

Standard bearers, standard sharers

What private standards reveal about opportunities for sustainable agriculture



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on "sustainable land
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agricultural practices in
Africa: bridging the gap
between research and
farmers", Gothenburg
University

Overview

- Standards and agrifood
 - What are agrifood standards?
 - Lessons learnt
 - Where next for SA?
- Emerging new business models
 - New project
 - Operational
- Kenyan examples
- Conclusions

What are private voluntary standards [PVS]?

- B2B toolkits to help facilitate trading relationships - not consumer facing
- Developed by UK supermarkets for their suppliers in response to food safety laws and persistent consumer concerns
- PVS stipulate rules for suppliers over
 - production e.g. fertiliser use
 - product e.g. MRLs and cosmetic attributes
 - environmental e.g. water use, biodiversity
 - Social e.g. labour conditions
- Compliance is normally through a local certification body to benchmarked norms
- Standards never fade, only increase, and are a flexible toolkit to fold-in new concerns e.g. carbon
- GlobalGAP is the largest PVS harmonising a number of supermarket PVS - with local versions e.g. KenyaGAP

What did standards ever do for us?

- PVS are nothing new and dictate most trading relationships
- Standards commonly emerge when
 - Poor information – supply chain (quality, potential, etc)
 - Weak trust/relationships along supply chains
 - Poor traceability [food safety]
 - Legal requirements need to be met (e.g. EU Food Law)
- Standards **signal** - when successful and inclusive, hint at opportunities for efficiency gains through additional chain-wide cooperation to achieve compliance.
- In agrifood:
 - greater benefits for businesses and smallholder suppliers in an apparently lucrative supply chain
 - Create space for sustainable agriculture learning, replication and scalability

PVS and sustainable agriculture

- PVS are a driver for GAP and increasingly promote SA [through environmental, social modules]
- PVS hint that marketing as important a concern for SA as productive elements
- PVS transfer soft technology
 - At cost
 - Transparently
 - To those best able to replicate
 - Which creates local spillovers (GAP and food safety)
- PVS help to integrate supply chain marketing, enhance chain resilience, etc

Why standards were researchable?

- In Sub-Saharan Africa
 - export crops key to GDP
 - At the vanguard of GAP, learning, etc in domestic agriculture
 - Many smallholders/ pro-poor elements to the supply chain
- Donor concerns that PVS would
 - favour larger commercial concerns
 - undo investments in rural economic development
- Scepticism over the development role of larger commercial interests
 - Ensure commercial players recognised their role as partners in development
 - Commercial wanted proof of role

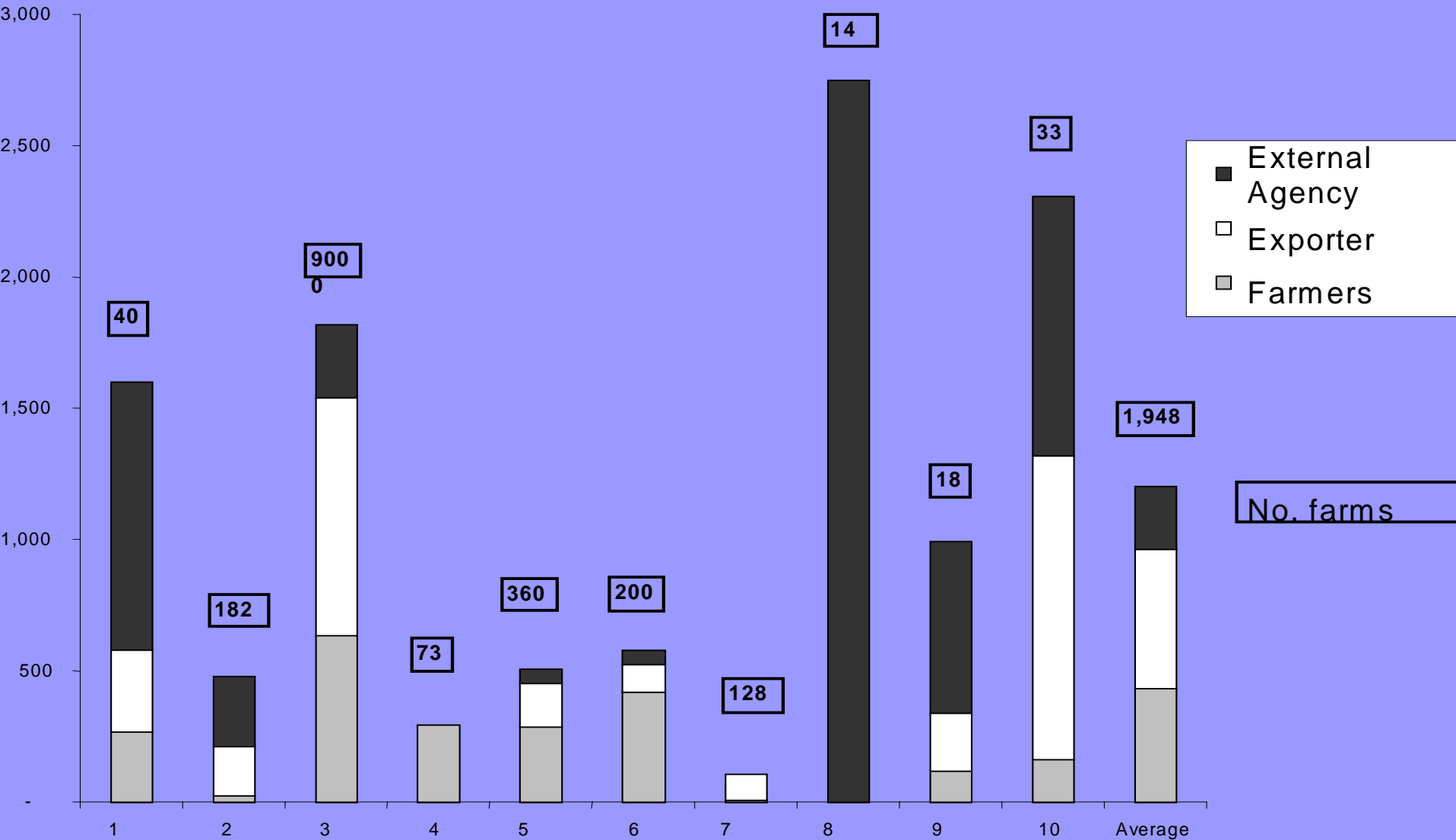
What farmers say they want

1. Secure longer trading relationships
2. Improved payment terms and sequencing of payment
3. Reduced initial and run-on costs of certification to standards
4. Service provision tailored to economic realities of smallholder production - credit, information, training, standards

Findings: Collaboration and co-investment as the common thread

- E.g. MeruGreens - not just an exporter rather a skilled intermediary serving international and domestic market
 - >12000 farmers growing beans for canning
 - MG offers business development services
 - MG co-invests in sheds, inputs, capacity
 - MG markets product mix to buyers
 - Bi-weekly payments
 - Monthly production/marketing feedback
 - Shared costs and risks - collaborative planning to mitigate
 - MG manages production in a large geographical area and finds value in working with suppliers

Average initial financial costs for smallholder GLOBALGAP compliance, per farmer, associated with ten exporters, Kenya, 2006 (UK£):



Policy prescriptions

- 3 agencies need to cooperate [donors, private, farmers]
- Win-wins considerable but access for farmers limited
- Standards can consolidate a good trading relationship
- Co-investment key to success
- Farmer and supply chain benefits
 - Technical skills upgrade
 - Linkages and relationships
 - Service provision - credit, seed
 - Spillovers
- Inefficiencies in the supply chain are great & addressable

How can businesses put words into action through their trading?

New Business Models for Sustainable Trade



Improving market access for farmers in sub-Saharan Africa

Our goal is to work together to develop and implement new business models that enable small farmers to participate in durable and stable trading relationships with food companies and thereby improve their livelihoods.

- **Help 100,000+ farmers by improving market access and returns over the next 4 years**
- **Pilot and share “new business models” of trading relationships that are profitable to all in the supply chain**

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Collaborative pilots include

Fine Flavor cocoa in Ghana

introducing genetics, quality based management, market collaboration, and quality based premium pricing model



Expand **certified cocoa in West Africa**, introducing best management practices, new markets, and certification systems and capacity.

Regional market for high quality **fresh vegetable markets in Kenya** based on new transparent wholesale market hub model



Export **diverse Dominican products** to the US market through a new intermediary with development and commercial mission

Equitable trading model of **dried beans from Ethiopia** based on transparent pricing and clear and accessible production standards in a trader network

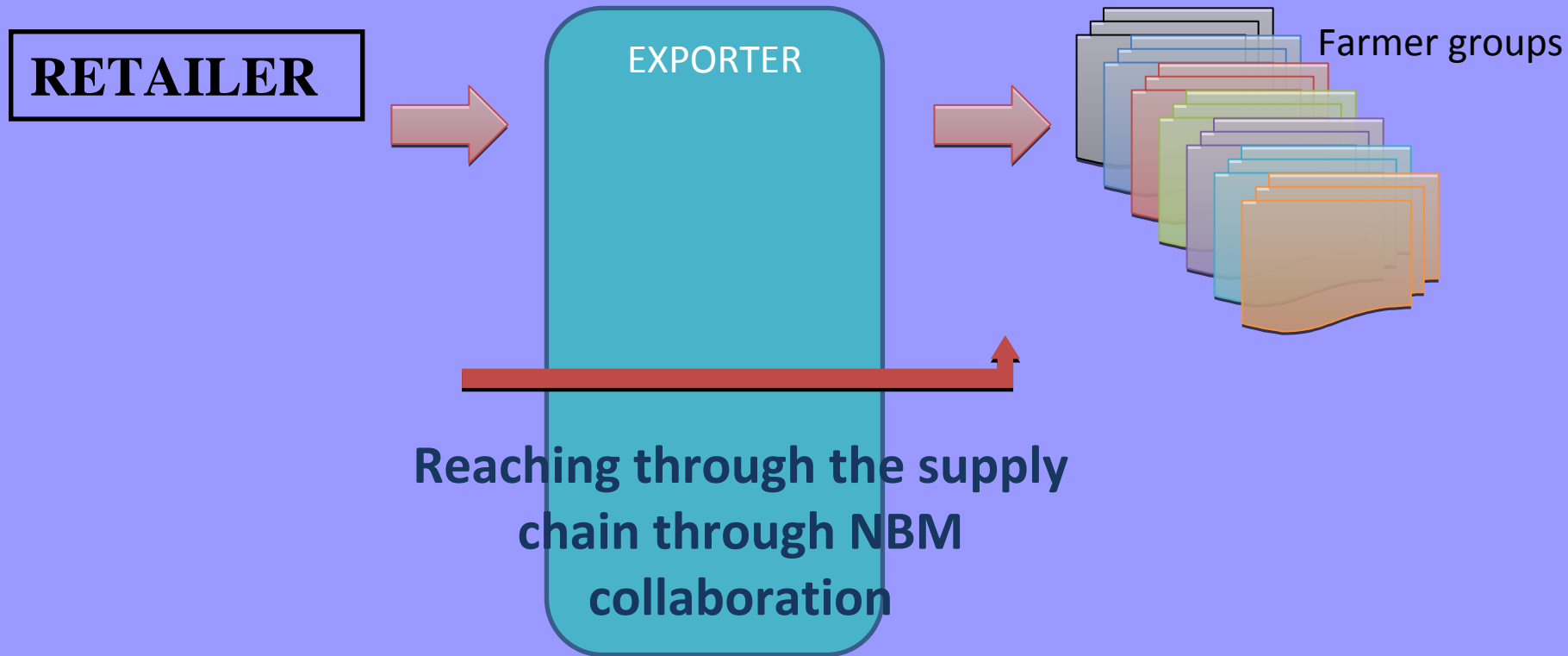


Partnership to develop **regional processed vegetable** supply chains at scale with smallholders in **Guatemala and Honduras**

New business model, Example 1: Specialised intermediaries



New business model, Example 2: Linking retailers to producers



Extending the concept of business models to sustainable trading relationships

Principles

1. Chain-wide **collaboration**
2. Fair and transparent chain **governance**
3. Equitable **access** to finance, information, technology, good practice and associated incentives
4. Inclusive **innovation**
5. Investment in **market linkages**
6. On-going **measurement** of outcomes and acting on them

Beyond international standards: local learning and upgrades

- Local standards/ local market upgrades
 - Raising quality of local food
 - Local flower market development?
- Hubs/ specialised intermediaries
 - Learning from export sector – soft technology
 - MeruGreen, FreshLink, dairy
 - Technoserve and Gates hubs

In conclusion

- Sustainable agriculture has to marry GAP and appropriate marketing best practice through SC-wide collaboration
- Standards hint at potential for an efficient, upgraded supply chain providing consistent quality product from a smallholder supply base
 - Model of co-investment and collaboration
- Major interest in business as a partner in development – including procurement from smallholders
- Market, supply chain, etc elements require more research and are better understood by farmers as a challenge and a potential solution
- Testing and applying new business model principles is our new research challenge!

Standard bearers: horticultural exports and private standards in Africa

- 35 briefings from 3-year IIED-NRI-DFID project
- Copies available from IIED [for free]
- www.iied.org

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