

Underlying Cost Structure and Options for Reducing Costs of Compliance to enhance small scale producer competitiveness – the Case of Kenya

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Typical smallholder infrastructure

- For the purpose of this report, small holders are farmers with < 5 Ha.
- Safe storage for small quantities of crop protection products, either singly or in groups
- Waste chemical/empty pesticide disposal pit
- Simple/mobile hand washing structures during harvest and sorting
- Personal Protective Equipment, either singly or in groups
- Knapsack sprayer, either singly or in groups
- Field sorting site, often in groups
- Mobile water station both for spray mix and for hygiene
- Low understanding of 'modern' farming and market requirements e.g. QMS and record keeping

Main Cost Categories

- Investments on farm, physical and technological **infrastructure**: (safe storage for crop protection products, waste chemical disposal, hand washing facilities, personal protective equipment, knapsack sprayer and post-harvest facilities)
- Capacity building** and training (e.g. food safety and hygiene, pesticide handling training, personnel managers, technicians, inspectors and workers)
- Operational**: Technical staff, Sprayers, Graders, Clerks, Stationery, legal and administrative issues, internal audit
- Analysis** (Risk, MRL, soil, irrigation water lab tests, hygiene, harvesting)
- Pre-audit and **Certification** (inspection, Eurepgap fees)

Cost Structure Comparison Among Smallholders

Costs (\$)	Exporter Supported	Relation to Total cost	Relation to Income	Donor Supported	Relation to Total cost	Relation to Income
	Group A 33 members			Group B 29 Members		
Infrastructure	3,320	20.9%	1.7%	3,950	17.4%	2.1%
Capacity building	1,771	11.2%	0.9%	3,333	14.7%	1.8%
Operational	4,243	26.8%	2.2%	5,367	23.6%	2.9%
Analysis	3,748	23.6%	2.0%	7,205	31.7%	3.9%
Certification	2,766	17.5%	1.5%	2,862	12.6%	1.5%
Total Costs	15,848		8.3%	22,717		12.2%
Income 2006	190,667			186,667		

Strategies Proposed

- Group certification**- Cost-sharing mechanisms – joint investments in required farm infrastructure (e.g. group chemical stores, grading sheds, cool stores, spray teams and internal auditors, area based training forums etc)
- Establishment and strengthening of local** Laboratory testing, certification and auditing Institutions
- Setup of QMS development toolkits, which can be customized to group requirements at lower costs, and establishment of **business service providers** in the areas of Pesticide handling and application, record and database maintenance etc
- Use of **local capacity** – monitoring services (accredited laboratories), certification bodies, inspectors and trainers

Strategies Proposed cont...

- Better involvement of the EurepGAP **National technical working Group** at the standard setting meeting to lobby for issues like area based risk analysis and composite samples.
- Strengthening government institutions** offering training and extension services to cope with requirements of emerging standards
- Motivation of **banks to lend** to small holders, for instance, through government or donor guarantee
- Benchmarking of **national GPs** to trade (private) standards e.g. EurepGAP, BRC, SQ 2000 and GFSI to minimise challenges faced by producers and packers in isolating and meeting their individual requirements

Strategies Proposed

Strategy \ Costs	Infrastructure	Capacity building	Operational	Analysis	Certification
Group Certification					
Establishment & Strengthening of local Analytical and certification institutions					
Business service providers					
Capacity building of local professionals					
National involvement in standard settings & Implementation					
Strengthening Government institutions					
Motivating banks through government or donor guarantee to give loans to farmers					
National GAP					

Finish

- Questions
- Thank you

