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Ghanian horticulture code of practice - where to from here? Report of a workshop organized by the Natural Resources and Ethical Trade Programme, held at the Miklin Hotel, Accra, 5 June 2001

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GALA Repository Team: gala@gre.ac.uk
Natural Resources Institute: nri@greenwich.ac.uk



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Ghanaian Horticulture Code of Practice

Where to from here?

Report of a workshop organized by the Natural Resources and Ethical Trade Programme, held at the Miklin Hotel, Accra, 5 June 2001

Report prepared by Dr Stephanie Gallat

Workshop contributors:

Man-Kwun Chan, Bo van Elzakker,

Richard Tweneboah-Kodua,

Gannat Farms, Blue Skies,

Farmapine, SGS Ghana



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Ghanaian Horticulture Code of Practice – where to from here?

WORKSHOP REPORT

Where are we in relation to ethical codes – EUREP GAP, COLEACP, the supermarkets?

Implementing codes - experiences of producers and exporters in Ghana

Management of relationships between exporters and smallholders

How to do an integrated social & environmental audit on small to medium-scale farms

Costs and benefits of compliance

Evaluating future options for the Ghana export horticulture industry

This workshop was the third in a series organised by the Natural Resources and Ethical Trade Programme (NRET) of the Natural Resources Institute (NRI). The NRET Programme started nearly 4 years ago, with the principal aim of making ethical trade initiatives – such as codes of practice - more effective. In recent years, the European market has become far more demanding in terms of standards of production. Buyers and consumers are becoming increasingly concerned about issues of food safety, quality, environmental degradation and pollution, and the social and economic welfare of the workers and smallholder farmers involved in horticultural production. Large European supermarkets are responding to these concerns by developing ethical standards or Codes of Good Practice, and asking their suppliers to ensure that these Codes are implemented in exporting countries such as Ghana.

Codes of practice aim to bring social and environmental benefits to developing countries. They **can** bring real benefits if they are developed and implemented in a way that is sensitive to local conditions, and if there is real commitment from supermarkets and importers as well as from suppliers. However, codes developed by European supermarkets and organisations are generally based on conditions and practices of European producers, and can therefore be inappropriate to producers and exporters in developing countries. There is therefore a risk that the Codes of Practice currently being developed in Europe will not help to improve social or environmental conditions, and may in fact prove detrimental to producing countries such as Ghana.

Particularly at risk are smallholders, who play an important role in Ghana's export horticulture sector. In the process of conducting our research, it became clear that many European buyers are concerned that smaller farms – in particular family-run smallholdings – will find it much more difficult to comply with Codes of Practice compared to large-scale commercial operators. Many buyers are already sceptical about the ability of smallholders to meet European quality and food safety standards. If buyers and exporters see social and environmental standards as a further obstacle

to sourcing from smallholders, there is a risk that exporters will opt not to source from smallholders at all, thereby squeezing them out of the export market.

Leading horticultural exporting countries in Africa – such as Kenya, Zimbabwe and Zambia – have responded to the challenge of European market codes by developing their own national codes. These national codes respond to the key social and environmental standards required by their European buyers, but are also adapted to local conditions and are owned and managed by local institutions. Horticulture industries in these countries are finding that development of national codes brings a number of benefits, compared to responding on an individual basis to the plethora of European codes.

The export horticulture sector in Ghana has made considerable progress in recent years and is experiencing rapid growth and development. However, it is still in its infancy, and has not yet implemented a Code of Good Practice recognised by European buyers. This is creating a barrier to an increasing number of European markets.

In response to this challenge, the NRET Programme has been working with the export horticulture industry over the past 3 years to develop and implement a Ghana Code of Good Practice which aims to combine real social and environmental benefits with cost-effectiveness. In particular, we have examined the role of smallholders in export horticulture, and how they can continue to participate in the export market and protect their livelihoods.

This workshop was organised to share findings from this work with key stakeholders, update participants on developments in ethical trade, and explore the implications for future management of Codes of Practice in Ghana. To add value to the workshop, we invited Ghanaian producers and exporters to share their experiences of supplying the European market, and what impact complying with Codes of Practice has made on their operations.

The workshop attracted 70 participants, with representatives from producers, exporters, service providers (including Air Ghana and AFGO), Ministry of Food and Agriculture, NGOs, trade unions and donors (including DFID and GTZ).

For further information about the background to the Programme, please contact Dr. Stephanie Gallat, NRET (tel: 021 501649; email: sgallat@ghana.com)

Ethical trade: developments and trends

The development of ethical standards or Codes of Good Practice is in a state of rapid flux. Man-Kwun Chan (NRET), described how the past few years have witnessed a profusion of Codes developed by individual supermarkets, industry-wide initiatives (e.g. EUREP GAP, ETI) and national producer schemes. The large number of Codes has led to confusion; which Code is a supplier supposed to comply with in order to meet the requirements of his buyer?

The UK supermarkets have initiated the move towards ethical sourcing, but there is now a growing involvement of supermarkets across Europe. It is important to note that large supermarket chains control 80% of the food retail market in Europe, and it is therefore vital for exporters supplying the mainstream European market to meet their standards.

EUREP GAP is the most widely recognised industry initiative and has a growing membership (around 30% of all European supermarkets are already members). Some supermarkets are giving their suppliers concrete deadlines for compliance, and some suppliers have already been approved. However, EUREP standards are still in a state of flux. Moreover, the process of implementation of the scheme has been poorly planned, involves large volumes of paperwork, and tends to place inappropriate emphasis on detail. It focuses strongly on food safety and traceability but is weak on social responsibility, and does little to protect the rights of poor and marginalised groups within the fresh produce industry.

The Ethical Trade Initiative (ETI) is a consortium of businesses, NGOs and trades unions. It is a UK initiative, but spans all industries, and has a growing membership, including 6 of the UK's largest supermarkets. The ETI promotes labour standards (based on core ILO conventions), and has through its pilot schemes promoted better understanding of local (developing country) conditions, and developed methods for auditing social standards. There is scope for EUREP GAP to draw on ETI's experience in the areas of multi-stakeholder participation, awareness of local conditions, and social auditing.

National producer codes have been developed in response to European market demands. Kenya, Zimbabwe and Zambia have all implemented their own Codes. Benefits include better support to growers, more appropriate interpretation of standards, reduced number (and cost) of audits, and improved reputation of the national industry. The COLECAP Harmonised Framework is a common standard for African national codes and aims to strengthen producer countries' bargaining power. It has recently (May 2001) been agreed that the COLEACP Harmonised Framework can be benchmarked against EUREP GAP. However, the details of the benchmarking process remain unclear. The Harmonised Framework will have a platform at the next EUREP GAP conference in October 2001.

What are future trends in the area of ethical trade? A growing number of supermarkets and importers across Europe are signing up to social and environmental standards, and social and environmental monitoring is being mainstreamed into day-to-day business practices. There is also a move towards harmonisation of standards, but some of the largest supermarkets will still keep their individual codes. There is a greater recognition and acceptance of national producer codes, but details of benchmarking against European standards still need to be worked out.

In conclusion, there is still a lot of confusion, with many codes and standards in a state of flux. This means that there is a window of opportunity for YOU to influence the agenda!

For further information, please contact Man-Kwun Chan, Project Leader, Ethical Trade and Export Horticulture Project, NRET (m.chan@gre.ac.uk).

Experiences of producers and exporters in Ghana

Three exporters shared their experiences of supplying the European market, and the impact that Codes of Practice have had on their operations.

Blue Skies has made significant investments to bring their suppliers (36 in total) up to EUREP GAP specifications, because of the general lack of awareness of what is required to meet European standards. Food safety and consistent quality are key constraints preventing many Ghanaian producers accessing high quality European markets. Interestingly, Blue Skies suppliers come in all shapes and sizes. Some are large, but a significant proportion are small-scale (with farms as small as 5 acres). Blue Skies selects suppliers on the basis of their commitment to quality and willingness to improve rather than the size of their farm. Over two years, the training programme for suppliers will cost US\$ 95,000. The company also has a capital based fund to assist suppliers with improving infrastructure and facilities e.g. building pesticide stores and toilets on their farms. These investments are essential if Blue Skies is to acquire EUREP GAP approval and compete effectively on the global market. If Blue Skies doesn't comply with EUREP, its current buyers will seek suppliers elsewhere. Already, over 100 companies in Latin and South America are registered with EUREP GAP, and more are set to join. So no single supplier is indispensable!

Gannat Farms exports to an UK importer who requires that certain EUREP GAP criteria are met. Meeting these requirements makes a lot of demands on producers in terms of documentation and record keeping, which costs time and money. In addition, the company must keep tight control over its outgrowers to ensure traceability. But there are also benefits from meeting these requirements. The company has a competitive advantage and value addition to its produce. However, there is a need for a local, cost-effective auditing system to ensure that these requirements are met on a day-to-day basis.

Farmapine is a company owned by 170 small-scale pineapple farmers. Over two years, the company has witnessed a change in the attitude of these farmers. They have become more committed and business-like, and have developed a greater awareness of good agricultural practices. As a result, the percentage of exportable fruit has risen from 30% to over 60%. This demonstrates that small-scale farmers can improve their agronomic practices, increase yields and obtain better quality through appropriate support and training.

For further information, please contact
David Knight, Blue Skies (d-knight@ighmail.com);
Nour Hassan, Gannat Farms (gannat@africaonline.com.gh)
Dr. Omame-Antwi, Farmapine (famapine@ghana.com)

Integrated social and environmental auditing on small to medium-scale farms

Findings from our pilot audits in Ghana were presented by Bo van Elzakker of AgroEco, Netherlands, and Richard Tweneboah-Kodua, member of our research team. A draft audit protocol was drawn up based on best practice from existing social and environmental auditing approaches, and this was then field tested on two commercial pineapple farms and their outgrowers. The audits were conducted against the draft Ghana Code developed by the Ghanaian horticulture industry with support from NRET, which incorporates most key social, environmental and food safety requirements covered in European codes.

Key conclusions and recommendations from the pilot study were:

- Use of suitably trained, **local** auditors is highly recommended, as this makes audits more accurate and cost effective. However, auditors must be carefully selected, trained and supported;
- In its initial stages, an auditing scheme will require considerable time investment in order to educate everyone on the farm about the Code and audit process, test indicators, and identify appropriate verifiers. However, the audit time will be reduced as growers become familiar with the process;
- Frequent visits and continuity of auditors (use of the same auditors on a particular farm from visit to visit) build up trust, keep the code alive in the grower's mind, and encourage continuous improvement;
- It is important to have one person (Quality Manager) on each farm responsible for the Code of Practice and to act as the point of contact for auditors;
- Most farms have few written records. Auditing was therefore conducted using many non-written (verbal and visual) verifiers. This takes more time, but was found to be a more accurate method than relying solely on written verification;
- Integration of social, environmental and food safety issues in the same audit is recommended because of considerable overlap between these three areas, this avoids duplication, thereby saving time and money;
- Informal approaches to data gathering relax informants, and yield more reliable information;
- The audit protocol can be used for both commercial producers and outgrowers. However, the audit highlighted the importance of clearly defined roles for commercial producer and outgrower, so that each understands his own responsibilities and is aware of what he is being audited against;
- The audit highlighted shortcomings in the Ghana draft Code. In particular, indicators and verifiers need further refining to enable an accurate assessment of compliance to be made. Conditions of workers on smallholder farms also need to be examined, as they are different to the labour standards pertaining on commercial farms;
- For the early stages of code development and implementation, it is highly recommended that the auditor also plays a supportive and advisory role to the farmer. Such an "integrated" approach makes the farmer more co-operative and is more likely to lead to continuous improvement. If the farmer is co-operative, the auditor in turn is more likely to get honest and accurate information from the farmer. Once farmers get "up to speed", the auditor should play a more restricted "auditing" role, and self-audit questionnaires could be introduced to speed up the process;
- A national auditing scheme needs to be institutionalised i.e. there needs to be a Code Custodian who takes responsibility for the Code and national scheme supporting it. The national scheme will also require certification by an approved independent body;

Didier Reymond of SGS Ghana Ltd. presented an overview of SGS's capabilities in auditing. SGS is an independent verification body approved by EUREP GAP. It can verify individual growers or benchmark existing codes and national schemes against EUREP. In Ghana however, SGS has not inspected or verified any growers because there has until now been no demand for this service. SGS Ghana can offer other support services to the horticultural sector. The SGS laboratory conducts physico-chemical and microbiological analysis, and monitoring of water, effluent and waste

samples. SGS also offers training in food safety, hygiene and HACCP (Hazard Analysis Critical Control Points), as well as the ISO 9000 standards for Quality Management Systems.

For further information, please contact

Dr. Stephanie Gallat, NRET (sgallat@ghana.com)

Bo van Elzakker, Agro-Eco (b.vanelzakker@agroeco.nl)

Didier Reymond, SGS Ghana Ltd. (didier.reymond@sgsgroup.com)

Costs and benefits of compliance

Dr. Stephanie Gallat gave a brief resume of the potential costs and benefits of complying with Codes of Practice. A study on the cost of compliance on Ghana's pineapple farms found an overall increase in cost of production of 33% and 55% for capital intensive and labour based farms respectively. This was mainly due to increased pay and benefits for workers and investment in facilities (the estimated increases do **not** include costs of auditing).

Fortunately, as well as costs, there are also numerous benefits of compliance. These haven't been accurately measured so far, but include key factors such as:

- Access to larger markets
- Improved management leading to greater efficiency
- Environmentally friendly, sustainable production
- Cost savings through reduced use of agro-chemicals
- Better agronomic practices lead to higher yield and better quality, resulting in a higher proportion of exportable produce

Finally, it is salutary to note that Zimbabwe, Zambia and Kenya have been pursuing the implementation of Codes for the past three years. They would not be doing this if there were just costs and no benefits! The report on the cost of compliance can be obtained from Bo van Elzakker (b.vanelzakker@agroeco.nl).

Evaluating future options for Ghana's export horticulture industry

Participants were formed into 4 groups. Each group evaluated options for the future direction of the export horticulture industry and reported back to plenary. The options evaluated were as follows:

1. Is it necessary to change our current practices?
2. Is there a need for a Ghana national Code?
3. What institutional framework needs to be put into place to implement a national Code?
4. What kind of support do you need and who should provide it?

The four groups were unanimous in agreeing that Ghana's export industry cannot continue with its current practices and needs to implement a Code of Practice, as it is otherwise in danger of losing access to the European market. There was also

resounding support for a Ghana national Code, because it reflects the priorities and concerns of the industry more accurately than a foreign Code, enhances the credibility and bargaining power of the industry and in addition, has local “ownership”. However, it was acknowledged that a Ghana Code has to be benchmarked to a recognised international standard such as EUREP GAP, COLEACP etc.

There was less consensus on the institutional structures required to implement a Code, and in particular, who should be the Code Custodian. This lack of clarity is not surprising, as the institutional bodies involved in the export horticulture sector are weak and provide little leadership. Suggestions included a reorganised and strengthened Horticultural Association of Ghana, incorporating all other industry associations such as SPEG and VEPEAG. Other suggestions were the Ghana Standards Board, the Ministry of Food and Agriculture, and a multi-stakeholder partnership of government, private sector and NGO organisations.

Areas of support required included:

- financing to set up a national Code (need to explore cost sharing mechanisms with buyers, revolving funds to support capital investments etc.)
- adequate facilities and infrastructure
- technical training
- national legislation to enforce Code of Practice
- institutional body which has the authority to inspect, certify and issue export permit

It was noted that benchmarking a national standard with an international standard such as EUREP GAP involves the certification of the whole national scheme, and not only the Code of Practice. It was suggested that a levy be placed on all horticultural exports to assist with financing of a national scheme.

Key issues arising from discussion

There was lively discussion after each of the presentations. Key issues arising from these discussions are summarised below.

Impact of codes on poverty reduction

Donors and others involved in development work wanted to know about the developmental impact of Codes of Practice, including their specific impact on poverty reduction. In particular, they wanted evidence of whether or not codes benefit smallholders, and how smallholders can comply with European standards. Several exporters explained that outgrowers require close management, and in addition, provision of central services, inputs and training. The general consensus was that it is hard work, but it can be done.

Training and capacity building

The importance of training and capacity building was highlighted as a pre-requisite for growers, and particularly smallholders, to comply with Codes of Practice. There was also a question mark over who was going to support the growers. Development organisations have done a lot of work over the years in designing effective training and extension methods specifically geared for smallholder farmers, e.g. on integrated pest management. Those involved in developing training programmes for

smallholders should make use of this existing “good practice”. There is also some local capacity e.g. Food and Drugs Board, SGS Ghana, to provide various aspects of training. This needs to be investigated.

Facilities and infrastructure

Adequate infrastructure was highlighted as an essential component to improved quality of Ghana’s horticultural exports. Feeder roads are poor, leading to delays in transporting produce to port and airport, and causing post-harvest damage. There is no operational cold-chain, resulting in deterioration of produce before it even leaves Ghana’s shores. Port and airport services including storage, handling, loading and temperature control are inadequate, again leading to rapid deterioration. There was a call for government to assist the private sector by supporting infra-structural development.

Key issues arising from UK workshop, 21st May 2001

A workshop on “Applying Codes of Practice in the Smallholder Sector” was held in the UK on 21st May. The workshop was attended by UK and Dutch supermarkets, importers, fresh produce associations from Ghana, Zimbabwe and the UK, donors (DFID and GTZ) and a number of NGOs. Key issues of interest to Ghana’s export industry are summarised below.

The future of national producer codes

Compared to the situation a couple of years ago, there appears to be a much greater acceptance amongst all stakeholder groups of the concept of national producer codes. However, these will only gain formal acceptance from the European market if they are benchmarked against European standards such as EUREP GAP. Benchmarking would involve an assessment of the national control mechanisms to ensure compliance, as well as a paper comparison of the code against the agreed European standard. The specific process and mechanisms still need to be developed and agreed upon, including:

- Which European standards should national producer codes be benchmarked against?
- What are the specific mechanisms and procedures for benchmarking? How much flexibility should be allowed?
- Who does the benchmarking? Who does the verification? The role of international auditing companies such as SGS and BVQI was discussed in this context.

The costs of implementing codes, and how to meet them

As with last year’s workshop, participants were keen to know the costs and benefits for producers of complying with codes of practice. In particular, there was interest to compare the costs of compliance between a large estate and a group of smallholders producing an equivalent amount of produce for export. As well as demand for research to quantify the costs and benefits, there was also a recognised need to further investigate options for effective cost-sharing mechanisms (sharing costs between producers, exporters and others e.g. donors, supermarkets).

In response to the questions raised at the workshop last year, NRET has been carrying out studies on the cost of compliance in the tea sector in Kenya, pineapple farms in Ghana, and the wine industry in South Africa. Please contact Bo van Elzakker (b.vanelzakker@agroeco.nl) for the report on the pineapple study, and Chris Collinson (c.d.collinson@gre.ac.uk) for reports on the tea and wine studies.

Synthesis and harmonisation of Codes

Discussions during the workshop reflected a general frustration at the confusion created by a growing plethora of codes and standards. There was a plea for someone to provide a synthesis of key issues covered by the main European codes – including EUREP GAP and ETI – as a short-term measure. As a longer-term measure, the need for a greater harmonisation of codes was recognised.

Encouraging consumers and supermarkets to be more smallholder-friendly

NGOs and researchers wanted to explore further how both supermarkets and consumers could be encouraged to support smallholders. One aspect of this would be to create a better understanding of conditions on smallholder farms, for example to generate a more rounded appreciation of issues surrounding child labour. Another aspect would be exploring marketing strategies based on selling the “development story” behind the product, i.e. informing the consumer that he/she is helping to support a smallholder family when they buy a product sourced from smallholders.

The question was raised as to what was the best marketing strategy for smallholders. Are they better off supplying the lower end of the market, in particular the wholesale market, where at present social and environmental standards are not important? Is the wholesale market growing or shrinking, and will it continue to turn a blind eye to social and environmental issues?

NRET is in the process of developing a management guide to working with smallholders in the export market, written principally as a guide for exporters and other intermediary organisations working with smallholders. The first phase (just completed) has compiled current knowledge on “best practice” into a draft guide. This is presently being field-tested and will be available in early 2002. Please contact Geoffrey Bockett, Smallholder Guidelines Project, NRET (email: g.bockett@gre.ac.uk).

Need for information on local legislation

Importers and supermarkets felt that it was difficult to access information on local legislation relevant to codes of practice, and that efforts should be made to make this more available to them.

It should be noted that industry representatives have raised this issue before, and in response NRET is working to include such information on its VINET Website (<http://www.nri.org/vinet>).

Copies of the UK workshop report are available from Man-Kwun Chan, NRET (m.chan@gre.ac.uk)