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**Standards Challenge in Agri-Trade:  
Kenya Horticulture**

**By**

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**The views expressed are those of the author and do not necessarily reflect the views of UNCTAD**



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# Standards Challenge in Agri-Trade: Kenya Horticulture

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# Kenyan Horticulture at a Glance

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## An emerging export sector:

- Traditional agriculture comprises of coffee and tea
- Veg, fruits flowers export is about 30yrs old
- About 250,000MT volume,
  - 700mil US\$ (2006) -14% growth, 1bn US\$ in 2007-30% growth
    - Flowers about 60% value, fruits and veges 40% value
    - Highest growth in small to medium scale production (1-10 acres crop)
- Sector:
  - 500,000 growers, 240 exporters, about 1.5 million people directly employed and 4.5 million directly or indirectly dependent on horticulture
  - 90% production is traded domestically,



## Small Scale – The Way to Go?

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- About 80% of both producers and exporters are small scale.
  - Small scale growers -40% of export volume of veges, and about 20% of flower exports
- A growth sub-sector – land holdings in high potential areas average 2.5 acres
  - Logistical nightmare to find huge tracts of land for large scale horticulture
    - May be good from a social equity point
  - Commodity crops such as cereals, are low value (families cant pay school fees or pay medical bills on that)
  - High value crops the way to go, but.....STANDARDS



# Large-Small scale – a symbiosis?

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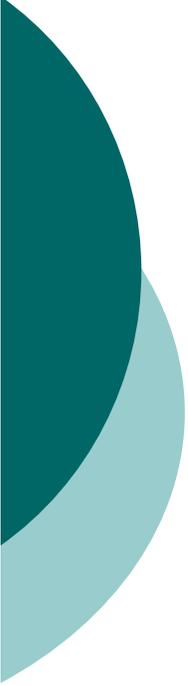
- Bulking- key to small scale participation in export trade
  - Standards – a rallying call?
  - Many small = large scale OR many Small → Large Scale
  - Guided production: area-specific economies of scale
  - Choosing the stop-point - level of value chain (with 240 exporters, the market and price is not secret anymore.
  - Exporter groups vs middlemen –
  - Contract farming? Fair price as a regulator



# Horticulture: Facilitating Institutions

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- Industry Associations
  - Facilitating small-large scale linkages, promotions, policy interface, running joint projects (FPEAK, KFC, KHC)
- Standards Inspectorate
  - Official control systems, certification for exports, official linkages with importing states
    - Kenya Plant Health Inspectorate Services (KePHIS)
- Central Govt, Horticulture Parastatal
  - HCDA, KeBS etc



# Standards: The Types

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- Types
  - Sanitary and Phytosanitary Standards (SPS)
    - Sanitary –Basically HACCP
    - Phytosanitary
  - Fair Trade/Labor standards
  - Environmental / Eco labels



# Standards –What's Wrong?

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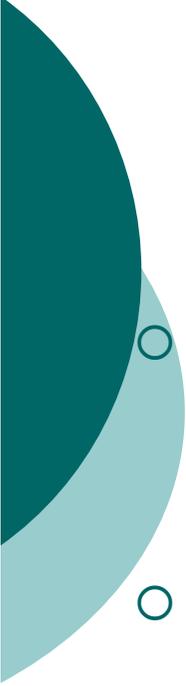
- Standards – The passport to Trade
  - They are necessary for all –developed and developing countries
- But...
  - are they (sufficiently) risk based?
  - Are the measures proposed proportional (and related) to the risk?
  - Is the application of SPS measures transparent?
  - Are the implementation mechanisms NTBs?
  - 'Equivalence' or 'Sameness'?



# Some Examples....

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- The EU Food and Feed Law
  - Competent Authority concept One central authority, [institutional setup]
  - Harmonised legislation (EU-partner states –same thresholds on measurable parameters
    - Result: market access but domestic-export markets stds incoherence
- The USA PRA system
  - Pest Risk Analysis – a pre-condition for exports, regardless of risk levels (guilty unless proven innocent)
    - The Positive Vs Negative listing confusion
  - Upto 7 years wait for approval after evaluation?!...an NTB?
- Others: ...
  - lab tests, arbitrary use of precautionary principle, etc



# Private Standards

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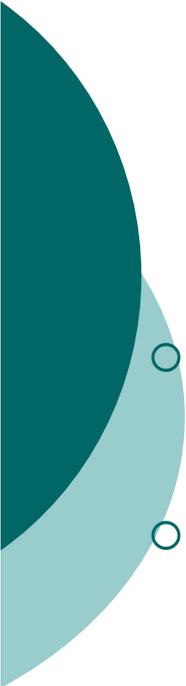
- In the end... trade is private, and private standards matter most
  - Are private standards filling in for public sector inefficiencies (inaction?)
- Private and public standards: double checks?!
  - Consumer and environmental safety – whose duty?
  - Subvention?
- Voluntary?
  - For WTO purposes...YES, for practical trade...NO
- Pragmatism – best policy for private sector
  - KenyaGAP (a private standard developed to enhance compliance esp at small scale level now benchmarked to EUREPGAP (now GLOBALGAP))
    - A first for Africa –veg, fruit and flower scopes



# Private Standards...The Pros

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- The Pros:
  - Easily adaptable to private sector realities (involves extensive private sector consultations and periodic reviews).
    - Challenge –how to involve small and medium scale players
  - An effective and quick means of responding to consumer changing needs
  - A practical way of allowing a private sector player to participate in international trade regardless of national compliance



# Private Standards...The Cons

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- Duplication...
  - where public standards exist, or on aspects which are the responsibility of private sector
- Multiplication...
  - How many labels must a company get to access different markets?...as many as...
- Cost...
  - Individual certification...a fundamental flaw (cf with country harmonization)
  - It costs more to PROVE compliance than to comply
- Accountability...
  - Who is responsible to the public that the thresholds set are sufficiently risk-based?
  - Where can an exporting private sector seek justice/compensation if its barred from a market of another country by its private sector standards?
  - A Stealth NTB?



## Way Forward...Standards in Agri-Trade

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- A review of WTO SPS Agreement and other international conventions to provide legal basis for all standards, public and private.
- Development of Standards Review Bodies between regional trading blocks
- Setting up of substantial funds at international and Regional Trade organizations for Facilitation of Private sector and Governments compliance to Standards.



Thank You