Workshop on Environmental Requirements and Market Access for Developing Countries: How to Turn Challenges into Opportunities? Geneva, 3-4 July 2006

The Horticulture Sector

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ISSUES (1)

- Horticulture provides opportunities for export diversification and rural development for many developing countries
  - Horticultural producers often earn higher incomes
  - Also income risks
- Changes in food trade, including horticultural products
  - Government regulations
  - Private-sector standards (more stringent)
- Implications for developing countries, in particular for small economies and small producers
  - Lack of administrative, technical and financial capacities may make it difficult to comply with new requirements
  - Many smallgrowers risk of exclusion from value chain
  - Competitive repositioning and enhanced export performance?
- Pro-active adjustment strategies

ISSUES (2)

- Government regulations and private-sector standards
  - Transparency of private-sector standards? No international guarantees of the TBT and SPS agreements
  - EurepGAP certification, for example, can assist developing country suppliers in complying with mandatory EU food-safety requirements by setting out specific measures to ensure compliance
- CTF
  - Dialogues (e.g. developed and developing country Governments, private standard-setting organizations, retailers and producer organizations in developing countries).
  - Project-based activities an national and sub-regional level to help develop pro-active adjustment strategies taking into account national conditions

COMPLETED AND ONGOING UNCTAD ACTIVITIES

- DFID-funded project
  - South-East Asia: Bangladesh, Cambodia, China, the Philippines, Thailand and Viet Nam: horticulture
  - Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) and Caribbean (Cuba and Dominican Republic): environmental requirements, market access and competitiveness in the food sector/organic agriculture
- CTF: project on "Reflecting National Circumstances and Development Priorities in National Codes on Good Agricultural Practices that can be benchmarked to EurepGAP".
  - Asia: Malaysia, Thailand, Philippines and the Viet Nam
  - Latin American: Argentina, Brazil and Costa Rica
  - African: Ghana, Kenya and Uganda

STRUCTURE PRESENTATION

- Trends in world trade
- Trends in requirements
- Implications
- Responses
- Standards for Good Agricultural Practices
- Issues for discussion
- Further CTF Activities

TRENDS IN HORTICULTURAL TRADE

- World trade (HS Chapters 7 and 8) excluding intra-EU15 trade around US$ 54.1 in 2004
- Consumption in EU, United States and Japan growing only slowly in volume terms, but still growing in value terms
  - Increased demand of value-added and off-season products
  - Tropical FFV and organic produce
- Share of imports in consumption growing in the EU and the United States
- FFV trade has strong regional bias
  - Asia: Exports to Japan and Asian developing countries
  - Africa: Exports to Europe
  - Latin America: Exports to United States and Europe

DEVELOPING COUNTRIES' EXPORTS

- The importance of horticulture in total developing country agricultural exports has increased significantly

Share of horticulture in developing countries' agricultural exports (%)
In value terms

	1980-81	2000-01
Horticultural products	14.7	21.5
Traditional tropical food products (such as coffee, cocoa, tea, sugar and spices)	39.2	18.9

- Non-traditional horticultural exports (sweet corn, fresh mushrooms mangoes and single-strength orange juice) were growing much more rapidly than traditional products.
- They were also growing more quickly than exports of certain preparations of FFV such as concentrated orange juice and canned pineapples (Humphrey, 2005)

TROPICAL FFV

- Unit values of tropical FFV have held rather well over the last decade, whereas unit values of traditional agricultural crops have decreased steadily
- Annual export growth rates (in volume terms)
  - 1985 to 1995: 4 per cent
  - 1995-2000: 7 per cent
  - 2000-2003: 14 per cent
- Good prospects medium term

Major tropical fruits

- Mangoes
- Pineapples
- Papayas
- Avocados

Source;
South Centre

PRINCIPAL DEVELOPING COUNTRY EXPORTERS OF FFV

Top	2003	2004
Mexico	3727.1	4235.4
China	2931.4	3453.7
Chile	1770.8	1872.8
Ecuador	1182.9	1122.2
Iran	974.0	n/a
South Africa, Rep	935.0	1221.5
Costa Rica	912.8	988.0
India	872.0	1069.8
Argentina	716.2	798.3
Thailand	637.7	n/a
Morocco	577.2	630.1
Philippines	549.1	n/a
Brazil	518.0	606.2

	2003	2004
Malaysia	170.7	176.8
Guatemala	251.8	322.3
Honduras	193.6	n/a
Panama	169.8	201.4
Ghana	55.2	53.0
Kenya	187.7	204.5
Uganda	3.4	11.9

HS chapters 7 and 8
Source: COMTRADE

TRENDS IN FOOD SAFETY AND ENVIRONMENTAL REQUIREMENTS

- Focus on the entire food supply chain and on identifying where hazards can be controlled most effectively ("farm to table" or "farm to fork").
- Increasing stringency and complexity
- Adoption of the HACCP approach to assuring safety
- Increased reliance on certification, including traceability
- Growing importance of private-sector standards and codes in the market place
- Supply chain-driven nature
- Greater regulatory responsibility for exporting country

SPS MEASURES

- While benefits of complying with SPS requirements seem to outweigh costs for developing countries as a group, costs and benefits may be distributed unevenly between countries, and between operators within countries (South Centre, 2005).
- Lower income countries with limited financial, human and technical resource may be unable to comply with SPS requirements, and thus be marginalized in international trade.
- Even before the recent rise in stringent SPS requirements for tropical FFV, international trade was mostly concentrated on a number of lower middle and upper middle-income countries.
- It may be difficult for low-income countries, in particular the LDCs, to enter markets for horticultural products.

SUPPLY CHAIN-DRIVEN NATURE

- Governments are shifting the responsibility for the safety of their nations' food supply from public food safety authorities to private food business operators, who are increasingly held responsible for the safety of the foodstuffs they place on the market.
- As a result, food business operators are increasingly imposing food safety requirements upon their suppliers in foreign countries in an effort to eliminate as many food safety risks as possible.

PRIVATE-SECTOR STANDARDS

- More stringent
  - Compliance with domestic legislation in country of production
  - Environmental and social issues
- Little or no multilateral discipline regarding private-sector standards, for example with regard to notification and consultations with potentially affected trading partners.
- Private-sector standards, for example EurepGAP certification, can assist developing country suppliers in complying with the complicated mandatory food-safety requirements of the European Union and Member States by setting out specific measures to ensure compliance.

PRO-ACTIVE STRATEGIES CONCEPTUAL AND STRATEGIC ISSUES

- Assessment of competitive position for specific crops
- Building supply capacities to meet external requirements (e.g. infrastructure, institutions, awareness-raising and the development of management skills)
- Weighing up a blend of possible adjustment approaches, such as national GAP programmes and EurepGAP certification (either directly or through benchmarking).
- Alternative markets, such as local and regional markets or niche markets for organic produce.
- Support for smallholders and their cooperatives. Donor support to support the design and implementation of the adjustment strategies.

INCORPORATING SMALLGROWERS IN VALUE CHAINS

- Outgrower schemes may work, but represent problems:
  - Coordination costs involved in ensuring continuous compliance with process requirements may be high, depending on the buyer's assessment of the level of supplier competence to perform the tasks required.
  - Risks of dependency.
- Market mechanisms alone insufficient to bear the costs of training and capital investment required to bring smallholders into high-value chains. Insufficient support for GAP implementation because of erosion of official agricultural extension services.
- Tendency to source from large-scale growers which are easier to coordinate.

INCORPORATING SMALLGROWERS IN VALUE CHAINS

Additional efforts to include smallgrowers in value chains:

- Development partners can play a crucial role in providing technical assistance.
- NGOs working in the area of agricultural and rural development can play a key role in enhancing awareness and competence of small farmers (Bangladesh Rural Advancement Committee, BRAC)
- Affordable certification for small producers.
  - EurepGAP group certification option (example: "Ghana to Use EurepGAP to Further Integrate Smallholders into Pineapple Supply Chain") and national GAP codes which reflect national circumstances and development priorities and can be benchmarked to EurepGAP.

ORGANIC (CAC)

- Most organic producers in Central America are small producers.
- Associations of small producers, supported by donors and NGOs, have been assisting smallgrowers in complying with food safety and marketing regulations and private-sector requirements.
- The Dominican Republic is a successful exporter of organic products (around $30 million) and 60% of exports of fresh bananas are certified organic (US$ 20 m). However, only 2 products (bananas and cacao) represent 97% of organic exports
- The small volume and unstable and seasonal character of organic production is a constraints. Yet it is not uncommon for products from certified farms to be sold in markets for conventional products, without a price premium.
- Strengthening links between supply and demand, through B2B) and PPP

CTF ACTIVITIES RELATED TO GAP

Two key objectives of GAP programmes:

- Enhancing food safety and encouraging effective implementation of national food safety regulations
- Facilitating access to export markets, meeting requirements

- A study of FoodPlus GmbH on the strategic concept of EurepGAP benchmarking and specific procedural requirements.
- Country-case studies on options for shaping national GAPs/related policies that reflects national conditions and development priorities.
- Sub-regional Stakeholder Workshops in South-East Asia, Africa and Latin America on challenges and opportunities EurepGAP standard.

SHARE OF FFV EXPORTS TO EU-15

Exporter	Exports (US$ millions)		Share of EU-15 (%)
	World	EU-15	
Malaysia	176.8	9.0	5.1
Philippines (2003)	549.1	35.0	6.4
Thailand (2003)	637.7	160.4	23.1
Argentina	798.3	382.7	47.9
Brazil	606.2	341.0	56.2
Costa Rica	988.0	431.0	43.6
Ghana	53.0	35.6	67.2
Kenya	204.5	166.5	81.4
Including flowers	477.8	419.2	87.7
Uganda	11.9	2.8	23.3
Including flowers	42.5	32.7	76.9

EurepGAP BY REGION

- As the characteristics of FFV production and trade differ among these regions, GAP strategies may also differ
- Latin America
  - Almost half of the value of FFV exports go to EU market
  - Certain urgency in EurepGAP certification
  - Process drive by large exporters
    - Argentina
    - Brazil, PIF
    - Costa Rica
      - Large exporters of bananas and pineapple have directly obtained EurepGAP certification
    - Chile benchmarking (Fundación para el Desarrollo Frutícola – FDF)

EurepGAP BY REGION

Asia
- Most exports egional (Japan, ASEAN)
- Many smallgrowers
- Step-wise approach
  - Starting with a national food safety-focused scheme, on the basis of which local, regional or even national "premium" GAPs can then be developed that primarily aim at facilitating access to key export markets
  - Two-tier GAP standard, whereby in addition to a national GAP standard there is also a benchmarked or equivalent standard to e.g. EurepGAP (QA Plus Asia-pacific)

Africa
- Most exports go to Europe (76 per cent in 2004)
- Many smallholders
- EurepGAP to assist smallholders exporting to EU

GHANA PINEAPPLE EXPORTS

- Largest contributor to Ghana's non-traditional exports
- Sector made up of 60 registered exporters, with nine of them supplying 72% of the total exports. Most fruits for export come from commercial farms, however, about 45% of total exports are obtained from smallholders' farms, made up of over 600 farm families.
- Problems meeting EU MRLs (2001) started the sector's engagement with EUREPGAP and later the EU-funded Pesticide Initiative Programme.
- By late 2003 around one third of pineapple exporters in Ghana had obtained the EUREPGAP, either as individual companies or as a grower group under the PMO scheme (2 out of 5 groups certified)
- Recent launch of a major multi-stakeholder project aimed at integrating small scale farmers into the global supply chain

ISSUES FOR DISCUSSION

- How can private-sector standards assist producers and exporters in developing countries to meet relevant public and private-sector requirements?
- What are the challenges of incorporating small farmers in global supply (value) chains in a cost-effective manner?
- What are the pros and cons of different options offered by EurepGAP such as direct certification, group certification, benchmarking of national schemes (e.g. ChileGAP) and national interpretation guidelines (e.g. Dutch Interpretation Guideline for FFV)?
- What are the advantages and disadvantages of a "two-tier" approach to GAP standards?

WHAT COULD CTF DO?

- Help promote dialogues on possible implications of public and private sector-standards for developing countries and how to take account of developing country concerns in their design and implementation.
- Promote analysis and national stakeholder consultations in developing countries on pro-actively strategies.
- Follow up on project "Reflecting National Circumstances and Development Priorities in National Codes on GAP that can be benchmarked to EurepGAP."
  - Such activities will focus on a small but representative set of interested developing countries (perhaps one or two countries per region) and be carried out under the umbrella of CTF, in cooperation with FoodPlus GmbH, (the not-for-profit secretariat of EurepGAP) and other interested parties.