The Challenge of Private Standards for ACP producers

COLEACP PIP Programme
An Initiative for Safe and Sustainable Trade

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Agricultural trade between EU & Third Countries

General context
Access to EU Market
- EU World’s biggest exporter of foodstuffs, but...
- EU World’s biggest importer of agricultural products: food imports from more than 120 countries
- Increasing competition between Third Countries to enter the EU market (e.g. ACP vs Latin America)

General context
1,210,000 To F&V exported yearly from ACP onto the European market!

Changing structure of World Trade

<table>
<thead>
<tr>
<th></th>
<th>World Exports</th>
<th>Developing Country Export</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1980/81</td>
<td>2000/01</td>
</tr>
<tr>
<td></td>
<td>1980/81</td>
<td>2000/01</td>
</tr>
<tr>
<td>TROPICAL products</td>
<td>22.0</td>
<td>12.7</td>
</tr>
<tr>
<td>(cocoa, tea, coffee, sugar, …)</td>
<td>39.2</td>
<td>18.9</td>
</tr>
<tr>
<td>TEMPARATE products</td>
<td>46.3</td>
<td>38.3</td>
</tr>
<tr>
<td>(meat, milk, grains, …)</td>
<td>28.8</td>
<td>28.1</td>
</tr>
<tr>
<td>SEAFOOD, FRUIT &amp; VEGs</td>
<td>19.8</td>
<td>31.0</td>
</tr>
<tr>
<td></td>
<td>21.6</td>
<td>41.0</td>
</tr>
<tr>
<td>Other PROCESSED (tobacco, beverages, …)</td>
<td>11.9</td>
<td>17.9</td>
</tr>
<tr>
<td></td>
<td>10.4</td>
<td>12.1</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Increasing exports from ACP
E.g.: Increasing exports from Senegal
- Sharp increase of Fruit & Veggies exports over the past 15 years
- F&B exports: French beans (42%), Mangoes & Cherry tomatoes
- Mainly to the EU: France (40%), The Netherlands (31%) & Belgium (16%)
EU-ACP trade means development for ACP agriculture

- Contributes to the modernization and the development of the agriculture & horticulture in the ACP countries
- Helps to transfer technologies which also profit to the development of the whole agricultural sector
- Contributes in raising some of the limiting factors to the development of ACP agriculture:
  - the access to credit,
  - infrastructures weakness making difficult the circulation and the conservation of the products
  - availability of inputs, GHP & GAP, Crops Protocols,...

Trade for Aid in ACP

- Helps promote gender equality & women empowerment
- Reduce rural exodus, particularly young men
- Generates highly-skilled jobs (ACP experts, trainers, managers)... as well as less qualified jobs accessible to the family workforce!
- Contributes to reduce the poverty
- Helps to raise the education level in the rural area

Effects on Poverty in Senegal

- Share of Households (20%) with members employed in the tomato export industry

- Poverty
- Extreme Poverty
Food Safety & Traceability: an Issue in EU

Repeated food crisis in EU

Food Safety is today an Emotional issue in Europe

1996 Mad cow (BSE)
1999 Listeria, Dioxin
2001 Fungicides on pallets
2004 Food-and-mouth disease, GMO
2006 Bird Flu
2008 Blue Tongue (Cattle Fever)
2008 Melamine in milk (China)

Consumer concerns … and lobbies!

Components of Food product Quality?

Service quality: preservation, storage, consumer info ...

Regulation quality: conformity, environmental safety, ethical production

Organoleptic quality: appearance, taste

Sanitary and toxicological quality: no foreign bodies, no insects, no dangerous microorganisms, no toxins, no pesticides residues, ...

Food Safety … and Traceability!

DO YOU KNOW WHERE YOUR DINNER WAS LAST NIGHT?

Market Requirements!

- Base line: producers and exporters must demonstrate that their (fresh) produce conforms with EU Food Safety requirements (e.g. respect of pesticides MRL)

- Global & Integrated Approach of Food Safety based on Risk Analysis in the Food Chain, with:
  - Implementation of Food Safety Management Systems
  - Implementation of Traceability Management Systems
Market Requirements!

- Growing demand of European retailers in terms of quality, safety, and traceability of the products, but also:
  - Respect of the environment (sustainable production, ISO 14001)
  - Adoption of crop protocols, using IPM principles and non-chemical alternatives for crop protection
  - Ethical production (SA 8000, ETI, ...)
  - Fair Trade (FLO-CERT, ...)
  - Carbon or Water footprint

Market Requirements!

- Proliferation of "Food Safety and Agricultural Health Standards" issued by governments and/or private retailers
- Some competition in FS may be now present in EU within producers/retailers trying to present their produce as "safer"

Private Standards versus EU Regulations

EU Food Safety Regulation

- Feed & Food Law (Regulation (EC) 178/2002)
- SPS regulation & high standards: hygiene, official controls, pesticide residues, contaminants, organic farming, ...

EU Retailers requesting Global-GAP

EU Food Safety Regulation

- To prevent or eliminate risks
- Or to reduce risks to an acceptable level
- To guarantee fair practices as regard trade in food & feed

EU Food Safety Regulation

The EU integrated approach to food safety aims to assure a high level of food safety, animal health, animal welfare and plant health within the European Union through coherent farm-to-table measures and adequate monitoring, while ensuring the effective functioning of the internal market.
Traditional argument is that EU Safety and Quality Regulations are barriers to trade!

However, recent evidence suggests that SPS Regulations could be catalysts for Private Sector industries:
- The compliance costs may be relatively low (World Bank)
- Public Standards may be catalysts for trade by reducing transaction costs (equivalence)
- Once a Sector/Country satisfies SPS requirements, the benefits can be very high (Minten et al., 2008; Maertens & Swinnen, 2008)

EU Food Safety Regulation

Scientific basis of measures (Risk Analysis)
- Participation of stakeholders in Standards setting!
- Harmonization based on International Standards (Codex, OIE, IPPC, ISO, ILO, WHO,...)
- Transparency
  - Recognition of equivalence
  - No unjustified costs in testing, auditing, certification
  - Least trade restrictiveness

... but public response can be too slow for industry!

The problem with PVS

- Industry has integrated regulatory requirements in PVS (80% of the content)...
- Main Food Safety Standards (BRC, IFS, ISO 22000,...) are of equal content:
  - Hygiene
  - HACCP
  - Traceability system
    - same wine in different bottles!

... but likes also "niche response" to "niche market"
- develops new voluntary standards
- consumer labels emerge

Private Standards vs Public Standards

Public Regulations
require “Equivalence of risk-outcome” based on evaluation of the final product safety (consistent with SPS agreement of WTO)

Private Standards
require “Equivalence of systems” based on an evaluation of the process as well

→ Private Standards more demanding
The problem with PVS

- **PVS becoming de facto market access requirements**
- **Poliferation Private Standards** means:
  - Different scoring/reporting system (e.g. 5 versions but no convergence IFS/BRC)
  - Overlap and/or Contradictions
  - Lack of harmonization between PVS
  - No transparency
  - No mutual recognition (BRC, IFS, SQF2000, ...)
  - High costs, almost impossible for small/medium sized industries and for developing countries!

The problem with PVS

- **Duplication** of audits/inspections & certifications
- **Competence of auditors under question** (real knowledge of the Standard, experience in the sector, language skills, ...)
- **Competition** between auditing/certifying bodies
- **Costs** associated with PVS:
  - Costs of compliance for Small Scale Growers / Industries
  - Costs of repeated certifications (2 days/audit !)
  - Lack of price premium !
- **Consumer confusion** (labels!)

Certification in ACP Countries

- **PVS Certification is technically possible** (in Kenya from 2005. But only 16% ACP production certified by March 2008)
- Requires external support ... and **skilled auditors!**
- **Hidden costs**: record keeping, training, meetings, ...
- **High recurrent costs** of PVS:
  - Audit expense/year
  - Certification expense/year : increasing cost with time (e.g. Global-GAP fees : 24% rise in cost)
- May represent non-tariff trade barriers for ACP exporters

Regulations & PVS impact

**Retailers & consumer confidence**
High Food Safety Standards
Better information

Increased responsibility of controls by ACP Authorities
Primary responsibility of ACP Producers
**Regulations & PVS impact**

- **National Authorities:**
  - Responsible for enforcing **food safety regulation**
  - Build a capacity of national administrations to demonstrate **compliance** and **effectiveness** of control systems
  - Must replace systematic final control with targeted food controls \(\rightarrow \) **National survey Plan**
  (Regulation (EC) 882/2004)

- **Producers and Exporters:**
  - Must **demonstrate** that their produce conforms with Food Safety requirements (food born pathogens, pesticides, mycotoxins,...)
  - Face complex **public** Food Safety regulations and additional requirements to be compliant with **PVS**
  - Implementation of Food Safety & Traceability Management Systems, Good Hygiene & Good Agricultural Practices
  - Need efficient self-assessment programs (based on HACCP)

- **Proactive measures for both**
  - Develop mechanisms for implementing a **national Food Safety Policy**, through public/private dialogue
  - Relevant **regulation** on Food Safety
  - Efficient Food safety administrations able to:
    - Carry out Scientific Assessments of Risks
    - Perform regular inspections of producers
  - Reliable food & feed analysis and Control bodies: test labs accredited (ISO 17025, EN 45000 series, GLP,...)
  - Information, education and training of all operators
Capacity Building is a critical need...

Proactive measures for both
- **Participate** more actively to all international meetings (e.g. Codex) to expose the position of ACP producers
- Create & support in each ACP country a **National horticultural stakeholder platform** (Task Force) in order to:
  - Better understand commercial requirements and analyse their impact on ACP exporters & SSGs
  - Develop National Guidelines: practical and affordable way to make PVS locally appropriate
  - Increase awareness of market access problems

What is PIP?
- European cooperation programme, financed by the EDF
- Requested by ACP Secretariat
- Managed by COLEACP

**PIP Program**
"An Initiative for Safe and Sustainable Trade"
financed by European Development Fund and Managed by COLEACP

What is PIP?
- European cooperation programme, financed by the EDF
- Requested by ACP Secretariat
- Managed by COLEACP
- Personalized action plans in **28 ACP exporting countries**
- >230 companies exporting fresh F&V to EU markets
- 100,000 Small Scale Growers benefit from the training provided by the Programme

**PIP Goal & Objectives?**
- **Main Goal:**
  Contribute to **sustainable development** and poverty alleviation / Safeguarding the ACP share in the EU market
- **Main Objectives:**
  - To enable ACP companies exporting fresh fruits & vegetables **to comply** with European food safety & other market requirements
  - To safeguard the position of **small scale growers** in the ACP horticultural export sector

**COLEACP Programmes**
- **2 Programmes,** requested by ACP secretariat, funded by EU & Managed by COLEACP (2009-2014)
  - **PIP 2 (F&V):**
    - Help ACP companies to comply with EU food safety & other market requirements: access to EU market
    - Safeguard SSGs position in the ACP horticultural export sector
  - **FSP Project (Agrofood Industry):**
    - Adjustment of the ACP national SPS control systems
    - Help ACP public organizations to comply with EU regulations