

Importance of Quality Standards in Agricultural Trade

Part 2.

By

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Changing Roles of National Inspection Agencies.

Introduction:

We are aware of the strategic significance of standards to the agricultural sector (public and private) producers, traders, governments, and international trade.

Within such an integrated approach, national inspection agencies/bodies are asked to perform a wider range of functions outside their statutory mandate. Within this context, nation inspection agencies are now faced with competition from the private sector in both standard development and application.

This environment is also complicated by national policy makers who are unaware of the existing statutes/ regulations that established National Standard bodies, or in their quest to raise the economic well being of the populace enter into deals or facilitate the development or application of private standards.

New Roles of National Inspection Agencies.

National Inspection agencies are taking new and widen existing roles including:

1. Increasing their focus on harmonizing training of inspectors nationally to meet:

- Consumer and trade demands
- Legal requirements
- Boost confidence in the services offered
- Raise international prominence and acceptance.

New Roles of National Inspection Agencies.

2. Are forced to become self sufficient financially, so they are forced to become business enterprise instead of a state enterprise
Such activities include

Sub-contracting inspection application services to the private sector

- Large producers
- Wholesale warehouses
- Retailers
- Producer Groups

New Roles of National Inspection Agencies

4. Being flexible in conducting inspections using either national regulations or private standard and therefore conduct training on the application of private standards
5. Provide inspection training for the private sector- parlaying the years of experience and skills into profits.
6. Strengthening their role as the neutral “protector” of consumer interest. Increasingly in more countries only inspection certificates issues by national inspection authorities are considered prima facie evidence by the courts; therefore any tampering of such is illegal.

New Roles of National Inspection Agencies

7. Developing mixed regulatory systems: In some countries the application of standards voluntary unless a class/grade is indicated on the package which then makes conformity with the standard mandatory and enforced by laws.

8. Move towards National Certification of Food Safety Systems supported by periodical audits such as:

HACCP- Hazard Analysis of Critical Control Points

GHP- Good Handling Practices

GAP- Good Agricultural Practices

QTV- Quality Through Verification

Developing specific systems to address domestic or international concerns about specific products or marketing segment.

New Roles of National Inspection Agencies

9. Being more cognizant of consumer, industry and national needs and industry practices and using smart partnerships to in support of them:

- Balancing between domestic consumer concerns, market needs, customer trading practices and producer interest.
- Forming partnerships with agricultural private sector that promotes the quality of agricultural products in foreign markets- trade show participation, quality seals, etc.
- Consulting with the agricultural private sector on the development of and framing the national position on international standards and World Trade Organization notices.
- Building international networks that facilitate rapid resolution of quality disputes taking into consideration the highly perishable nature of agricultural produce- using its participation in international standardization related activities - building new alliances /networks and to strengthen existing ones.

New Roles of National Inspection Agencies

10. Recognizing where national agricultural interest lies and act in support of it:

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|-------------|---|
| Exports- | Quality at shipping point, packaging- ensuring appropriate quality is used in accordance with target market requirements. |
| Domestic- | Ensuring produce of safe marketable quality. |
| Processing- | Ensure raw products meet requirements and appropriate standards are developed or applied. |

New Roles of National Inspection Agencies

9. The use data generated by inspections to support Market Information Systems for products: price, quality, origin, market supply, transportation trends and needs.

This Market Information Systems enables the agricultural sector from production to retail to better plan production and marketing that results in them taking advantage of local, regional and international market opportunities or to maximize economic returns.

National Inspection Agencies Facing challenges of Private Standards

The role of National Inspection Agencies are complicated by the rise of private standards.

National policy makers and private industry are unaware of or choose to ignore existing national or regional statutes/ regulations that established National Standard bodies, or in their quest to raise the economic well being of the populace enter into deals or facilitate the development of private standards without any concern about the effects their actions may or are having on their national standardization bodies.

National Inspection Agencies Facing challenges of Private Standards

The following are key points to consider: about the development and application of private standards:

1. Should sovereign states and/or elected officials defer public health and safety policies – the “public good” to firms whose sole reason for existence is profit? *“Should governments decide what level of food safety/protection is needed, or should this be given to the private sector? When and where will this practice end: today- FFV, tomorrow- medicine????*

“Should governments decide what level of food safety protection is needed, or should this be given to the private sector?”

National Inspection Agencies Facing challenges of Private Standards

2. Are the policy makers aware that private standards:

- shift the standard development debate away from product characteristics/attributes, and food quality to food safety and retailer entry.
- market a basket of attributes both real and perceived.
- create demand by appealing to consumer fears, concerns and self actualization needs- *Profiting from the fact that “effective demand is created in the mind of the consumer”.*

In doing so, the international marketing debate and concerns are being moved from technical barriers to trade (TBT) and sanitary and phytosanitary measures (SPS) to profit motives.

National Inspection Agencies Facing challenges of Private Standards

Private FFV standards go beyond desired physical product characteristics, they

- Dictate the production methods, harvesting/ post harvesting methods/processes, delivery schedules distribution and retailing practices.
- Generate publicity- to increase or create intrinsic value to the consumer (Hobb et al 2000) through branding, certification and consistent supplies making them the differentiating factor at retail.
- Control and coordinate supplies, suppliers or other related service providers spread over geographic regions and/or national boundaries.
- Provide firm specific trading language, control mechanisms, technical requirements thereby reducing transaction costs along with associated purchasing risk from the firm or to its suppliers.

National Inspection Agencies Facing challenges of Private Standards

- Build confidence in the firm and its products practices.
- Reduce and preempt operating costs including those arising from legal disputes due to poor quality or unsafe product.
- Claim to reduce threats from food borne diseases arising from poor sanitation (safety issue); it is increasingly tied to food quality. Tie private fresh fruits and vegetables quality standards to food safety concerns through audit verification procedures such as Good Agricultural Practices (GAP), Hazard Analysis Critical Control Points (HACCP) Safe Quality Foods (SQF) and several others.
- Enable firms to market a basket of attributes both real and perceived, creating demand by appealing to consumer fears, concerns and self actualization needs- *Profiting from the fact that “effective demand is created in the mind of the consumer”.*

National Inspection Agencies Facing challenges of Private Standards

- Private standards move quality and safety parameters away from product attributes to a level that many producers find difficult, costly or beyond their capabilities to comply with: - *uniformity in shape, color, size, taste and texture* irrespective of time of harvest- early or late, geographical production zone or variety.
- Force producers to manipulate production practice and invest increasing amounts of resources to meet the requirement of the private standards without a corresponding increase in his selling price.

Such manipulation is usually done by agrochemicals which contradict the image that these retailers are promoting.

National Inspection Agencies Facing challenges of Private Standards

- Only a promise not a guarantee repeated purchases- In today's business environment of "here-today gone - tomorrow"; international production and constant certification, such a promise is futile.

ECONOMIC REALITIES of INTERNATIONAL STANDARDS

Risks:

1. Governments do not engage in trade, neither do they bear the financial risk associated in trade, they create the trading environment. The private sector bears the risk; do they have the right to do whatever it takes to minimize that risk? Even taking away the food safety role of government?
2. The perishable nature of FFV demands quick disposal, therefore FFV producers and exporters are constantly seeking markets. A practice that facilitate retailers quickly replacing suppliers who do not want to/ or can't comply with their private standards.
3. The international public standardization process may be too long. Codex and UNECE may need to develop a mechanism to expedite the process.

ECONOMIC REALITIES of INTERNATIONAL STANDARDS

4. The international public standardization process may be too long. Codex and other such bodies may need to develop a mechanism to expedite the process.
5. Should FFV exporting countries develop similar GLOBALGAP type standards for the product they import? This may not be too far away.
6. Should states accept the FFV industry adherence to private quality standards and not to international standards?
7. Private standards usually seek to exploit market preferences (consumers taste and preferences) while international standards put all markets into one basket.