



STANDARDS AND MARKET PREFERENCES: OPPORTUNITIES AND CONSTRAINTS
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“STANDARDS AND MARKET PREFERENCES” - JULY 2010

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The Author

At 48 years old, I have spent most of my life working with companies that supply or have a desire to supply the European food industry with fast moving fresh products. I worked for seven years with Flamingo Homegrown, a €500M vegetable and flower company based in Kenya but sourcing globally.

Brand values and the private standards implemented to protect those values now impact the lives of millions of consumers, suppliers and workers worldwide. Ten years ago I became involved in the writing, management and implementation of private voluntary standards (PVS). I believe that good governance, transparency and technical integrity are pivotal if PVS are to aid rural development. I have always fought hard to ensure that these key measures are rigorously applied and that the voices of those in least developed countries that are impacted hardest by these standards are heard. I served as director of GlobalGap and currently benchmark standards for the Global Food Safety Initiative.

Returning to consultancy for the last four years I have been using my experience of developing and working with these private standards, the practical working implementation and, more recently, the measuring of the impact on livelihoods for many organisations, particularly in respect of smallholder farmers in Sub Saharan Africa. Business linkages that rely on standards compliance and conformity infrastructure are a particular interest.

- Former Ethical Trading Initiative Board Member
- Former GlobalGap Board of Directors and technical committee chair
- GlobalGap Africa Observer Project
- NSF-CMI Certification - Governing Board Member
- National Proficiency Tests Council. - Board of Trustees
- IIED/Gates Foundation "New Business Models for Sustainable Trading Relationships" project.
- UNIDO trade standards compliance report contributor
- Institute of development studies /DFID Africa trade credit report
- World Bank Institute "Standards and Trade: Challenges and Opportunities for Developing Country Agro-Food Trade" Course facilitator
- CIES/GFSI benchmarking agri-food standards consultant
- Meatco Namibia Consultant
- Unilever sustainability code – consulting expert author

Abbreviations used:

B2B: Business to business	ISEAL: International Social and Environmental Accreditation and Labelling Alliance
B2C: Business to Consumer	ISO: International Organization for Standardization
B2S: Business to society	MPS: Mandatory private standards
BRC: British retail consortium	MRL: Maximum Residue Limits
DFID: UK Government department for international development	NGO: Nongovernmental organisations
EU: European Union	NTWG: National technical working groups
FAO: Food and Agriculture Organization	PAN: Pesticide action network
FOE: Friends of the Earth	PVS: Private voluntary standard
FPEAK: Fresh produce exporters association of Kenya	RA: Rainforest alliance
GAP: Good agricultural practice	SPS: Sanitary and Phytosanitary
GFSI: Global food safety initiative	SQMT: Standards, quality, metrology, testing
GMP: Good manufacturing practice	UNCTAD: United Nations Conference on Trade and Development
GTZ: The Deutsche Gesellschaft für Technische Zusammenarbeit	UNIDO: United nations industrial development organisation
HACCP: Hazard Analysis Critical Control Point	WHO: World health organisation
ILO: International labour organisation	WTO: World trade organisation

Executive Summary

The acceptance that private standards are firmly established is a major contributor in bringing the key players together. The tension between public and private standards champions has yet to be fully resolved but there is evidence that progress is being made to a more co-operative stance between the various entities¹. The debate around the content and language of the food safety standards is converging but the claims of who should manage, govern and implement food safety still remains largely unresolved.

This debate between multinational companies, private standard coalitions, and the WTO has centred on potential nontariff barriers to trade. Going forward food security, food quality and public health will involve other multilateral agencies and governmental bodies and there will be a need to provide a neutral space to facilitate and manage these discussions.

Sustainability criteria are starting to appear embedded in private standards previously aimed at increasing food safety. This market differentiation by the food safety standard owners could provide as many challenges to developing countries as meeting the more complex food safety needs of the last decade.

The cost of proving compliance with private standards, both food safety and the emerging sustainability standards, are frequently researched and the conclusion remains that the full cost of internationally approved private standards cannot be carried wholly by the smallest farmers. However if these costs are amortised across the whole value chain as an overhead cost of doing business then the outcomes are more realistic. It is clear that for developing countries to gain access to the higher levels of the export value chain proof of compliance through private standards will remain as the gatekeeper. The task of fairly distributing the cost of proving compliance remains unanswered and is not the same as a fair price discussion addressed by the Fair Trade type organisations.

Standards developed for export markets can be adapted for use in local food systems by both public and private actors and can contribute to the public good. The evolution of the Kenya gap standard initially developed for the export market of fresh fruit and vegetables into a domestic scope publicly supported and implemented for the foodservice industry in Kenya demonstrates that not only is there a high probability that the criteria for safe local food and save exported are the same but export food standards can provide public good if there are sufficient actors to take this task on.

Standardisation of standards appears to be logical and technically possible but ignores the competitive aspect standard owners. Many Private and coalition standards evolve from precompetitive schemes into large bodies competing with each other in the food safety space. They compete not only with each other as private standards but also with ISO and other voluntary bodies in the same space. Competition for the quantity of audits, scheme membership, market relevance and even industry recognition, drives standards and schemes to differentiate in the market and not towards convergence and harmonisation.

Corporation at regional level such as the COMESA green pass are a beginning and should be encouraged. Promotion of these initiatives in terms of awareness and technical credibility will take time to gain critical mass of activity and global acceptability. Examples of value chains that have been positively impacted by the COMESA green pass will be a valuable asset in the drive to convert meetings and agreements into practical actions on the ground.

¹ GFSI Conferences and Advisory board provide a strong example of this type of outreach

Introduction

The debate around food safety standards as a potential barrier to trade for developing countries for export and regional trade has been with us for many decades. The problem is clearly still unresolved with governments, institutions and regulators continuing to analyze and agonize over how to deal with the issue. While this debate has continued to develop, an ever larger annual volume of south-north trade is being covered by private standards requirements and being delivered against a backdrop of rising standards complexity and proliferation.

The tension between public or private delivery of what is a long standing, internationally agreed set of scientifically proven food safety requirements forms a thread of the debate, but the additional layers of control requirements added by private commercial entities still dominate the discussion.

Complaints to the WTO SPS Committee under Article 13 (SPS)² by developing countries certainly appear to concentrate more on the prescriptive and additional requirements of the private standards and on the associated costs of proving compliance through third party certification rather than the rigour of the food safety requirements themselves.³

Discussions about harmonising regional SPS requirements through initiatives such as the COMESA Green Pass continue as part of wider and more complex inter-regional free trade discussions.

It is important when discussing these issues to differentiate between regulations, standards and schemes, because when considering the subsequent layers of public and private ownership and extrapolating further to the consolidated requirements of benchmarking standards⁴ the language being used often becomes confused.

	Public	Private
Mandatory	Regulations	Legally mandated standards
Voluntary	Public voluntary standards	Private voluntary standards

Regulations assess what the outcome should be. The **Standard** creates a set of rules designed to produce this outcome and a **Scheme** creates a methodology and governance protocol that will deliver the **Standard** in a credible and robust way.

An example of a **Regulation** would be The General Food Law Regulation (EC) 178/2002, a **Standard** to codify parts of that regulation would be ISO 22000 and a **Scheme** to deliver the requirements of ISO 22000 would be FSSC 22000⁵

² "Members shall take such reasonable measures as may be available to them to ensure that non-governmental entities within their territories, as well as regional bodies ..., comply with the relevant provisions of this Agreement..."

³ WTO survey G/SPS/GEN/932 15 June 2009

⁴ The comparison and acceptance of several different standards to a single recognised set of normative requirements that may be undertaken by private or regulatory bodies

⁵ FSSC 22000 is a certification scheme for food manufacturers and is owned by the Foundation of Food Safety Certification. It includes the following requirements:

- Food Safety Management System, in accordance with ISO 22000:2005
- Pre-requisite Programs, as stipulated by BSI-PAS 220:2008

Competitive food safety forces

The history of private food standards and particularly GlobalGap (formerly EurepGap) and its impacts on small holder farmers in Africa is well documented. The evolution and rise of GlobalGap often provides a convenient single common focus for researchers, campaigners and commentators to debate and hypothesise on the apparent ills and benefits of private food safety standards as a whole. That debate, although focused on the public delivery of food safety, fails to recognise the differing and often competing forces acting on the market and the private agendas of the actors involved.

A short analysis of the evolution of GlobalGap provides a good example of where external forces both of regulators and civil society were rapidly catalysed into a competitive private corporate solution.

By 1999 EU food safety policy was clearly becoming more defined, more prescriptive and wider reaching, replacing national standards as the required control. The precautionary principle under the 2002 General Food Law and the harmonization of regulations across the EU saw the introduction of 'one-up one-down traceability requirement' for companies. These regulations were well telegraphed to the market and the major companies were quick to adapt and develop private solutions to manage these new regulations.

There was already commercial advantage to be had in being the first to efficiently deliver these mandatory requirements and safeguard supplies without adding costs.

At the same time as the EU moved to strengthen controls, the public message from NGOs like Friends of the Earth (FOE) and Pesticide Action Network (PAN) implied that supermarkets were selling unsafe food. The FOE briefing paper in August 2004 stated "20 per cent of fruit and vegetables sold in supermarkets contain more than one type of pesticide residue"⁶. GlobalGap started in 1997 with the purpose of making good agricultural practice (GAP) deliver better food safety, but it cannot be denied that pressure on supermarket brand reputations and trust was a contributory factor in its evolution.

The subsequent collective voluntary harmonization of a number of retail supplier codes of practice provided the early drafts of the new GlobalGap standard. However, the first official version that emerged made traceability through record keeping⁷ a central pillar. For the standard owners there was a chance to combine all of the prevailing forces acting on the industry in a single new standard.



Figure 1: Catalysed forces: Steve Homer 2001

- Additional requirements: Inventory of applicable regulation; Specifications for services and Supervision of personnel in application of food safety principles.

⁶ The pesticides in our food – Briefing Paper August 2004

⁷ It is interesting to note that much of the criticism of the GlobalGap system is still the volume of documentation required to prove compliance.

This potent mixture of complex and often unscientific drivers have continued to act on the regulators and standard owners alike, and has often defined the speed of development of both the scope and depth of public and private agri-standards evolution, particularly in the past in the decade (see Figure 2).

An examination of why standards continue to expand, diversify and proliferate cannot also be confined to reasons of proven science or of simply improving the public good. Many commentators ask why we need another private food safety standard at all. What is wrong with Codex? Why can't we use ISO? However, this is again done without considering the question of competition between private standards to regulate, differentiate, and expand as commercial entities.

It is helpful to consider the drivers of standards from above, from the centre, and from below.

From above: Retailers, food processors and food service industries use standards to control upstream value chain processes and often design standards that are unique to their own requirements. Legislation creates new risks – particularly to the brand and reputation.

From the centre or "from outside": NGOs and social and civil society based coalitions want to promote more general goals and best practice such as worker welfare, social justice, environmental goods, etc. Many of these movements such as Rainforest Alliance, Fairtrade and The Marine Stewardship Council have extensive producer improvement programs attached to them which lead to the eventual certification. These private voluntary standards (PVS) arise from specific civil society concerns and often find themselves moving from specialist niche players into the mainstream volume foods chain as their particular issue of concern gains public momentum and media prominence.

From below: Producers and producer associations can use technical competitive advantage to differentiate and attract high end users. For example, ChileGap⁸ provides its producers with a comprehensive set of standards that meet the needs of both the European and the American market and provide differentiation from "generic South American produce" through greater but not regulatory technical certification.

From this description it is evident that private standards are not only about proven food science for the public good, but as much about competition and defensive reaction to market forces. Hence the institutions and public frameworks who are tasked to provide solutions and regulate activity in this space often find that many issues are developing outside of their terms of reference.

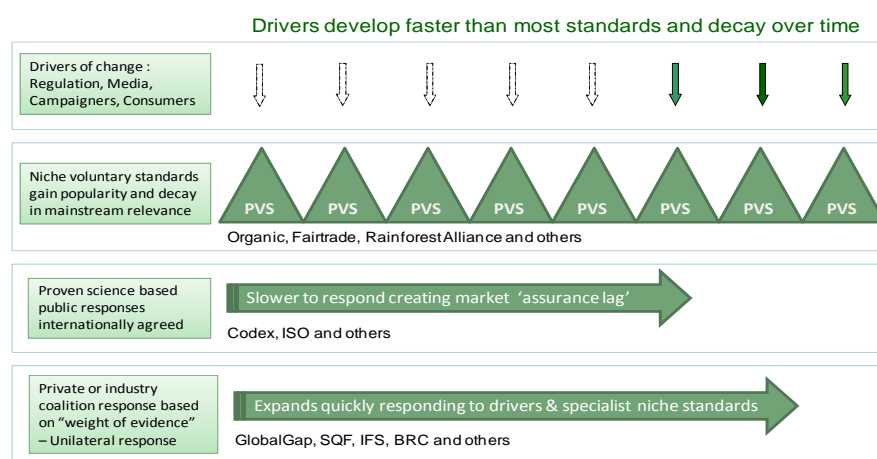


Figure 2: Standards evolution adapted from: Steve Homer and David Richardson NSF-CMI

⁸ <http://www.chilegap.com>

Standards evolution and industry response

The outcome of this stratification of the standards landscape into legal compliance, market compliance, and industry leader are shown in Figure 3. Basic market entry through legal compliance to Codex food safety can be underwritten and demonstrated through the use of ISO standards. To gain access to the mainstream EU private markets the use of an industry coalition standard such as GlobalGap, British Retail Consortium, or other similar international scheme may be required, regardless of being able to demonstrate compliance through an ISO certificate. At this stage the majority of the criteria that are being proven and certified regard food safety.

However, to demonstrate industry-leading characteristics that would differentiate either the product or the production methodology requires the use of a niche or specialist standard that may not be so heavily food safety based. This may take the form of environmental, social, or a production methodology perceived as being more sustainable, like organic or marine stewardship council certified. It is possible to link legal food safety compliance with a niche standard without the need to demonstrate mainstream market compliance, but it is increasingly clear that to access the high volume global markets there is a need to link all three standard types.

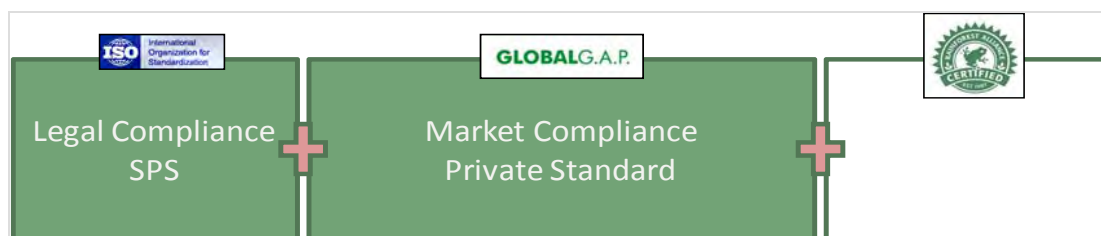


Figure 3: Cumulative or building standards adapted from: Steve Homer and David Richardson NSF-CMI

It is clear that there is no longer a single gatekeeper when attempting to access the more differentiated markets, and legal compliance is simply the starting point. Although these more complicated and mainly export markets do not always guarantee a higher return, they are often seen as a desirable end goal to achieve by the majority of producing countries.

Private standards are able to recruit and deploy industry member expertise, consider weight of evidence and not just scientific proof to develop practical solutions for their constituencies. These solutions not only cover current challenges but also attempt to implement measures that address the issues that are predicted to emerge in the near future, that are those items that will emerge before the next revision cycle. There is no requirement for extensive public or stakeholder consultation, just lead constituency agreement. The net effect of this is that private standards can reach further and develop faster than public equivalents.

For example, the "Recommended International Code of Practice – General Principles of Food Hygiene" has been revised four times since its original adoption in 1969, while the BRC Global Standard for Food Safety has been revised five times since its initial implementation in 1998.

The evolution of combination standards

The mixing of internationally agreed scientific food safety regulation with mainstream industry best practice, and further extrapolation into expanded activity of civil society approval, provides an ever moving target for developing countries and an almost insurmountable barrier when considering the potential for harmonisation of standards and schemes.

In the last decade the successful application of private industry coalition standards in good agriculture practice (GAP) and good manufacturing practice (GMP) has seen a small reduction in the number of individual retailer and manufacturer owned standards being operated in the market, despite a number of high profile food safety incidents⁹.

However, there is still a high number of private label schemes in the market, and in the recent WTO survey G/SPS/GEN/932, Tesco Nature's Choice (UK) is the most commonly cited retail scheme. Private Standards applied by Heinz, McDonalds, Aldi, Edeka, Netto, Carrefour, Lidl, Metro, Norma, Plus, Rewe, Tegut, Tengelmann, Marks & Spencer, and Metro Cash and Carry are also cited.

These largely business-to-business food safety standards can be described as "food integrity". However, the increasing focus of interest amongst the EU consumers, shareholders and civil society is how food is produced, by whom, and how it reaches the final consumer (see Figure 4). The dialogue between business and society (B2S) is evolving quickly as African food security and climate change challenge the logic of global food chains from south to north.

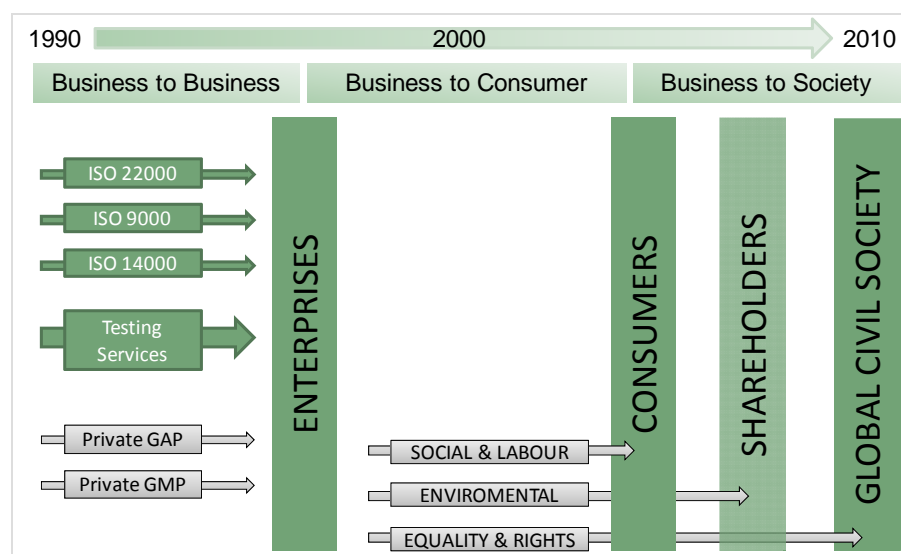


Figure 4: The public private interface: Steve Homer 2009

As a consequence, "provenance" standards which include labour rights, environmental and business equity standards have been projected into the mainstream global food chains and have inadvertently competed with each other to take the role as the niche standard that most adequately demonstrates industry leadership (see Figure 5).

⁹ Eg BSE (bovine spongiform encephalopathy) in the UK, E.coli in hamburgers in the US; dioxine in animal feed in Belgium, salmonella outbreak in UK, and avian flu in Asia.

This move from business-to-business (B2B) food integrity standards to business-to-consumer (B2C) provenance standards and into Business-to-Society (B2S) has added an additional layer of complexity for developing country producers wishing to enter the differentiated European market through compliance initiatives.

This hybridisation can be demonstrated using the example of a large international retailer moving an entire product category like bananas, cocoa or tea to Rainforest Alliance Certified (RA).

The provenance standard becomes an additional layer that must be applied. Food safety regulation and the industry certification such as GlobalGap in bananas or the BRC¹⁰ factory certification in the case of tea or coffee are still required, and cannot be sidestepped by the use of a provenance standard like RA.

In this case there are now three mandatory layers to be achieved to access the specific market. The RA standard itself inadvertently evolves from being what is often termed a voluntary standard to being a mandatory standard, now a prerequisite for market access. The debate around what constitutes private voluntary standards (PVS) or Mandatory Private Standards (MPS) can therefore often relate more to how the market applies the standards rather than to the inclusiveness, governance, design and application applied by the standard owners themselves. This is despite the efforts of umbrella organisations like the ISEAL Alliance¹¹, who develop best practice codes for their members.

Multi stakeholder voluntary standards that were previously seen as improving inclusiveness may now have started to create exclusions by the way that they have been adopted and adapted by the mainstream market.

The challenge for these standard owners is to balance the opportunity of significant scale-up, better market penetration and mainstream acceptance of their core principles while trying to coexist with fast moving global commercial entities who have adopted their standard but perhaps not with the same common purpose.

It is this tension between practically achieving the main core principles and proving credible compliance for brand protection reasons that has not been fully resolved. As a consequence many of the aspects contained in social, equity, and environmental schemes are now being interpreted and incorporated into retailer owned combination standards, and the process of harmonisation of food safety standards through coalition standards like GlobalGap is being reversed by differentiation through individual sustainability claims.

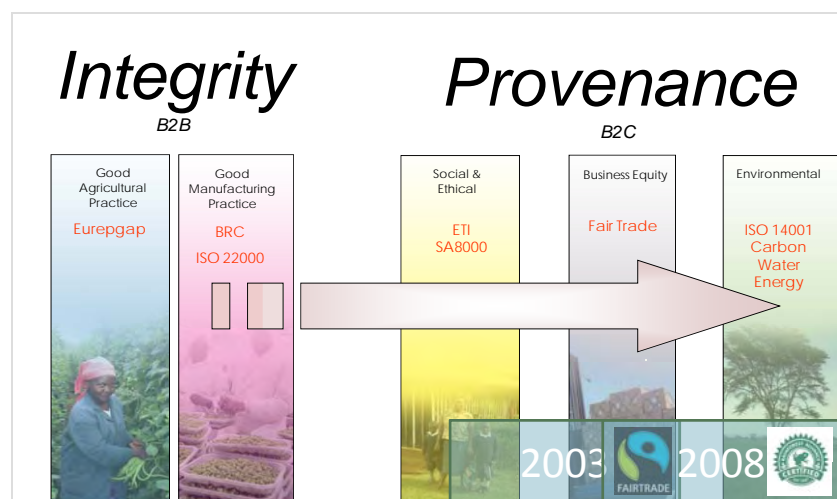


Figure 5: Integrity to Provenance and overlapping agendas: Steve Homer 2008

10 British Retail Consortium <http://www.brcglobalstandards.com/standards/food/>

11 <http://www.isealliance.org/content/codes-good-practice>

Combination standards

Private food safety standards have been the norm for over a decade for suppliers working in the differentiated markets. Chain wide traceability, acceptance of third party certification, and disclosure of supply chain information to the customer has become part of everyday life.

This conduit of food safety information transfer is being used as the core skeleton to wrap extra requirements around such as social, equity, and environmental considerations. Using the same auditing methodology, certification bodies and IT collection systems, the retail chains and manufacturers are frequently mixing good agricultural practice and food safety with sustainability into single standards and audits with multiple modules.

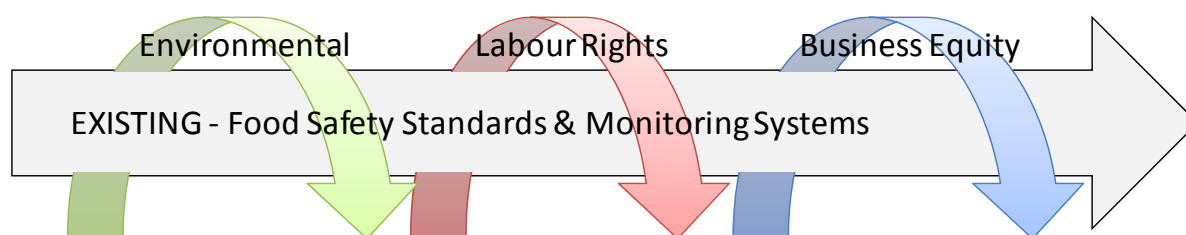


Figure 6: Using food safety as a carrier for sustainability criteria: Steve Homer 2009

A good example of a combination standard emerging is Tesco Nurture or Marks & Spencer's Plan A. Both standards started life as B2B good agricultural practice (Tesco Nature's Choice and M&S Field to Fork), standards owned and operated exclusively by these retailers. In both cases the standards were referred to by the retailers in corporate literature but were not promoted as a B2C solution. In addition standards could be audited in combination with GlobalGap by accredited certification bodies at little extra cost to producers.

The incorporation of labour practice criteria, carbon footprint, business equity and the use of natural resources has slowly emerged. This move coincided with both standards becoming B2C and as much about brand enhancement as about safeguarding food safety.

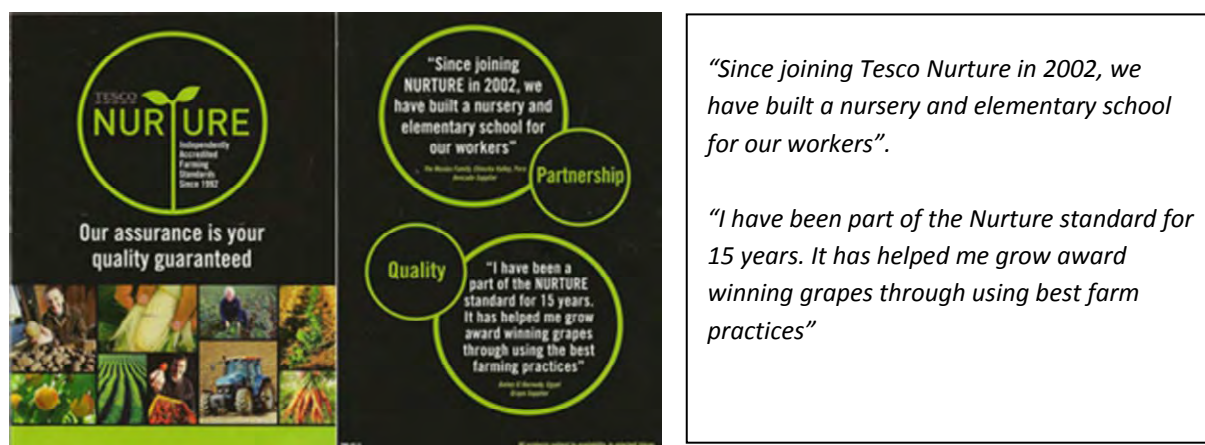


Figure 7: Tesco Nurture leaflet from early 2010

Public versus private standards

The many examples contained in the first part of this paper have aimed to demonstrate the complexity and the dynamic nature of the environment that many private standards have tried to codify. The question still remains as to why private standards evolved when there were credible public standards such as ISO already developed and applied.

In all areas of activity (not just food safety) public guidance and ISO standards developed by science based methodologies and with widespread international consultation could have been adopted. There were many companies already using quality standards such as ISO 9000, environmental standards such as ISO 14,000 and ILO conventions governing labour rights applied through their national laws. So why was it necessary to create and adopt private standards to cover the same aspects?

Much of the reason was related to the application of the standards and not to the content of the standards themselves. It has already been discussed that a standard combined with a protocol is often referred to as a scheme. It is the schemes that operate standardised prescriptive methodologies to achieve the same desired outcome as the public regulations that have flourished, particularly when being applied in areas where application of laws or regulation are perceived to be weak.

Despite the fact that many developing countries are recognised as having competent authorities as a prerequisite to being granted admission to the EU market, this basic food safety inspection methodology fails to verify the best practice criteria that differentiate the product from the generic market production. Even the use of publicly available ISO standards is seen by many retailers and manufacturers as too generic to provide the necessary prescriptive process management that certification will verify. Without this specific process driven differentiation, the retailers and manufacturers cannot claim that they have taken extra care to provide better products for their consumers.

Again here the competition aspect, particularly in respect of export goods, plays a role as gatekeeper for producer access to those differentiated high end markets.

In most cases Codex and HACCP feature strongly in private standards with regard to food safety. However, many private schemes are not simply focused on achieving 100% food safety. For example, integrated pest management and the reduction of the use of agro-chemicals form a large component of the GlobalGap standard, of which only 60% is mandatory food safety¹², the rest being worker health and safety and environmental best practice. This could be argued to contribute to better food safety, but does not in itself provide it.

Codex is an important component of food standards and is the core DNA that runs throughout private food safety measures. While the work of Codex is generally described in terms of standards-setting, it is more useful to think about its activities as defining a set of rules in which national governments establish regulatory requirements. Codex standards, guidelines and recommendations provide guidance to governments and also act as the reference point

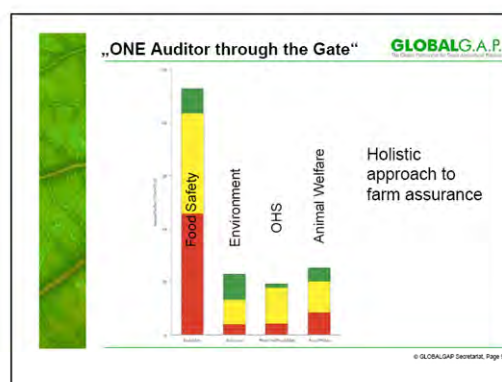


Figure 8: Major, minor and recommended control points: From GG secretariat Dec

12 UNCTAD meeting - Facilitating Access of Small Organic Farmers in Developing Countries to Supermarket Shelves, Geneva 10 December 2009

for compliance with obligations under the WTO. The ISO standards play a similar and often complimentary role. At the same time, Codex principles provide guidance and set rules for the development and implementation of private standards. Indeed, many private food safety standards make explicit reference to Codex Standards, guidelines and recommendations (for example SQF 2000). It is well recognised by the standard owners but often not explicitly mentioned, credited, or specifically referred to. Any co-operation and collaboration between the various pillars of the private and public standards has seemed remote in recent years. An acceptance that private standards can contribute to better food safety and public health has yet to be universally accepted by regulatory bodies and institutions involved in food safety.

Competition for primacy or legitimacy in the governance and delivery of food safety continues to be hotly debated through a severe frost of suspicion. It is interesting to note that the governance of food safety through regulation as a legal requirement has not changed and cannot be replaced by private standards, but private standards can provide a delivery mechanism to achieve legal compliance. The recognition of the positive role played by private standards in achieving this legal compliance appears to be reaching a more positive consensus but the financial costs, lack of choice, and suitability of the methodologies is far from being universally accepted as appropriate.

Adaptation to private standards in Kenya

For those faced with the mandatory adoption of private standards to remain active in the global supply chain adaptation is as important as adoption. Quite often the private standard written as a normative reference document as part of a scheme provides a prescriptive methodology and a comprehensive set of compliance criteria, but little guidance on how local adaptation may be accepted to provide the same outcome. In many cases the fear of certification failure based on the view that auditors are unable to make qualitative judgements leads to a very literal adoption of the standard at the farm level.

Although many standard owners never envisage that the normative documents will be carried to the field, this is often the default position when national resources and extension services do not exist to interpret the requirements. This was the situation in Kenya around the year 2000 when the first draft papers from GlobalGap and the EU White Paper on Food Safety (published in January 2000) emerged into the public domain. This perceived threat to the export horticultural market in Kenya and to what had been a flagship success for East Africa provides a good example of how different parts of the market quickly adapted to the arrival of the first global industry coalition standard.

The new EU regulation and rumours of an impending retailer 'super standard' were regularly confused and misreported in Kenya at the time. The National Newspaper "Daily Nation" in Kenya of Friday 7th May 2004 contained an article describing the difficulties that smallholders would face in complying with quality standards such as GlobalGap under the title "EU rules could destroy horticulture". The article was indicative of the confusion and pessimistic mood at the time over the effects of regulatory protocols of a group of European retailers¹³.

For the producers and exporters in Kenya there was a split emerging between the large exporters and the small independent operators. For the large producers and exporters who had already been living with retailer-specific requirements for a number of years, the creation of new systems and the mobilisation of large amounts of technical resource were inconvenient and potentially expensive but not insurmountable.

For those without access to large amounts of in-house expertise, finance and manpower to create the required infrastructure and documentary processes the threat of market extinction was very real. For the first time supplying the wholesale markets, which previously had been the less onerous market, required the same

13 Frank Joosten (Wageningen University & Research) Seminar 'GlobalGap Certification & Smallholders' Nairobi, 22 November, 2006

traceability and competencies that were previously required for access to the retail market. The whole system was in a state of 'compliance inflation', with smaller- and medium-sized players, who were those that had the least resource available, being required to make the largest change.

The actions of the exporter community polarised in specifically training farmers to pass the audit or conversely training farmers to become agriculturally competent in meeting the requirements of the new regulations and the standard. Training farmers to only pass an audit, and to remain in the market and by way of providing a mandatory licence to trade, is a blunt but effective methodology. It does nothing to impart knowledge to the farmers for their future good, but it does provide a quick fix for the exporter.

In contrast, the donors and NGO community preferred the route of training and sensitising a body of farmers to accept the perceived prescriptive methods of production. This, of course, took a great deal longer and had a far greater chance of failure because of the complicated nature of the message that was imparted. However, it could be argued that the quality of the farmers that were successful and the choices that they may have had in the future were greatly improved.

Although it is not always the case that the private companies trained farmers exclusively for their own use and not for the good of the industry as a whole, it is hard not to discount this outcome. Private companies who were investing in the small farmers in order to secure their own multi-million pound supply chains that were under threat from the new regulation and private standards were more likely to act independently and for their own benefit than for the good of the nation as a whole.

There was competitive advantage in being the first company to be able to supply 100% certified material.

Being able to offer larger volumes of certified material than a competitor secured larger shares of the orders and weakened the local opposition. Certified material also excluded the informal operators who moved between the farmers acting as brokers and who were accused of instigating side selling and other activities in the margins of the formal supply chains.

Subsequent research looking at who carried the cost of implementation of the standards cannot take into account the quality of the training received by the farmers and whether this training was embedded in good agricultural practice and agronomy knowledge or the action of training to pass the audit itself.

However, the costs of establishing this activity in either form were high and ranged from grower paid, donor paid, exporter paid or a combination of all three. These are examined at length in the Impact of GlobalGap on small scale vegetable growers in Kenya¹⁴ (Andrew Graffham, Esther Karehu and James MacGregor) (see Figure 8).

In both the case of the donor and the exporter, the payment of the costs became a prerequisite to the survival of the adopted small scale farmer supply chain. For the exporters this type of product often accounted for a significant financial activity, and to amortize the initial costs of compliance and subsequent annual certification fee across the whole product category (not just green beans) as a cost of sales was a simple solution.

For those farmers who were outside of the closed paternal networks of the larger exporters, only donor intervention saved them from being totally excluded. The attrition rate and subsequent drop out from the GlobalGap system in later years could be attributed to the farmers who were outside of the paternal exporter groups and who were either dropped by smaller exporters unwilling to pay their ongoing certification fees or

14 IIED Fresh Insights 6: Impact of GlobalGap on small-scale vegetable growers in Kenya January 7, 2007

by Andrew Graffham, Esther Karehu & James MacGregor

were new entries to the market encouraged by NGOs and donors but who had no affiliation with a major exporter and a route to market.

It is clear from the work by MacGregor et al that unless the certification fees were amortized over the whole supply chain by the exporters or subsidized by donors the chances of certified and independent small farmers thriving was small. This remains the case some 10 years on, and the churn of farmers entering and leaving certified supply chains should still give concern. In Kenya there still appears to be an insufficient price paid to farmers for products that will compensate for the initial start-up costs and the subsequent certification over the next two years. The evidence provided by MacGregor et al is an important reminder to differentiate between the initial costs of gaining entry to the market and the ongoing costs of staying in the export market through certification.

The example that Kenya provides is that international certification is a chain-wide activity and, if supported financially as a chain-wide activity, it is more sustainable. However, if the full costs of certification are applied at the point where they are audited, those who are least capable of bearing the costs still appear to carry the highest proportion of the burden.

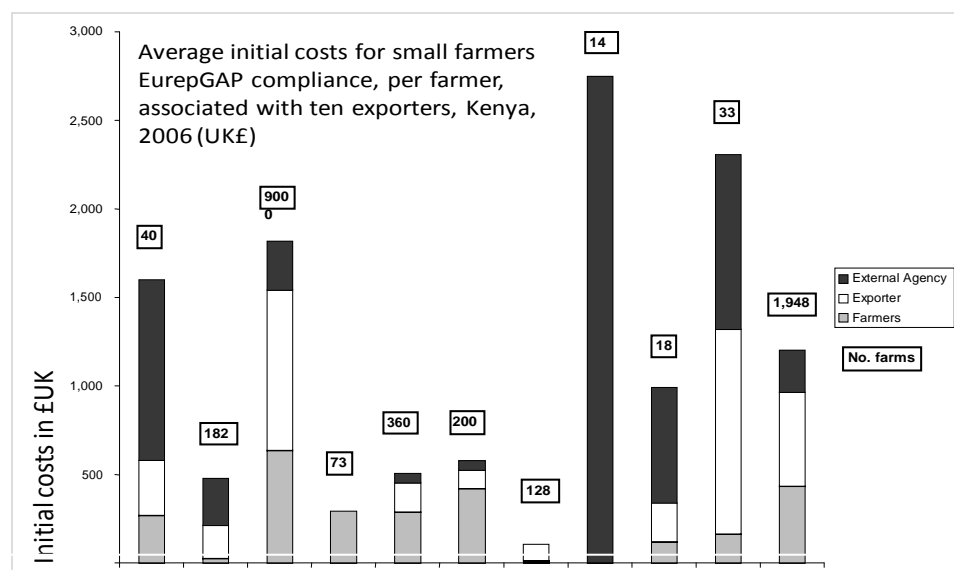


Figure 9: The graph shows the contribution to costs by farmers, exporters and donors for 11 Kenyan export companies interviewed. The numbers above the columns show the number of farmers assisted.

Across 11 exporters, donor support for initial costs averaged 20 percent. The farmers themselves contributed 36 percent and the exporters 44 percent according to MacGregor et al.

Notwithstanding the high level of exporter contributions to recurrent costs, these still represent a substantial burden for small farmers. MacGregor et al calculate that the true cost per farm of small farmer certification is over £1000, and that an average 36 percent of total cost contributed by farmers works out at £433. They further calculate that this initial investment would have to be financed out of a production margin before labour costs for small farmers of only £182 per annum. Similarly, Afsaw et al¹⁵ found that the initial and recurrent cost per group member of GlobalGap certification amounted to one third of farmers' annual income, even when exporters and donors paid for substantial costs such as external auditing, certification, training and soil analysis.

15 Afsaw, S., Mithöfer, D. and Waibel, H. (2008) What Impact Are EU Supermarket Standards Having on Developing Country Exports of High-Value Horticultural Products? Evidence from Kenya. University of Hanover, Hanover.

The formation of KenyaGap

The evolution of KenyaGap was the result of three forces acting on the export industry in Kenya. The donors and NGOs operating in the development of small farmers were worried that a two tier industry would develop excluding independent small farmers and restricting choice. The smaller exporters in Kenya who made up the largest part of the Fresh Produce Exporters Association of Kenya (FPEAK) felt that a standard that was seen as being written using only criteria that would be relevant in European production systems should be adapted to reflect local conditions.

The third and important contribution was that GlobalGap were facing increasing pressure to make their standard more inclusive for small farmers and were keen to prove that it could be adapted and certified. Increasing attention from the WTO SPS Committee which led to the now infamous complaint to the WTO¹⁶ and an increase in the number of invitations to attend a host of development meetings encouraged GlobalGap to engage formerly in developing a genuine Kenyan national GAP standard.

GlobalGap was seen very much as already excluding small farmers from a much-needed market. The attentions of the WTO SPS Committee and others catalysed the thinking at GlobalGap and encouraged them to reach out to the development community giving both technical support, coverage at conferences, and support through a visit to Kenya by the chairman, Nigel Garbutt, to get the formation of the KenyaGap technical committee underway.

The Fresh Produce Exporters Association of Kenya (FPEAK)¹⁷ was driven largely by the smaller- and medium-sized exporters, and felt strongly that a FPEAK should drive the development of a KenyaGap standard and be part of the public good.

Other examples of national GAPs like ChileGap had been developed prior to GlobalGap and had taken the relative strengths of the national horticultural sector and built those into a national code of practice for the public good. When GlobalGap emerged the minor missing components or interpretations were quickly incorporated into ChileGap as they were into other schemes owned by the national marketing bodies like Agrexco/Carmel in Israel¹⁸.

Milestones in KenyaGap development and compliance

- 1996 launch of the first edition of the FP code of practice
- 1997 launch of the second edition of the FP code of practice
- 2002 revision of KSC 1758 national horticultural code of practice
- 2005 Nigel Garbutt chairman of GlobalGap visits Kenya
- 2005 establishment of smallholder working group to address compliance guidelines
- 2005 launch of africert the first local certification body in East and Central Africa accredited to ISO 65
- 2006 provisional confirmation of Kenya Benchmarking implying completion of KenyaGap benchmarking process
- 2007 KenyaGap launched as a GlobalGap benchmark standard

Source: UNCTAD PRIVATE sector standards and national GAP schemes 2007

16 In June 2005, St. Vincent and the Grenadines raised concerns about GlobalGap pesticide requirements for banana importation, and the relationship between GlobalGap and official EU requirements.

17 <http://www.fpeak.org/>

18 <http://www.agrexco.co.il/en/home.asp>

These schemes were then submitted for benchmarking and recognition of equivalence by GlobalGap. Both Chile and Israel were very active in the technical committees of GlobalGap in the early days using the resources of the national marketing associations to shape the standard and again provide competitive advantage by showcasing technical excellence in front of a captive audience of retailer customers.

Simply taking the GlobalGap standard and making minor modifications for national context does not have any value. For a long time discussions between the Kenya Management Group and GlobalGap centred on the level of detail and the measures that the Kenya team felt were onerous for small farmers. Throughout 2005 the various committees developed a number of quality management system documents that required farmers to comply with KenyaGap in anticipation of the national code being benchmarked to the global Standard. However, at this time there was no mechanism within GlobalGap for what would become national working group interpretation guidelines, and KenyaGap simply ground to a halt. It would not be for another two years in 2007 that KenyaGap received its official benchmarking approval.

The drive to create a solution based in the public domain, open to all comers, and a solution to the problem of GlobalGap being seen as a Plantation standard was an overriding driver, and to a large extent masked the development of KenyaGap as a credible standard in its own right. The donors who funded the evolution, the NGOs that provided technical assistance and FPEAK itself worked in parallel while the larger exporters continued to use GlobalGap and Tesco Natures Choice. This lack of critical mass reduced both the urgency and the resources available to develop a credible national solution instead of simply implementing a European private standard.

According to the study undertaken by UNCTAD, the development of a national GAP scheme should be based on a realistic assessment of market opportunities, global supply chains, regional and domestic market, niche markets and existing and potential strength of the key elements of the sector. It also is necessary to clarify the concept and objectives of such a scheme as well as the respective roles of the government and private sector stakeholders in promoting the GAP implementation.

KenyaGap is a perfect example where sector market forces were not aligned with the desire to provide public goods in the form of an open national standard.

In May 2007, with the encouragement and funding from DFID and GTZ, GlobalGap appointed Dr Johannes Kern as Smallholder Ambassador and Africa Observer, and later Dr Stephen Mbithi to the role.

The role of the Observer is defined on the website¹⁹ as:

- The Observer is invited to participate to all meetings during the event
- The Observer is invited and also requested to participate in discussions and to give contributions and opinions to the discussions
- The Observer has in the exceptional case of vote decision making no voting right
- The Observer publishes a report of the Sector Committee meetings under www.africa-observer.info

The consultation period that followed the appointment began by asking stakeholders and producers to submit suggestions and solutions that would open up the GlobalGap standard more successfully to developing producers. The committee that considered the solutions was a mixture of standards experts and experienced practitioners from the NGOs and the donor field. However the majority of the proposals focused on the detail and prescriptive nature of GlobalGap in terms of items like first aid boxes, field toilets and handwashing stations, and not specifically on the rigour and levels of the food safety aspects of the standard itself.

¹⁹ www.africa-observer.info

As a result of this consultation exercise little changed in the GlobalGap standard itself. However, this was an important component in the development and extension of the National Technical Working Groups. NTWGs are able to produce guidelines for auditors and are allowed limited interpretation latitude to adapt the normative documents of GlobalGap to local conditions. However, they are not allowed to reduce the level of requirements or the number of requirements in the standard and certainly not reduce the food safety aspects that were regarded as critical.

As a result KenyaGap took too long to come to market and, when it did arrive, the market itself had already adapted through a process of natural selection. KenyaGap had served its purpose for the GlobalGap standard itself and the donor community, but many of the farmers and the large scale exporter market had simply moved on.

The KenyaGap Domestic Scope began after its predecessor, the KenyaGap standard, achieved the GlobalGap benchmark. The process to adapt the document for use by local suppliers to the local market and become the local consumer standard of food safety and quality began. There was increased consumer awareness of food safety in Kenya, backed by government implementation of quality standards in horticulture through the Kenya Bureau of Standards.

FPEAK, working together with its partners including the donor GTZ, drafted the rules and criteria for compliance by local farmers, and proceeded to introduce the new standard to small scale farmers supplying to local supermarket chain Nakumatt²⁰.

After several months of training and interactions, an audit unit comprised of qualified auditors was commissioned to carry out trial pre-audits and audits in a sample group of suppliers to Nakumatt. According to FPEAK, around 200 farmers have now been approved to use the KenyaGap mark of approval on their products. The mark can already be found on Nakumatt shelves as a consumer facing label. FPEAK are indicating that farmer numbers will continue to grow.

FPEAK states that *"Kenya-GAP® Domestic/ regional scope is intended for use by farmers across the region. As the countries in the region come ever closer to trade integration, standardization of practice and quality is quickly becoming an important strategy for maintaining the momentum of growth in the horticultural industry"*



Figure 10: KenyaGap Domestic standards and KenyaGap certified logo

²⁰ <http://www.nakumatt.net/>

Exporters and smallholders

There is varying anecdotal evidence of exporters expanding the number of smallholders in the supply chains and others state there is a decrease in the total number of certifications. As has been discussed, it is costly to manage more farmers with the intensity of manpower and support required to achieve international certification. Many of the highly controlled paternal supply chains who supply seed inputs, agrichemicals, technical assistance, certification fees, product collection services, and who market the product are in effect employing the small the farmer on a land and labour only basis.

In many cases these companies have operated the same system for 15 or 20 years, and to wholly disinvest and disassemble these complex chains provides its own problems. To outsource or delegate technical services, transport services or other logistical aspects may appear to be financially attractive; however this is balanced against the risk of non-supply to the supermarket customer.

Many smallholder products such as green beans have less than 24 hours in the country of production before they are shipped to the EU. Critical failures of transport from the farms to the pack houses or from the pack houses to the airport would be more expensive in lost revenue and reputation than the continuing costs of running an intensively managed supply chain. Similarly the failures of inspection for Maximum Residue Limits (MRLs) would have a significant financial impact on the company and on its reputation as a safe supplier.

Wholesale exporters who are themselves consolidators and often subcontractors to export supermarket packers may not be so sensitive to outsourcing some of the key functions. Certainly those who supply the wholesale markets and food service industries, and have less time-dependent supply chains and less punitive arrangements for non-supply with their customers, could consider phased and managed withdrawal from the micromanagement of small farmers.

From the work of MacGregor and others it is clear to see that those farmers who are independent of the larger exporters and are expected to carry many of the costs associated with export trade have simply ceased growing or have themselves become out-growers to larger smallholders. Reports of declining populations of certified farmers are the direct opposite of continuing increases in export volumes. This leads us to question whether products are being exported without certification or whether other mechanisms such as increasing farm size are at play. In reality, it appears that exporters in particular have found more imaginative ways to register larger and more flexible farmer groups with GlobalGap to help reduce and so amortize the costs of certification.

The requirement from supermarkets remains the same and has not been relaxed.

Standardisation of Standards

Standardisation, harmonisation, and equivalence are all terms that are frequently used and often mixed when comparing private standards and public regulation. Codex, ISO, and private standards can all be mapped (benchmarked) with each other in a variety of different methodologies, often to provide evidence to prove a particular hypothesis of the author.

The formal benchmarking process whereby a scheme owner or a coalition of schemes is formally recognised as a single standard methodology through a documented process is operated by the Global Food Safety Initiative²¹ (GFSI) on behalf of its members. This coalition group of retailers and manufacturers represent some of the largest global players in food. The recognition of accredited standards in the areas of primary production and manufacture go some way to providing a harmonised structure. However, these are private standards and not those operated by ISO or institutions such as Codex. The GFSI has worked hard in the last two years to reach out to organisations such as ISO and Codex and has featured both organisations strongly in its literature and conference programmes.

Because GFSI is only concerned with food safety standards such as GlobalGap that are designed to be benchmarked, GFSI only benchmark the food safety component. That food safety component within GFSI is recognisable from Codex and in many cases an ISO equivalent such as ISO 22000.

GFSI not only benchmark the food safety control points of a standard, but all aspects of the operation of the scheme. This includes items such as auditor competency, frequency of audit, certification and accreditation body requirements. This highlights the global industry requirement not just for standards but effective measures and controls for the implementation of those standards.

The schematic diagram below shows the proposed scope documents of the GFSI Guidance Document Version 6 that will be released in late 2011. The scope that will be released will concentrate on primary production, product handling and processing. However, work will begin on animal feeds, packaging, transport and storage as resources and industry need develops. This document and the scopes within it are based around the ISO 22003 document and are a clear demonstration of recognition between the two entities.

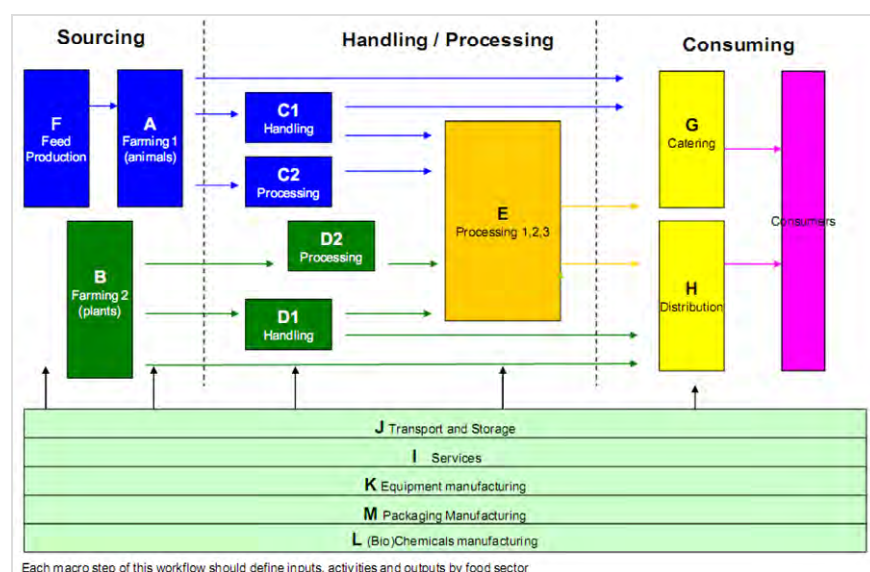


Figure 11: GFSI guidance document V6.0 proposed (draft) scopes of recognition

21 The Global Food Safety Initiative (GFSI) is collaboration between some of the world's leading food safety experts from retailer, manufacturer and food service companies, It is coordinated by The Consumer Goods Forum - <http://www.mygfsi.com/>

The challenge to replicate these independent benchmarking standards and schemes and have them recognised across a wide range of stakeholders both in public and private enterprise appears to be an impossible challenge at this time. However, the GFSI model and the increasing co-operation with organisations such as ISO and Codex may give a clue to what is possible in the future. If the GFSI model continues to become more inclusive of other entities with responsibilities for food safety such as WHO and FAO, either as participants or observers, some of the apparent distance toward a common benchmarking platform may be reduced.

Recommendations and challenges for interregional standards adaptation

This paper summarises some of the structures and evolution trends of leading private standards predominantly for export markets. Those private standards have evolved separately but are beginning to coexist more comfortably with international public regulation. Private standards although devised internationally in many cases still utilise the public infrastructure locally (ISO 17025 laboratories and other methodology services) relying on the regulatory frameworks, infrastructure, and public governance before applying the extra private layers of requirements and inspections.

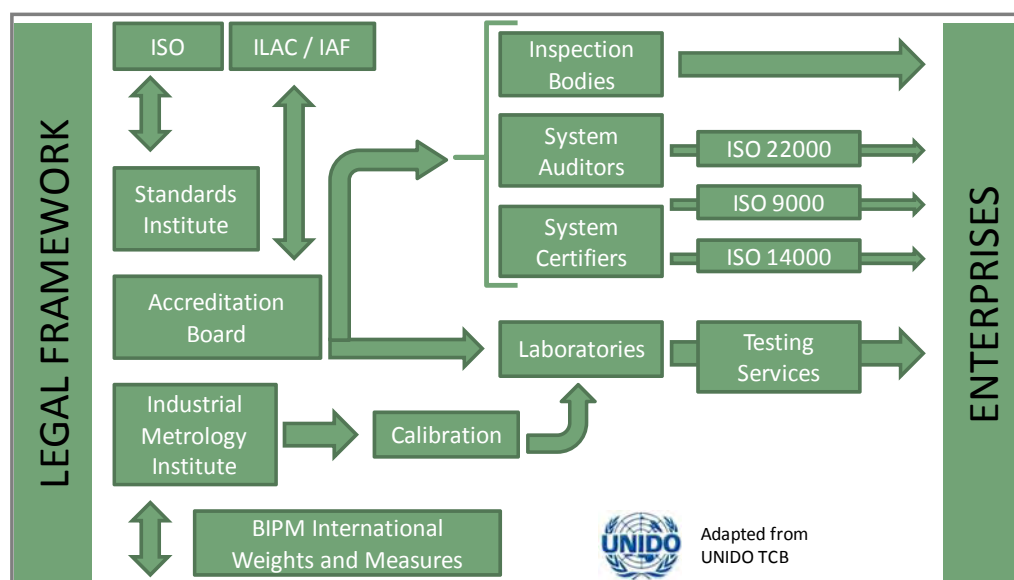


Figure 12: National compliance structure Frameworks: Steve Homer adapted from UNIDO TCB Stefan Keiser

The space between legal framework and the private enterprise is the space that governs safe food for local consumption particularly where fresh food is purchased from outside of larger retail chains. It is this space that could be extended across national borders and harmonised to enhance regional trade without adding additional layers of complexity and cost. The importance of developing credible and effective public platforms using recognised international norms is essential in delivering safe food in this space.

The case of the KenyaGap domestic standard which has evolved from a private sector requirement into an adapted local solution endorsed by the National bureau of standards is a good example where learning's and capacity derived from the private or export led sector can be harnessed and adapted for the public good. In these areas collaboration with entities such as FAO and WHO in developing measures that are specifically required for the public good and embedding the outcome may be beneficial. As discussions around food security begin to dominate the agenda where discussions were previously based around regional trade this is particularly so. Connecting the multilateral agencies at local level may be a challenge.

The improved participation of African institutions in international standards-setting processes is important for Africa, as currently, the major contribution to standard setting processes in international organizations is provided by the developed world. Increasing participation of stakeholders along the value chain, and in particular the private sector, would not only give them capacity to influence standards, but also increase their understanding of the benefits of compliance at national, regional and continental levels, thus fostering better adoption. Harmonization of sanitary regulations across RECs will facilitate increased inter-regional trade on the continent and enhance the capacity for engagement within the international standard-setting process.

The capacity of African countries to participate effectively in the standard setting processes both in the SPS arena and the private standards continues to be of concern. A position paper written for the 8th Conference of Ministers Responsible for Animal Resources in Africa commented:

Most of the countries do not have appropriate personnel, with knowledge and expertise in the relevant scientific fields, available in national standard-setting bodies or in the ministries and government departments that are responsible for representing them in international or regional standardisation activities. This renders African countries as simply "standards consumers" rather than "standards producers".

Until this perception is addressed and regardless of the true facts, nation states in Africa may well be regarded as having weak systems for implementation and verification. As noted in this paper if there is a perception of weak systems then the private sector will impose more prescriptive measures through private standards.

Effective cooperation through regional initiatives like the COMESA Green Pass require not only the political willpower to remove trade barriers created by inefficient SPS related systems but also the regulatory frameworks to facilitate the corporation. Efficient and robust public bodies operating without corruption or delay and without adding unsustainable levels of cost are required both to implement and monitor cross-border trade. Harmonisation of regulation both in plant and animal health can be created by treaties or by scientific documents but in reality the practical effectiveness of this documentation and legislation will be the implementation at field level.

As discussed in the paper quite often the first entity to conquer new technical regulation exploits the opportunity for commercial gain. Certainly in the case of Kenya the country saw that the large exporters who were able to move quickly and to mobilise the resources were able to use the EU legislation and implementation of GlobalGap standard to acquire larger shares of the market while the smaller and slower competitors struggled to keep up.

Competent authorities recognised by the EU gave access for export markets and the most competent states can exploit these export opportunities when their neighbours may not be so effective or have the capacity to develop competent institutions. Nation states clearly cannot continue to operate in this way locally in competing with each other in cross-border trade and using SPS inspections as trade barriers.

In developing an infrastructure that allows interregional trade to flourish and local food to be safer a coherent strategy developed by government with the private sector may be a more equitable use of public resources. Many commentators note that provision of public metrology services funded by donors end up being largely used by the private export community. Early stage planning to allocate responsibilities and to define roles will allow both channels to market to develop without costly duplication of effort and wastage of resource and so embedding the benefits of export trade capacity into the local public good.

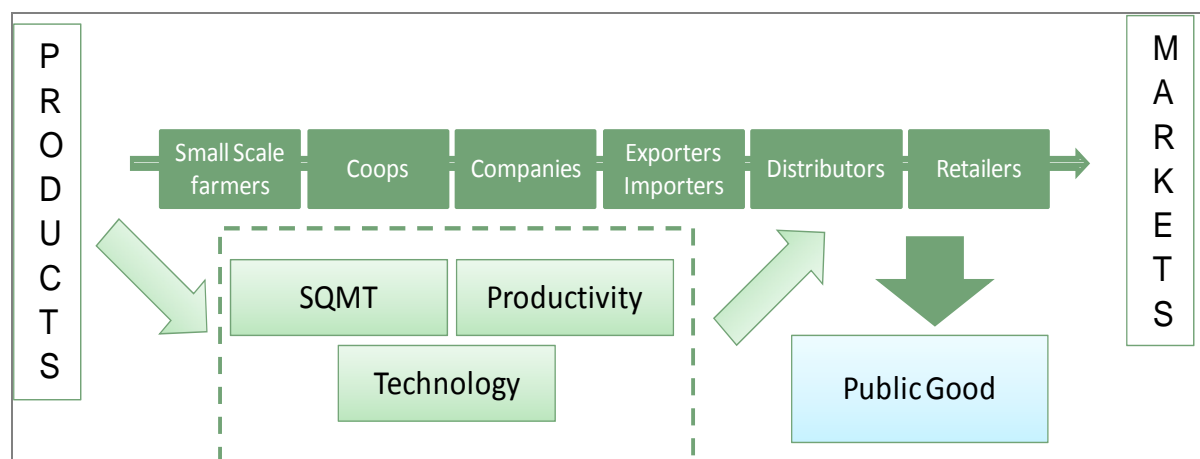


Figure 13: Standards, quality, metrology and testing infrastructure linkages to provide public good: Steve Homer & Martin Kellerman for UNIDO 2010

It is possible to identify situations in which knowledge flow in value chains are more and less likely to occur. Equally, public policy can promote flow of knowledge in value chains. Two development projects in Bangladesh illustrate how value chain actors can be encouraged to promote knowledge flows to farmers. In the first case, shrimp hatcheries were encouraged to provide better knowledge for farmers to solve the problem of poor pond cultivation techniques.²²

In the second case, the programme sought to improve the low productivity of Bangladeshi vegetable producers by using retailers of farm inputs as a conduit for information about good vegetable farming practices²³.

A value chain approach can identify business-based information conduits and use them to access target groups.

²⁴Key challenges and actors

1. What are the main compliance challenges in the chosen sector
2. How do these vary in different export markets and for different types of regional trade markets?
3. Who is driving these compliance challenges? agents in the value chain or outside agents
4. How these challenges impact upon different points in the local value chain?
5. At which point in the value chain, and in what ways, are these challenges not being met (certification, facility licensing, import inspection, etc.)?
6. Who are the key institutions, government agencies and private sector actors whose collaboration is necessary for the compliance challenges to be met?

22 De Ruyter De Wildt, M. (2007) Accelerating Growth in the Pond Fish Sector: Interventions to Bring About Sustainable Change

23 Gibson, A. (2005) Bringing Knowledge to Vegetable Farmers: Improving Embedded Information in the Distribution System

24 All criteria above were adapted from Trade Compliance, Regulations and Standards: A Value Chain Approach – Prof John Humphrey Institute of Development Studies July 2009 – Unpublished paper.

Capabilities

1. What are the principal mismatches arise between requirements and compliance capabilities?
2. What knowledge and support is provided within the value chains, and between which agents (buyers, input suppliers, etc.)?
3. Do these value chain support systems favour particular agents (small versus large producers, for example)?
4. Which compliance challenges do these flows address?
5. What compliance challenges are they unable to address?
6. Where growth, poverty and development objectives would be better achieved through public provision of resources?

Value chain structure and coordination

1. In what ways do the relevant regulations/standards place new demands on value chain coordination?
2. Can challenges be dealt with by segmentation or compartmentalisation? What implications to such strategies have for inequality and poverty reduction?
3. Are there different options for meeting this challenge? For example, is there a choice between addressing the problem at source or identifying and eliminating it at a subsequent point in the value chain?
4. Can tasks be transferred between value chain agents in response to the identified mismatches in capabilities?
5. How might the public sector support value chain restructuring?