

Committee on Sanitary and Phytosanitary Measures

**REPORT OF THE STDF INFORMATION SESSION ON PRIVATE STANDARDS
(26 JUNE 2008)**

Note by the Secretariat¹

I. SUMMARY

1. The Standards and Trade Development Facility (STDF) organized an information session on private standards on 26 June 2008. The aim of the information session was: (i) to update the Committee on Sanitary and Phytosanitary Measures (SPS Committee) on recent developments in the private standards area; (ii) to examine options for facilitating compliance of developing countries with these schemes; and (iii) to learn about ongoing donor initiatives in this area.
2. Representatives of the Africa Observer Project, the Global Food Safety Initiative (GFSI), International Certification and Risk Services (CMi) and the World Bank made presentations at the session. Issues considered included: (i) initiatives to make developing countries' voices heard in the private standards area; (ii) advancements in the recognition of equivalence between schemes; (iii) options to reduce the costs of certification; and (iv) opportunities to promote dialogue among private standard holders, suppliers, certifiers and other interested parties.
3. The event built on previous information sessions held by the SPS Committee in 2006 and 2007, in particular a Joint UNCTAD/WTO information session on private standards in Geneva on 27 June 2007.² Over 200 participants, mostly from the WTO SPS Committee, attended the session.
4. The programme for the information session, presentations and a podcast of the plenary discussion is available on the SPS gateway of the WTO website.³

II. PRESENTATIONS

5. Mr Johannes Kern, GLOBALGAP's smallholder ambassador and Africa observer since May 2007, spoke about efforts to make developing countries' voices heard in the private standards area.⁴ His presentation described how the Africa Observer Project, supported by GLOBALGAP, DFID and GTZ, was facilitating the involvement of smallholders in the application and further development of GLOBALGAP including through participation in National Technical Working Groups (NTWGs) and

¹ This document has been prepared under the Secretariat's own responsibility and is without prejudice to the positions of Members or to their rights or obligations under the WTO.

² Further information on this information session is available at:
http://www.wto.org/english/tratop_e/sps_e/private_standards_june07_e/private_standards_june07_e.htm

³ This document uses hyperlinks to facilitate electronic access to background documents and websites. These linkages can only be accessed from an electronic copy of the document from a computer with a reliable internet connection. The documents can also be consulted through contacting the respective organizations.

⁴ A copy of his powerpoint presentation is available at:
http://www.wto.org/english/tratop_e/sps_e/private_standards_june08_e/kern_e.ppt

funding for innovative activities. There were 21 NTWGs in Europe, South America and Asia, which included smallholder representatives. These Groups facilitated implementation of GLOBALGAP through the adaptation of global criteria to local circumstances.

6. The Smallholder Task Force had been established at the end of 2007 and included stakeholder representatives from across Africa. On the basis of a public call for comments, the Task Force had received 64 comments and proposals. These addressed a broad range of issues related to general regulations, control points, compliance criteria and quality management systems. The proposals were discussed with GLOBALGAP at a workshop in April 2008. Based on its experiences, the Africa Observer Project was making efforts to involve retailers more actively in its work, improve the transparency and outcomes of future funding, and collaborate with an UNCTAD project on smallholder communications. A second call for comments was also being prepared.

7. Mr Kevin Swoffer, Chairman of the Global Food Safety Initiative (GFSI) Technical Committee, provided an overview of GFSI and recent developments in the private standards arena.⁵ GFSI had been formed in 2000 at the request of food business Chief Executive Officers (CEOs) to promote continuous improvement in food safety systems and to ensure confidence in the delivery of safe food to consumers. He noted that a survey of CEOs in 2008 had ranked food safety as their number two preoccupation after corporate responsibility. The three main objectives of GFSI were to: (i) promote convergence of food safety standards through benchmarking, primarily food manufacturing standards; (ii) achieve improvements in cost efficiency throughout the food supply chain; and (iii) create a platform for exchange of experiences. Emphasizing that convergence promoted confidence in food safety and contributed to comparable audit outcomes, Mr Swoffer highlighted the decision in 2007 by major food retailers to accept any GFSI-recognized standard from any potential supplier, anywhere in the world.

8. Information was shared on the decision-making structure of GFSI. This structure was built on comments from GFSI stakeholder meetings, which were then reviewed by the Board, subsequently elaborated by a technical committee, endorsed by the Board and then communicated to the annual CIES Food Safety Conference. Mr Swoffer outlined ongoing activities to standardize accreditation approaches, develop protocols for small food manufacturers and suppliers, understand concerns related to standards development in emerging markets, advance dialogue on food defence and bioterrorism, and promote global knowledge networking and transfer. In conclusion, he noted GFSI's achievements in reduced duplication, continuous improvements in food management systems and standards delivery, cost-efficiencies in supply chains, comparable audit approaches and results, increased confidence in sourcing and safer food for consumers.

9. Mr David Richardson, Managing Director of CMI's, International, Certification and Risk Services focused on certification issues.⁶ (CMI is the largest independent certifier of GLOBALGAP for fresh produce worldwide, with some 20,000 growers, and the sole certifier for Tesco's Nature's Choice, with some 17,000 producers.) The presentation addressed the role of certification as a systematic and cost-effective approach to supplier conformity assessment. Government policy, legislation and NGO pressure were recognized as the main factors driving certification. The speaker observed that large-scale producers tend to cope quite well with self-regulatory approaches, however, emerging and small-scale producers often found the scope and content of standards difficult, and compliance costs prohibitive. Current trends towards broader and more prescriptive standards, which ignored variations in production conditions, accentuated these difficulties.

⁵ A copy of his powerpoint presentation is available at: http://www.wto.org/english/tratop_e/sps_e/private_standards_june08_e/swoffer_e.ppt A background paper and newsletter were circulated during the information session. Copies are available at www.ciesfoodsafety.com

⁶ A copy of his powerpoint presentation is available at: http://www.wto.org/english/tratop_e/sps_e/private_standards_june08_e/richardson_e.ppt

10. While recognizing that harmonization generally reduced certification costs, Mr Richardson expressed concerns that more generic standards would result in some standards being applied to sectors where they were not relevant. Greater competition between standards was put forward as another means to reduce costs, provided a robust benchmarking process was in place to ensure equivalence in outcomes and permit flexibility in demonstrating compliance.

11. The presentation also explored possible alternatives to certification, which could provide a more practical and affordable model for small-scale producers while ensuring equivalent assurance outcomes. The use of risk-based approaches for sampling and assessment activities, practical interpretation of standards to minimize unreasonable demands and opportunities for adding value were proposed. It was noted that activity-specific and intervention-based standards were already developed for livestock and poultry disease risk management according to a risk-based approach. Based on an evaluation of sources of risk, opportunities to develop an index of compliance to enable different producers to achieve compliance in different ways were discussed. It was suggested that more attention was needed for education and training activities to raise awareness about compliance and show how it can be achieved. Recognizing trends towards co-regulatory approaches in Europe, the presentation discussed opportunities for public sector bodies in developing countries to support the private sector to achieve assurance objectives.

12. Mr John Lamb, Senior Agri-business Specialist at the World Bank, discussed opportunities to promote dialogue and information exchange on compliance between private standards holders, suppliers, certifiers and other interested parties, specifically through the recently established Trade Standards Practitioners' Network (TSPN).⁷ The goal of the TSPN was to build a community of practice to actively promote adoption of improved environmental and food safety standards within developing countries and to share learning and experiences. The World Bank had provided an initial grant of \$750,000 for a three-year period to get TSPN up and running.

13. The TSPN's objectives were to: (i) better enable developing countries to participate in and take advantage of standards-based markets; (ii) organize research policy dialogues and create a standards information clearing house; and (iii) provide a platform for identifying and replicating better practices in development assistance related to standards management. To achieve these objectives, work was planned on knowledge sharing and dissemination; priority setting and donor coordination; national policy reform and capacity building; and global advocacy. This presentation discussed the findings of World Bank research on costs of compliance. This research underlined the importance of considering the net returns, rather than just the costs, of compliance and the risks associated with both the costs and the returns.

14. In the World Bank's view, private standards were not inherently incompatible with SPS principles and might effectively work in tandem with public standards. This work further pointed to the need for a clearer distinction between investment and operating costs of compliance since some investments were necessary to meet basic hygiene requirements and these produced a number of valuable spill-over effects and positive externalities at the farm-level. Reference was also made to the fact that many activities to promote compliance were effectively subsidized by donors, governments and others in export market.

III. DISCUSSIONS

15. The growing importance of private standards in international trade and the nature of their relationship with international standards, including the three standard-setting bodies recognized by the SPS Agreement, was discussed. Two particular issues were raised as potential matters of concern for

⁷ A copy of his powerpoint presentation is available at:
http://www.wto.org/english/tratop_e/sps_e/private_standards_june08_e/lamb_e.ppt

the SPS Committee: (i) the continued expansion of private standards and their negative impact on the ability of small producers in developing countries to access export markets; and (ii) the tendency of private standards to surpass international standards developed by the Codex Alimentarius Commission, the World Organisation for Animal Health and the International Plant Protection Convention (IPPC) and the trend for these schemes to work in isolation from international standard-setting bodies.

16. The representative from GFSI provided information on ongoing efforts to promote harmonization among private standards applied by GFSI member companies. Benchmarking work on four key food safety schemes – the British Retail Consortium (BRC), International Food Standard (IFS), Dutch HACCP and Safe Quality Food (SQF) – had reached a point of convergence, which meant increased confidence in these schemes and comparable audit results. While some participants acknowledged the positive trends towards harmonization of private standards and the involvement of developing country stakeholders in these schemes, they expressed concern that the requirements of private standards went beyond international standards.

17. The costs of compliance for small farmers in developing countries was another topic of concern for many participants. They noted that developing countries had no choice but to be able to meet these standards in order to gain entry to export markets. Compliance costs were discussed in terms of the costs of upgrading supply chains to be able to comply with private standards, as well as ongoing certification costs. The Africa Observer project acknowledged these costs and noted that it was compiling best practices in an effort to find options to reduce them. A few participants noted their concern that certification represented a transfer of costs from retailers in import markets to producers in developing countries. In their view the driving force for certification was competition and brand differentiation. In this situation, some questioned whether harmonization of private standards could ever be achieved.

18. A difference of opinion emerged in the discussion on the costs and benefits of compliance for small producers in developing countries. Some participants expressed concern that these costs were excessive, effectively blocking access to developed country markets. In reply, one speaker observed that many of these costs were subsidized by donors and governments and exporters in developing countries were the direct beneficiaries. The speakers further noted that farmers able to invest in such upgrades and certification could take advantage of opportunities to generate higher profits. Illustrations were provided from Kenya where farmers who met private standards were able to produce more, and better quality, products with fewer inputs.

19. In the context of Article 13 of the SPS Agreement, one participant questioned the appropriate role for governments in importing countries in ensuring compliance of non-government entities within their territories with the relevant provisions of the SPS Agreement.

20. The importance of private standards for fresh fruit and vegetables, in comparison with other food and agricultural products (e.g. fish and meat products), was discussed. It was noted that compliance with international and national public standards was an adequate basis for export of fish and meat exports. The rise of private standards for fresh produce was explained, in part, on the basis of more limited food safety risks in this sector in the past and therefore less need for government intervention in this area.

21. Options to reduce the costs of compliance were also discussed. One speaker proposed an alternative risk-based approach that would permit small producers in developing countries to reduce certification costs while ensuring equivalent assurance outcomes. The development of a systems-based process to minimize the expenses associated with multiple certification for producers that are able to meet standards was also suggested. The speaker underlined the need to facilitate practical

interpretation of private standards to enable producers to find more effective ways to comply and thereby reduce costs.

22. Some of the speakers described the emergence of co-regulatory approaches based on public-private partnership in some European countries as a relatively new approach towards compliance. Examples were shared from the Netherlands, where national authorities were working closely with Dutch HACCP to promote public and private linkages on compliance, and from the United Kingdom where authorities were examining how to pool public and private resources for compliance.

23. The session discussed future trends in private standards. Some concern was expressed regarding the shift of focus in some private standards to incorporate a number of new issues with various sustainability claims, which would make it more difficult to differentiate based on risk and increased challenges for small producers. Another topic raised during the information session related to the possible impact of private standards on the global increase in food prices. In this regard, one participant emphasized the need to ensure that this did not result in food supplies being solely channelled to markets with the highest purchasing power.

24. The relationship between the Trade Standards Practitioners Network (TSPN), which focuses on private standards, and the STDF, whose focus is on public standards, was raised by a participant. It was noted that there was agreement that the two should work together closely and continuously.

25. The discussions highlighted the different views that persist on private standards. While some approached private standards as an opportunity to enhance quality, others viewed them in terms of an obstacle to trade. Broad agreement emerged on the need to give attention to the negative aspects of private standards for small producers, and seek solutions to address them. The representative of GFSI stressed that GFSI's objective was to ensure a consistent supply of safe food to consumers, and not to raise barriers to trade, and reiterated his wish to enhance linkages with public standards and to work more closely with international organizations to that end.

26. General recommendations emerging from the information session included the following:

- the importance of further work to consider and document the negative effects of private standards on the ability of small producers in developing countries to access export markets; and
 - the need to promote dialogue and strengthen linkages between private standards schemes and international standard-setting bodies.
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