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# What Impact Are EU Supermarket Standards Having on Developing Countries' Export of High-Value Horticultural Products? Evidence From Kenya

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## Abstract

European Union retailers are setting global benchmarks for the production of fresh food and are asking their suppliers for produce to be certified according to food safety and quality standards. Compliance with these standards for developing countries' small-scale producers entails costly investment in variable inputs and long-term structures. Limited empirical evidence exists either to refute or confirm the concern that the proliferation and enhanced stringency of these standards marginalize smallholders from the global market. This paper therefore explores the costs of compliance, factors explaining the smallholder decision to adopt EU private quality standards, and the impacts of the standards on farm financial performance. We develop a 2-stage standard

treatment effect model to account for self-selection as a source of endogeneity. 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. We demonstrate that adopters and nonadopters are distinguishable by their asset holding and household wealth, access to services, labor endowment, and level of education. Once we control for the endogeneity problem, we find that small-scale producers can benefit substantially from adopting the standards at the farm level.

KEYWORDS:

- adoption
- EurepGAP standards
- export vegetables
- impact assessment
- Kenya

Notes

<sup>a</sup> Statistical significance at the 0.01 (\*\*\*), 0.05 (\*\*), and 0.1 (\*) level of probability.

Note. Dependency ratio = the number of individuals ages below 15 or above 60 divided by the number of individuals ages 15 to 64.

The exchange rate at the time of the survey was approximately 72 KSh/\$US.

<sup>a</sup> Statistical significance at the 0.01 (\*\*\*), 0.05 (\*\*), and 0.1 (\*) level of probability.

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Sublocation is the lowest administrative unit in Kenya.

Net income is computed as total revenue from all export vegetables minus all variable costs, including family labor per cropping season. The value of family labor was approximated by the existing wage rate in the nearest village.

Facility index:

where  $D_{ih} = 1$  if household  $h$  has access to facility  $i$ ; the facilities are having cemented floor, number of rooms, access to pipe water, and being less than 100 m from water source;  $P_i$  is the probability of having facility  $i$ ;  $n_i$  = number of households that have a facility  $i$ ; and  $n$  = total number of households (McCulloch & Ota, 2002).

Durable goods index:

where  $G_{ih} = 1$  if household  $h$  possesses durable  $i$ ;  $P_i$  is the probability of having durable good  $i$ ;  $n_i$  = number of households which have durable  $i$ ; and  $n$  = total number of households. The items used to compute the index are refrigerator, sofa set, swing machine, radio, television, bicycle, motorcycle and car (McCulloch & Ota, 2002).

AfriCert is one of the few certification companies operating in Kenya to carry out certification services for mainly agricultural production and processing systems.

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