



# SUPPORTING FARMER COMPLIANCE WITH PRIVATE STANDARDS

In recent years, private sector standards have rapidly increased in number and compliance with these standards is becoming a de-facto necessity to obtain market access. Certification, as a guarantee of compliance with these standards, can facilitate access to more lucrative markets than those for non-certified products. Certified products can receive a price premium, as in the organic and fair trade market segments, or they can provide access to new or existing conventional export markets. Compliance with such private sector standards is often problematic for developing countries and especially smallholder farmers. Many issues affect the participation of small-scale farmers in markets for certified, high-value products. This policy brief provides an overview of the issues and a number of policy recommendations for countries and governments, with a focus on private-sector standards related to Good Agricultural Practices (GAP).

*GAP certified avocado farm in Kenya*



## ARE SMALLHOLDERS ABLE TO PARTICIPATE IN MARKETS FOR HIGH VALUE PRODUCTS?

Compliance with private voluntary standards can open market opportunities for small-scale farmers contributing to income generation, provided that minimum requirements are met. However, asset shortages may impede the necessary investment, and higher recurrent costs associated with compliance have led to the view that compliance by smallholders is only possible under certain circumstances.

- **Varying estimations for cost of compliance** There are different estimations, data, studies and results relating to the costs of compliance and certification of small-scale farmers. The exact costs of compliance are difficult to estimate. Contributing to the varied opinions on compliance and certification costs for smallholder farmers, is the varying definition of what exactly constitutes a smallholder. Across a wide variety of studies, the definition is not constant. Unless one definition is used, it is difficult to do cross-country comparisons.
- **Small-scale farmers should have a minimum scale to be competitive in high value certified markets.** There is a certain minimum land size that is necessary to be competitive. Anecdotal evidence suggests that in Kenya, 2 ha (5 acres) is the minimum amount of land needed to guarantee viability as an individual small-scale farmer. Less than 1 ha, a farm is not individually viable but may be competitive in a group, while farms of less than 0.4 ha tend not to be competitive at all.

## IS CERTIFICATION FEASIBLE FOR SMALL-SCALE FARMERS?

The whole range of compliance costs leading up to and achieving certification can be divided into initial investment costs and recurrent costs. These costs vary widely between countries, depending on the existing farm infrastructure and farmer skills, whether technical and business development services (BDS) are available; whether certification is individual or by group; whether investments are individual or communal and if local laboratories for analysis or local/ regional certification bodies are available.

## COMPLIANCE COSTS

A recent FAO cross-country study in four developing countries indicated that highest initial investment costs were for fixed structures - pesticide/ fertilizer storage in Malaysia and South Africa, packing houses in Kenya and toilet and hand wash facilities in Chile. The highest recurrent cost, for three of the four countries surveyed, was the cost of certification.

## SUCCESS FACTORS IN LINKING SMALL-SCALE FARMERS TO HIGH VALUE PRODUCE MARKETS

It is possible for smallholder farmers to make the necessary investments on farm to become and remain certified. The success factors which allow this are:

- **Market linkages.** There must be market channels open to farmers. These can be domestic markets, although such markets usually do not require certification; regional markets, which tend to have certain minimum standards, usually Sanitary and Phytosanitary (SPS) based requirements, or export markets with certification depending on market channel, e.g. supermarket, niche, wholesale or ethnic markets. It is unwise for farmers to look for certification to GLOBALGAP<sup>1</sup> or other private GAP standards, for example supermarket own brands, if they do not have a guaranteed exporter, market or marketing channel. Most exporters establish their own linkages with small producers under various arrangements including contract farming, with varying degrees of formality.
- **Initial support and investments.** are certain initial investments (e.g. fixed structures, setting up an internal/group management system) necessary to participate in certified product markets. These vary between country and farmer, depending on the current level of infrastructure, on-farm management, enabling environment and local business support, that is readily and cheaply available. In cost-sharing arrangements with other farmers, exporters or donors, there is a certain balance of costs and responsibilities necessary to ensure long-term sustainability.
- **Coordination and traceability among food chain actors.** Coordination of the entire food chain, with good agricultural practices (GAP) on farm and good hygienic and safe treatment by produce handlers and transporters after the farm gate is necessary to ensure that quality and safe produce reaches the consumer. Actors at each step of the chain must treat the product with care. A Hazard Analysis and Critical Control Points (HACCP) approach can be applied to

the complete food chain, with Good Hygiene Practices (GHP) and Good Manufacturing Practices (GMP) certification as integral parts of food chain safety assurance (e.g. British Retail Consortium (BRC) certification which includes GMP).

Traceability of the product along each step in the chain is critical especially in supplying European markets. South Africa presents a very good example, where the statutory organization PPECB (Perishable Products Export Control Board) has the responsibility of certifying the entire cold chain. To enable record-keeping and documentation at farm-level, the translation and simplification of procedures, for example by development of manuals and forms to assist quality management system (QMS) implementation, can enable farmers to better understand and manage documentation systems.

*Field training in Kenya*



- **Group Formation.** certification has been a useful strategy to enable small-scale farmers to comply with third-party certification to private sector standards. Several conditions are required in order for this strategy to succeed. Some of these include good cohesion and management structures in the group, sufficient resources to maintain the Internal Control Systems (ICS) and good contractual relations with exporters. Farmer groups, especially horticultural commodity groups, may also provide some facilitation for agri-business linkages such as a) supply of inputs (e.g. planting materials) b) finance/credit (e.g. in form of inputs and packaging materials) c) produce procurement, and d) marketing services and facilities, including transportation.

<sup>1</sup> GLOBALGAP (Global Partnership for Good Agricultural Practice) is the new identity for EurepGAP, a private sector GAP standard, which announced its identity change (with a new name and logo) in September 2007.



Despite the hidden costs of group formation (e.g. initial high time investment in meetings, loss of individual freedoms) it is possible for business-like groups to remain certified and make a profit supplying high-value product markets. The initial investments in fixed structures such as pesticide and fertilizer storage and covered packhouse and recurrent costs such as water and soil analysis, can be shared within the group.

- **Business development services (BDS).** There are many areas in which it is possible to improve production efficiency at farm level, successfully reduce the cost of compliance and strengthen market linkages. Business service providers are one of the ways in which small-scale farmer compliance for private standard certification and export can be supported.

There are wide variations in the types of business development services involved when agri-business arrangements are established between a farm, farmer group, exporter, or marketing groups like a Produce Marketing Organisation (PMO). Many donors have taken different approaches to BDS provision. These have had varied success, and it may be most cost-effective to let export companies provide extension services and BDS. However, the market cannot provide for all, and in some remote areas only government extension services are present. Training and assistance from government is still necessary for farmers in areas without the presence of exporters or private extension agents even though they may be supplying domestic instead of high-value markets.

- **Extension Services: Capacity building, training, information.** Extension services at the individual farm

*Separated bathrooms for male and female after GAP protocols*



*Farm information for the traceability system*

level may include technical issues like crop management and record keeping or training on group management and organization. Most training is currently being done by donors and non-governmental organizations through funded projects, by private firms (e.g. by exporters /producers arrangement) or by government extension services.

- **Certification infrastructure: Laboratory testing, certification and auditing systems.** Institutions such as Africert, the first East African certifying body, have helped to reduce the cost of certification quite significantly compared to other certification bodies in Africa. Taking random catchment area samples of water and soil instead of individual farm samples has also proved useful in cost reduction.

## POLICY ISSUES

Smallholder farmers are often poorly integrated into marketing systems, especially those farmers whose production systems are marginally competitive or who have not previously been exposed to market competition. However, growing domestic and international markets for high-value agricultural products can represent lucrative opportunities for competitive producers.

Based on recent FAO studies and country activities, a number of policy recommendations and interventions could be pursued to promote smallholder integration in markets for high-value certified products:

## MAIN ISSUES TO ENABLE COUNTRIES TO PARTICIPATE IN HIGH-VALUE CERTIFIED PRODUCE MARKETS

- **Legal framework and regulation mechanisms.**  
The development of relevant and enforceable food safety laws and regulations is an essential component of a modern food control system. Governments must have the correct legal framework in place to meet international market requirements and regulations of the international food trade. These may include the Codex Alimentarius, European Food Law or other international agreements such as Sanitary and Phytosanitary (SPS) measures and agreement on Technical Barriers to Trade (TBT).
- **Effective food control system.** The marketing of produce to high-value markets requires an effective national food safety control system to facilitate compliance with appropriate food safety laws and regulations. This is essential to provide assurance of the quality and safety of commodities entering international trade, protect the health and safety of domestic and foreign consumers and ensure that imported food conforms to national requirements.
- **Certification and laboratory infrastructure.**  
Certification bodies and auditing services to provide proof of compliance and laboratories to provide analysis services are all essential to ensure that smallholder farmers can gain access to modern markets.
- **Physical infrastructure.** For successful participation in high-value markets there is a need for good quality physical infrastructure (e.g. packhouses, rural markets, cold stores, rural roads, transportation, storage, water supply, electricity), which is adequate

2006/Mung'oma



*Covered packaging and storage area*

for the development of the rural economy and evenly distributed, in order that all areas with agricultural potential have the required access.

- **Business environment.** The presence of an enabling business environment is very important to improve efficiency at the production, processing, marketing and export stage. The policy environment should encourage entrepreneurship and the provision of necessary services such as product grading, market linkages, quality assurance, access to good quality inputs, and appropriate technology.
- **Extension Services.** Countries must have good delivery mechanisms to deliver the necessary information, education and advice to stakeholders along the entire supply chain. Countries with a high participation of smallholder farmers in high-value produce markets are characterised by having intensive and extensive farmer training. This training can be provided by a variety of sources including private extension agents, export firms or a government extension service.

## FAO CONTACTS

This technical brief was prepared by the Rural Infrastructure and Agro-industries Division of the Food and Agriculture Organization of the United Nations, FAO.

Further information can be found on the FAO website at:

[http://www.fao.org/ag/ags/index\\_en.html](http://www.fao.org/ag/ags/index_en.html)

For information on FAO technical assistance, please contact your FAO Country Office or the FAO Agricultural Management, Marketing and Finance Service, AGSF at: [AGS-Registry@fao.org](mailto:AGS-Registry@fao.org) or Tel: (+39) 06 57051;

Fax: (+39) 06 57053152.

All the photographs: FAO/2007/Santacoloma

The content of this brief was drawn from the report "Investment and capacity building for GAP implementation programme in the developing world –

The case of the export Fresh Fruits and Vegetables sector" (draft manuscript).

