

# What about Private Standards?

## Regional Information Seminar for Recently Appointed OIE Delegates

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Gaborone, Botswana  
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# Contents

- Why do Private Standards exist?
- What do they cover?
- How do they coexist?
- Trends in Private Standards

# Challenges to Trade

- ✓ "Countries must have marketable products for exportation"  
→ **COMPETITIVITY** of productive capacities
- ✓ "Products must conform to requirements of clients and markets"  
→ **CONFORMITY** with standards
- ✓ "Rules for trade must be equitable and customs procedures harmonized"  
→ **CONNECTIVITY** to markets



# Why do they exist?

# Outbreaks

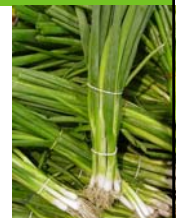
- *Campylobacter*
- *Clostridium botulinum*
- *E. coli* 0157:H7
- *Listeria monocytogenes*
- *Norovirus*
- *Salmonella*
- *Staphylococcus aureus*
- *Shigella*
- *Toxoplasma gondii*
- *Vibrio vulnificus*

...are front page news



# Food-borne illnesses in US

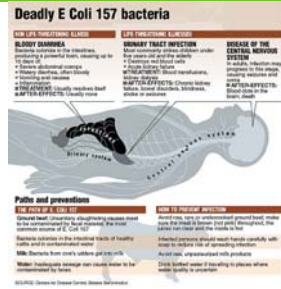
- 76 Million cases of food-borne diseases in the US per year
- 5,200 deaths
- 325,000 cases result in average of 5.8 days in hospital
- 1,991,311 cases who visit physician and test positive for specific pathogen
- 12,878,489 cases who visit a physician but have no test done
- 60,800,000 cases who do not seek medical care
- \$5.6 billion in economic costs



2000 TACO BELL HEPATITIS A OUTBREAK TIED TO GREEN ONIONS

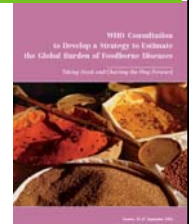
# Impacts individuals

- Pain and suffering
- Death and disability
- Loss of wages
- Reduced productivity
- Medical expenses
- Legal costs
- Loss of leisure



# Impacts Society

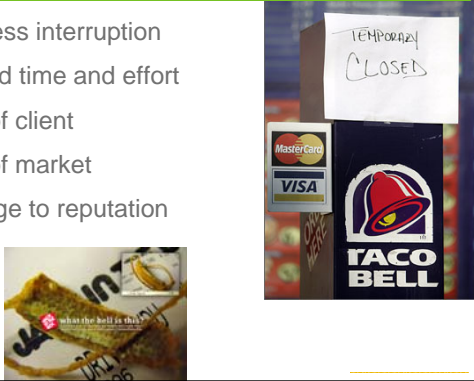
- QALYs and DALYs
- Reduced labor productivity
- Loss of work and leisure time by affected person and family



1,397,187 cases of salmonella means \$2,467,322,866 (2006 dollars) in lost wages and medical costs (USDA Cost of Illness Calculator)

# Impact on Businesses

- ✗ Business interruption
- ✗ Wasted time and effort
- ✗ Loss of client
- ✗ Loss of market
- ✗ Damage to reputation



# Impacts Source Countries

**CDC** EMERGING INFECTIOUS DISEASES

**Epidemiologic Studies of Cyclospora cayentanensis in Guatemala**

**Authors:** Cayo Baez,† Bryan Hernandez,† Maria Beatriz Lopez,† Michael J. Asmundson,† Mauricio Alvarez de Mesa,† Ana Maria de Mendez,† Alma W. Hightower,† Linda Year and 2 Barbara L. Herwaldt,† and Robert F. Klein\*

**Abstract:**

In 1996 and 1997, cyclosporean outbreaks in North America were linked to eating Guatemalan raspberries. We conducted a study in health-care facilities and among raspberry farm workers, as well as a case-control study, to assess risk factors for the disease in Guatemala. From April 6, 1997, to March 10, 1998, 126 (12.7%) of 5,552 surveillance specimens tested positive for Cyclospora prevalence peaked in June (8.7%). Illness was most common among children 1.5 to 9 years old and among persons with gastroenteritis. Among 102 raspberry farm workers and family members, illnesses from April to May 20, on farm Cyclospora infection in the case-control analysis, 62 (31%) of 199 persons with Cyclospora infection reported drinking untreated water in the 2 weeks before illness, compared with 38 (27%) of 137 controls (odds ratio [OR] 3.0, 95% confidence interval [CI] 1.4, 10.8 by univariate analysis). Other risk factors included water source, type of sewage drainage, ownership of chickens or other livestock, and contact with soil (affecting children younger than 2 years).

**Several major retailers cut off all produce imports from Guatemala!**

# Impacts Value Chain

- US and Canada blocked red raspberry imports from Guatemala next two years, resulting in \$10 million loss to producers there
- Current demand for Guatemala berries in US is one-third of earlier levels
- Many brambleberry producers went out of business
- Some growers moved to Southern Mexico
- Guatemalan berry industry never recovered despite model plan of excellence developed jointly with FDA, CDC, PMA, FMI and supported by gov't, donors
- Initial blame on California blackberries caused \$20-\$40 million in lost sales for all berries, including strawberries
- Chilean exports of red raspberries and blackberries were also affected

# In summary:

- to assure product safety
- to provide brand protection
- to meet legislative requirements
- to promote business improvement and efficiency
- to promote consumer confidence

# Retailer Priorities

"We're only as good as our suppliers!"\*

	Ranking 2008	Ranking 2007	Ranking 2006
Corporate Responsibility	1	5	11
Food Safety	2	8	6
Consumer Health and Nutrition	3	1	3
Economy and Consumer Demand	4	11	9
Retailer Supplier Relations	5	2	2

\* Terry Babbs, Tesco, GFSI Conference 5 Feb 2010

# The Public View ...

- 71% of UK consumers believe that companies should ensure good working conditions and fair treatment for their workers regardless of whether the law requires it.
- A survey among Norwegian Consumers showed 80% claimed to be willing to pay more for meat if it would help animals having a good life.

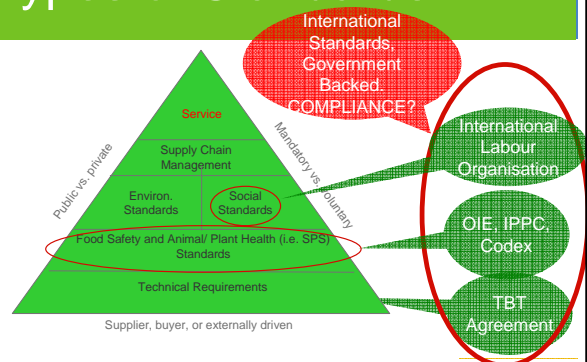


Mori's Annual Corporate Social Responsibility Survey  
Animal welfare as a food quality attribute paper to IRSA World congress, Working Group 30

# What do they cover?



# Types of Standards



# Quality & Safety mix



Compliance with official standards

# Some examples

- Over 400 Standards on the market (and growing) (UNCTAD Jan 2007)
- Some consolidation through "benchmarking" (GFSI, GlobalGAP)

Table 1: Examples of Private Standards

Individual firm schemes	Collective national schemes	Collective international schemes
Tesco Nature's Choice	Assured Food Standards	GlobalGAP
Carrefour Filière Qualité	British Retail Consortium Global Standard - Food	International Food Standard
	QS Qualität Sicherheit	Global Food Safety Initiative
	Food and Drink Federation/British Retail Consortium Technical Standard for the Supply of Identity Preserved Non-Genetically Modified Food Ingredients and Product	ISO 22000: Food safety management systems
		Safe Quality Food (SQF) 1000 and 2000
		ISO 22005: Traceability in the feed and food chain

Source: Christiane Wolff & Michael Scannell, 2008

# Animal welfare rating

LOOK FOR THESE LABELS IN OUR MEAT DEPARTMENT ON OUR PRODUCT SIGNAGE AND PACK LABELS

# How do they coexist?

# Point-by-point comparison

- "GlobalGAP Integrated Farm Assurance Livestock Module" (IFA)
- "OIE-FAO Guide to Good Farming Practices for animal production food safety" (GGFP)

http://www.globalgap.org/cms/upload/The\_Standards/IFA/English/CPCCGG\_EG\_IPA\_CPCC\_Intro\_AF\_ENG\_V3.0\_3\_Aud09.pdf      http://www.oie.int/en/publicat/BULLETIN/520PDF/EH/5202005-33ENG.pdf

# Not that different...

Public	Private
Legally binding	Voluntary
Product Quality	Process Quality
Traceability and Risk management	Traceability and Risk management
Scarce controls	Frequent controls
Food safety and quality assured	Food safety and quality assured
Product differentiation NOT possible	Product differentiation possible

**Main concern for private companies: due diligence**

**BUT: Auditor competence?**

**Food Safety "Non-negotiable"**

# Synergies?


- ✓ Private Standards reinforce compliance on Legislation (i.e. Animal/Plant Health/ MRLs) → LEGISLATION BASED ON WTO STANDARDS
- ✓ Private Standards incorporate Best Practice set out in OIE Codes of Practice (i.e. Animal Welfare, HACCP) → WTO CODES OF PRACTICE TAKEN UP BY THE MARKET
- ✓ Private Standards follow consumer requirement diktats → OFFICIAL BODIES ARE GUIDED ON MARKET NEEDS
- ✓ Large body of auditors and expertise verifying compliance to Private Standards → POTENTIAL COOPERATION TO SHOW COMPLIANCE

# Antagonism?

- ✓ "Equivalence of Risk Outcome" (WTO) vs. "Equivalence of Systems" (PS) → PRIVATE STANDARDS TOO PRESCRIPTIVE
- ✓ Private Standards audited frequently on site, Official Standards use spot checks on Legislation compliance → COSTS OF COMPLIANCE
- ✓ Private Standards arbitrarily imposed by market → WTO STANDARDS AGREED ON BY INT'L CONSENSUS
- ✓ WTO MS must be responsible for PS developed by Private Sector? → CURRENTLY NO "NEGOTIATING TABLE" FOR ENGAGING PS

## Core of SPS





- "Measures not maintained without sufficient scientific evidence"
- Based on a risk assessment
- Harmonization: "international standards"
  - Codex, OIE, IPPC
  - Measures to facilitate participation of developing countries
- Equivalence
- Transparency
- S&D + Technical assistance
- Control, inspection and approval

## Does SPS extend to PS?

- Agreement applies to all SPS measures affecting international trade
- Article 13 (SPS) :**"Members** are fully responsible under this Agreement for the observance of all obligations... Members shall formulate and implement positive measures and mechanisms in support of the observance of the provisions of this Agreement by other than central government bodies. **Members shall take such reasonable measures as may be available to them to ensure that non-governmental entities within their territories,** as well as regional bodies ..., **comply** with the relevant provisions of this Agreement... Members shall ensure that they rely on the services of non-governmental entities for implementing SPS measures only if these entities comply with the provisions of this Agreement."

## Private Standard questions

- Are they really "standards" or just requirements?
- Are they based on sound science?
- How transparent are they?
- Are they equitable?
- Do they optimize public welfare?
- Whose code of practice should prevail?
- Are they crowding out smallholders?
- Do they add unnecessary cost?
- Who really benefits, how, and how much?
- Do they undercut national standards?
- Do they violate international law?



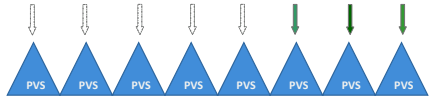
## Trends in Private Standards


## Drivers over time...

Drivers develop faster than most standards and decay over time

Drivers

Niche Response





Multi stakeholder voluntary standards & consumer labels emerge

*Farmers and growers do not have enough time to finish one before the next one emerges !*

Model developed by Steve Homer & David Richardson NSF-CMI

## Drivers over time...

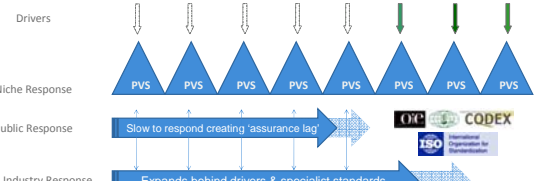
Drivers develop faster than most standards and decay over time


Drivers

Niche Response

Public Response

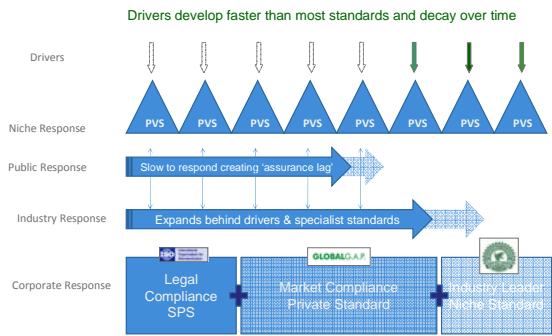
Industry Response





Model developed by Steve Homer & David Richardson NSF-CMI

## Drivers over time...

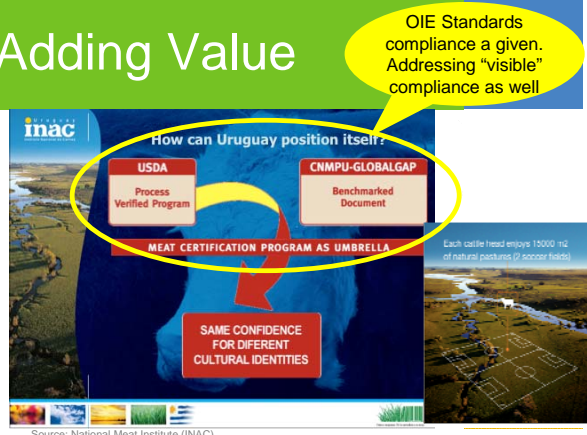


## Benefits from Private Standards

- Producer:
  - Market Access
- Retailer:
  - Competition on global markets
  - Product differentiation (quality and safety)
  - Transaction cost and acquisition risk reduction
  - Standards are at no cost
- Consumer:
  - Trust
  - Safety, Quality
  - Traceability

Sources: Gay and Schneider, 2007; Paris and Jullé, 2007; Hanson and Reardon, 2005

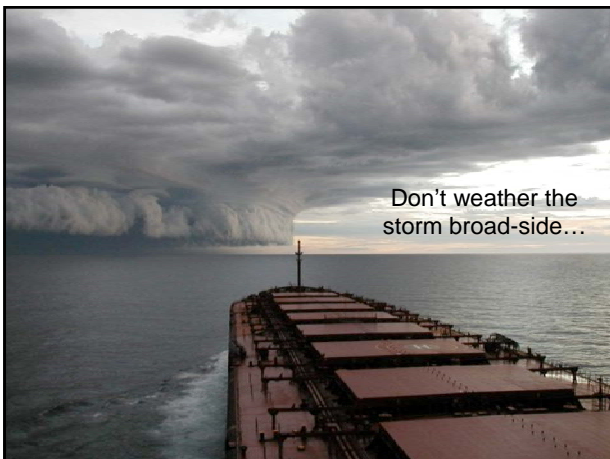
## Adding Value



## Challenges of Private Standards

- Producer
  - Pressure from retailers
  - Risk of losing market share / market access
  - Extra costs without price premium
  - Difficulties for small scale farmers from developing countries
- Retailer
  - Traceability linkages
  - Hygiene, Food Safety and Quality
- Consumer
  - Added value not visible
  - Branding

Sources: Gay and Schneider, 2007; Chemnitz, 2007; Vermeulen et al., 2006



## Questions?

Thank you very much!

Muito Obrigado!

Merci Beaucoup!

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