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Adoption and Impact of Eurepgap Standards: the Case of Kenyan Smallholder Export Farmers

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Abstract

Despite the success of the horticulture industry in Kenya to which many smallholder farmers contribute, producers are facing new challenges related to changes in the structure of consumer demand and the transformation of the food retail market in Europe. European Union (EU) retailers increasingly ask for produce certified according to food safety and quality standards. The European Retailer Protocol for Good Agricultural Practices (EurepGAP) is the most widely known example of a common EU supermarket standard. Though it is a private standard, it is regarded as a condition of entry to EU markets and is unlikely to provide price premiums. Compliance to these standards for smallholders entails costly investments in variable inputs (in particular the switch to approved pesticides) and long-term structures (e.g. grading shed, charcoal cooler, disposal pit and pesticide store). These investments are “lumpy” and mostly specific to the fresh export vegetable business. It is questionable whether small-scale farmers have the resources and skills to comply with standards and the cost of implementing these standards may drive producers out of lucrative fresh export business.

This article addresses three major objectives: **(1)** to investigate the nature, magnitude and significance of cost of compliance with EurepGAP standards, **(2)** to examine factors explaining the smallholder decision to adopt EurepGAP standards among which cost of compliance can be expected to be a major one and **(3)** to assess the impacts of EurepGAP standards on smallholder welfare. Analysis is based on a random cross section sample of 439 small-scale export vegetable producers in Kenya whose production was monitored in 2005/2006. To account for self-selection as a source of endogeneity we use the two-stage standard treatment effect model. The first stage consists of the adoption decision model for the adoption of EurepGAP standards and the second stage is the impact model that provides estimates of the impact of adopting EurepGAP standards on farm net-income.

Keywords: Adoption, eurepGAP Standards, Export vegetables, Impact, Smallholder