



Brussels Rural Development Briefings
A series of meetings on ACP-EU development issues

**Briefing session n° 11: Meeting food safety standards:
Implications for ACP agricultural exports**

11th May 2009

IMPLICATIONS OF STANDARDS COMPLIANCE FOR ACP HORTICULTURAL PRODUCERS AND EXPORTERS

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Executive Summary

As public food safety regulations become more complex, so the challenges faced by food business operators increase. The emphasis on food business operators as those responsible for food safety has also greatly increased reputational risk. Retailers must exercise control over the entire value chain, and private voluntary standards (PVS) are increasingly relied upon to codify the procedures needed to ensure and demonstrate compliance with the public standards as well as to protect and maintain reputation. Third-party certification is their means of enforcing compliance, but in addition transfers some of the burden and cost up the value chain towards exporters and producers. This creates major challenges for ACP exporters, particularly when supply chains involve many small-scale growers (SSGs).

During 2007-08, PIP conducted a survey of 102 beneficiary horticultural export companies distributed across 10 countries in East and West Africa. The aim was to assess their compliance status, but also to study the impact of PVS on companies and their SSG suppliers. The results indicated distinct value chains for fresh produce exports, the first predominant in Anglophone countries that export to supermarkets in UK, Germany, Netherlands and Switzerland, and the second in Francophone countries exporting principally to “other buyers” (wholesale, catering, etc.) in France, Italy and Switzerland, with less sold direct to supermarkets.

Distinct differences were found between value chains, and those supplying the “Anglophone” chain (notably Kenya) appeared under more pressure, and experiencing more problems, than those supplying the “Francophone” value chain. Companies reported a dramatic expansion in demands for PVS (principally GlobalGAP), but it was a more profound requirement among those supplying the stringent Northern European supermarkets in the context of more direct exporter-supermarket links. Certification is often addressed piecemeal – farm by farm - as companies adopt a staged approach to spread costs. In general only once company farms are certified do exporters work towards compliance and certification of SSGs. Smallholder certification was seen among respondent companies in Kenya from 2005, but in most other countries was a very recent phenomenon. Outgrower certification is expensive and again they work piecemeal, certifying one or two groups at a time. Despite substantial donor support, only a small proportion (15.9%) of SSGs supplying respondent companies was certified by March 2008, and results supported the finding of other researchers that under the current form and functioning of the PVS, SSG certification requires substantial external support and may not be cost effective over the long-term.

SSGs provided the bulk of production for many respondent companies. Despite difficulties associated with GlobalGAP certification, and the small numbers so far certified, only in Kenya and Ghana was there an apparent decrease in real terms in sourcing from SSGs. There are a number of possible explanations. Procurement practices of exporters may have been influenced by donor projects, many of which have given

support directed towards (and sometimes conditional upon) the retention of SSGs. In addition the stated policy of some major retailers to source only from GlobalGAP certified producers may not be strictly applied in practice. There are strong commercial and technical reasons to continue purchasing smallholder sourced produce, and substituting the large volumes provided by the SSG supply base would be difficult over the short term. Future trends for sourcing from SSGs are unclear, but there is a risk that the pattern seen in Kenya will be repeated elsewhere if demands for PVS become more widespread and tightly enforced.

The survey showed that buyer requirements, in particular PVS, create obstacles as well as opportunities to market access for ACP suppliers. Some elements of the PVS that make them most costly and inaccessible are simply a consequence of translating EU-centric standards into the very different ACP production environment; there is a pressing need for mechanisms that allow for flexibility so that the PVS can be adapted to local conditions. Improved dialogue is also needed with EU buyers in order to ensure that their policies create and enhance opportunities to trade, particularly with the potential expansion of retailer-driven PVS into areas previously the domain of NGOs and government (e.g. social accountability & environmental management).