

DG AGRICULTURE AND RURAL DEVELOPMENT
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*BACKGROUND PAPER TO THE GREEN PAPER ON AGRICULTURAL PRODUCT
QUALITY*

FOOD QUALITY CERTIFICATION SCHEMES (FQCS)

1. MAIN POINTS

Food Quality Certification Schemes (FQCS) provide assurance (through a certification mechanism) that certain aspects of the product or its production method, as laid down in a specification, have been observed. FQCS cover a wide range of different initiatives, both public and private, that function at different stages of the food supply chain (pre- or post-farm gate). At the Community level, FQCS exist for organic agriculture, products from the outermost regions, geographical indications and traditional specialities guaranteed.

A large number of FQCS exist in the EU, particularly at the Business-to-Consumer (B2C) level. However, the extent to which this creates overlap and additional burden to producers remains unclear and requires further analysis.

The emergence of FQCS follows the same principles all over the world:

- The wish to differentiate products and add value; and/or
- The desire to reinforce official food safety and hygiene standards, and so fulfil liability requirements and protect the reputation of the vendor.

Due to the varied nature of FQCS, the legal framework governing their use is complex and scattered across various policy areas. Baseline requirements for producers are high and, apart from safety rules, often cannot be imposed for products imported from third countries. There is no single piece of legislation at the Community level that regulates the development and implementation of certification schemes for agricultural products and foodstuffs.

At the Food Quality Certification conference in February 2007, the Commission announced its intention to produce a clear, concise guide setting out what makes a good food certification scheme, including issues related to competition, internal market rules and labelling. This is being taken forward in the Green Paper exercise.

There is still a lack of data on the value adding process in FQCS and their impact on rural development. It appears that the need to participate in more than one scheme creates a significant (financial and administrative) burden, especially for small-scale producers, while much of the value added is retained at intermediary or retail level.

In the international context, concerns are emerging that the proliferation of private standards will lead to a new conflict with developing countries and other exporters that fear new barriers to their exports.

The example of GlobalGAP/EurepGAP shows that a scheme initially conceived for the European market (at the initiative of large-scale retailers) is expanding its influence at the international level.

Issues and challenges identified in the context of FQCS in the EU are as follows:

- Is there a need to regulate any aspect of food quality certification schemes at EU level? Do consumers need more information about schemes that certify compliance with normal standards and good practice? Do producers need to be protected from schemes imposed by large-scale retailers? Are schemes compatible with the Single Market?
- Can private certification schemes be used to highlight compliance with EU requirements in the fields of environmental protection, animal welfare etc. and in the context of cross compliance?
- How can the administrative costs and burdens of belonging to one or more food quality certification scheme(s) be reduced? Costs and burdens of schemes are also an issue for developing-country producers.
- Is action needed to underpin the WTO compliance? Both SPS and TBT agreements require Members as far as they are able to avoid the development of private impediments to trade contrary to the principles of the agreements.
- How can the large number and diversity of schemes be made more transparent to all actors in the food supply chain?

2. INTRODUCTION

Food Quality Certification Schemes (FQCS) provide assurance (through a certification mechanism) that certain aspects of the product or its production method, as laid down in a specification, have been observed. FQCS cover a wide range of different initiatives, both public and private, that function at different stages of the food supply chain (pre- or post-farm gate). They can operate at the business-to-business (B2B) level or at the business-to-consumer (B2C) level. They can make use of logos but, especially at the B2B-level, many do not.

Aspects covered by FQCS range from quality management within the chain over compliance with compulsory hygiene and safety standards to additional requirements in the area of environmental protection, animal welfare, organoleptic characteristics, worker welfare, fair trade, climate change concerns, ethical, religious or cultural considerations, geographical production environment and origin. Participation in a FQCS is voluntary – however, in cases where retailers are using FQCS as a purchasing policy tool, participation in such FQCS can be perceived as a condition for market access (see below).

The European Commission implements FQCS for organic agriculture, products from the outermost regions, geographical indications and traditional specialities guaranteed.

Farmers and producers can use quality certification to improve their marketing position and distinguish their products from others. The food industry and retailers may rely on quality certification for extra assurance and legal security. Consumers want to know what they are buying; it is labelling, backed up by the guarantee from the scheme that gives them the possibility to make an informed choice.

Following on from the pilot project on "Food Quality Assurance and Certification managed within an integrated supply chain" that DG Agriculture and Rural Development launched in 2004 with the support of the European Parliament, a conference was organised in February 2007¹. This conference brought together a wide range of experts and stakeholders to discuss problems, challenges and possible solutions in the area of food quality certification. The following points are taken from the conference conclusions²:

Economic evidence on **FQCS performance** indicates that they can

- give farmers **access** to key markets;
- **inform** consumers effectively about food quality, origin, environmental care and animal welfare;
- increase **efficiency** of the farm operation;

¹ Food Quality Certification – adding value to farm produce, 5-6 February 2007, Brussels, see http://ec.europa.eu/agriculture/events/qualityconference/index_en.htm

² http://ec.europa.eu/agriculture/events/qualityconference/conclusions_en.pdf

- have **positive impacts on rural development** (tourism, infrastructure, etc.), on maintaining local culture and traditions and on enhancing social cohesion in rural areas based on initial research;
- **reduce costs** within the supply chain through vertical integration;
- **add value** for producers, although this effect varies from scheme to scheme;
- **lead to price increases** in all parts of the chain, but not in all cases enough to cover additional costs;
- **be most successful** when adequate marketing management capabilities are present.

However, the conference also identified a number of concerns about the ways in which some schemes have developed, leading to:

- heavy and duplicative administrative costs and burdens;
- competition issues and potential barriers to the functioning of the single market;
- difficulties for exporters from developing countries (especially small-scale producers in the Least Developed Countries); and
- stakeholder concerns about transparency of schemes.

Commissioner Fischer Boel, in her concluding remarks, listed 5 actions that she would like to implement as a result of the conference:

- (1) improve communication on the different types of existing FQCS;
- (2) undertake further work on a possible EU quality or EU standards label;
- (3) conduct quantitative research into the economics of FQCS, especially covering the impact on farm income and rural development, and have discussion on the redistribution of money between the farmer and the retailer.
- (4) develop a clear, concise guide setting out what makes a good FQCS, including issues related to competition, internal market rules and labelling;
- (5) promote benchmarking.

Insofar as it continues the debate on food quality certification, the Green Paper on Agricultural Product Quality Policy thus follows on directly from the conference.

3. LEGAL FRAMEWORK

3.1. Relating to the operation of FQCS

While the European Commission implements four different types of FQCS (for PDO/PGI and the GI schemes proposed in the wines and spirits sectors, TSG, products from the outermost regions and organic agriculture), there is as yet no single piece of legislation that regulates or authorises the development and implementation of certification schemes for agricultural products and foodstuffs at European Community level.

However, FQCS touch on issues related to competition rules, the functioning of the internal market, consumer issues and labelling, food safety and hygiene and, depending on the type of the scheme, specific legislation in the area of animal welfare, organic agriculture, worker welfare and environmental protection. Also, issues related to controls and accreditation of control bodies are regulated at Community level. The internationally recognised rules for operating product certification schemes are set out in the International Standards Organisation (ISO) Guide 65, which is analogous to European Standard EN 45011 (General requirements for bodies operating product certification systems). Product certification schemes are voluntary initiatives, although for some schemes, compliance with EN 45011/ISO 65 is a requirement.

3.1.1. *Competition rules*³

Technically, FQCS are vertical arrangements between the buyers and the producers of the goods. Competition authorities may intervene if FQCS are used as a tool for abusing market power (e.g. buying power) or when they lead to reduction of consumer welfare by for example foreclosing other competitors.

Competition authorities may also intervene in case of cartel-like behaviour (horizontal coordination) on the part of the producers or the buyers, such as:

- Agreement among competitors
- Restriction of entry
- Decrease of output

Note: for cartels, establishment of a particular level of market power is not necessary

If the seller or buyer has market power (e.g., monopsony/oligopsony) and FQCS are contributing to the abuse of such market power there may be a violation of competition rules. Abuses would include exclusion of competitors; negative effects on input/output; impact on consumer prices/choices or quality, etc.

³ based on a presentation given by Paul Csiszar, DG COMP, at the Food Quality Certification conference in February 2007, see http://ec.europa.eu/agriculture/events/qualityconference/csiszar_en.pdf

3.1.2. *Internal market implications*⁴

FQCS may need to be assessed for Internal Market compatibility, even if there is no direct State involvement in the scheme. Cases include:

- if the scheme is linked to underlying safety or health legislation or builds upon it;
- if it organises market behaviour in a manner that is implicitly encouraged by the Member State (e.g. rules imposed by sports federations).

Certification services are economic activities that fall within the remit of the EC Treaty. They should therefore benefit from the principle of free movement enshrined in Article 49 of the Treaty. 'Legislative' cross-border restrictions to their provision must therefore be justified by a general interest objective, be non-discriminatory and proportionate to that interest.

Services of retailers are also subject to Article 49 EC Treaty. They should therefore also benefit from the principle of free movement enshrined in Article 49 of the Treaty. Since Article 49 applies to both the export and the import of services a user (farmer) of such services can contest a restriction that dissuades him or her from having access to those services.

The Commission actively encourages Internal Market compatible quality schemes that can be certified. For example, in the services sector, the recently adopted services directive encourages the establishment of such codes at European level. A similar provision is to be found in the e-commerce directive. The Commission also supports the functioning of schemes by contesting national restrictions to cross-border certification services. The aim is to ensure that certification costs remain or become affordable.

Where national schemes with established brand recognition exist, in order to avoid any Internal Market compatibility problems the following conditions should be met:–

- Non-domestic EU suppliers should be able to benefit from these schemes on the same conditions as national suppliers.
- Non-domestic EU suppliers that have been certified to the same objective quality levels in their home Member State should benefit from the principle of mutual recognition and not be subject to a second round of certification.
- Food products from one Member State and their 'mark' should not be restrained from entering another Member State to compete with the local mark.

3.1.3. *Case-law prevents FQCS that conceal barriers to the Internal Market*

It should be stressed that in standing case law, the Court of Justice held that under Article 28 of the Treaty, all trading rules enacted by Members States which are capable of

⁴ based on a presentation given by Jean Bergevin, DG MARKT, at the Food Quality Certification conference in February 2007, see http://ec.europa.eu/agriculture/events/qualityconference/bergevin_en.pdf

hindering, even indirectly or potentially, intra-Community trade, are prohibited. It is considered in this context that a quality label laid down at national or regional level should be open to any product fulfilling specific objective criteria (e.g. animal welfare requirements, quality of raw materials used, chemical or microbiological properties etc...), irrespective of the concrete origin of such product. The Court accordingly dismissed a series of quality labels laid down by Member States that unduly contained such origin requirement, as being not consistent with the aforementioned article 28 of the Treaty (see e.g. the "CMA" judgement of 5.11.2002, case C-325/00, Commission v. Germany, as well as the "labels régionaux de qualité" judgement of 6.3.2003, case C-6/02, Commission v. France).

The Court of Justice indicated in this context that the fact that the use of a quality label is optional does not mean that it ceases to be an unjustified obstacle to trade, since such quality label would still unduly promote the marketing of national or regional products of a single Member State.

Although, admittedly, a quality label might nevertheless be justified under Article 30 of the Treaty, as an exception linked with the protection of industrial property, the Court made clear that a scheme encompassing all agricultural products or foodstuffs originating from a Member State would obviously not qualify as a geographical indication. It should also be noted in this context that the definition of PDOs and PGIs laid down in Article 2 of Regulation (EC) No 510/2006 (the PDO-PGI regulation), should be read on the same line. According to the standing position of the Commission, the PDO-PGI regulation is the exclusive legal instrument available for the protection of geographical indications falling under its scope.

3.1.4. Controls and accreditation

A certification scheme is based on a specification which the farmer or other operator concerned must follow. In order to ensure this is the case, compliance is inspected and controlled by a private and independent certifier. In order to have full confidence in the system, the certifier should in turn be accredited.

Until now, the Commission has not been concerned with the quality of accreditation services in Member States and many certifiers, it seems, are not accredited in a formal sense to an accreditation authority.

For Community schemes, instead the Ministry concerned keeps the certifiers' details on a list which is published. The Ministry may carry out an inspection function on the certifiers itself. In the PDO-PGI and TSG regulations, accreditation of private certifiers will become a formal requirement by 1.5.2010.⁵

⁵ Article 11(3): "The product certification bodies referred to in paragraphs 1 and 2 shall comply with and, from 1 May 2010 be accredited in accordance with European standard EN 45011 or ISO/IEC Guide 65..."

At Community level, a regulation dealing with accreditation has recently been adopted by Council and Parliament.⁶ The regulation, for the first time at EU level, lays down a framework for the appointment and functioning of accreditation authorities.

The regulation underlines the public authority nature of accreditation in order that it serves as the last level of control. The accreditation authorities will be largely self-regulating by a rigorous process of peer-evaluation within a Europe-wide body, the 'EA' (European Co-operation for Accreditation).

The EA meanwhile is preparing to set up effective and harmonised guidance on the operation of 'conformity assessment bodies' (i.e. certifiers) for when they are notified by the public authorities.

3.2. Legal framework relating to the content of FQCS specifications

As pointed out above, the specifications of FQCS may cover different policy areas such as food safety and hygiene, environmental protection, animal welfare, organic agriculture, employment and worker welfare. Various pieces of legislation exist at Community level for each of these policy areas. This legislation forms the baseline with which all producers have to comply. Private and national FQCS may focus on one or more of these aspects in their specifications.

In order to be eligible for rural development funding, the schemes have to go 'significantly beyond' the legal baseline requirements. However, some FQCS take the baseline requirements, develop them into detailed requirements for the operators, imposing additional documentation requirements, for example, and ensure, through the control mechanism, that these requirements are observed. This is then used to advertise the production as "certified" or "assured" to be in compliance with the relevant standard, such as animal welfare, hygiene, etc.

1. Food safety and hygiene

In the area of food safety and hygiene, the Commission position, expressed by a DG SANCO representative during the Food Quality Conference in February 2007 is that compliance with legal safety and hygiene standards is a 'must' and cannot be used as a competitive advantage⁷. This view is strongly endorsed by industry, that safety and hygiene are 'pre-competitive' and not suitable for consumer marketing and advertising.

The scheme-owners however respond pointing out that legal requirements entail substantial input and responsibility by the food business operator. Most such 'assurance' schemes are 'B2B' and so are not matters for consumer advertising. However, some 'B2C' assurance schemes are in operation.

⁶ Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93, OJ L 218, 13.08.2008, p. 30.

⁷ http://ec.europa.eu/agriculture/events/qualityconference/testori_en.pdf, last slide

2. *Other EU requirements – proposed EU requirements label*

In addition to complying with safety and hygiene standards, EU farmers must follow certain production requirements such as labour laws, animal welfare rules, environmental compliance, and some non food safety related sanitary and phytosanitary restrictions that are not applied under legal requirements to farmers in third countries in respect of products imported into the EU.

Because consumers' awareness of EU production standards is low and they are normally not able to identify from packaging whether certain production standards have been followed, a new EU-managed labelling scheme has been suggested. Such a scheme, with a device or logo indicating compliance with EU requirements would:

- increase visibility of EU products and EU requirements;
- promote the advantages of compliance with EU requirements;
- allow consumers to distinguish between product produced in the EU where those requirements are compulsory and products not necessarily produced to EU requirements.

However, an EU requirements labelling scheme would also:

- necessitate information strategy and publicity efforts, supported by EU money, at least until sufficient awareness is obtained
- necessitate appropriate controls to guarantee credibility.
- require identification of the precise requirements in cases where EU legislation sets out principles or objectives, which are elaborated at Member State or regional level.

Stakeholders at the Food Quality Certification conference held in February 2007 were sceptical of a new, compulsory EU-managed labelling scheme.

3.3. Conclusion on legal framework

Due to the varied nature of FQCS, the legal framework governing their implementation and content is complex and scattered across various policy areas. Baseline requirements for producers, apart from safety rules, often cannot be imposed for products imported from third countries. There is as yet no single piece of legislation at the Community level that regulates the development and implementation of certification schemes for agricultural products and foodstuffs. The need for such a piece of legislation was questioned by participants at the Food Quality Certification conference in February 2007, as was the development of a new, EU-managed labelling scheme highlighting compliance with EU requirements. Instead, the Commission announced its intention to produce a clear, concise guide setting out what makes a good food certification scheme, including issues related to competition, internal market rules and labelling. This intention still needs to be acted upon.

4. OTHER POLICY DRIVERS

Apart from the requirements laid down in the legal framework, a number of other concerns and trends drive the development of FQCS. Some of the more prominent ones are:

- Climate change concerns: The current development of initiatives highlighting a low carbon footprint, few food miles or local production (e.g., Tesco's planned emission labels, Marks & Spencer's aeroplane symbol for air freighted goods or various 'buy local'- initiatives) are based on the idea that CO₂-emissions can be reduced by regional or local food sourcing.
- Ethical considerations: The Fair Trade label is an example of a certification scheme based on the strategic intention to deliberately work with marginalised producers and workers (predominantly in the South) in order to help them move from a position of vulnerability to security and economic self-sufficiency.
- Cultural / religious considerations: Examples are permissible food according to Islamic law (Halal) and permissible food according to Jewish law (kosher). A significant number of certification services exist both for kosher and halal food;
- Collective meals: More and more meals are eaten away from home. According to a 2006 report by the UK Office for National Statistics, "the value of households' spending on eating out has passed spending on food sector products eaten at home in 2004 and doubled between 1992 and 2004 [...]". Following public demand, some providers of collective meals such as schools and hospitals are starting to put in place quality criteria for the food they serve. For example, in response to wide-ranging concerns - from pesticides residues in produce to increasing rates of childhood obesity - Italy revised its finance law in 1999 to guarantee the promotion of organic agricultural production of 'quality' food products. The law states "public institutions that operate school and hospital cafeterias will provide organic, typical and traditional products ... taking into account the guidelines and other recommendations of the National Institute of Nutrition" (Wilkins, 2007).

These policy drivers can explain, at least in part, the emergence of a tremendous variety of FQCS mainly at the business-to-consumer (B2C) level.

5. ECONOMIC BACKGROUND

5.1. Sector level

At the sector level, the economic value of agricultural products and foodstuffs produced under some kind of certification scheme is difficult to assess – no exact data exist. Some very big schemes cover almost the whole sector (e.g., the Red Tractor for potatoes in the UK), other schemes are very small and operate in a niche market (e.g. Neuland meat in Germany). It is questionable whether aggregate economic figures would be useful to establish due to the diversity of schemes. The overall economic importance of food quality certification is increasing, as evidenced by the growth in the number of schemes.

The total turnover of the food and drink industry in 2005 was € 836 billion, and the value-added was €181 billion (2003 figure).⁸

5.2. Farm level

At the farm level, as shown in some case studies, the economic effect of belonging to a certification scheme is mostly positive (otherwise farmers/producers wouldn't participate). However, where schemes function as de-facto entry requirements to the market (e.g. EurepGAP/GlobalGAP, see section 7.3 below), participation in such schemes may not yield a premium for producers but may simply be a precondition for selling any products at all. The net benefit to the farmer of belonging to this type of scheme may be low or even negative, with certification and control costs being higher than the additional revenue.

The main cost items associated with certification schemes can be divided into “direct” and “indirect” costs:

- Direct costs relate to membership fees, inspections and certification
- Indirect costs relate to compliance with FQCS standards (investments costs for upgrading facilities) and recurrent production costs

Direct costs are generally modest, indirect costs are much higher and more difficult to quantify.

Producers selling to various outlets cite in particular the costs associated with having to belong to more than one scheme as burdensome.

An economic analysis of the value adding process in 9 selected FQCS shows that

- The price premium achieved for certified products depends on the type of market (e.g. no premium for Baena olive oil in highly competitive market; high price premium for Parmigiano Reggiano cheese and Neuland pork);
- Most certified products have a price premium, but not always enough to compensate for higher production costs at farm level (e.g. Comté cheese, Label Rouge chicken);
- The value added is often retained at intermediary (Label Rouge chicken) or retail level (Boerenkaas).

5.3. Conclusion on economic background:

While the body of evidence concerning the economics of FQCS is growing, there is still a serious lack of data on the value adding process in FQCS and their impact on rural development. It appears that the need to participate in more than one scheme creates a

⁸ ‘Data and trends of the European Food and Drink Industry’ CIAA, December 2006. A DG ENTR study gave a value of €785 billion for 2003, ‘Competitiveness of the European Food Industry, and economic and legal assessment 2007’ DG ENTR, Official Publications.

significant (financial and administrative) burden, especially for small-scale producers, while much of the value added is retained at intermediary or retail level.

As a result of the Food Quality Certification conference held in February 2007, the Commission therefore expressed its wish to conduct quantitative research into the economics of food quality schemes, especially covering the impact on farm income and rural development, and have discussion on the redistribution of money between the farmer and the retailer. A call for research proposals on this topic was published by DG RTD at the end of November 2007 (Call: FP7-KBBE-2008-2B).

6. CURRENT IMPLEMENTATION

6.1. EU level

The European Commission implements FQCS for organic agriculture, products from the outermost regions, geographical indications and traditional specialities guaranteed.

In addition, the EU supports participation in FQCS through rural development measures.

An inventory established in the context of the pilot project on "Food Quality Assurance and Certification managed within an integrated supply chain" lists a total of 386 FQCS in the EU25 (see <http://foodqualityschemes.jrc.es/en/outputs.html>). This number was questioned and the inventory should be revised based on comments received during and after the conference. Regardless of their exact number, based on the date of their establishment, it is evident that the period from 1990 until today has seen a dramatic increase in the number of FQCS at the business-to-consumer (B2C) level in the EU.

On the other hand, the number of business-to-business (B2B) schemes has fallen over the last 10 years, probably as a result of the trend towards rationalisation in the retail sector as well as the increasing dominance of a few business-to-business (B2B) schemes which may have swallowed others that existed earlier. The remaining business-to-business (B2B) schemes fall roughly into two categories: standards developed by norming institutions for quality management systems (e.g., ISO 9001, ISO 22000) and standards laid down by actors (mostly retailers) within the chain. The most prominent of the latter are:

- The British Retail Consortium (BRC) Standard, which is used to evaluate manufacturers of retailers own brand food products mostly in the UK but also in other European and global retailers;
- The International Food Standard (IFS) mainly used for the same purpose in Germany and France;
- GlobalGAP/EurepGAP: In September 2007, EurepGAP announced it is changing its title and logo to GlobalGAP. EurepGAP/GlobalGAP is a private sector body that sets voluntary standards for the certification of agricultural products based on Good Agricultural Practices (GAP). It was initiated in 1997 by a number of retailers represented in the Euro-Retailer Produce Working Group (Eurep). EurepGAP is

- a pre-farm-gate-standard that means the certificate covers the process of the certified product from before the seed is planted until it leaves the farm.
- a business-to-business label and is therefore not directly visible for the consumers.
- a set of normative documents. These documents cover the EurepGAP General Regulations, the EurepGAP Control Points and Compliance Criteria and the EurepGAP Checklist.

Two issues arise from these opposite trends (increase in business-to-consumer (B2C) schemes vs. decrease in business-to-business (B2B) schemes):

- (1) The large and ever-expanding number of business-to-consumer (B2C) schemes has been cited as a reason for "diluting" the message that FQCS are meant to convey. Consumers are said to find it increasingly difficult to distinguish the different schemes and to understand their exact meaning. The exact content of the schemes' specifications are often either not publicly available or difficult to access. Where the scheme's specification doesn't go beyond legal requirements, the actual benefits of buying certified products are reduced for consumers⁹.
- (2) The few remaining business-to-business (B2B) schemes are quickly becoming de-facto industry standards and as such, participation in these schemes may sometimes no longer be called voluntary. Unfortunately, there is as yet no mutual recognition among the remaining business-to-business (B2B) schemes. For example, the BRC Standard is not compatible with the IFS. The Global Food Safety Initiative (GFSI) in its Global Standards Project aims to facilitate recognition and cooperation between different food safety standards. GFSI's long-term vision remains the creation of a single global food safety standard. However, the initiative accepts the present reality of several standards and will continue to facilitate mutual recognition.

6.2. Member States

Keeping in mind the caveats regarding overall numbers mentioned above, twenty and more public and private certification schemes were identified in each of the following Member States: FR, AT, IR, IT, BE, ES, UK, DE. Thus, it is mostly the bigger and older Member States that have developed a significant number of certification schemes. Hardly any schemes exist in the new Member States, probably due to the way in which their agricultural production and the food industry were managed before accession. Some Member States that are leaders in the area of PDOs/PGIs, such as Portugal and Greece, have very few certification schemes, and also Spain, Italy and France are less dominant than they are in the PDO/PGI field.

In the context of the pilot project on "Food quality assurance and certification managed within an integrated supply chain", country reports were compiled for 7 EU Member

⁹ see for example the Seventh Report of the Select Committee on Environment, Food and Rural Affairs of the UK Parliament,
<http://www.publications.parliament.uk/pa/cm200405/cmselect/cmenvfru/469/46909.htm>

States (Spain, France, Denmark, Finland, Sweden, Czech Republic, Poland) and 6 further Member States (Italy, Great Britain, Germany, the Netherlands, Belgium, Latvia) were analysed based on the existing literature as regards the structure of the food supply chains and the status of food quality certification¹⁰. In very broad terms, the project identified the following:

- A series of certification schemes that can be defined as “international”, and are found – with identical name and characteristics – in all the investigated countries (e.g., ISO 9001, ISO 14001, ISO 22000, EurepGAP, IFS, BRC);
- A series of schemes that can be defined as “national” (or in some cases, as regional or local) and are different in each country;
- A third group includes the property schemes of individual retailers, which are found with practically identical characteristics in all the countries where the same retailer is present (e.g., Filières Qualité Carrefour; Filière Auchan).

The largest variety of schemes can clearly be found in the second group of schemes. While they mostly share the same objective of differentiating food products, they are highly diverse in their focus (product/process attributes), geographical coverage (local, regional, national, international), size (from around 100 to more than 80,000 participating farms and firms) and supply chain coverage (only one stage / the whole supply chain). They can be laid down by national or regional governments, customers, suppliers, inspection and certification institutes or nongovernmental organisations. The following table provides examples of FQCS focussing on different policy areas (keeping in mind that many FQCS cover a mix of more than one policy area):

Main policy focus	Examples¹¹
Environmental protection	Leaf Marque (UK); Milieukeur (NL); agri-confiance (FR)
Animal welfare	Neuland (DE); Anbefalet af dyrenes beskyttelse (Recommended by the Animals' Protection Society in Denmark) (DK); FreedomFood (UK)
Integrated agricultural production	FruitNet (BE); Producció Integrada (ES); Agriqualita (IT)
Organic agriculture	Demeter (Int); Bioland (DE); Agrobio (PT); AMA Bio (AT); Bio-Hellas (EL); etc.
Superior product quality incl. organoleptic characteristics	Label Rouge (FR); Klasa(CZ)
Geographical production environment	Unser Land (DE); mentions valorisantes "montagne", "produit pays" (FR)
Ethical concerns	Fair Trade label (Int); Max Havelaar (Int)
Food safety	QS (DE); Assured beef/pigs/ chicken/ combinable crops (UK);

¹⁰ <http://foodqualityschemes.jrc.es/en/outputs.html>

¹¹ Compatibility with EC law cannot be guaranteed for all of these schemes and would need to be checked on a case-by-case basis

This list is not exhaustive.

This large diversity, on the other hand, makes every single FQCS at the business-to-consumer (B2C) level relatively specific for a certain market and group of producers. Participants in the Food Quality Certification conference held in February 2007 highlighted that the high number of FQCS in itself does not pose a problem; only where overlap between several schemes occurs does this create a burden for scheme participants.

6.3. Conclusion on current implementation

A large number of FQCS exist in the EU, particularly at the business-to-consumer (B2C) level. However, the extent to which this creates overlap and additional burden to producers remains unclear and requires further analysis.

More work is needed on the inventory in order to analyse the development of FQCS in the different Member States.

7. WTO CONTEXT

Interviewed in 1997, Pascal Lamy, Director General of the WTO, warned:

[The] proliferation of agreements on "green" and other product standards between large western retailers and consumer groups is likely to spark a new spat with developing countries that fear new barriers to their exports [...]. "Developing countries are certainly beginning to have a problem and this question of standards is becoming a real issue", Pascal Lamy said [...]. The concerns could even push developing countries to seek new legislation governing privately agreed safety standards, leading to another difficult and lengthy trade negotiation.¹²

7.1. Private standards and the SPS Agreement

On 24 January 2007 the secretariat of the SPS Committee to the WTO issued a note (G/SPS/GEN/746, 24 January 2007, searchable at <http://docsonline.wto.org>) on the issue of private standards in the context of the SPS Agreement. This issue was first raised by Saint Vincent and the Grenadines at the SPS Committee of June 2005 regarding the operation of a EurepGAP scheme in relation to trade in bananas with supermarkets in the United Kingdom. Other Members also expressed concerns with the effects of private standards on their trade. These concerns are summarised in table 2 of the note:

¹² Financial Times, 22.9.2007

Table 2: Examples of Concerns related to Private Standards

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 PPM requirements	Lack of recognition of certificates issued and/or lack of recognized certification bodies in developing countries

The issue of private standards was taken up again in the SPS Committee in March, June and October 2007, mainly on the initiative of developing countries who see these standards as access barriers to certain markets for their exports. In June 2007, a workshop on private and commercial standards was organized by the WTO and UNCTAD¹³.

To date, it is not clear whether private standards are SPS measures within the scope of the SPS Agreement. Article 1.1 states that the Agreement applies to "all sanitary and phytosanitary measures which may, directly or indirectly, affect international trade" without explicitly limiting this application to SPS measures taken by governmental authorities. According to some interpretations, some private standards in the area of food safety and agricultural production methods may well fall within this scope.

7.2. Private standards and the TBT Agreement

Other elements of private standards are clearly outside of the scope of the SPS Agreement. These elements, such as environmental issues, animal welfare and waste and pollution management, could fall within the scope of the Agreement on Technical Barriers to Trade (TBT Agreement).

The issue of private standards or certification schemes is gaining importance in the context of the WTO, with mainly developing countries fearing for negative effects on their exports to certain markets. This topic has become an issue on which the WTO is building some expertise but which yet has to find its appropriate place within the organisation. Some argue that it falls outside of the remit of the organisation and requires an alternative forum. At least in the context of the SPS Committee, it seems that concrete

¹³ http://www.wto.org/english/tratop_e/sps_e/private_standards_june07_e/private_standards_june07_e.htm

examples or proposals by members on what to do are needed to take the discussion forward¹⁴.

8. EXPERIENCE IN TRADE PARTNERS

Evidence on the importance of FQCS in the EU's main trade partners is scattered. The existing body of literature focuses mainly on government regulations in the area of food safety and marketing standards or talks about the development of FQCS in general, without distinguishing the countries involved. The term "Food Quality Certification Scheme" does not seem to be used much outside of the European context.

8.1. Latin America

There is evidence that the incentives and capacity for privatization of both food safety standards and, to a lesser extent, agricultural health standards, is increasing, under the following conditions (Reardon and Farina, 2001):

"The first condition is where food safety and agricultural health standards are not strictly enforced by public authorities, but the reputation of private retail and processing firms depends on a safe product. That is why one finds private or semi-private food safety standards and certification systems arising among supermarket chains in Latin America, such as the PIPAA system in Guatemala and similar cases with Carrefour in Brazil for vegetables (Seal of Guarantee of Origin of Carrefour). In some cases, such as with McDonald's in Brazil, private agricultural health standards (in their case for lettuce seeds) were critical to assuring private quality standards (for lettuce on hamburgers). It is also the case with private milk standards in Brazil [...].

The second condition is where a private firm combines quality and safety standards in a metamanagement system embodied in a process standard and certification. This appears to be becoming increasingly common as process standards (such as HACCP) grow rapidly in importance, and the need for chain management through private standard systems rises with competition at the market end and for high-performing suppliers. An example is that of the Nestle Quality Assurance system for coconut products in Brazil [...]."

Another study also reports on the emergence of private food quality standards in Latin American supermarkets (Berdegué et al., 2005):

"In the context of near-absence of public food safety and quality standards, or the lack of effective implementation of them where they exist, and in order to increase product quality and consistency and differentiate their product from traditional produce retailers, leading supermarket chains in Central America are imposing private standards on their fresh produce suppliers. These are mainly for cosmetic quality, but emerging also are standards for fresh produce safety, in particular for leafy greens and some fruit".

8.2. USA

"In the United States, eco-labels are proliferating rapidly with programs such as the Green Seal, Scientific Certification Systems, and the U.S. Environmental Protection Agency's

¹⁴ see the report of the October 2007 Committee meeting at http://www.wto.org/english/news_e/news07_e/sps_19oct07_e.htm

Energy Start Program. In addition, many regional sustainable agriculture programs set standards to assure acceptance in regional niche markets for "green" products" (McCluskey, 2006)

One concrete example of an interesting certification scheme operating in the US is the "California grown"- initiative¹⁵. While this is in essence a label of origin (the product has to be grown in California, no other requirements have to be fulfilled), this State has one of the highest environmental and consumer safety regulations in the US. Thus, compliance with the 25 separate laws at the state and federal levels governing the resource base employed by agriculture (Hamilton, 2007) is regarded as a distinguishing factor vis-à-vis produce coming from other states.

8.3. GlobalGAP/EurepGAP

During the ten years since its inception, the scheme, which was initially targeted at Europe, has seen its influence expand to South and Central America, Africa, Australasia, and most recently Japan and Thailand. Schemes such as ChileGAP, ChinaGAP, KenyaGAP, MexicoGAP, JGAP (Japan) and most recently ThaiGAP are modeled on the EurepGAP criteria. Apart from a large number of members from the EU Member States¹⁶, members of GlobalGAP now include:

- retailers from Japan, Norway and Switzerland;
- producers/suppliers from Albania, Argentina, Brazil, Chile, Colombia, Egypt, Israel, Kenya, Mauritius, Mexico, Morocco, New Zealand, South Africa, Thailand, Turkey, United States and Uruguay;
- associated members (in the areas of certification, consulting, training etc.) from Argentina, Australia, Brazil, Canada, Chile, Colombia, Costa Rica, Croatia, Ghana, Israel, Japan, Kenya, Malaysia, Morocco, New Zealand, Norway, South Africa, Switzerland, Turkey, Ukraine, United States and Uruguay

8.4. Conclusion on experience in trade partners

It appears that none of the main trade partners of the EU has legislation in place that would regulate the development and implementation of FQCS.

The emergence of FQCS follows the same principles all over the world:

- The wish to differentiate products and add value; and/or
- The desire to reinforce official food safety standards, and so fulfil liability requirements and protect the reputation of the vendor.

¹⁵ http://www.californiagrown.org/content/about_overview.asp

¹⁶ see http://www.globalgap.org/cms/front_content.php?idcat=4

The example of GlobalGAP/EurepGAP shows that a scheme initially conceived for the European market (at the initiative of large-scale retailers) is expanding its influence at the international level.

9. ISSUES / QUESTIONS IDENTIFIED

Based on the above, the following issues and/or questions could be addressed:

- Is there a need to regulate any aspect of food quality certification schemes at EU level? Do consumers need more information about schemes that certify compliance with normal standards and good practice? Do producers need to be protected from schemes imposed by large-scale retailers?
- Can private certification schemes be used to highlight compliance with EU requirements in the fields of environmental protection, animal welfare etc. and especially in the context of cross compliance?
- How can the administrative costs and burdens of belonging to one or more food quality certification scheme(s) be reduced? Costs and burdens of schemes are also an issue for developing-country producers.
- Is action needed to underpin the WTO compliance? Both SPS and TBT agreements require Members as far as they are able to avoid the development of private impediments to trade contrary to the principles of the agreements.
- How can the large number and diversity of schemes be made more transparent to all actors in the food supply chain?

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