



Video-Conference Program

Standards and Market Preferences: Opportunities and Constraints

Madagascar Position Paper

VC3

27 July, 2010

Table of contents

0.	Acronyms	3
1.	Introduction	5
2.	Present status on the standards and market preferences	5
2.1.	Present status on the standards	5
2.2.	Present status on the market preferences	7
3.	Management of the standards and market preferences issues	8
3.1.	Management of the standards issues	8
3.2.	Management of the market preferences	9
4.	On going strategy	10
4.1.	On going strategy at national level	10
4.2.	On going strategy at regional level	10
5.	Conclusions and recommendations	10

List of acronyms

ACP	: Africa Caraïbe Pacifiques
ACQSDA	: Agence de Contrôle de la Qualité et de la Sécurité Sanitaire des Denrées Alimentaires
BAMEX	: Business And Market EXpension
BNM	: Bureau de Normes de Madagascar
CAADP	: The Comprehensive Africa Agriculture Development Programme
CAF	: Centre d'Accueil et de Formation
CAM	: Central d'Achat Malagasy
CBO	: Community Based Organization
CDE	: Centre pour le Développement de l'Entreprise
CIPV	: Convention Internationale pour la Protection des Végétaux
CODAL	: COMptoir industriel De produits Alimentaires
COFRAC	: Comité Française d'Accréditation
COLEACP	: Comité de Liaison Europe-Afrique- Caraïbes-Pacifique
COMESA	: COMmon Market foe Eastern and Southern Africa
COI	: Indian Ocean Commission
CTHA	Centre Technique et Horticultural d'Antananarivo
CTHT	: Centre Technique et Horticultural de Toamasina
EAC	: East African Community
EC	: European Community
EPIC	: Etablissement Public à Intérêt Economique
EU	: European Union
EUREPGAP	: EUro-REtailer Produce of Good Agricultural Practices
FAO	: Food Agriculture Organisation
FOFIFA	: FOibe Fikarohana momba ny FAmbolena (NARES)
FTDSA	: Funds for Trade Development Standards Application
GDP	: Gross Domestic Product
GTZ	: Gesellschaft für Technische Zusammenarbeit
IFAD	: International Fund for Agricultural Development
IFC	: International Finance Corporation
IFOAM	: International Federation of Organic Agriculture Movements
IPM	: Institut Pasteur de Madagascar
ISO	: International Organization for Standardization
LDI	: Landscap Development Interventions
LMR/MRL	: Limite Maximale de Résidus (Maximale Residue Limit)

MAMABIO	: MALagasy Mamboly Anana BIOlojika
MCA	: Millennium Challenge Account
PCL	: Plateforme de Concertation Litchi
PCR	: Polymerase Chain Reaction
PIP	: Pesticide Initiative Program
PPD	: Plant Protection Division
PPRR	: Programme de Promotion des Revenus Ruraux
PRPV/RPPP	: Programme Régionales de protection des Végétaux/Regional Plant Protection Program
PROFEL	: PROMotion de Fruits Et Legumes
PROMABIO	: PROduits MAlgache BIOlogique
PVS	: Private Voluntary Standards
QS	: Quarantine Service
DPV	: Direction de la Protection des Végétaux
SADC	: Southern African Development Community
SADCSQUAM	: Southern African Development Community, Standardization, Quality insurance, Accreditation, Metrology
SME	: Small and Medium Entreprise
SPS	: Sanitary and Phyto Sanitary Measures
SPV	: Service des Protections des Végétaux
UNIDO	: United Nation for Industry Development Organization
UPDR	: Unité Politique pour le Développement Rural
UPFL	: Union des Professionnels en Fruit et Légumes
USDA	: United States Department of Agriculture
VAT	: Value Added Tax
WTO	: World Trade Organisation

1. Introduction

Agriculture remains as an important shifting point development for Madagascar which represents 35% of GDP and concerns 75% of population. For horticultural development, efforts have been deployed 20 years ago to develop sub urban horticultures to supply quality fresh products for urban markets. Beside the development projects which work on horticulture production, technical centers such as CTHA, CTHT and public and/or confessional training centers such as CAF, CEFFEL, Tombontsoa, Bevalala etc. have been created to support fruits and vegetables production technology and processing promotion.

Horticulture markets are more or less organized as well at local, national as at regional levels. As a member of ISO from 1966, Madagascar Standard Bureau (BNM) is created on 1998 after changing five (5) times the name of the direction, which was setup since the colonial period, mainly for agriculture product export. National standards are not known by Malagasy citizens and need to be disseminated to put our diversified products in safe and healthy conditions. However, products have met quality produce at low level and farmers should be aware of the importance of quality in term of the market competitiveness and safe and healthy diets.

2. Present status on the standards and market preferences

2.1. Present status on the standards

Standards at national level are not clear and mostly unknown by producers. It is noticed that the whole notion of standard and quality in general is still very vague both for customers and producers' points of view. Quality is still more defined in terms of empiric appreciation, not in terms of measured standards. This can be very subjective. There is a lack of knowledge and communication on quality standards. In fact, there is a need to know the minimum standards at the production level which is a handicap for the national supermarkets, since the quality required cannot be fulfilled by the majority of producers.

Standards services in Madagascar are:

- Plant Protection Department (DPV), under the Ministry of Agriculture and insure all import permit and phyto sanitary certificate for exportation which are requested.
- Madagascar Standard Bureau (BNM), a voluntary market standard within the Ministry of Trade. However, some standards become obligatory and the Consumers Protection and Quality Department is in charge of application and follows up. The Quality and Health security Control Agency for Commodities (ACQSDA) under the Ministry of Health undertakes all imported commodities analysis and all food processed sanitary control which is limited only at the capital.
- Private international organizations such as ECOCERT and INTEGRA are accredited to EU markets for organic products certification.

About the products, standards for the same products could be defined differently at different localities.

- At producers' level, small farmers' have their traditional techniques and products are mostly "natural" with its low chemical fertilizer and spray use. Some initiatives are developed under CBOs (MAMABIO) for organic vegetable production, locally renowned.

Farmers' members of this organisation procure their vegetable seeds from professional companies. Quality of their productions is acceptable.

- At the other side, water Cresson produced in central town is not safe due to the polluted water reversed from households. The transport from farmers to the local market does not follow any standards, which hampers the quality. Different recycled packages are used and not meet the standards.
- At supermarket level, there is not yet any private standard (in terms of weight, size, colour, freshness etc...) set up for fruits and vegetables. Products are sorted during the receiving process. Sorting process are not yet standardized and mainly based on experiences of the receiving person and the suppliers: visual, firmness.... This sorting process is a limiting factor for the producers. More than 50% of new suppliers' products are rejected during sorting process. This is also a disadvantage for the supermarket. It reduces the scope of sourcing and increases the price cost. However, producers facing these experiences shift from buying vegetable seeds at the informal market to seeds quality at official sellers. On the other hands, there is a certain dependence on the general quality currently in the market, especially for fresh vegetables. If the quality in the market is low, the offer is also low quality because there is no possibility to source from importation except the fruits. In general, the current standard and quality offered in the market cannot satisfy the requirement of the local market.
- At export level, international standards should be met and import countries put market standard constraints which become an exchange development barrier. Products are certified by Plant Protection Service (SPV), the minimum existing standards. Certification is done only for export products and controls are undertaken from field until post harvest. However, some big companies exporting fresh and processed fruits and vegetables are certified by ECOCERT and the cost is too high for small farmers.
- For importation, international standards are met as all imported products should be conforming to the Phyto sanitary standards. However, the actual Ministry of Trade put a control system beyond the border to insure standards.

Actually, any national standards program does exist. However, some punctual supports have been done for agricultural exports such as:

- PIP (Pesticide Initiative Program) of EU for litchi exports enterprises in conformity with the EUREPGAP referential, and the IFC (International Finance Corporation) of World Bank in conformity with the WORLDGAP referential.
- Fruits fly litchi survey funded by BAMEX and MCA for risk analysis in partnership with USDA and US University for litchi to be exported to US. PPRR, IFAP project supports a platform represented by producer groups and exporters to conform on import countries standards.
- ECOCERT International and INTEGRA, two international certifiers currently operating in Madagascar. ECOCERT International has been active in Madagascar since 1990. Both certifiers are EC accredited. All products certified by those companies are therefore accepted in the EC market as well standards organic products as products conform to EUREPGAP and WORLDGAP referential.

- Study for dry bean international Sanitary and Phyto Sanitary (SPS) standards is supported by Funds for Trade Development Standards Application (FTDSA) from the World Trade Organization (WTO). Data base is not yet available but still FTDSA's mandate.

About the laboratory, publics and private institutions are working on related SPS standards of which qualities and services are not the same.

- Phytopathology and sensorial analysis laboratories are at Agronomic Research Department of FOFIFA (NARES) with limited running funds.
- Virology, bacteriology, parasitology and mycology laboratories are at the Quarantine Service (QS) and Plant Protection Division (PPD). Polymerase Chain Reaction (PCR) laboratory has been granted by Regional Plant Protection Program (RPPP) to PPD with limited running funds.
- Entomology laboratory of the University of Antananarivo collaborates with PPD and United States Department of Agriculture (USDA) in the framework of fruit fly related risk analysis on litchi of Madagascar in 2007-08.
- Food Microbiology laboratory of Institut Pasteur de Madagascar (IPM) is the only one accredited by COmité FRançaise d'Accreditation (COFRAC). It runs as Public Establishment with Economic Interest (EPIC).
- ACQSDA microbiology laboratory of Ministry of Health deals microbiology analysis with lower capacity than IPM. This laboratory is running on government funds.
- The Ministry of Trade has a taste analysis laboratory (humidity, acidity...) near the sea port for sampling the products to be exported. This laboratory is running on government funds.
- CTHT laboratory insures sulphur residue rate for litchi before embarkation and report directly to the importers. This is funded by EU through STABEX and by the government.
- A Residue pesticide control laboratory exist but not operational for the moment due to its old equipments.

For the local expertise, a study funded by UNIDO in 2008 permitted to identify the mains stakeholders working on commodity standards and the constraints in Madagascar. Other information is available from FAO consultant study in the framework of Food law in Madagascar. Technical assistance funded by EU supported BNM in the framework of Madagascar export product standards.

2.2. Present status on the market preferences

General factors for market preferences are prices, proximity and availability. For the capital, prices are significantly different at open market and supermarket due to the quality and tax. 20% of VAT reduces consumers to supply at the supermarkets. Most of the consumers run at the open market with affordable price, also due to low incomes.

Quality factors involve freshness, cleanliness, general appearance. Consumers sometimes have preference of products from specific area and specific producers. Tomatoes from one renowned locality have higher price at one big market in the capital. MAMABIO supplies organic vegetables products to Leader Price. These products stand better in the market and are appreciated more than the conventional one with chemical fertilizers, confirmed even in the rural consumers.

Individual producers and group farmers supply the supermarkets with their products already sorted at their level to have the market standards levels according to their perception. However, supermarkets re sort again at their level and discard the “out standards”. Mining companies receive their fruits and vegetables from private supplier: CAM (Central d’Achat de Madagascar) from individual and group farmers. Fruits and vegetables are available but many producers cannot satisfy the requirement. Only 27% of Shoprite demands are fulfilled by direct producers due to inconsistency problems. Quality would be reached by producers with appropriate communication and dissemination on safe fruits and vegetables for health contribution and market preference.

International markets have tendency to raise their standards creating the Private Voluntary Standards (PVS). For example, ECOCERT certifies organic product for export. The cost of certification is only accessed by big companies and strong group farmers.

3. Management of the standards and market preferences issues

3.1. Management of the standards issues

At BNM level, technical committees are put in place to elaborate relative standards to specific products. For agricultural products, this committee is constituted by resource persons from the University, the research center, the ministry of agriculture, some technical centers, CBO representatives, private sectors and consumer association.

This committee work part time on standards project and propose it to homologation committee. Once the project approved, homologous standards are registered and officially published with their own identification number. Public availability of Volunteers Standards is not free as the obliged standards.

In March 2010, a SPS National Committee has been put in place to be in charge of agricultural, livestock and fisheries SPS issues. This constitution was recommended by COMESA in the Framework of regional SPS harmonisation measures. The chairman is given to one of the Director of the 4 concerned Administrative entities for one year in a rotation way. These 4 entities are Plant Protection Division, Veterinary Service Division, Health Fishery Authority and Food Safety Quality Control Agency. For this year, the Plant Protection Director is the Chairman of SPS National Committee. The operational budget will be elaborated with the other entities to be presented at the Government Counsel and to the Donors for the next year.

Are involved in the SPS National Committee representatives:

- The 4 entities concerned ;
- Microbiology, diagnostic and pesticides residue control laboratories
- Research centers
- Codex Alimentarius National Committee
- BNM
- Producer Based Organization
- Consumer associations
- UPDR

For the network, PROBIOMAD was founded in 1993. In 1994, it had 12 members, and in early 2001, it had 15 members. In 1996, the syndicate changed its name into *The Professional Group PROMABIO*. The objective of PROMABIO is to represent the interests of its members, who are active in production, processing and marketing of organic products. PROMABIO is member of IFOAM.

In late 1997, a second organic producers association (*Association BIO CÔTE EST*), was founded, but it was dismantled the following year. The main reasons for failure were that the member companies underestimated the necessity of a proper set-up of required logistics, as well as the required time to convert production from conventional to organic production. When the organic business could not be established in the first year, the members lost interest.

UPFL – Fruits and Vegetables Professional Union, created in 1997 involves around fifty members. UPFL contributes by improving fruits and vegetables members' competitiveness and performance promotion. UPFL regroups all interested stakeholders involved in fruits and vegetables value chain, i.e. NGOs on fruits and vegetables intervention, public and private support institutions, small and medium enterprises processing willing to improve and maintain quality and processed fruits and vegetables.

3.2. Management of the market preferences issues

Quality based organic products are more and more developed. Some programs were developed and implemented the last 20 years. During 1994 to 1997, the "Comité de Liaison Europe Afrique Caraïbes et Pacifique" - COLEACP (www.coleacp.org) had a small support programme for the organic sector in Madagascar. COLEACP did not support individual companies, but it supported associations and groups of producers and exporters. The support measures included, among others: (a) training; (b) expert reports; (c) inspections; (d) participation at trade fairs; and (e) financing of short-term expertise.

The U.S. Agency for International Development (USAID) has supported the organic sector in Madagascar through: (a) co-financing of seminars on organic agriculture; (b) financing and organization of training courses at the university; (c) financing of an exporters' mission to South Africa; and (d) advising on organic plant protection. USAID and *Protrade* collaborated closely.

CDE, former CDI (Centre for the Development of Enterprise) became interested in organic agriculture in 1996. Following a seminar on the quality of plant products organized in Mauritius by COLEACP, GTZ and CDE, the latter organized a meeting between Malagasy producers and European importers of fruits and spices. In addition to the cases of individual support that followed the meeting, CDE began to support the PROMABIO association, which represents nearly all Malagasy producers. From 1997 to 2000 CDE co-financed the participation of Malagasy producers in BioFach, the leading trade fair in organic products.

Due to increased demand on quality, most of the actual national consumer centers require quality standards and most of them develop program to meet the quality. The activities cover sensitization on quality products, staff capacity building on quality control, producers' capacity building on sorting process in collaboration with some NGOs, technical support on agriculture production and linking producers with seed companies.

Two on going operational projects are under implementation. Intensification and exportation network organization from production to post harvest is funded by STABEX until December 2010. PPRR funded by IFAD supports CBOs and Litchi and passion Export Society to promote product quality for regional market until 2012. Oriented SPS support started on 2008 for litchi and on 2010 for passion.

4. On going strategy

4.1. At National level

Madagascar Plant Protection Division is among the two first regional organisations affiliated with COMESA and Madagascar Standards Bureau with SADCSQUAM. SADCSQUAM is standardization and accreditation organism at SADC level. Action to be taken should be to enhance SPS National committee, BNM implementation and Plant Protection sub regional organisation to facilitate regional coordination.

SPS COMESA's Protocol is the SPS WTO agreement's declination and has been discussed at country members and has been adopted by COMESA Ministry Counsel.

PROMABIO is a member of IFOAM and the only association of entrepreneurs commercially active in the organic sector in Madagascar.

UPFL efforts would be reinforced to involve all producer members and all informal SMEs to fit in the standards requirements. Standards would be meet from seeds which contribute significantly to quality products.

LECOFRUIT is one of the contracts farming model to produce quality standards that others companies could learn for others products which could be leaded by Madagascar according to the country's potentiality.

As a part of its private initiative to improve the quality of their procurement, Shoprite supermarkets set up planting programs with selected vegetables producers in order to have better control on quality, quantity and consistency. Also partnerships with technical support organizations and producers are the next step of the medium and long term improvement strategy.

4.2. At Regional level

COMESA encourages the country members to set up SPS sub-committee at National level to facilitate the coordination.

At the end of 2009, in the framework of «Best Training for Food Safety » implementation program in Africa, a food safety inspection reference has been elaborated jointly by the Direction General of Consumer's Health Protection and the African Union with the participation of COMESA country members' representatives from public sector, private sector and civil society. This reference will be adopted during UA Summit in 2nd semester of 2010.

For SADC, this regional coordination could be delegated to the Plant Protection sub-regional organisation.

5. Conclusions and recommendations

Fruits and vegetables export promotions depend totally to our ability to fit at the Importer Imposed Standards which become more and more difficult; among the most required SPS standards for fruits and fresh or dried vegetables is the respect of Maximum pesticides residue limit (LMR). LMR pesticides determination require performing analysis methods and qualified personnel, conditions which are not always in the hand of developing countries, as it depends on foreign accredited laboratory services which is not sustainable due to the high cost of laboratory analysis. However, the non respect of such requirement conducts to a reject or discards the products out of the export distribution channel.

The capacity to develop the export will depend on the improvement of the quality standards and market conditions at the national level. Measures must be orientated from national to reach

the international level. A National program will be set up to improve the general standards. The objective is to upgrade the standards to shift from traditional to commercial agriculture in term of quality and quantity. Supports from national ministries, as well as embassies of countries which have a strong horticulture experiences (Kenya, South Africa...) are appreciated.

Measures should be taken at different levels:

At national level

Face to this dilemma, Madagascar Plant Protection Direction develops a project of which their services should be conformed to International Standards (CIPV and Codex Alimentarius) as well as the accreditation of their laboratories to meet the agricultural products export standards in general and horticultural products particularly which the demand at the regional and international markets increase constantly. This project will be presented to donors. Priority is given to the accredited laboratory for pesticides residue control.

Insure the SPS National Committee operational by providing the necessary resources for functioning. This is very important for our agricultural products export development.

Educate in terms of standards, quality and safety food the local customers and producers. University courses and trainings programs would be enhanced and/or set up and implemented, where farmers can learn the standards and trained to commercial agriculture.

At Ambassadors' level

The Embassies should support private sectors, especially for new market prospection, new credible partners contract to reinforce the promotion efforts of the horticultural products quality engaged by the Ministry in charge of Agriculture and Trade.

At regional level

The Regional Economic Community (COMESA, EAC, COI and SADC) should commit to reinforce their supports to the countries members exporters of agricultural products so these countries could develop exchanges intra and inter regional in the framework of the CAADP implementation process and to conclude negotiations of Economic Partnership Agreement with the EU. Partnerships at regional level are developed in that sense.