



Selling agricultural goods

A farmer from Iganga, Uganda, Seruwo produces and sells maize. When harvest comes, thanks to the farmer organization he belongs to, his maize is pooled with that of his neighbors and sold at the local market. He knows he could get more for his maize across the border in Kenya, but there are several constraints to getting his maize to the neighboring market. Besides lack of proper storage to protect his grain from rain and pests, transportation is expensive, and there are burdensome requirements across the border; many times he does not even have the time or means to find out which documents and certificates are needed. Diwata, a female coconut trader in the Philippines, faces similar problems; in addition, she also has to register as an exporter with 2 different government agencies, which can be costly and take more than 3 weeks.

Market opportunities are the key driver of farm incomes and productivity growth. Market demand for agricultural products in national and global markets is expanding—due to population growth, income gains and increased urbanization—generating new opportunities and challenges. Responding to these growing market opportunities is of critical importance, especially to smallholder farmers that are often constrained by low population densities, remote locations and high transport costs. Improving farmers' participation in commercial supply chains, where productivity is increased, transaction costs are minimized and necessary quality and health standards enforced, plays a key part in responding to these opportunities and efficiently linking producers and consumers.

Inefficient agro-input supply and distribution systems, lack of financial services and inadequate infrastructure (including quality roads and

storage facilities), represent important issues that affect market access. However, inefficient and nontransparent, soft infrastructure emerges as a major obstacle. It is estimated that 75% of the delays in African markets are due to problems with soft infrastructure—particularly legal and regulatory barriers—and poor trade facilitation.¹ These barriers typically have a disproportionately high negative impact on smaller producers and businesses, who do not enjoy economies of scale and have to invest more time and money in understanding and complying with regulations and procedures.²

Tackling those obstacles requires certain institutional arrangements, as well as support from the public and private sectors. From the farm gate, one way is through well-governed producer groups, cooperatives, and farmer organizations that can help increase the bargaining power of smaller producers by lowering

costs and guaranteeing a buyer for their agricultural products.³ These organizations can also play an important role in enabling farmers to comply with quality standards. Either public or private, mandatory or voluntary, standards facilitate the coordination of agriculture value chains and transmit credible information on the nature of the products and the conditions under which they are produced, processed, and transported.⁴

Government intervention in facilitating access to markets has a crucial regulatory dimension. Sanitary and phytosanitary (SPS) measures, for example, are important to protect human, animal and plant health. However, sometimes governments go beyond justified requirements or apply them in a discriminatory or protectionist manner.⁵ A challenging but necessary task involves striking the right balance between appropriate SPS measures and the need to facilitate integration of producers, especially smaller scale ones, into regional and national value chains by streamlining processes. An additional challenge lies in the implementation of regulatory measures. Poor implementation of SPS measures can contribute to increases in the price of food staples, increasing costs between 12% and 25%.⁶ Time-consuming and costly customs systems and procedures may add up to burdensome licensing and registration requirements that impede the trade of agricultural products. Consequently, efficient, transparent and accessible regulations and services are needed to better integrate smallholder farmers into modern value chains.

A second dimension of government intervention is the promotion of agricultural services by facilitating the access of farmers and agribusinesses to market opportunities. This access can be channeled through extension services, provided largely to producer and farmer organizations, including marketing

extension, the provision of public market information, and institutional arrangements (box 8.1). Examples of such initiatives might include the development of a marketing department in the relevant ministry or the establishment of investment promotion programs in the agricultural sector.

Improving participation in agricultural markets requires an integrated approach, enabling farmers and other actors to participate in local, domestic, regional and international markets alike. Producers of agricultural goods can often profit from more distant markets, where there is more demand and consumers are willing to pay more for additional quality and variety of produce.⁷ But foreign trade does not necessarily involve access to remote markets where additional quality or cost efficiencies exceed tariffs and transportation costs. In developing countries (mainly in Africa), borders are often arbitrary and the nearest large market could lie right across the border.⁸ In fact, improving linkages to regional markets in particular is becoming more important, especially in regions with many small and land-locked countries, such as Sub-Saharan Africa and Central Asia, where economies of scale are necessary to improve market access, develop local supply chains, and link producers and markets.⁹

Infrastructure, policies and regulations governing trade procedures gain special importance in improving participation in agricultural markets, as they must be designed to address several key obstacles that currently constrain agricultural value chain¹⁰ development in local, regional, and global markets. Constraints include: weak and inconsistently applied SPS measures, uneven application of laws and regulations at the local and regional levels, burdensome licensing and registration requirements, and time-consuming customs systems and procedures.¹¹ The World Bank and World

BOX 8.1: A tiered approach to extension services in Rwanda

An awareness of markets and an understanding of how to interact with them play an essential role in assisting smallholder farmers to increase and sell their marketable surpluses. In countries where there is a public extension service, farmers are provided mainly with knowledge on inputs and good agricultural practices. Among the 10 pilot countries, all except Spain have public extension services, although the strength and impact of these services vary. Guatemala has restarted its extension service in recent years after a hiatus of around two decades. Extension agents have been hired and are being trained. The extension agents will primarily provide services on the input side of agriculture, namely seed and fertilizer, and agricultural practices.

The case of Rwanda

The Rwanda Agriculture Board's government extension services program is different from typical extension service programs in that a tiered approach is used. Each of the 14,837 villages has a farmer promoter to help build farmers' capacities. Moving on from the village level, there is an integrated development officer in the 2,000 to 2,100 "cells" to provide technical support to the farmer promoters. Beyond the cell level, there are 416 sectors in which there is an agronomist undertaking day-to-day coordination of extension services, such as having the list of cell farmers requesting inputs and the quantity requested. Going one level further, there is also an agronomist coordinating activities in each of the 30 districts. The Rwanda Agriculture Board itself provides demonstration plots, community mobilization, and training. While this service is geared toward providing ample support to farmers, it necessarily requires a significant allotment of government resources.

Source: Enabling the Business of Agriculture database.

Economic Forum estimate that reducing supply chain barriers to trade—many of which can be traced to laws and regulations—could increase world GDP 6 times more than the removal of all tariffs. These barriers often have a bigger impact on smaller producers, who have to invest more time and money in understanding complex regulation and complying with paperwork.¹²

Given the nature of current value chains, stand-alone regulatory and promotional national policies do not suffice to achieve efficient access to agricultural markets; bilateral and regional collaboration is needed. The lack of harmonization, mutual recognition or equivalence, particularly in SPS measures, can result in duplicative testing and increased production and transaction costs, especially for developing country suppliers.¹³ It can also impede an

efficient integration of inspection and customs authorities. Despite international agreements and regional integration processes, protection and implementation measures still differ considerably across countries, affecting the capacity of farmers to access global markets.

What selling agricultural goods data measure

Selling agricultural goods data examine policies and regulations that can facilitate (or hinder) efficient links between producers and consumers. This requires certain institutional arrangements and support from the public and private sector, such as well-governed producer groups, balanced SPS measures, adequate implementation of regulatory procedures and the provision of agricultural services that promote market linkages.

Five subtopics have been designed. Some are more relevant to the regional trade of agricultural products while others have a greater bearing on domestic agricultural markets. A standardized case study has been considered (see Data notes).

1. *Cross-border agricultural exports.* These data measure the regulatory procedures required per shipment to export agricultural products to a main neighboring market. The data also measure whether hiring a customs broker (customs clearing agent) is required when trading agricultural products and whether exporter accreditation is mandatory.
2. *SPS regulation of agricultural trade.* These data measure the time and official costs of phytosanitary procedures overseen by each national plant protection organization¹⁴ when trading agricultural products with the main neighboring trading partner, which include phytosanitary certification for export, and phytosanitary clearance and inspection for import. The availability of internationally accredited laboratory facilities is also captured.
3. *Information availability and marketing requirements.* These data focus on whether and how the fee schedules of the above-mentioned phytosanitary procedures are publicly available. In addition, they examine the existence of labeling and packaging requirements for processed food.
4. *Government promotion of agricultural marketing.* This data set attempts to measure whether the government has a plan to support farmers who aim to sell

their goods at local and regional markets, through an established agriculture marketing development entity in the country or through the development of a government strategy paper for marketing of agriculture commodities.

5. *Collective action to supply markets.* This data examines the legal framework for producer groups, cooperatives or farmer organizations, including the existence of laws and regulations.

Additional key aspects of agricultural market access are measured in other chapters of this report. Within the transport of agricultural goods, for instance, the project looks at better enabling producers to access markets, especially more distant markets. The discussion of contract farming encompasses the anticipated increase in the need for raw materials by agroprocessors to match the growth in demand for processed food products. Information and communication technologies represent a vitally important conduit for market information, market intelligence, and logistics coordination, and are a class of service that has a key role in leveling the information imbalance, which has especially disadvantaged smaller scale producers.

What the initial pilot results show

The pilot results show that the procedural requirements of cross-border agricultural export and SPS regulations vary across countries, and the regulatory processes have been facilitated by regional integration mechanisms and increasing availability of services and information. In addition, governments are putting more efforts in shaping the legal framework and strategies to promote agricultural marketing and farmers' collective action.

Additional procedures and documentation required for exporting agricultural products

Time delays have a significant effect on international trade. A cross-country study found that each additional day that a product is delayed prior to being shipped reduces trade by at least 1 percent and is equivalent to a country distancing itself from its trading partners by about 70 km, on average; the impact could be larger on exports of time-sensitive goods, such as perishable agricultural products.¹⁵ Enhancing

the predictability of regulatory requirements of cross-border agricultural exports would help boost trade volumes, increase incomes and contribute to regional food security in Sub-Saharan Africa.¹⁶

Except for trading between Spain and France, both EU member states, where there is free movement of agricultural products with no restrictions (box 8.2), traders from the other 9 pilot countries have to go through on average 3.3 regulatory procedures when exporting staple cereals to its main neighboring trading partner.

BOX 8.2: Regional integration facilitates cross-border agricultural trade

A growing body of research suggests that regional integration is a mechanism to increase local supply capacity and improve access to markets.^a Several pilot countries are part of different regional integration regimes: Spain is a member state of the European Union (EU), Guatemala belongs to the Central America Integration System (SICA), and Rwanda and Uganda are both members of the East African Community (EAC). Efforts have been made in the different systems to streamline regional trade procedures.

- In the EU, no specific government documents are required when member states trade with each other. Agricultural products can move freely across borders within the EU internal market. Over time, the free movement of agricultural products has had a major impact in the volume of trade; from 1995 to 2007, EU imports of agricultural products increased by 55% and exports by 68%,^b also intra-EU trade in agriculture (as a share of total EU agricultural trade) expanded from 65% to 75% between 1981 and 2005.^c
- In SICA, there is a common regional trade document (known as by its acronym, FAUCA) that serves as certificate of origin, commercial invoice, and customs declaration. Joint border management is being implemented between Guatemala and El Salvador, with only one border inspection taking place in the importing country; this process can contribute to efficiency improvement at the border post.
- The EAC recently started promoting coordinated border management through the establishment and support of Joint Border Committees at 16 border posts in the region, although this development is still in its early stages.^d Processes of standard harmonization and mutual recognition are also underway. For example, when importing agricultural products from Kenya, the phytosanitary inspectors of Uganda would recognize the testing results provided by Kenya Plant Health Inspectorate Services, helping to reduce the processing time of the import clearance.

Source: Enabling the Business of Agriculture database.

a. World Bank 2008.

b. European Commission trade datasets.

c. Korinek and Melatos 2009.

d. USAID 2013.

TABLE 8.1: General trade requirements with the largest neighboring agricultural trading partner

Country	Use of customs broker		Periodic exporter accreditation	Periodic agricultural exporter accreditation
	Export	Import		
Ethiopia	■	■	■	■
Guatemala				
Morocco	■	■		■
Mozambique	■	■	■	
Nepal				
Philippines		■	■	■
Rwanda	■	■		
Spain				
Uganda	■	■	■	
Ukraine	■	■		

Source: *Enabling the Business of Agriculture* database.

Note: Blanks = not required.

An export declaration is required in every pilot country except for Spain, and it applies to all types of exported goods. In the case of Guatemala, traders exporting to other countries within the Central America region can obtain the unique customs form "FAUCA" via the online one-stop shop managed by the Guatemalan Exporters Association (AGEXPORT). On the other hand, in all of the pilot countries in Sub-Saharan Africa, exporters need to hire or have an in-house customs clearing agent to complete required transactions, including access to customs systems and the declaration of both exported and imported cargo.

Moreover, documents that apply specifically to agricultural products may exist. In Ukraine, for instance, a non-GMO certificate issued by the Ukrainian state standard organization is required for all exported agricultural products.¹⁷ Although not mandatory by law, it is common practice for traders to obtain a certificate of inspection in Nepal and a certificate of analysis in Rwanda to prove the quality of the staple cereals when exporting.

Apart from the procedures per shipment when exporting agricultural products, in Ethiopia, Morocco, Mozambique, the Philippines and Uganda, there are also regimes of periodic exporter licensing or accreditation (table 8.1). In the Philippines, for example, agricultural exporters have to get 2 annual accreditations, one from the Bureau of Customs and another from the Bureau of Plant Industry. For horticultural product exports such as pineapple, asparagus, and banana, growers and packing houses as well as exporters must be licensed by the Bureau of Plant Industry. These requirements can be costly and burdensome for small- and medium-sized farms and agricultural small- and medium-sized enterprises (SMEs), potentially limiting their efforts to secure more profitable export markets.

Compulsory, but not burdensome, SPS processes

Simplified and efficient implementation of SPS standards is crucial for curtailing the increase of food staples' prices and can help facilitate

agricultural trade.¹⁸ However, a certain set of rules are also necessary to ensure food safety and agricultural health.

For the regional export of staple cereals or horticultural products, a phytosanitary certificate—a document issued to facilitate the exported consignments to meet phytosanitary requirements of the importing countries—is mandated in all the pilot countries except Spain (within the EU market). In the other 9 countries, this procedure has an average processing time of 2 days from submitting the supporting materials, acquiring inspection if needed, to obtaining the certification.

Similarly, when importing agricultural products from the main neighboring trading partner, the phytosanitary clearance (including relevant sampling, testing, and issuance of the import permit) is required in 9 of the pilot countries, taking on average 2.6 days to complete. Besides the clearance process, upon arrival of the shipment, most government authorities also inspect the imported products. In Ethiopia, there is a risk-based system where agricultural import consignments are not inspected physically; only the documentation gets checked. In Mozambique, the Ministry of Agriculture randomly inspects the imported products at the consignee's warehouse. In Rwanda, inspection takes place at the border by a joint team composed of officials from the Rwanda Revenue Authority, the Ministry of Agriculture and Animal Resources, and the Rwanda Bureau of Standards.

Official fees for phytosanitary procedures average less than 1% of income per capita (\$7.90) for phytosanitary certification when exporting staple cereals and 1.0% of income per capita (\$11.30) for phytosanitary import clearance in the pilot countries (figure 8.1). The fees may vary by product, as is the case in Morocco and the

Philippines. In Ethiopia, Morocco, Mozambique, the Philippines, and Ukraine, fees are dependent on the volume of products. In Mozambique, fees—based on different ranges according to volume—are particularly high for our standardized case study.

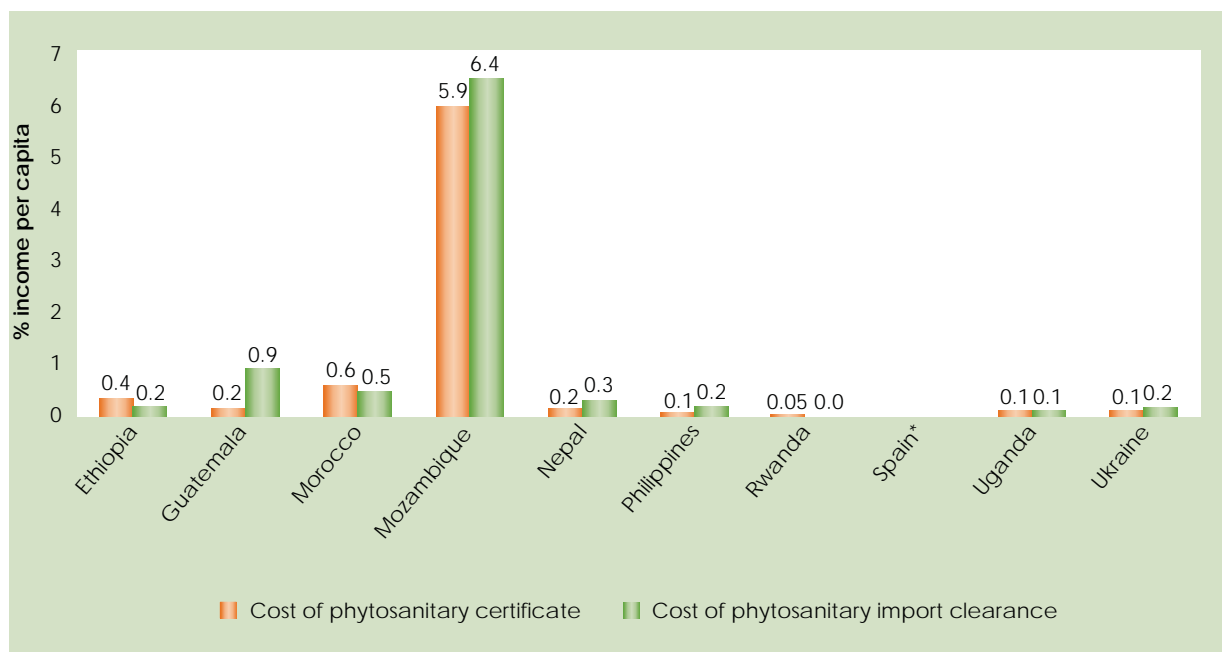
A lack of internationally accredited laboratories and the limited number of trained specialists can make restrictions imposed for health and safety reasons even more constraining. Well-functioning accredited laboratory services are important for sales of agricultural products, both for domestic consumption and foreign trade. These services can help ensure and prove that the technical requirements are met, thereby contributing to food safety and agricultural health. Internationally accredited laboratories are available in all countries except for Rwanda; in Guatemala, Morocco, Nepal, the Philippines, Uganda and Ukraine, accreditation has been extended to both public and private sector laboratories.

Phytosanitary fee schedules are publicly available in most pilot countries

Easier access to regulatory requirements, such as fee schedules, is associated with greater regulatory efficiency, lower compliance costs and better regulatory quality for businesses.¹⁹ Especially in the context of agriculture, producers and their marketing organizations are often dispersed in remote areas, do not have access to information and may be subject to opportunistic intermediaries. In this context, transparent rules and availability of information on the necessary requirements become essential.

Official fee schedules for phytosanitary procedures are available in the relevant plant protection legislation or regulation in most of the pilot countries. Meanwhile, governments have been increasingly using channels other

FIGURE 8.1: Official fees of obtaining phytosanitary certificate and import clearance for staple cereals by country (% income per capita)



Source: *Enabling the Business of Agriculture* database.

Note: * = Not applicable because Spain and its largest neighboring agricultural trading partner (France) belong to the EU internal market and there is no export/import process as such.

than legal texts to disseminate this information. In Nepal, traders can easily find procedures using the Nepal Business License e-Portal.²⁰ In Rwanda, application requirements and fees for the phytosanitary certificate are published on the Rwanda Agriculture and Livestock Inspection and Certification Services website.²¹ Morocco and Guatemala include information on fees in the service charters of the responsible agencies.

Another factor that can bring farmers closer to markets is the proximity of the responsible agencies. Traders from Morocco, Mozambique, the Philippines and Ukraine can visit regional offices instead of the headquarters of their respective national plant protection organizations to obtain required certificates and permits. Guatemala went a step further by making this process available online. In Uganda, however, traders need to contact the inspectors based in Entebbe to examine the exported products to get the phytosanitary certificate, while the

rest of the required trade documents are issued in Kampala.

In 9 pilot countries—all except Guatemala—there are laws or regulations in place that mandate the labeling and packaging of food products. The EU has fully harmonized rules on food labeling, packaging and advertisement. Meanwhile in Ethiopia, the only related requirement is that the label must be written either in Amharic or English. In Mozambique, there are 12 items that are mandatory for inclusion on food product labels.

Increasing government efforts to promote agricultural marketing

Ministries of agriculture around the world, particularly in developing countries, are increasingly looking at the marketing of agriculture commodities, in addition to their traditional focus on agriculture productivity. Strategies created

by relevant ministries establish objectives and channels for reaching an intended state of agriculture commercialization.

Nine of the 10 pilot countries—all but Guatemala—have an agriculture development strategy paper that has a component specifically focused on increasing and strengthening agriculture commodity marketing. The focus and methods adopted vary considerably. In Ethiopia, the Agriculture Growth and Transformation Plan 2010-15 has a strong government-driven component on the intensification of agriculture transformation. In Morocco, the aggregation-based model incentivizes the organization of farmers around private actors or professional organizations, while the government provides training subsidies and preferential access to finance. Finally, in Nepal, there is a national plan to promote the market orientation and global competitiveness of agri-businesses by tackling trans-boundary diseases and barriers to trade.

The existence of a marketing department within or attached to the ministry of agriculture or other relevant ministry is an indication of a government's commitment to supporting a more market-oriented agriculture sector. Most countries have a department or unit within the ministry of agriculture or attached to the ministry that focuses on the marketing of agricultural commodities. In Rwanda, for example, the government has created the Post-Harvest Task Force, mandated with assisting smallholder farmers to maximize net profits and to reduce food insecurity by reducing postharvest losses and strengthening staple crop value chains.

Legislation on farmers' groups or organizations is available in most pilot countries

Globally, there are over 2.5 billion people involved in smallholder agriculture either on a

full- or part-time basis. They produce 80% of the food consumed in large parts of the developing world, particularly in Southern Asia and Sub-Saharan Africa.²² Producer groups, cooperatives and farmer organizations provide a mechanism within a country to aggregate smallholder farmers and serve as a preferred linkage point between producers and agribusiness. These groups can function as an entry point to provide services for boosting productivity, improving the quality of goods supplied, increasing bargaining power in the market, and lowering transaction costs.

Smallholder farmers face several challenges to fully participate in agricultural markets, such as low yields, low quality production, poor market linkages, and limited access to finance. Smallholder farmers are defined in all 10 countries as having less than 10 hectares of land, ranging from just half a hectare in Morocco to 10 hectares in Ethiopia. The difference in farm size among these countries is influenced by many factors, such as the size of the country as a whole and the land system. Some governments have given special focus to small farmers. For instance, the second pillar of Morocco's agriculture development plan, Green Morocco 2008, focuses on providing support to smallholder farmers to increase farm income in difficult areas. In Rwanda, the government provides input subsidies and training to farmers within cooperatives to increase their marketable surplus and effectively connect them to the market.

One of the most efficient ways to assist smallholder farmers in accessing markets is through the development and support of producer groups, cooperatives and farmer organizations. Given the voluntary nature of these groups, one of the main supporting roles the government can play is to establish "smart" regulatory frameworks through the development of laws

and guidelines. All 10 pilot countries have a law addressing producer groups and/or farmer organizations. These laws and regulations establish the steps to be followed for formal registration and, in most cases, establish which institution regulates and registers these groups.

Next steps

This chapter presented the initial results of a data set measuring policy and regulatory constraints related to access to agricultural markets. Having analyzed results from this initial pilot data collection, the data focus has been narrowed down to 5 areas: government promotion of agricultural marketing; the legal framework for producer groups; cooperatives or farmer organizations; cross-border agricultural exports; SPS regulation of agricultural trade; and information availability and marketing requirements. The data set will be further refined and narrowed down after further consultation in 2014/15, with an emphasis on a few key points, as follows:

1. Further research will be conducted around regulations on quality standards, with a focus on major agricultural products for both international and domestic markets. Measures of internationally accepted and science-based health objectives supporting SPS requirements will be explored to balance out the objective of streamlining procedures and fostering

trade facilitation. Also, more effort will be placed on investigating the mutual recognition of phytosanitary certificates and laboratory tests between countries.

2. The regulatory framework of cooperatives and farmer organizations will be further developed. Recognition of international cooperative principles, requirements towards governance and the status of farmer organizations or groups will be investigated.
3. An attempt will be made to measure government extension services. Farmers can benefit from public extension services provided that they are efficiently run and accessible. In the 10 pilot countries visited, the team tried to collect information on the existence of extension services, on the number of farmers reached and the average number of times a farmer or farming area was visited in a year. Although most countries had extension services, the ways in which they were structured differed to such an extent that it was difficult to draw meaningful comparisons or conclusions from the responses received. More effort will be spent next year to develop case studies of successful models of extension services from which other countries can draw important lessons.

Notes

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- 1 Harmon, Simataa and van der Merwe 2009.
- 2 World Economic Forum 2013.
- 3 FAO 2012b; World Bank 2007.
- 4 Henson 2007; Humphrey and Schmitz 2003; Humphrey 2008.
- 5 Jaffee and Henson 2004.
- 6 Moisé et al. 2013.
- 7 Wiggins and Keats 2013.
- 8 World Bank 2012a.
- 9 Haggblade 2013.
- 10 Agricultural value chain refers to the whole range of goods and services necessary for an agricultural product to move from the farm to the final consumer.

- 11 Global Harvest Initiative 2013.
- 12 World Economic Forum 2013.
- 13 Jaffee and Henson 2004.
- 14 The National Plant Protection Organization refers to an official service established by a government to discharge the functions specified by the IPPC (International Plant Protection Convention). See ISPM 5. 2013, "Glossary of Phytosanitary Terms," IPPC, FAO, Rome.
- 15 Djankov, Freund and Pham 2010.
- 16 World Bank 2012a.
- 17 In Ukraine, a certificate of grain quality from the State Agriculture Inspectorate was mandatory up to April 9, 2014, when it was abolished by the Law of Ukraine #1193-18 "On Amendments to Several Legislation Acts of Ukraine Regarding Reduction of the Number of Permission Documents."
- 18 Moisé et al. 2013.
- 19 World Bank 2012e.
- 20 <http://www.licenseportal.gov.np/>.
- 21 <http://www.minagri.gov.rw/index.php?id=613>.
- 22 IFAD 2014.