



Can certification strengthen smallholder farmers access to remunerable markets?

Executive Summary: *What is the issue ?*

Agriculture still offers the best option for improving rural smallholder farmers' livelihoods as it guarantees food, nutritional and income security. Indeed, Government of Uganda and other development partners recognize the importance of the sector as seen through recent programs and strategies such as Plan for Modernization of Agriculture, Prosperity for All and Operation Wealth Creation. However, the underlying challenges curtailing smallholder farmers' access to remunerable markets still abound, calling for innovative strategies to address this thorny issue. For smallholder farmers; selling their agricultural produce at a 'low' price tantamounts to 'no market'.

The issue therefore is finding a sustainable strategy to ease smallholders' access to remunerable markets – which offer competitive prices that will enable farmers to cover production costs while earning a decent profit from their efforts. Such income will contribute to transforming their livelihoods.

A marketing study commissioned by Advocacy Coalition for Sustainable Agriculture (ACSA) found that certification can improve local market access for smallholder farmers. Through analysis of existing policies on agriculture and certification, the study established the relationship between marketing and certification, and also critiqued existing certification options in light of what is most feasible for Ugandan smallholder farmers.

ACSA thus advocates for farmer friendly certification as an option to address this challenge that has long been a headache for the farmers. We single out the Participatory Guarantee System scheme (PGS) as a potential certification system to commence with, as farmers' capacities are built to access more sophisticated certification systems in the mid-term and long term. However, for PGS to work, there will be need for changes in existing policy frameworks as well as creation of new structures to guide the proposed structural change in marketing systems.

Context and importance of the problem

Marketing of agricultural commodities in East and Central Africa (ECA) is largely informal, adhoc in nature and disorganized (KIT, 2010). Farmers strive to sell their commodities through various channels and often times with minimal benefit. On the other hand, traders and other chain actors are equally frustrated as they have to deal with high transaction costs. Such costs are a result of poor infrastructure, high bulking costs, and quality adulteration, lack of standard and certification systems among others. Yet markets offer an opportunity for commercializing agriculture and hence improving the livelihood of smallholder farmers and other chain actors. This is especially so in rural Uganda where most people depend on agriculture for a living.

Review of Policies supporting certification

The National Trade Policy (2007) recognizes the importance of developing and implementing a National Standards Policy to enhance and ensure conformity with standards requirements, quality management and assurance as vehicles for promoting local and international trade. Furthermore, the National Sanitary and Phytosanitary Measures Policy is seen to be important for the protection of plant, animal and human life. These policies guide producers and traders who wish to adopt and implement standards as an initiative to improve quality and competitiveness of agricultural products so as to access both local and international markets. As such, this aspect makes certification crucial to increasing competitiveness of agricultural products.

The Uganda National Bureau of Standards Act (1989)

The role of UNBS is to formulate and promote the use and enforcement of standards as a means of protecting public health and ensuring environmental safety against dangerous, counterfeit and substandard products. UNBS also ensures fairness in trade and precision in industry and enhances competitiveness of local industries and promotion of quality exports. UNBS thus guides producers and traders in adhering to standardization and quality assurance as required by the market.

National Agriculture Policy (2013) highlights the need for establishing and enforcing safety standards and quality assurance so as to ensure that Ugandan agricultural products are competitive in domestic, regional and international markets. It also stresses the importance of strengthening national capacity for quality assurance, regulation and safety standards as conduits for increasing trade at all levels.

National Organic Agriculture Policy (draft) seeks to create an enabling environment for production, processing and marketing of organic products. The policy also seeks to create credibility of Organic Agriculture through adoption of appropriate standards, certification and accreditation. When approved, the policy will guide enhancement of systems which govern the organic agricultural sector such as certification and marketing.

Economic Partnership Agreement between EAC and the EU seeks to promote sustained growth, increase production and supply of EAC member states, foster structural transformation, diversification and competitiveness. The EU-EAC EPA contributes to earlier efforts to eradicate non-tariff barriers for inter country trade in the EAC. This is intended to improve regional trade which opens up opportunities for Ugandan smallholder farmers.

While the policies provide for an enabling environment, the major challenge is that the key provisions are yet to be fully implemented and exploited by stakeholders to make create an enabling environment for certification that works for smallholder farmers.

Farmers' access to markets – innovative approaches to ease the challenges

A study was conducted to investigate the underlying challenges surrounding farmers' access to markets, and the potential of certification to ease these challenges. Specifically, the study sought to identify factors influencing farmers' access to markets and to document evidence-based findings on related policies and relationship between marketing and certification. Five ACSA member organizations, seven farmer groups, 92 farmers and nine buyers were interfaced with during the study. The key findings are presented below:

1. Challenges in accessing markets:

Smallholder farmers reported lack of markets as a key challenge to their quest for improving agricultural production and inadvertently; their livelihoods. This was due to:

- Limited focus on market-led production.
- Lack of collective action for market intelligence, price setting and marketing; hence low bargaining power. These forced farmers to be price takers hence obtaining low, unstable and unattractive prices.
- Weak links and poor communication with buyers

Access to and sustainability of the certified markets was constrained by the informal market structure at local levels, competition from conventional produce, and quality management after harvest. Other factors included contamination from chemicals, lack of knowledge of market specifications, the unfavourable policy environment and production related constraints.

2. Types of Markets and their requirements

Most farmers targeted national markets in major town and cities though a few organized farmers targeted international markets. The specifications varied depending on the type of market (local, national or international) but in general included specific varieties, volumes, quality and presentation forms. Generally, the specifications for volumes, quality and presentation forms tended to increase as one progressed from local to international markets.

Local markets were much easier to access and required a lower degree of organization. National, regional and international markets onwards were more rigorous with regards to specification and not as easy to access especially where farmers were not organized. Findings indicated that although certification was still a new concept to many farmers, buyers and consumers, some respondents had been certified and had sold certified produce. The local certified market existed but was very small and fragile, powered by the elites and expatriates.

3. Factors facilitating smallholder farmers access to markets:

The study established that farmer marketing organizations, proximity to buyers, local middlemen, quality management, standards and certification, as well membership to local networks were the major drivers of farmers' access to markets.

4. Certification – what works best for smallholder farmers?

Certification creates value for all actors in the chain: when all the necessary processes are adhered to, certification creates assurance that a product, process or service conforms to specific requirements. While the process is elaborate, the benefits outweigh the costs related to the rigorous procedures. Thus the study established that if farmers are supported to obtain certification, they will be able to improve their production processes, create higher consumer satisfaction and thus access remunerative and consistent markets.

While farmers could be certified under the Participatory Guarantee System (PGS) or as first, second or third party operators, the latter form is the only one recognized internationally – but would be very expensive especially where farmers fail to find a ready market. Farmers could opt to be certified individually, in producer co-operatives or under out-grower schemes; but PGS can also obtain third party certification. PGS hence offered the best affordable option for smallholders for both local and export trade.

Policy recommendations

Certification is a viable alternative strategy which can improve farmers' access to markets. However, for this to work, the following changes have to be made by the Government of Uganda:

- Subsidization of certification costs – by government and other capable institutions to make the process affordable to small scale farmers and traders.
- Make certification procedures more friendly to smallholder farmers
- Strengthen agricultural crop finance to support increase in production volumes
- Popularizing certification through awareness creation among consumers to create local demand for certified products
- Develop and operationalize local standards thus formalizing local markets
- Create a Food and Drug Authority to regulate certification standards
- Facilitate relevant institutions to enforce certification standards for all producers and traders and all other actors along the value chain are mandatory for all producers and traders
- Capacity building of the relevant stakeholders (institutions UNBS, other certification bodies, farmers, NGOs, Extension workers) to build the capacity of farmers and farmers organizations in standards and certification process – Primary recommendation



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