

Development of Export Cash Crops in Gaza

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Abstract

In spite of extraordinary hardships and insecurity generated from the political conflict between Israel and the Palestinians, Gazan farmers continue to cultivate and export strawberries, cherry tomatoes, carnations and other fruits and vegetables to the EU market through Israeli export companies. In order to sustain and expand these exports, farmers need to respond to increasing market requirements and adopt safer operations and improved quality measures.

In the first quarter of 2004, and as part of its U.S. Department of Agriculture (USDA) 416(b) Grant Management Program, ACDI/VOCA targeted the development of export-oriented crop production and marketing in Gaza. The difficult security situation on the ground did not stop ACDI/VOCA from assisting Gazan cooperatives and farmers to initiate this critical project. The project aims to sustain exports from Gaza and increase marketing opportunities through improving farming practices, improving crop quality and achieving Eurepgap certification.

The program is divided into two phases:

Phase I (2004/2005 season) focused on introducing and training farmers on the Eurepgap standard and assisting them to implement 2 of the 14 Eurepgap requirements, namely Traceability and Plant Protection. Over 150 farmers from 4 export-crop cooperatives participated in this one-year phase. This phase ended on October 2005 and it resulted in all 4 cooperatives using a traceability system and software, strict programs for using chemical fertilizers and pesticides, and improved sorting and packaging.

Phase II (2005/2006 season) is currently under implementation. This phase aims to assist 40 farmers in 2 farmer groups (27 strawberry farmers and 13 cherry tomato farmers) to implement all 14 Eurepgap requirements and attain Eurepgap certification. Certifications are expected in January 2006. Further expansion of the program to other cooperatives and farmers is needed in order to reach an economical scale required for sustainable and consistent exports.

Cash Crop Agriculture in Gaza

Gaza has nearly 16,500 hectares of cultivated lands (about 46% of the total area). Of this area, nearly 5,000 hectares is cultivated with vegetables (including strawberries). The main cash crops produced in Gaza are citrus, strawberries, tomatoes, potatoes, peppers, and carnations. Until the Israeli disengagement from Gaza, the potential for expansion of cultivated lands was very limited. Upon the evacuation of Israeli settlements in Gaza, an additional 400 hectares were added to this area and potential expansion into an additional 2000 hectares is also possible.

Agriculture exports from Gaza are mainly destined to Israel and Europe. The main crops exported are strawberries, carnations and, to a lesser extent, cherry tomatoes and bell peppers. During the 2003/2004 season, Gaza exported 1650 tons of strawberries, just over 50 million carnations, and about 700 tons of cherry tomatoes. Over 85% of this volume was destined to the EU. The strawberry export volume represented almost a 50% increase from the 2002/2003 season, the carnations volume maintained an annual volume of 50-60 million flowers, and the cherry tomatoes volume represents a small but steady increase in volume.

The key strengths of the Gaza export crops sector are quality and variety of produce, long and off-season availability, and proximity to markets. There are also several preferential trade agreements that have been signed which provide good opportunities for Palestinian farmers.

The Problems and Challenges

The overall volatile political situation and the strong Israeli restrictions on movement of people and goods in and out of Gaza, as well as the repeated, sporadic, and sometimes lengthy closures of the border crossing points constitute major impediments to the development of viable agribusinesses in Gaza.

Other internal key weaknesses preventing the sector from taking advantage of the existing opportunities are poor post-harvest practices and infrastructure and inaccessibility of farmers to external markets. The sector heavily depends on Israeli intermediary companies to handle the sensitive shipping logistics as well as the international marketing function; this situation limits the marketing prospects and venues of Gaza crops.

Moreover, farmers lack sufficient knowledge in regards to consumer preferences and market requirements specifically, the major European retailers' requirement of Eurepgap certification which is the main destination for Gaza fresh exports.

The Program

ACDI/VOCA's intervention in support of the export crops sector aims at sustaining and increasing exports of cash crops from Gaza to international markets in general and the EU market in particular. This can not be achieved unless the performance of producers and farmer cooperatives is improved and the quality of produce is also enhanced. The farmers and cooperatives realize that they must meet and adhere to international standards particularly in regards to Eurepgap certification.

The challenge facing ACDI/VOCA was extraordinary. Access to or by farmers in Gaza was extremely difficult and constituted a major hurdle to implement activities. Competition among the local cooperatives on getting the largest piece of the business with one particular Israeli exporting firm was strong.

In order to address the various aspects of the project in light of the extraordinary hurdles on the ground, ACDI/VOCA adopted a phased and distributed approach by extending grants to several complimentary counterpart organizations. The success of this intervention was very much influenced by facts on the ground. Arrangements had to take into consideration very limited accessibility by Israelis and international experts to Gaza as well as Gazans to Israel and the external world. Phase I (one year: October 2004 – September 2005) focused only on implementing two critical requirements in Eurepgap at 150 farms; Traceability and Plant Protection. Phase II (6 months: October 2005 – March 2006) targets 40 farms and two crops in two farmer groups (Strawberries and cherry tomatoes) for full Eurepgap certification.

Institutional Framework and Linkages

ACDI/VOCA works in collaboration with the Palestinian Ministry of Agriculture and local organizations, such as PalTrade, to provide training and technical support to Palestinians working in the agribusiness and agriculture sectors throughout the West Bank and Gaza. It also works with Israeli firms and relevant parties in order to facilitate business and access to foreign markets. These collaborative efforts and partnerships aim to strengthen the technical and training capacity of local organizations and link up Palestinian institutions with agricultural communities in order to initiate local actions that increase income and incentives for farmers

Program Players

ACDI/VOCA-USDA 416(b) Grant Management Program: ACDI/VOCA is the program leader and funder and also acts as a facilitator and strategic catalyst. It continuously monitors performance and progress of the program and coordinates work with all participating players.

Palestine Trade Center (Paltrade): Paltrade is the national Palestinian trade promotion organization. Paltrade provides expertise and leadership in trade promotion and development work. It also provides linkage between the cooperatives and potential buyers and markets through trade promotion activities such as trade missions and exhibitions.

Israel/Palestine Center for Research and Information (IPCRI): IPCRI is a joint Israeli Palestinian advocacy organization that aims to build collaborative bridges between the two peoples in various political, economic and social arenas. IPCRI provides the program with a venue for professional trainers in Israel and facilitation for travel, logistics, and field visits in Israel.

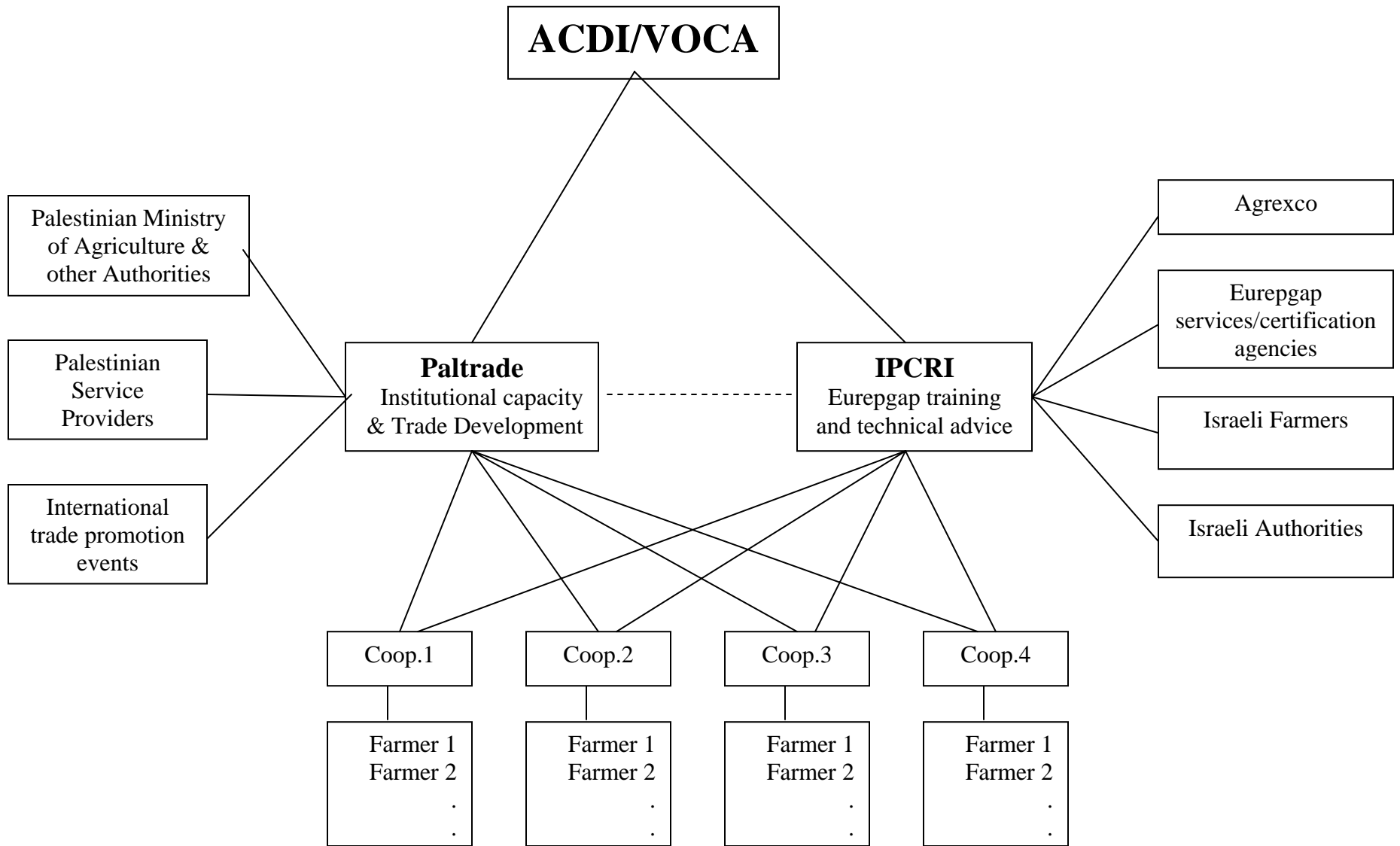
Gaza Farmer Cooperatives: Four farmer cooperatives will participate in this program:

- Gaza-Agricultural Cooperative Society for Vegetable Production and Marketing, Beit Lahia
- Co-operative Agricultural Association of Beit Hanoun-Gaza Area
- Strawberries Farmers Union Society-Gaza Strip
- Agricultural Cooperative of Strawberry, Vegetable and Flower Farmers - Beit Lahia

Palestinian Ministry of Agriculture: The Ministry provides the cooperatives and farmers with ongoing extension services, provides them with external quality inspectors who insure crop adherence to quality and health standards, and provides coordination of donor interventions.

Agrexco: Agrexco is the leading Israeli exporter of fresh produce. For more than 15 years Agrexco has been the main channel for exporting Palestinian fresh crops. It provides the cooperatives and farmers in Gaza with technical assistance as well as guarantees with Israeli sources of agricultural inputs. From the onset of program formulation, ACDI/VOCA encouraged and facilitated Agrexco's participation in the program in order to preserve existing commercial relationships between Agrexco and the Gaza cooperatives and to ensure that achievements by farmers are consistent with buyers' requirements and are also recognized and rewarded.

The diagram in the following page shows the institutional framework of the program partners and linkages and functional inter-relationships within the sector.



Phase I (One Year: October 2004 – September 2005)

The goal of this phase was to increase farmers' awareness of export market quality requirements in general and the European retailers' Eurepgap standard in particular. It also aimed to build up local technical capacity needed to assist farmers in the pursuit of fulfilling these requirements as well as set the stage for future interventions and development.

Objectives

1. Increase the cooperatives' capacity to address quality issues in general and Eurepgap requirements in particular.
2. Install and implement traceability software at the four participating cooperatives and train cooperative staff to use it.
3. Design and implement a plant protection program at the four cooperatives and all targeted farms.
4. Train farmers on improved harvesting and post-harvest handling of selected crops (strawberries and cherry tomatoes).
5. Increase farmers' awareness of Eurepgap requirements and the importance of quality improvement measures in the marketability of produce.
6. Train would-be extension trainers in extension and quality control.

Beneficiaries

- Direct Beneficiaries: About 500 farmers in 4 cash crops associations/cooperatives and about 20 extension engineers and quality coordinators.
- Indirect Beneficiaries: Family members of the farmers and engineers (approximately 3500), Palestinian workforce, Palestinian economy

Grants/Interventions

Towards achieving the above objectives, ACDI/VOCA extended funding for projects and activities in four interrelated components:

- Four small grants were extended to four local cooperatives in Northern Gaza (average contribution: A/V \$32,000, Cooperatives \$10,000). The grants basically cover salaries of 13 extension engineers and quality coordinators for a period of one year. It also covers cost of conducting a series of farmer training sessions.
- One small grant (\$32,000) was given to the Palestine Trade Center (PalTrade) to cover salary of a project manager and team leader. Management of the team and activities needed to be with an external (to the cooperatives) organization in order to avoid conflict between them.
- A grant (\$57,700) was extended to the Israel/Palestine Center for Research and Information (IPCRI) to conduct an initial Eurepgap training course and a series of field visits to similar farms and relevant sites in Israel in close coordination with PalTrade and Agrexco. The training targeted the technical team recruited in the

- cooperatives (14) and a number of the cooperatives' leaders and other relevant players. This component aimed to train trainers on the Eurepgap requirements and to create a pool of farmer trainers/advisors on this issue.
- The export crops sector is one of three sectors targeted by the “Agribusiness Trade Development Project ATDP” implemented by Paltrade and also funded by the ACDI/VOCA-USDA 416(b) grant. The cooperatives and their constituents benefited from this project’s range of industry-level and firm-level activities such as business planning, advisory services, trade promotion (exhibitions and trade missions), trade policy, and trade information issues, etc. This project started earlier in April 2004 for a duration of 18 months and targeted two other sectors, namely the olive oil and processed foods (meat and dairy) sectors.

Results

- ✓ 150 farmers implemented a strict plant protection program that resulted in a 25% reduction in export rejects due to failed chemical residue tests that are undertaken by the buyer (Agrexco). This program also resulted in an average of 50% savings of pesticides cost due to controlled pesticide use and introduction of alternative methods by the engineers.
- ✓ Use of traceability software by the four participating cooperatives
- ✓ Improved cooperative-farmer relationship as a result of periodic meetings among cooperative and project team with the farmers
- ✓ Participating farmers earned an increase of \$0.40/kg over regular handling as a result of improved sorting, packaging and crop quality
- ✓ Better coordination and collaboration among the four cooperatives
- ✓ Trained core of agricultural engineers on quality issues and Eurepgap requirements
- ✓ Increased awareness of the importance to adhere to international market quality requirements among farmers and agricultural engineers
- ✓ Increased farmer profits due to better quality and increase in production

Drawbacks

- The off-season (November 20 – February 20) exports came to a complete halt on January 15th 2005 after an explosion at the Karni goods terminal resulted in Israel imposing a 45-day closure on Gaza. The closure also slowed down the projects' activities and resulted in canceling several planned field visits to Israel.

Phase II (Six months: October 2005 – March 2006)

This phase builds on the work and achievements of Phase I. The goal of this phase is to implement all 14 Eurepgap requirements by 40 farmers in two farmer groups (27 strawberry farmers and 13 cherry tomato farmers).

As PalTrade's project management capacity was enhanced in Phase I and its relationship with the cooperatives and farmers improved, ACDI/VOCA decided to work with PalTrade. This phase was included entirely as part of an extension of the "Agribusiness Trade Development Project (ATDP)" funded by ACDI/VOCA.

It is worth noting here that in good timing with this phase the USAID funded PAPA project approved two investment partnerships with the two targeted cooperatives. ACDI/VOCA and USAID-PAPA closely coordinated their interventions with the two cooperatives to avoid overlap and insure complementarity.

Objectives

1. Sustain export business levels and enable direct sales to European retailers versus selling in wholesale auction terminals.
2. Increase the cooperatives' capacity to address crop quality issues in general and Eurepgap requirements in particular.
3. Assist two groups of farmers (total of 40 farmers) to implement all Eurepgap standard requirements in their farms.
4. Assist two Gaza packing and transit houses to achieve Eurepgap certification.
5. Continue training farmers on improved harvesting and post-harvest handling of targeted crops (strawberries and cherry tomatoes).
6. Further enhance local technical capacity through training of extension engineers and quality control coordinators.
7. Facilitate investments by the cooperatives in the packing houses in accordance with Eurepgap and GMP requirements.

Beneficiaries

- Direct Beneficiaries: 40 farmers (and their families) in two farmer groups and 7 extension engineers and quality coordinators.
- Indirect Beneficiaries: Other members of the cooperatives (approx. 500), Family members of the farmers and engineers (approx. 3500), Palestinian economy

Grants/Interventions

- A grant of \$209,184 was given to the Palestine Trade Center (Paltrade) (Project Total \$283,104, CC=\$73,920). The grant was included as part of the "Agribusiness Trade Development Project" extension which includes other agribusiness interventions targeting the olive oil and processed foods sectors. Through ACDI/VOCA's support and partnership, Paltrade has considerably enhanced its capacity in agribusiness development project management which has

convinced the Palestine Economic Development Company (PED) to entrust them with the transitional management of agricultural lands in the evacuated settlements. The project targets two farmer groups under two local cooperatives (the Gaza-Agricultural Cooperative Society for Vegetable Production and Marketing in Beit Lahia and the Co-operative Agricultural Association of Beit Hanoun-Gaza Area) for full Eurepgap implementation and certification.

An outcome of Phase one was the selection of farmers who showed serious commitment to improvement and were responsive to adopting changes. These farmers implemented steps in their farms that constituted prerequisite measures for further implementation of all Eurepgap requirements.

The following elements comprise the project's main interventions:

- Focused and practical training of the technical staff and the farmers. The training was conducted by local Palestinian and Israeli experts who teamed up for the objective at hand. Again, the situation on the ground forced an approach of "training of trainers". The project technical team and representatives of the farmers would attend a series of training and review sessions in Israel, then go back to train the farmers and work with them on actual implementation of requirements.
- Development of systems, procedures and instructions by the technical team and/or external consultants, conducting all required testing (soil, water, crop, etc.), and undertaking of external audits and certifications.
- Rehabilitation of 40 farms (27 strawberry and 13 cherry tomato farms). The required rehabilitation is set after conducting a risk assessment by the team in each farm. The rehabilitation included construction of suitable rooms for sorting and packing that meet all sanitary and hygienic requirements. Some farms also needed fencing to prevent animals from entering the farm.

As the USAID-PAPA project started their operations and the two targeted cooperatives were selected by them for investment partnerships, ACDI/VOCA and USAID-PAPA have been closely coordinating their interventions and support with the cooperatives. ACDI/VOCA's intervention focused on the technical issues and farm-level activities while USAID-PAPA's intervention focused on investment type activities in the packing and transit stations.

Progress as of mid January 2006

- In spite of strict and repeated closures on Gaza, an initial 4-day training course was conducted in Jerusalem. The Gaza technical team and the external advisors have been meeting every two weeks either in person or via video conference.
- Risk assessments of the two packing/transit stations and all 40 farms are complete. Rehabilitation of the farms and the packing houses is underway.

- It is expected that the first farm audits and certification will take place in February 2006.

The table below shows this phase's project budget

No.	Description	Total Project Budget	Community Contribution	A/V SHARE
1	Training & technical advisory days	\$13,180		\$13,180
2	Rehabilitation of 40 farms:(rooms or caravan units for sorting, packing, labor rooms, toilets and fencing)	\$140,000	\$50,000	\$90,000
3	Systems & procedures development, certification fees and lab tests,	\$52,000	\$13,000	\$39,000
4	Project Staff Salaries (1 manager+6 engineers)	\$34,560	\$7,920	\$26,640
5	Other admin. Costs	\$8,500	\$3,000	\$5,500
6	Overhead			\$34,864
	Project Total	\$283,104	\$73,920	\$209,184

Expected Results

1. 40 farms (27 strawberry and 13 cherry tomatoes) implementing all Eurepgap requirements and attaining full certification.
2. Two rehabilitated packing houses; one as a transit station for strawberries and as a full packing house for cherry tomatoes.
3. The first Eurepgap certified crops to be produced and exported from Gaza.
4. Trained team of agricultural engineers on quality issues and Eurepgap requirements with sufficient capacity to extend their services to other farmers
5. Increased farmer income as a result of higher prices due to better quality and increase in exportable yield

Drawbacks

- Delay in implementation due to repeated closures and difficulties in coordination for the technical team to leave Gaza
- As this case study is being written, the Karni goods terminal between Israel and Gaza has been closed for the 10th straight day. No exports (or imports) have been allowed across the terminal. Strawberry and cherry tomato farmers have been forced to sell their produce in the local market for almost 10% of the export price.

Needed Future Interventions

- Expansion of Eurepgap certification to reach over 200 strawberry farmers
- Assist farmers and farmer groups in further upgrading of crop quality and improvement of crop sorting and packaging.
- Eurepgap certification of other farmer groups working through the other cooperatives
- Expanding Eurepgap implementation and certification to other export crops.
- Expansion of Eurepgap certification program to farmers in the West Bank
- Assisting private export-crop farming businesses in acquiring Eurepgap certification particularly the Palestine Economic Development GAP project in the ex-settlement areas in collaboration with USAID-PAPA

(These interventions are included in a two-year extension of ACDI/VOCA's USDA grants program which is presently under consideration by USDA)