



Standards in Food Sector

As food trade expands throughout the world, food safety has become a shared concern among the consumers of both developed and developing countries. All over the world, many new institutions, standards and methods for regulating food safety have been established to address the concern. Standards have now almost become a mandatory requirement, since consumers want to be sure that their food is being produced safely, environmentally-friendly and that the welfare of both animals and humans is in no way compromised. But, these needs eventually led to the development of plethora of standards like Retailer Standards, Private Label Standards, National Standards and International Standards.

According to the World Trade Report 2005, the International Organisation for Standardisation (ISO) has published some 14,900 international standards. Perinorm, a consortium of European standards organisations, maintains a database of around 650,000 standards (national, regional and international) from about 21 countries. The bulk of these standards have been set by the private sectors, which have introduced an array of food safety and quality standards, with many of them being international in scope.

The advantages of having such universally agreed food standards for the protection of consumers were recognised by international negotiators during the Uruguay Round. It is not surprising, therefore, that the Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) Agreements, within the separate areas of their legal coverage, encourage the international harmonisation of food standards. However, some of the stringent food safety standards, imposed over and above the Codex standards, and inter-country difference of the standards in importing developed countries are now impeding the export performance of developing countries. The measures taken in the best interest of the consumers are now impeding trade and drastically affecting the ability of developing countries to access markets, particularly in developed countries.

Need and Importance

Compliance with high food standards certainly brings benefits to the country concerned, since it increases competitiveness and efficiency, thus facilitating access to global markets. Moreover, it reduces uncertainty regarding expectations and requirements of foreign buyers ensuring home producers that their goods will not be rejected on grounds of unmet standards. On few occasions, countries were denied access to export markets and their exports were banned from other countries because they failed to meet food safety standards. These rejections ultimately led to the realisation that, to be a successful food exporter, a country must produce food that is up to the standard, as established in other countries.

Besides, the consumers are no more submissive, they have become more demanding and highly quality conscious. Frequent improvements in standards are needed to address their growing demands, apart from protecting consumers, by making available products of standard quality. Thus, consumers influence the standards, especially in relation to the requirements or guidance that define how foods are produced and, therefore, in return standards helping to meet consumers' expectations. It also restricts the spread of all types of food borne illnesses and ensures safe nutritional levels and freedom from toxicity in food products.

Apart from these, standardisation brings important benefits to businesses, since it not only increases consumer confidence on their products but also helps to develop further new technologies and an opportunity to enhance existing markets. It acts as a catalyst for upgradation and modernisation of developing countries' food supply systems, thus bringing the firms higher revenues and increased efficiency. Apart from these, such firms are saved from otherwise hefty fines that are imposed due to faulty products.

What's more, complying with high standards ensure proper utilisation of scarce resources, increase productivity, efficient use of energy resources and control hazardous effluents, pollutants and emissions.

Constraints to Compliance

Despite the obvious benefits, a number of constraints in complying with high standards have forced the developing countries to believe that standards, in general, are a threat to their otherwise smooth trade.

Internal Constraints

The main constraint faced by these countries is the lack of adequate financial, technical and infrastructural support, compared to that of their industrialised counterparts. For instance, in Ghana, EurepGap compliance costs for a 15-20-acre pineapple farm were about US\$400-500, but for large farms they are more substantial. For example, a 1000-acre pineapple exporter/producer has spent US\$80,000 to be EurepGap ready¹.

Besides, the institutional capacity to control and support high standards is often weak or lacking in such poorer countries and they do increase costs, thereby pushing smaller producers out of the export markets. Hence, much depends on how a standard has been implemented, monitored and verified. Furthermore, in many developing countries a multitude of government ministries, departments and agencies are involved in food safety matters. Apart from poor communication and co-ordination, their responsibilities are often not clearly defined and largely overlap with each other. As a result, the government reactions to changing food safety requirements in export markets are, by and large, too slow and bureaucratic. Hence, there are many instances wherein these countries struggle to meet the terms with new food standards at the last minute, despite communicating the new food safety requirements well ahead of time.

All the more, the food production system and supply chain in developing countries are not well-structured, as there are too many small intermediaries who are involved in the production and distribution channels. A large number of small producers exist in these countries and, in most cases, the entire production depends on them. To control and co-ordinate them is certainly a Herculean task. Quality control is difficult and the risk of contamination and adulteration of food increases with long chains in food supply. Also, the traditional methods of production often conflict with highly developed food standards and are exorbitantly expensive in most cases.

External Constraints

Timely dissemination of requisite information relating to the newly adopted standards by the developed countries to their trading partners is also lacking, which is very much essential. Producers should be provided with sufficient time to adapt to the new requirements of the importing countries. Most of the time, the information received is either too little or too late. There have been many instances where producers of the exporting country did not get the required time to comply with some standards, which were announced all of a sudden.

According to a British High Commission funded study (SPS Agreement under the WTO: The Indian Experience), the standards of developed countries are negatively affecting Indian exports. This is evident, for example, from the fact that rejections of Indian shipments by the US increased from 860 during May 1999-April 2000 to 997 during December 2001-November 2002. The products ranged from spices and seeds to shrimps and drugs, since they allegedly contained salmonella and other hazardous material.

Also, a sizable share of exports to countries like European Union (EU) and Japan faced a wide range of obstacles, mostly in the form of standards, testing, labelling and certification requirements. For example, a consignment of 'egg powder' from India was rejected in the EU. The reason given by authorities in the destination country was the non-compliance with rule of 'Minimum Required Performance Limit' (MRPL). The ironical reality was that the rule was announced just before the date of the consignment reaching the importing country.

Thus, some of these standards for the past few years have also been used as trade barriers, i.e. restricting imports in their countries to promote the domestic industry, thus defeating the very objective of free trade. While developing countries were successful in reducing the tariffs and quantitative restrictions on food and agricultural products through agricultural negotiations in the World Trade Organisation (WTO), the use of stringent food standards have increased altogether to a considerable extent.

Standard Development Organisations

International organisations, especially the Food and Agricultural Organisation (FAO) of the United Nations and the World Health Organisation (WHO) have significant roles in the harmonisation of health and safety requirements for food. According to the Constitution of the WHO, one of the functions of WHO is to develop, establish and promote international standards with respect to food. Likewise, the FAO was founded in 1945 to raise the levels of nutrition and standards of living, improve agricultural productivity and better the condition of rural people.

Recognising the growing importance of international trade in food and the related importance of developing international standards for the purposes of protecting public health and minimising disruption of international food trade, in the early 1960's, under the joint sponsorship of the FAO and the WHO, the Rome-based Codex Alimentarius Commission (CAC) was formed. Those who initiated and established this Commission were largely concerned with protecting the health of consumers and ensuring fair practices in the food trade. They felt that both these objectives could be best met if countries harmonised their food regulations and adopted internationally agreed standards. Through harmonisation, they predicted fewer barriers to trade and a freer movement of food products among countries, which would benefit the farmers and help reduce hunger and poverty.

The Commission adopted a collection of international food safety standards called the Codex Alimentarius. Independent experts and specialists from a wide range of disciplines have contributed to its work to ensure that its standards withstand the most rigorous scientific scrutiny. The work of the Commission, together with that of the FAO and the WHO, in their supportive roles, has provided a focal point for food-related scientific research and investigation. The Commission itself has become an important international medium for the exchange of scientific information about the safety of food. The standards of Codex have also proved to be an important reference point for the dispute settlement mechanism of the WTO, for instance, in hormones and sardines disputes.

Over the years, the Codex has developed over 200 standards, covering processed, semi-processed or unprocessed foods intended for sale for the consumer or for intermediate processing; over 40 hygienic and technological codes of practice; evaluated over 1000 food additives and 54 veterinary drugs; set more than 3000 maximum levels for pesticide residues; and specified over 30 guidelines for contaminants.

Role of NGOs

These days, non-governmental organisations (NGOs) play an increasingly active and important role in debates surrounding the setting of food standards at the national and international levels. The CAC has already established collaboration with international NGOs to secure expert information, advice and assistance for the Commission from them. Such collaborations enable organisations which represent important sections of public opinion and are authorities in their fields of professional and technical competence to express the views of their members. These play an appropriate role in ensuring the harmonising of inter-sectoral interests among the various sectoral bodies concerned in a national, regional or global setting.

As a result, international NGOs, like the Consumers International and its members, have substantial direct experience of engagement with regional Codex committees, other intergovernmental bodies working in food safety and national food safety agencies. However, the current state of consumer NGO participation in national food safety policy decisions varies greatly, in quantity and quality, from country to country. Some positive strides have been made in countries like India, wherein the consumer organisations are actively involved in the food legislative and standards setting processes. At the same time, many governments still face significant challenges, in terms of providing for effective consumer participation in their national food safety policy process, primarily due to lack of sufficient resources, legislation, infrastructure and leadership.

Present Scenario

Producers all around the globe have realised the need and importance of harmonising and standardising their quality standards to globally accepted levels. Every effort has been made towards achieving these. However, while addressing these requirements, poor producers are imposed with even more harsh requirements in the form of private standards.

Box 1: Public and Private Standards Are Complementary

The evolution of private standards does not imply that public regulatory standards will disappear. Exporters will still need to demonstrate compliance with public standards to gain market access. The mix between public and private food quality standards continues to evolve. There appears to be some movement towards a separation of standards and food regulation in developed countries, with the former the domain of private firms and the latter that of public agencies.

Also, it may appear that private standards are dominating trade and gaining more importance, but in general, both public and private standards tend to be complementary. Public/national standards are essential to correct market failures associated with information asymmetries, consumption externalities and public good characteristics. Hence, they continue to play a dominant role in establishing basic grades and for ensuring minimum standards of safe food for consumers. They also have a global role in assuring that basic standards are consistent across countries and with those that are required to be met in cross-border trade. Private standards can play a substitute role, where there is an absence of effective public standards to provide a measure of food quality for consumers. In this way, private and public standards can be mutually reinforcing and result in higher quality food being available in national and global markets.

Source: Interaction of public and private standards in the food chain, AGR/CA/APM(2006)21, OECD Report presented for discussion and declassification to the Working Party on Agricultural Policies and Markets, 23-25 October 2006.

Private standards are not mandatory and the suppliers are not required by law to meet these standards. It is a mere choice on the part of the supplier to comply or not. However, when private standards become the industry norm, this choice is limited. Consolidation in food retailing may be a key factor to consider in this context. Where a small number of food retailers account for a high proportion of food sales, the options for suppliers who do not participate in either an individual or collective retailer standard scheme can be considerably reduced. Furthermore, the retailer scheme may

be *de facto* applied as the industry norm by all actors in the supply chain. Thus, the choice of whether or not to comply with a voluntary standard becomes a choice between compliance and exit from the market. In this way, the distinction between private voluntary standards and mandatory public requirements can blur².

The issue of private standards was raised for the first time in the framework of the SPS Committee in June 2005 by Saint Vincent and Grenadines. They were supported by many other developing countries who all complained about the fact that private standards imposed by food business operators were a barrier to trade. Since then, the debate has continued within the framework of the SPS-WTO, in other multilateral organisations [Organisation for Economic Cooperation and Development (OECD), World Bank, United Nations Conference on Trade and Development (UNCTAD)] and within the European Commission (EC).

It is certain that compliance with private standards can have trade creation effects and can open access to multiple markets if the private standard is used internationally or if a firm operating a scheme is trading internationally. Furthermore, voluntary self-regulation of this nature should reduce food safety risks for consumers. However, such standards do pose challenges, especially for developing country suppliers. In particular, questions arise as to whether or not these schemes go beyond what is scientifically justified and where the burden of the cost of compliance falls.

Some of the examples of concerns related to Private Standards, as mentioned in the note of the secretariat in the SPS Committee, are given below:

Concerns on the content of private standards	Concerns related to compliance with private standards
Multiplication of private standard schemes both within and between markets	Cost of third party certification, particularly for small and medium-sized enterprises and farmers in developing countries
"Blurring" of official SPS measures with private standards	Requirements of some private schemes to use only specified certification bodies
Relationship of private standards with the international standard-setting bodies referenced under the SPS Agreement	Lack of equivalence between schemes leading to repetition of certification audits
Scientific justification for certain process and production method (PPM) requirements	Lack of recognition of certificates issued and/or lack of recognised certification bodies in developing countries

In spite of these debates and growing concerns, there has been a rapid rise of the imposition of private food quality and safety standards by supermarket chains and large-scale food manufactures, mainly in developed countries. The UNCTAD estimates the number of private schemes at 400, and rising. Schemes range from those developed by individual firms to collective industry-wide international schemes. These standards cover detailed quality specifications as well as food safety requirements that are normally well beyond public food safety regulations. They operate alongside regulatory systems, but, in terms of market access and access to shelves of the leading supermarkets in developed countries, it becomes mandatory. With these standards becoming a global phenomenon, countries in the developing world face increasing constraints in exporting food products to markets in Europe and America.

For instance, Saint Vincent and the Grenadines, as part of the Windward Islands Sub-Group, along with other Caribbean territories within the African, Caribbean and Pacific (ACP) group are traditional suppliers of a number of agricultural commodities to the European Communities, thus contributing significantly to these small economies. They export in excess of US\$1,000,000.00 of agricultural produce to the European Communities on a monthly basis. No adverse health or food safety concerns associated with the commodities have been raised by any of their trading partners within the European Communities. However, in recent times, these exports have been subjected to a range of private standards that are affecting small farmers adversely.

They find the costs of compliance with private standards too high and find it extremely difficult to put in place the necessary infrastructure on the farms as well as at the industry level. These standards require extensive training of farmers and extension personnel. For example, in any given year the associated costs are as follows:³

- Initial cost to farmers (over 3000 farmers): US\$3,000,000
- Human resource (monitoring): US\$45,865.00
- Training and material for farmers: US\$5000
- External audit: US\$8,560
- Total cost: US\$3,059,425

In order to ensure continued access to these markets, developing countries have no alternative other than to comply with their requirements that are tougher than the government requirements. As a result, exporters targeting find themselves in a peril, since such certification requires the exporters to meet a number of conditions, in case of training, planning and preparations, pesticide record keeping, disposal and post harvest preparation.

Conclusion

The growing desire of developed countries to have high food safety standards does not imply that such standards are anti-trade or are against the principles of the WTO. Also, the benefits of standards outweigh the constraints. What the developed countries need to make

sure is that such regulatory barriers are not misused to achieve protectionist objectives. For instance, the main risk of national standards from a trade perspective is that they are backed by the power of the state and that in the course of developing standards, governments can favour domestic producers over imports, by stipulating their own production and processing methods. Hence, care should be taken to ensure that the conditions prevalent in both developed as well as developing countries are given their due importance, while formulating such standards.

Nevertheless, unreasonably onerous and deviating standards are always a challenge for all producers, since it erodes the benefits offered by tariff and subsidy cuts. Though great efforts have been made to arrive at internationally agreed standards, many countries abide by standards beyond those agreed, posing detrimental threat to developing country producers. It is because of this rise in multiple standards that the developing countries always argue at international platforms that any form of external

pressure for achieving higher food standards needs to be backed up by financial and technical assistance. Article 9 of the SPS Agreement certainly encourages, but does not compel, developed country members to provide technical assistance that will enable a developing country to maintain and expand its market access. Developing countries have called for such assistance to be bound to specific commitments by industrialised countries.

Above all, what is more important is that the developing countries, through private-public partnerships in food standards, should work towards increasing their own domestic standards to a certain standard minimum level and become “standard makers”, instead of “standard takers”, in the international arena. An example of this is India’s proactive participation in international standards setting for tea. However, this is costly, since it would require a more solid national infrastructure for standards and conformity assessment. But, once the benefits are evident, then the business community should be willing to share in this cost.

Endnotes

- 1 L. Fulponi, Private Voluntary Standards and Developing Country Market Access: Preliminary Results, G/SPS/GEN/763, OECD Communication – Committee on Sanitary and Phytosanitary Measures, February 27, 2007
- 2 Private Standards and the SPS Agreement – Note by the Secretariat, Committee on Sanitary and Phytosanitary Measures, G/SPS/GEN/746, January 24, 2007
- 3 Private Industry Standards, Communication from Saint Vincent and the Grenadines, G/SPS/GEN/766, February 28, 2007

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