, from a trade perspective, the PVS may adversely affect producers and exporters in Sub-Saharan Africa (SSA) as they face greater challenges in adjusting to the requirements than their competitors due to factors such as poorer infrastructure, weaker technical, financial and institutional capacities, and the larger investments required to upgrade farms (UNCTAD, 2008).

Dolan and Humphrey (2000) note that institutional weaknesses, coupled with rising compliance costs, will contribute to the further marginalisation of weaker economic players including small and poor countries, small and medium sized enterprises and, in particular, smallholder farmers. Mausch et al (2006) demonstrated that smallholder farms are at a particular disadvantage and face higher investment costs per acre to meet the requirements of EurepGAP/GLOBALGAP than the exporter owned farms.

On top of this, in their current form, the harmonised global standards may be putting SSA suppliers further at a disadvantage. A global standard must be sufficiently general to be applicable in a wide range of circumstances. GLOBALGAP, for example, is essentially the same standard whether applied in Germany or Ghana, and producers must comply with the same set of compliance criteria. If standard-setting bodies begin to adapt the standard to specific circumstances, then it is no longer "global" and risks losing its credibility with buyers. By nature, therefore, a global harmonised standard is inflexible and cannot easily be adapted to variations in local circumstances, even if these adaptations pose no increased risk to food safety or the environment.

This lack of flexibility is most problematic for suppliers who operate under circumstances that vary most significantly from the norm. In the case of the harmonised standards currently requested in Europe, the norm tends to use as a baseline an essentially “European” (or Western) production environment. The content and functioning of the standards are designed with a “European” context in mind. They are generally poorly adapted to the SSA production environment.

The result of this is some compliance criteria (or interpretation) that are very difficult for SSA players to meet, or which greatly inflate the cost of compliance, without bringing tangible benefits. An example is the requirement by auditors in Kenya for concrete floors in collecting centres. For rural SSGs this is extremely difficult. Concrete is very expensive and both logistically and financially out of reach. In addition, smallholder plots rotate, and collecting centres may also rotate (in the case of pineapple, for example). An easy and effective solution could be a plastic sheet that can be washed and transported. But there is little flexibility in global standards to allow for such adjustments. PIP has encountered many similar examples.

The situation is exacerbated by the fact that most policymakers and technical personnel in the standard-setting bodies are drawn from Europe, or other OECD countries. In the case of GLOBAL-GAP there is a predominance of Northern European players: of the 39 retailer members, 66% are from Germany, UK and the Netherlands, and none are from France or Italy. It must be assumed that the design of this global standard is influenced by the more demanding Northern European retail sector. The participation of DC stakeholders is minimal, and they have little power or influence; challenging or adjusting the standards to meet their needs is a lengthy and difficult process.

Another problem associated with some of the global standards is that not only the content, but also the delivery, is tightly controlled. Accreditation and approval of service providers (trainers, auditors, etc.) are in the hands of those who manage the standards. The purpose of this is to ensure consistency in the interpretation and application of the standard, wherever it is applied. In practice, it results in a very limited availability of service providers in SSA so that exporters are often obliged to bring in expensive EU trainers and auditors, and are subject to variable and often inflated prices. Sylvie Fontaine (PIP, Personal Communication) compared the price of six auditing companies for the certification of a 20 acre Kenyan farm, and for 7 farmer groups (each with 20 farmers per group). The quotes obtained for the farm certification varied between €346 and €1237. Quotes obtained for the farmer group certification varied from €2606 (€19 per grower) to an astonishing €22,792 (€163 per grower).

We have also seen that the current structure does not prevent inconsistency between auditors in their interpretation of the compliance criteria. An example is pesticide residue testing, which is causing serious problems for smallholder group certification in Kenya. Auditors working in Kenya have applied a distinct interpretation whereby individual samples are required for each farmer in a group. This is in marked contrast to other regions, including Europe and West Africa, where composite samples are accepted. The resulting difference in cost is very considerable, and this item alone can push the cost of certification beyond reach.

In conclusion, SSGs already face constraints in meeting the PVS due, for example, to high transaction costs, costly access to market and technical information, inadequate infrastructure, limited access to credit, raw material procurement problems, and limited management skills (Temu & Marwa, 2007). But in addition to this the PVS themselves may be disproportionately more difficult for SSA suppliers, and SSGs in particular, due to their current content and modus operandi.

HOW TO LEVEL THE PLAYING FIELD?

Temu & Marwa (2006) assume that the exclusion of smallholder farmers from the FFV value chain is because the stringent phytosanitary standards and product delivery requirements have “gone beyond (their) compliance capacity”. The results of this survey suggest that this is not the case. Despite the fact that they are in many respects operating at a disadvantage, many exporters and SSGs have demonstrated that compliance with the regulatory and market demands, from MRLs and traceability to the most stringent PVS, is achievable. However, for many SSGs, while compliance to PVS such as EurepGAP/GLOBALGAP is possible, certification on a sustainable basis is not. This is not generally due to technical constraints, but simply because it is not cost effective.

The difficulties facing SSA suppliers in meeting buyer demands, and in maintaining access to developed country markets, need to be addressed at different levels. It requires not only meeting the technical demands to achieve compliance, but also addressing the costs constraints associated with proving compliance through certification, and the sustainability of certification over the long-term.

The results of this survey as well as other workers (Graffham et al, 2006; Asfaw et al, 2007) have confirmed the general argument in the literature that resource poor suppliers without technical support and with limited access to information and services have great difficulties in complying with the food safety standards (Dolan and Humphrey; 2000; Okello, 2005). To date many SSA exporters are GLOBALGAP certified, but often only for a part of their operations. Many SSGs are working towards compliance, but only a small number are yet certified. To meet the expanding demands for GLOBALGAP from an increasing number of destination markets, SSA suppliers will need continued technical assistance from national and donor agencies.

Addressing the problem of certification has perhaps received less attention to date than enabling compliance. There is a tendency in the literature to take a macro-economic approach and look at alternative markets or wage labour for SSGs that cannot meet or sustain the demands of certification. There are few attempts to analyse in detail why certification is a problem in the first place, or to question whether the solution is perhaps in the content and modus operandi of the PVS themselves.

The PVS are a key element of chain governance, but it is not in the interest of EU markets to implement a tool that could potentially exclude a major element of the supply base. Adjusting the PVS to take into account the situation of DC suppliers must and should form part of the overall strategy. In the experience of PIP, some of the elements of the PVS that make them most costly and inaccessible to SSGs may not bring tangible benefits in terms of reduced risk to food safety or the environment. They may simply be a consequence of translating inflexible EU-centric standards into the very different DC production environment. Better mechanisms are needed to allow for the PVS, particularly the global harmonised standards, to be adapted to local circumstances.

EurepGAP/GLOBALGAP is distinct in that it does attempt to provide opportunities for adjustment. Their revision process, for example, does allow members to influence the content of the standard. However, the revisions are infrequent (4 yearly) and even with their Africa Observer

Initiative (<http://www.africa-observer.info/>), DC players do not have a strong voice. GLOBALGAP has also attempted to create an opportunity to adjust the standard to local conditions through the benchmarking of local codes of practice. Again this is time consuming, expensive, and the degree of flexibility is limited. Latterly GLOBALGAP are promoting the development of local interpretation guidelines (GLOBALGAP, 2008) as an alternative approach. This is as yet untried in SSA, but may provide greater opportunities for adjustment to local context, and certainly merits further investigation.

Aside from EurepGAP/GLOBALGAP there are few opportunities for DC players to engage with and influence the policies and PVS of the major EU multiples. Developing opportunities for such engagement are essential, perhaps building upon initiatives such as the UK DFID-funded Procurement Forum (<http://www.procurementforum.net>).

In addition to the operational details of the PVS, issues to be addressed with the multiples also include the fairness and proportionality of both the PVS and their wider firm policies. UNCTAD (2008) note that the PVS as chain governance instruments can lead to significant cost shifting, often to the detriment of DC players. Passing the cost of PVS down the supply chain is already having a negative impact on resource-poor DC farmers. In the longer-term, it could also negatively affect the retailers both by restricting supply, as well as potentially by damaging their reputation with consumers who are increasingly concerned with issues of fair and ethical trade. Consideration is needed concerning the fairer apportioning of costs along the supply chain.

To date, the main PVS in operation concern food safety management. Jaffee (2005) notes that differential application must be an integral part of risk management, whereby high-risk exports or exporters are faced with more stringent enforcement. The apparently more rigorous enforcement of EurepGAP/GLOBALGAP among DC suppliers (Fulponi, 2006) may not be proportionate to risk. Evidence from UK monitoring at least suggests that DC suppliers do not pose any greater risk in terms of microbial or pesticide contamination (A. Graffham, personal communication – see above). As noted by Jaffe, this issue merits further study.

Dialogue with the multiples and standard-setters is also needed at an early stage on the potential expansion of the PVS into areas previously the domain of NGOs and government regulation such as social accountability, environmental management, and animal welfare. While in the hands of NGOs, the environmental and social standards have tended to function in a manner that allows flexibility and adaptation to local needs and conditions. There is a risk that if these also are incorporated into the global standards, the effects will be similar to those observed with GLOBALGAP, but the impacts could be more severe (S. Homer, 2008).

Finally, as noted by Jaffee (2005) “developing countries should aim to be as proactive as possible in achieving compliance and in influencing the ways in which the international rules of the game are applied”. To achieve a level playing field for DC suppliers, there is a pressing need to strengthen the capacity of DC players so that they can engage more effectively with the policy makers and standard-setters. This requires better information and the development of strong public-private partnerships.

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