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Analysis of EU Quality Norms for Organic Products

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ABSTRACT

The implementation of organic farming for smallholder will most likely not occur on their initiative. If one wants to implement organic farming for smallholders there needs to be a strong governing organization. An aid factor is needed to make the cooperation with smallholders feasible. The project then could start with a cluster of smallholders with a suitable location for the outbound logistics and an appropriate educational level for further development of the quality management system. There is an EU-regulation for the quality norms of organic products. Different certifications schemes and organizations will be presented relevant for the organic products. This paper presented the analysis of EU quality norms for organic products.

Key Words: organic products, EU quality norms, certifications.

1. INTRODUCTION

There are many certification schemes and initiatives related to standards. Some are dealing with sustainability and the environment while others are more focused on social matters. Some seek to provide accreditation while some just seek to establish recommendations about best practices or codes of practice (Macfadyen, 2004). For consumer approval and commercial advantage many supermarkets have established their own criteria for suppliers to meet in order to have an 'independent' quality image. Distinctions can be made between business-to-consumer labels and business-to-business labels. The first one adds extra consumer value to a product, i.e. by the way it is produced which often results in a higher market price.

The business-to-business labels can be demanded by the big retailers to ensure extra traceability and food safety. The last years there has been a general shift from the supply driven supply chain to a demand driven chain. Thus, in many well organized supply chains the role of multinationals seems to be predominant. This is justifiable, since it is the large international retailers, supermarkets, traders and industry firms that are leading, if not to say dominating, the majority of global value chains (Ruben et al 2007). The smallholders in Vietnam can become a part of these production and service networks. This however can be hard because multinationals like Unilever and Ahold work with private labels or B-T-B standards like EurepGAP, which can be costly to implement. It is questionable if they like to do business with fragmented smallholders. On the other hand some B-T-B labels have special rules for smallholders.

There are niche markets in which smaller international companies can produce and trade with smallholders to improve their position within the specific value chain. These niche markets can provide smallholders business opportunities which can be as attractive as those from multinationals. These niche markets are often entered by i.e. the use of environmental and fair trade labels. The fact does not change that the companies involved in the chain are dependent on the marketing efforts of the importer in Europe and it is not certain that the price for eco-labeled fish could more than offset the costs of certification. Further from that there must be a possibility to acquire a respected label

that ensures a market demand (Ruben et al, 2007).

The paper presented first discusses the general schemes and organizations relevant for the pangasius industry. After this the fishery initiatives are presented, divided in organic and non-organic schemes. This is a summary of the relevant schemes, with some own elaborations, discussed by Macfadyen (2004) published by the FAO.

2. LITERATURE REVIEW

International Social and Environmental Accreditation and Labelling (ISEAL) Alliance: The ISEAL Alliance is an association of leading international standard-setting, certification and accreditation organizations that focus on social and environmental issues. Taken individually, the standards and verification systems of ISEAL members represent efforts to define issue -specific elements of social and environmental sustainability. Taken together, they represent a holistic movement, with the ISEAL Alliance providing the framework. It delivers services to its members to strengthen governance and promote the legitimacy of their programs and it also provides a platform through which members can identify ways to work together. ISEAL advocates on behalf of members in relevant trade discussions and monitors policy on regulatory issues of common concern. ISEAL is improving the quality of the standard-setting process through the establishment of objective criteria for how standards are set and through direct capacity-building of members to meet those criteria (Macfadyen, 2004).

In addition, ISEAL members are striving for performance standards that are more easily understood and measured, and that are consistent across different certification programs. Members include: Fairtrade Labelling Organizations, the FSC, the MSC, IFOAM, the MAC, SAI, and the Sustainable Agriculture Network. While not a responsible trade/ production initiative in its own right, it is relevant given its role as a lobby and information-sharing group for its members (Macfadyen, 2004). An interesting partner for a dialogue about the current labels but not an answer on the question what a suitable label is for the smallholders.

ICFTU/ITS Basic Code of Labour Practice: The International Confederation of Free Trade Unions adopted a text for a "Basic Code of Conduct covering Labour Practices" in December 1997. The code aims to establish a minimum list of standards that ought to be included in all codes of conduct covering labor practices. A central idea of this code is that codes of conduct must incorporate freedom of association and the right to collective bargaining. The basic code is meant to assist any trade union organization in negotiations with companies and in working with NGOs in campaigns involving codes of conduct (Macfadyen, 2004).

Ethical Trade Initiative: The Ethical Trade Initiative (ETI) is a multi-stakeholder alliance in the United Kingdom. It has a tripartite structure in which NGOs, unions and the private sector are represented. The ETI focuses on ethical sourcing by companies, in particular retail chains. Members of this initiative are "committed to business ethics and corporate responsibility, promotion of worker rights and human rights in general. In employment, ethical business includes working towards the ending of child labor, forced labor, and sweatshops, looking at health and safety, labor conditions and labor rights. Companies that are members of ETI are expected to adopt and implement the code and monitor and report their use of it in their supply chain. (Macfadyen, 2004). Because there is no organic focus no further research will be done to this initiative.

Fair Trade: The International Federation for Alternative Trade (IFAT) is the international network of Fair Trade organizations. IFAT's membership includes

some 111 producer groups, export marketing organizations and brands in 35 Latin American, African and Asian countries.

IFATs Code of Practice is based around issues of: commitment to fair trade, ethical issues, transparency, working conditions, equal employment, concern for people, concern for the environment, respect for the producer's cultural identity, education and advocacy, and working relationships. Fair-trade Labeling Organizations (FLO) is the worldwide Fair-trade Standard setting and Certification organization. It permits producers and their dependants to benefit from labeled Fair-trade. (Macfadyen, 2004).

The points of reference for Fairtrade Certification are the Fair Trade Standards. These standards are developed by the FLO Standards Committee, in which stakeholders from FLO's member organizations, producer organizations, traders and external experts participate. At the moment Fair trade does not have any fish product standard, nor are they developing one (www.fairtrade.net). This is due to the fact that they do not have any expertise in this field. This is why Fair Trade shall not be considered relevant for the moment.

EUREPGAP: EurepGap is a certification system driven by 22 large-scale retail chains that form the core members of the Euro-Retailer Produce Association (EUREP). EuropGAP is developed by the Euro-Retailer Produce working group. The main focuses of the Good Agriculture Practices (GAP) norms are on food safety and traceability. They also include environmental and social norms, although these have been criticized for being rather vague (Macfadyen, 2004). EurepGAP focuses on primary productions level, thus farmer level. At the moment GTZ is active in Vietnam to developing an aquaculture EurepGAP standard for pangasius, this will be soon be compulsory for the import through Ahold. Criticism on EuropGAP is that it is retailer oriented and mainly administrative.

ISO 14001 Environmental Management System: Requires that a company develops a policy in relation to environmental performance. No social or poverty emphasis. They use certification but have no label (Macfadyen, 2004).

SQF 1000/2000: The Safe Quality Food (SQF) program is developed by the Food Marketing Institute which is an Australian initiative. It is based on the principles of HACCP, Codex, ISO and Quality Management Systems. There is a SQF1000 program for the primary producers and a SQF2000 for the processors. In the end of 2006 forty-one farms and two producers in Vietnam were SQF certificated. SQF is the most implanted standard for pangasius farms in Vietnam. These are mostly big farms. According to AFA many smaller farms also comply to the norms. But due to the certification costs they do not apply for the label.

Global Aquaculture Alliance (GAA): The Global Aquaculture Alliance is an international, nonprofit trade association dedicated to advancing environmentally and socially responsible aquaculture stationed in the USA. GAA promotes best management practices for sustainable aquaculture through its Responsible Aquaculture Program, conferences and other activities. They do not use certification or use of labels. The GAA is currently working on developing Pangasius standards, but it will not be available early 2008. Later this year the GAA will license their standards for Catfish and Tilapia to the ACC and the certification process will include an eco label for certified facilities to use on their packaging (B. Moore. GAA). Currently however is it is not possible to use a GAA.

Marine Stewardship Council (MSC): The MSC is an independent, global, nonprofit organization whose role is to recognize well-managed fisheries and to harness

consumer preference for seafood products bearing the MSC label of approval. Certification strongly emphasizes environmental over social issues. MSC is focused on the marine environment and does not include aquaculture. Therefore MSC is not relevant to this the pangasius aquaculture.

Federation of European Aquaculture Producers Code of Conduct for European Aquaculture: The Code takes account of the FAO Code of Conduct for Responsible Fisheries, and includes guidelines on social and economic relationships, as well as on consumer transparency and quality. They use no certification or labels. Their focus lies on supporting the European producers and is therefore not relevant for the pangasius aquaculture in Vietnam.

FAO Code of Conduct for Responsible Fisheries (CCRF): The CCRF, adopted in 1995 by the FAO Committee on Fisheries (COFI), is an international voluntary international code focusing strongly on sustainability, although certain parts of it are based on relevant rules of international law. It was primarily elaborated to deal with marine industrial fisheries, but subsequently guidelines to the CCRF have been developed for inland fisheries (primarily small-scale), aquaculture, and ecosystems-based management. A process is currently underway to prepare guidelines on increasing the contribution of small-scale fisheries to poverty alleviation and food security. This could be relevant for pangasius aquaculture in Vietnam. There is no certification or use of labels and therefore no price premium.

Organic schemes

The organic market is confronted with hundreds of private sector standards and governmental regulations, two international standards for organic agriculture (Codex Alimentarius and IFOAM) and a mass of conformity assessment and accreditation systems. Mutual recognition and equivalency among these systems is extremely limited. The multitude of certification requirements and regulations are considered to be a major obstacle for a continuous and rapid development of the organic sector, especially for producers in developing countries. (www.ifoam.org). The problem is that many are country orientated. A few major initiatives will be discussed.

International Federation of Organic Agriculture Movements (IFOAM): IFOAM is an umbrella organic agriculture organization that is investigating issues in aquaculture. There is no social or poverty emphasis in current standards (Macfadyen, 2004). The IFOAM standard can be seen as a standard for standards. A new tailored made standard for pangasius smallholders could be derived from this standard.

KRAV Kontroll AB Organic Standards: KRAV Kontroll AB is a subsidiary of KRAV, an organic promotion and certification company in Sweden, KRAV Kontroll is IFOAM accredited. The standards from KRAV are a booklet containing organic production standards but contain no social or poverty issues.

Debio Organic Aquaculture Standards: Debio is the Norwegian organic inspection and certification body. The standards have been developed in accordance with IFOAM (although they are not IFOAM accredited) and in conjunction with KRAV, but contain no social or poverty issues.

Naturland Organic Standards: Naturland e.V. is a German non-profit organization which was set up in 1982 to promote certified organic food production. Its key activity is the development of standards and the certification of qualified products. The general Naturland standards are accredited by IFOAM but have no social or poverty emphasis. However, the specific aquaculture scheme is not. Binca Seafood, Naturland and GTZ work together in Vietnam to

produce organic pangasius in the An Giang province.

Bio-Suissse: Bio Suisse is an umbrella association with more than 30 organic farming organizations and around 6300 farms that engage organic production in Switzerland. (www.bio-suisse.ch) Bio-Suisse was initially founded by Swiss farmers to protect their (organic) farmers. Thomas Sporrer (Catfish 2007) says that it is still very hard obtain this label. For example, to obtain the label a Swiss importer has to apply for the standard. At the moment Binca can import into Switzerland using the Bio-Suisse label. The rules they apply are stricter then Naturland.

3. Analysis of EU quality norms for organic products.

Organic labeling does offer a price premium that might cover the extra costs involved with the implementation of the extra quality management in the value chain. At the moment the UNTAD is working for FAO on harmonization of the organic labeling standard. They are working with certification bodies, producer groups, processors and consumer organizations to draft guidelines on how aquaculture certifications should be established and applied. A draft set of guidelines will be presented by the next meeting of the UN Agency's Subcommittee on Aquaculture, in November 2008 (www.FAO.org). This most likely means one does not have to count on harmonization before 2010. Some countries allow organic labels from other countries in their country, others do not. This is so complex I do not have the time to explore this field. In the Netherlands organic shops can even sell non-organic products.

In France 4 percent the people buy organic fish, for meat and vegetables this is respectively 10 and 25 percent. However, the organic market is still a niche market in France in terms of value, representing just over 1.5 percent of total retail food sales in 2003, compared to 0.5 percent in 1997. The market has been growing at a rate of 12 percent per year, and that rate is expected to remain above 6 percent in the near future (Pierrot, 2005)

In the Netherlands the organic sector is aiming for a market share of organic food of 5 percent in 2007. In 2006 the meat sector increased by 1.2 percent, the organic meat sector increased by 10.6 percent to a total market share of 2.6 percent of the total market (Pierrot, 2005).

Because there are no accurate numbers of the consumption of organic fish in the EU an accurate estimation of the market has to be made. The total organic meat share in the Netherlands is 2.6%, which is an upcoming market. As we discussed before less people buy organic fish compared to meat (In France 4% buy organic fish and 10% meat). Thus if 2.6% buys meat it would lead to a market share of 1.4 % of organic fish. Because of the fast growth of the organic market it will be assumed that a nice market of 1.5% of the total volume of pangasius imported in European countries could be sold as organic fish or as a value added organic fish product.

If Germany and Switzerland buy 14% (figure 17) of the total amount of fillet and 1.5% of this is organic. This would lead to an amount of 252 ton organic fillet, which is 756 tons of organic pangasius fish that could be sold to Germany and Switzerland. This is definitely a niche market.

However taking in mind that there is less competition in the organic fish market then in the normal market pangasius could penetrate more markets then only a share of the pangasius market. At the moment the biological shops in Germany only sell organic cod, salmon and pangasius.

Secondly, the market is growing rapidly. Besides that there are an increasing number of older people. This group is more health focussed so likes to eat healthy. Thirdly, there is a trend for fast healthy food to control the obesity. Pangasius is very appropriate for this. Finally, the white meat of pangasius competes with other white meat like chicken. This chain has problems

like the bird flu. These forces in the consumer market give great opportunities to create new markets.

Therefore, there is a general trend and there are opportunities. Different scenarios can be given that could cause a threat specific for the farmers because the market collapses. This could firstly be due to other forms of environmentally friendly and sustainable agriculture (Eurep-GAP). If another label covers some environmental issues it could steal customers from the organic market. As you have seen in chapter 3 there are many labels and some are currently being developed.

The last treat could be from the quality issues regarding production in general. As said before procedures are not always maintained, a bacterial infection could damage the market.

4. CONCLUSION

The research revealed the requirements of the minimal EU demands on one side and different organic labels on the other side. There is a tremendous amount of different labels available. SQF, Eurergap and Naturland are active in the organic products. If a farm wants to implement organic farming there needs to be a strong governing organization. An aid factor is needed to make the cooperation with smallholders feasible. The project then could start with a cluster of smallholders with a suitable location for the outbound logistics and an appropriate educational level for further development of the quality management system. Moreover, the cluster smallholders have to believe in organic production and trust each other.

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