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GLOBEFISH RESEARCH PROGRAMME



Private standards in fisheries and aquaculture: Current practice and emerging issues

Private Standards in fisheries and aquaculture: current practice and emerging issues

by

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Globalization of fish supply chains means that a significant amount of fish and seafood is now caught in one part of the world, transported to another for processing and finally consumed in yet another country. Food safety systems that function across national borders are therefore vital. Despite international frameworks and attempts to establish norms, fish exporters still face safety and quality control regimes that vary from one jurisdiction to the next. A further complication is the growing proliferation of standards being introduced by the private sector, relating to a range of objectives including food safety and quality, but also to animal health, environmental protection and even social development, and often linked to private firms' corporate social responsibility strategies.

This paper sketches current practice in the application of private standards for food safety and quality in fisheries and aquaculture. It discusses the opportunities and challenges for the various stakeholders in the fish and seafood supply chain, with specific reference to the challenges faced by developing countries. It examines the relationship between private standards and public frameworks for food safety, and their impacts on international trade. It questions whether private standards are adding value to global food safety governance.

The paper concludes that as private standards become increasingly important in global food safety governance and in international trade in fish and seafood products, international action will be required to ensure further harmonization and mutual recognition between various public regulatory frameworks and between public and private standards, so as to ensure that all standards are non-discriminatory and are consistent with the rules for international trade.

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PREPARATION OF THIS DOCUMENT

This paper draws on interviews conducted in 2007 for FAO by Marie Christine Monfort. Valuable comments were provided by FAO staff: William Emerson and Lahsen Ababouch, Chief, FishUtilization and Marketing Service.

1. EXECUTIVE SUMMARY

1.1. Globalization and international food safety frameworks

Globalization of fish supply chains means that a significant amount of fish and seafood is now caught in one part of the world, transported to another for processing and finally consumed in yet another country. Consumers expect that the food they have access to will be safe and of acceptable quality regardless of where it is produced, processed or ultimately sold. Food safety systems that function across national borders are therefore vital. A range of national and international regulatory frameworks has been developed accordingly. The FAO/WHO *Codex Alimentarius* Commission (Codex) plays a key role in setting standards and norms for food safety. The WTO (SPS and TBT Agreements), and the International Organization for Standardization (ISO) are also highly relevant.

Despite these international frameworks and attempts to establish norms, fish exporters still face safety and quality control regimes that vary from one jurisdiction to the next. Further complicating the variety of public sector food safety regulations is the growing proliferation of standards being introduced by the private sector. These relate to a range of objectives, including food safety and quality but also to animal health, environmental protection and even social development, and are often linked to private firms' corporate social responsibility strategies.

This paper sketches current practice, discusses the opportunities and challenges private standards pose for the various stakeholders in the fish and seafood supply chain, and highlights issues requiring action and further enquiry.

1.2. The Context: what is driving the development of private standards?

A range of factors has fueled the trend towards private safety and quality standards. Food safety scares have weakened public confidence in governments' abilities to guarantee food safety, especially the safety of imported food. Government policies related to product liability and due diligence as well as the shift towards more performance based regulatory frameworks put the onus on private sector firms to assume responsibility for food safety management. Large food firms, especially retailers, have increasing bargaining power vis-à-vis other businesses in the supply chain, and are requiring suppliers to be certified to private food safety management standards and schemes (FSMS). For them private standards provide insurance against food scares and a due diligence defense.

The increasing vertical integration and complexity of supply chains in fish and seafood also stimulate the growth of private standards, as business-to-business tools used in the context of direct procurement contracts, which are starting to replace the traditional structure of 'importer-wholesaler-retailer'. Complex value chains – where raw materials are potentially sourced globally, processed in a second country and retailed in yet another – require sophisticated systems for ensuring traceability and guaranteeing that sanitary and hygiene standards are maintained at every stage of the value chain: from farm/boat to fork. These traceability systems (chain of custody) are built into the frameworks included in most private standards schemes.

Aquaculture now accounts for almost half (47%) of fish for food supply. Private standards are a mechanism for responding to concerns about aquaculture by offering guarantees of quality, safety, traceability, and transparency of production processes. They can be used to market farmed fish as a safe, sustainable and environmentally sound alternative to fish and seafood from dwindling marine capture stocks.

1.3. A proliferation of private standards and certification schemes

There are a myriad of different private safety and quality standards applying to fisheries and aquaculture: private in-house standards of large retail firms; collective private quality standards developed by local, regional or national producer/industry groups; NGO-driven schemes (ACC, ASC)¹, and national and international Food Safety Management Schemes (BRC, IFS, SQF, GlobalGap)². Examples of each type of standards scheme are described in this report, emphasizing the latter two types, which are the most important in terms of the impacts of private standards on the global fish and aquaculture industry.

For food safety generally (not exclusive to, but including fish and seafood products) attempts at reducing the confusion around the proliferation of private standards, and to seek some harmonization or international norms have occurred: the first driven by an international coalition of retailers (GFSI)³, the other in the context of the ISO (ISO 22000). The FAO (Committee on Fisheries) is also actively responding to concerns about the proliferation of private standards in aquaculture and fisheries, in particular about the relative ability of developing countries to access markets where buyers demand private certification.

1.4. Market importance of private standards

There remains a dearth of empirical evidence of the market significance of private standards. However, it appears that the pressure on producers and processors to comply with private standards depends on the market (regional differences apply), how that market is structured (sales of fish and seafood dominated by large supermarket chains), the typical procurement strategies and supply chains operating (private standards are more prevalent where there are direct contracts for supplies and more integrated supply chains), and on the type of end product the fish is destined to become (private label, commercial brand).

Despite the fact that developing countries represent about 60% of world exports of fish and seafood products (by volume), the pressure on them to comply with private standards (with the exception of some aquaculture species such as shrimp) is still fairly minimal. Most developing country fish exports are still traded in commodity trade arrangements rather than in more secure supply contracts.

¹ Aquaculture Certification Council, Aquaculture Stewardship Council

² British Retail Consortium, International Food Standard, Safe Quality Food.

³ Global Food Safety Initiative.

1.5. Costs and benefits of private standards – various stakeholders

One of the main concerns about private standards is the cost of certification, in particular where certification against several schemes is required. Actual costs are difficult to quantify. Fees are set by certification bodies and are subject to market conditions. Other costs depend on the size and type of business being certified (product specifications increase as the level of processing and value-added increases) and the gap between current systems and those required by the private standard. Costs are also difficult to disaggregate from the costs of complying with mandatory regulatory requirements (such as HACCP), which typically form the baseline of compliance with private standards. What is clear is that the costs and benefits are not distributed evenly amongst the various actors in the supply chain. Producers (especially fish farmers) and processors assume the main cost burden while retailers reap the main rewards.

1.5.1. Producers

Costs at the primary production level escalate if a variety of certifications and related audits and documentation are required (which is likely if products are destined for diverse import markets). Aquaculture producers are likely to feel more pressure than wild-capture fishers. Already producers (both capture and aquaculture) complain about the costs of compliance to a range of public import requirements. Potential benefits might include: access to new markets or consolidation of position in existing markets, improved product quality, and more stable supply relationships with related reductions in price volatility.

1.5.2. Processors

For those producing brand products or private label products for large-scale retailers, certification would be essential. Where significant upgrading of plant and methods is required the costs are significant. Costs increase if multiple certifications are required. Some processing companies might deal with retailers in various countries, requiring certification to one or all of following schemes: BRC (mainly European, definitely UK retailers), Dutch HACCP (Dutch retailers), IFS certification (German and French retailers) or SQF 2000 certification (US retailers). Potential benefits include improvements in quality management, customer confidence, and access to more sophisticated markets or market segments.

1.5.3. Retailers

Retailers are the main drivers of the private standards trend. They stand to reap the main benefits of private standards, including: more security in terms of product safety and consistency of quality and supply; insurance against litigation related to food safety failure (and in the area of sustainability protection against negative attention from NGOs and the media); and guarantees of traceability. Any costs involved in developing private standards or managing membership in a FSMS are seen as investment in reputation.

1.5.4. Governments

In theory, private standards can be seen as the private sector's response to performance-oriented food safety legislation and as a tool to drive continuous improvement and best practice. In practice, there are concerns about the impact of private standards on various aspects of government policy: that they pose additional compliance costs on some businesses at a time when governments are trying to cut red tape; that they represent a lack of confidence in and an attempt to compensate for shortfalls (perceived or real) in public food safety policies and administrative frameworks (at home and abroad), as well as signaling a lack of confidence in governments' abilities to manage natural resources and protect the environment. These concerns are particularly acute for developing countries, many of who perceive requirements on exporting country fish producers and processors to comply with standards set by private sector actors in importing countries as a non-tariff barrier to trade. They struggle to comply with mandatory public standards in importing countries: a further level of private standards and their associated costs poses enormous challenges.

1.6. Protection or protectionism? Impacts of private standards on international trade.

Private standards have been discussed at the WTO, mainly in the context of the SPS Agreement. Debate has centered on: the costs of certification; the multiplicity of private schemes and the lack of harmonization or mutual recognition between them; the extent to which private standards are science-based and/or consistent with SPS obligations; the relative jurisdiction over private sector actors in trade disputes; and whether private standards pose technical barriers to trade.

Opinions differ, even between developing countries, as to whether private standards are a bonus or a barrier to international trade. On the one hand they can be trade-creating in that compliance offers opportunities to access lucrative markets in developed countries. Yet compliance with private standards schemes is highly problematic for some operators, especially small producers and processors in developing countries. Market liberalization and the reduction of trade barriers negotiated by national governments in the WTO will not ease market entry for developing countries if public requirements are replaced by new rules set by large international private firms or coalitions of them. Moreover, while private standards are on the surface 'voluntary', they could become de facto mandatory standards if compliance with them becomes necessary to access developed country markets.

1.7. Do private standards conflict with, complement or duplicate public regulation?

This report is based on existing information and the views of stakeholders in the fishing industry. It highlights the dearth of empirical evidence and the need for further research. However, some initial conclusions can be drawn in the following areas:

1.7.1 Food safety

While there has been no systematic comparison of the private sanitary requirements of individual firms or FSMS and those encapsulated in public regulation, industry sources suggest that key safety criteria (such as ‘use-by’ dates, and acceptable levels of contaminants) do not appear to be more stringent than those required by public authorities (which also vary between markets). In any case, both public and private standards are typically based on *Codex* and HACCP. Hence private standards are unlikely to conflict with public food safety regulation. Duplication is more likely to be an issue, if not in relation to the content of requirements, then in methods of compliance and verification. Similarly, there is scant evidence to suggest that compliance with private standards might facilitate the implementation of public standards, or incentivise better food safety management. Indeed, the inverse is a more likely scenario. Compliance with public standards provides a baseline for, and is therefore essential for meeting the requirements included in private standards schemes.

1.7.2. Traceability

Private standards schemes require traceability requirements to be verified by private sector certification companies, partly due to a lack of confidence in the capacities of competent authorities in exporting countries. Assisting with capacity building in countries with weak administrative systems would arguably be a more effective strategy than pursuing a parallel private system to compensate for perceived or real administrative shortcomings (at home or abroad). Moreover, a company certified to a private standards scheme will still not have access to certain markets, such as the EU, if the competent authority of the country in which it operates, has not been approved by public authorities in its key import markets.

1.7.3. Audit and Documentation

It is in the area of audit and verification and the related documentation required where duplication between public and private requirements is perhaps most evident. Separate sets of compliance documents relating to public and private certification (or even several public and several private certifications) amount to heavy compliance costs. Those costs are especially burdensome where there is a prescriptive rather than an outcomes-based approach to compliance.

1.8. Are private standards adding value to food safety governance?

Whether or not private standards are adding value to food safety governance is arguably in the eye of the beholder. For retailers seeking quality assurance, robust risk management and clear lines of traceability then the answer is undoubtedly “yes”. In terms of bottom line food safety and consumer protection then the answer is probably “no”. Most private food safety management schemes are based on mandatory regulation with additional specifications related mainly to quality aspects and risk and traceability assurances.

What is definitely not adding value to global food safety governance is the growing proliferation of private standards and certification schemes. It has led to confusion

that could undermine confidence in standards overall. Harmonization or mutual recognition of both public and private standards and certification systems is imperative. Moreover, in the context of an apparent shift in responsibilities from the public to the private sector for food safety governance, policy makers need to question whether private sector firms are the best agents for incentivising better food safety management.

1.9. Future scenarios and Areas for Attention

The impact of private standards is likely to increase due to the increasing dominance of supermarket chains in fish and seafood distribution, and as their procurement policies move away from open markets towards contractual supply relationships defined by private standards and detailed product specifications. Moreover, as large European retailers become increasingly globalized, their buying strategies are influencing retail markets in East Asia, Africa, Eastern Europe and Latin America. Action is required in the following areas:

1.9.1 Monitoring developments in private standards – accumulating evidence

Comparisons of public and private food safety management requirements are needed to determine where there are synergies to be exploited, efficiencies to be gained, and duplication to be avoided. There is also a need for more evidence and analysis on the impacts of private standards on international trade based on concrete country evidence. Do they really act as non-tariff barriers to trade, generally, and specifically in relation to fish and seafood? Moreover, what role can and should the public sector take in regulating the activities of private sector standards schemes?

1.9.2. Assessment tools and methodological advancement

There is a need for some guidelines or assessment criteria so that industry players can judge the quality of private standards schemes (the FAO eco-labels guidelines provide a useful model) to assess which FSMS carry most value: which schemes best serve consumer protection and public health as well as industry needs for traceability and risk management?

1.9.3. Need for harmonization – public and private

There is a need for harmonization of both government food safety regulations and private FSMS, including through mutual recognition. This would lead to cost efficiencies, would facilitate trade, and would decrease the current complexities in global food safety governance. Some sort of roadmap with desired outcomes and interim deliverables would need to be developed with both public and private sector participation.

1.9.4. Support to developing countries

Support to developing countries would likely be best in the form of assistance to develop the infrastructure (physical, regulatory and institutional) that is a pre-requisite for compliance with both public and private food safety and quality standards. This might involve some supply chain development. The transfer of information,

technology and know-how from integrated supply chain actors to other parts of the industry might help fisheries stakeholders move beyond entry-level commodity trading relationships with international markets to take advantage of opportunities for more value-addition and subsequently improve access to more lucrative markets or market segments in importing countries. Documenting success stories and sharing these with industry stakeholders in other developing countries would be valuable.

1.10. Conclusions

Any evaluation of standards and certification schemes set up by and for the private sector raises issues related to the role of public authorities (national or international) in regulating aspects of private commercial contracts, and related questions as to what mechanisms they have to achieve leverage in the area. As private standards become increasingly important in global food safety governance and in international trade in fish and seafood products, international action will be required to ensure further harmonization and mutual recognition between various public regulatory frameworks and between public and private standards, so as to ensure that all standards are non-discriminatory and are consistent with the rules of international trade. As private standards play an increasingly significant role in overall food safety governance, governments cannot afford to ignore them.

2. INTRODUCTION

Fish and fish products are the most traded food commodity. More than a third (live weight equivalent) of total annual production enters international trade. (FAO, 2009). About half of international fish trade by value originates in developing countries, where it represents an important source of foreign exchange earnings and employment opportunities. However the bulk of those products end up in developed countries. Developed countries account for about 80 percent of the value of fish imports. Three main markets dominate: the European Union (EU), Japan and the United States account for just under three-quarters of global imports of fish and fish products. China is also playing an increasingly important role as both a fish importer and exporter (often re-exporting value-added imported product). These markets dominate international fish trade in terms of prices as well as market access requirements, including those related to safety and quality specifications.

Globalization of fish supply chains means that a significant amount of fish and seafood is caught in one part of the world, transported to another for processing and finally consumed in yet another country. Consumers expect that the food they have access to will be safe and of acceptable quality regardless of where it is produced, processed or ultimately sold. Food safety systems that function across national borders are therefore vital. A range of national and international regulatory frameworks has been developed accordingly.

2.1. International food safety regulatory frameworks

The joint FAO/WHO *Codex Alimentarius* Commission (Codex) plays an important role in setting international standards and norms for food safety. (FAO/WHO, 2005). It has become the global reference point for national food safety agencies. The World Trade Organization (WTO) also encourages the harmonization of safety and quality standards between countries as part of its regulatory framework to facilitate global trade. The Sanitary and Phytosanitary (SPS) Agreement and the Technical Barriers to Trade (TBT) Agreement of the WTO are particularly relevant to trade in seafood products. Other international standards organizations are also relevant: the World Organisation for Animal Health (OIE) dealing with animal health and welfare, and the International Organization for Standardization (ISO) on food safety certification and accreditation.

Despite these international frameworks and attempts to establish norms, fish exporters still face safety and quality control regimes that vary from one jurisdiction to the next. Even within the European Union where the goal is to harmonize food safety regulations, differences in national regulations and monitoring systems still exist. The United States has its own particular requirements (FAO, 2005b), as do other key import markets such as Japan and China. (FAO, 2007). This multitude of approaches imposes significant compliance costs⁴ on exporters, particularly those in developing countries where there is limited capacity to develop comprehensive safety and control infrastructures, let alone several different systems to meet diverse import market requirements.

⁴ Costs also include retentions and rejections of products deemed not to be in compliance with importing countries' requirements.

2.2. Proliferation of standards introduced by the private sector

Further complicating the variety of public sector food safety regulations is the growing proliferation of standards being introduced by the private sector. These relate to a range of objectives including food safety and quality but also to animal health, environmental protection and even social development, and are often linked to private firms' corporate social responsibility strategies.

The food industry overall has undergone considerable consolidation and concentration in industrialized countries resulting in a market dominated by fewer but increasingly powerful food firms, typically retailers. These firms have significant clout when it comes to other businesses in the food chain, including in terms of setting quality and safety requirements. These requirements are particularly prevalent where they relate to a firm's 'private label' or house brand products, a growing trend in fish and seafood marketing (albeit to a lesser extent than other food commodities). Moreover, some private standards are in essence becoming international standards as they come to define the relationships between globalized firms and the international suppliers to those firms. Some are the product of global coalitions of firms – food safety management schemes (FSMS) – that not only define standards but also require certification against those standards.

2.3. Issues arising

The proliferation of private standards raises a range of issues: What value-added do private standards and their related certification schemes offer? Do they complement or duplicate public safety and quality standards? Do they impose dead weight compliance costs or can they facilitate market opportunities? In terms of developing country producers and processors, can they help facilitate international trade by encouraging good practices and by compensating for local institutional shortfalls or instead do they amount to a significant barrier to trade that threatens to undermine the SPS and TBT mechanisms of the WTO?

There is currently a dearth of empirical evidence on the predominance and market importance of private standards and in particular on their impacts on the various actors in the fish and seafood supply chain. The effects on markets and international trade are equally difficult to quantify. This paper aims to sketch current practice and to shed some light on the issues arising in relation to private standards: it is illustrative rather than exhaustive. It draws on current literature and recorded debates in international fora and includes anecdotal evidence from market players. It attempts to describe private standards generally, and specifically as they apply to fish and aquaculture products. It concentrates on private standards related to quality and safety criteria. Private standards and certification schemes related to the sustainability of fish stocks, or eco-labels, are discussed in a separate report. (FAO, 2008b). These, as well as other standards focused on environmental or social criteria, are referred to only for comparative purposes or when they are part of an integrated package of specifications (as is the case with most aquaculture certification schemes).

This paper:

- Outlines the context in which private standards are developing, including the increasing globalization of the food industry
- Reviews the range of private standards operating in relation to fish and seafood from retailers own specifications to national and international Food Safety Management Schemes (FSMS)
- Attempts to define the characteristics of markets or segments within markets where the pressure to comply with private standards will be more or less intense
- Discusses the opportunities and challenges private standards present for the various stakeholders in the fish and seafood supply chain (producers, processors, retailers, and governments)
- Examines the specific challenges and opportunities private standards pose for developing countries
- Discusses the effects of private standards on international trade
- Analyses the extent to which private standards add value to global food safety governance, and
- Highlights issues requiring attention and further inquiry.

3. THE CONTEXT: WHAT IS DRIVING THE DEVELOPMENT OF PRIVATE STANDARDS?

There are a variety of reasons for the proliferation of private standards. These are briefly described below.

3.1. Failures in food safety assurance

While food safety is traditionally the prerogative of government regulatory and inspection agencies, high profile food scares over the last decade, such as the Bovine Spongiform Encephalopathy (BSE) case, and in relation to fish and seafood concerns related to various toxins and contaminants or the use of antibiotics in aquaculture, have lowered the public's confidence in the ability of government agencies to guarantee that the food consumers have access to is safe. This is particularly relevant to imported food, especially products originating in countries where local food safety assurance systems are perceived to be weak.

Food safety failures impact heavily on retailers and brand owners⁵. Product recalls and bad publicity are damaging to a firm's reputation with subsequent negative implications for consumer confidence and future sales. To insure against food scares and to counter any perceived public institutional shortfalls (at home or abroad), firms are signing up to voluntary private standards or developing their own, most of which go beyond mandatory government requirements. Private standards tend to be prescriptive rather than outcomes based, and often include detailed requirements related to quality and traceability.

⁵ Food safety failures also impact on firms not directly responsible for the failure. For example, a recent recall in the United States of one brand of peanut butter saw sales of peanut butter overall drop 25%. 'Peanut butter recall hurts even safe brands', International Herald Tribune, 9 February 2009, p.14

3.2. A shift in responsibilities for food safety from government to business

Governments, particularly in OECD countries, are attempting to cut red tape and reduce compliance costs to business, including by replacing command and control type regulation with more enabling or performance based regulatory frameworks. Public authorities have been increasingly engaging industry in the implementation of good practices to ensure safety and quality, and requiring them to provide assurance (records) that they have done so. This has shifted responsibility to business, and reduced the reliance on government inspection services. While there is considerable variation between countries in this area, the trend is towards risk-based safety and quality management and less end product testing.

Under this scenario, fish producers, processors and distributors are responsible for implementing good practices, sanitary arrangements and HACCP (Hazard Analysis and Critical Control Point) plans. (FAO, 2005c). HACCP is recommended by Codex and required by many governments. As a systems-based approach it requires processes to be monitored throughout the food chain, from production to distribution. However, the onus is on private sector firms to implement internal food safety management strategies. In this context private standards might be seen as a reflection of those firms assuming and extending this responsibility.

3.3. Product liability and due diligence

Alongside the trend towards more performance-based regulation sit more stringent liability laws. These potentially encourage producers and retailers to develop private standards that are more prescriptive than government regulations. The UK's "due diligence clause" of the Food Safety Act, 1990, is perhaps the most direct example of this type of legislation. Liability laws mean that the "firm itself must now undertake the verification or present evidence that they undertook all possible steps to prevent the product from causing harm or contamination". (OECD, 2004, p12). Studies in the United States and in the EU indicate that fish and fishery products are responsible for a significant proportion of food safety alerts (FAO, 2007), so these regulations are likely to impact on fish processors and retailers, inducing them to take extra precautionary steps to ensure the safety of their products and to avoid potential litigation. This is particularly true in relation to brand and private label products⁶, where the product is directly linked to the name of the firm.

3.4. Consolidation and coalitions in the food business

The increasing consolidation and concentration of food firms in industrialized countries, has resulted in a market dominated by fewer but increasingly powerful global firms. Over the last decade or so, retailers have gradually replaced manufacturing and processing firms as the dominant market players. In terms of fish and seafood sales and marketing, while large brand owners remain important, supermarket chains are increasingly dominant. While there are differences between markets, in OECD countries the majority of fish is now sold in supermarkets. (FAO,

⁶ For the purposes of this paper, a 'private label' product is a retailer's own brand product, or what is often described as a 'house brand' product (eg. Tesco's Natures Choice brand). 'Brand products' are those manufactured by commercial brand companies (eg. Birds Eye in the UK).

2007). In Europe, large supermarket chains account for over 80% of fish sales in some Member countries. (EC, 2008).

Consolidation has been particularly acute *within* the retail sector. In Europe the “5-firm retailer concentration ratio - the ratio that shows the share in sales of the 5 largest retailers – is over 50%...”. (OECD, 2004). Large retailers therefore have significant bargaining power in relation to other businesses in the supply chain. Private standards are a key mechanism for their translating requirements to other parts of the supply chain. Stringent standards reflect their need for large and stable supplies of products of consistent quality.

In terms of food safety standards, there has also been an emergence of coalitions of food firms. In general, these coalitions continue to compete on issues of quality, price, level of service, and product range, but have agreed that food safety is a pro-competitive issue and hence dealt with in a collaborative rather than competitive way. There are clearly efficiencies in setting shared standards that can be benchmarked and mutually recognized as opposed to each firm ‘reinventing the wheel’. Moreover, serious food scares are likely to impact on more than those firms directly responsible. Indeed they can taint a whole sector or even a country’s reputation. Food firms therefore see merit in ensuring that the whole food safety system functions well. Standards set by coalitions of food firms are typically associated with third-party certification requirements. Many are international in scope.

3.5. Increasing vertical integration and complexity of supply chains

The increasing vertical integration in supply chains in most areas of the food industry is also stimulating the growth of private standards as business-to-business tools used in the context of procurement contracts and as a means to define relationships between retailers and suppliers. The level of integration of supply chains has implications for the application of safety and quality standards.

Fish and seafood supply chains have traditionally been less vertically integrated than supply chains operating in other food sectors, such as fruit and vegetables⁷. While poorly documented, it appears that this is beginning to change as large retailers develop more direct links with producers, especially in aquaculture, and private contracts replace the traditional structure of the “importer-wholesaler-retailer pattern”. (FAO, 2008a). Value chains are also increasingly complex: raw materials are sourced globally, processing might be outsourced to a country that is neither the producer nor where the product will be eventually sold (such as China). This requires more sophisticated systems for ensuring traceability and guaranteeing that sanitary and hygiene standards are maintained at every stage of the value chain: from farm/boat to fork. These traceability systems (chain of custody) are built into the frameworks included in most private standards.

3.6. Private labels – processed products

Private standards tend to apply less to fish sold on open commodity markets and more to processed and packaged products, especially those carrying a private label

⁷ Private standards in fruit and vegetable supply chains are well documented (OECD, 2004).

(retailer's own brand). Private labels are a growing feature of the food industry. It has been estimated that in European countries, including Germany, United Kingdom and Switzerland, private-label brands account for more than 40 percent of all products sold⁸. Private labels are in essence an attempt to build reputation by promoting products carrying the retailer's name. They also allow the retailer to compete with and to reap the margins usually accruing to commercial brand owners. While they were originally marketed to consumers as value-for-money items, retailers might now offer private-label products of the same type but aimed at different consumers: from 'basic' value-for-money products to 'premium' items⁹.

In the case of private labels, retailers demand more control over the production process: in some cases they even assume ownership of processing or manufacturing (although in the case of fish and seafood, rarely does ownership extend into primary production). (OECD/FAO, 2007). Retailers themselves say that the growth in private labels is the main driver behind the development of private standards¹⁰.

Product and process standards tend to be stricter or at least more prescriptive in relation to private labeled products as the potential damage to the firms reputation of any product failure is greater when the product is directly associated with the firm's name. Since the early 1990s the retail market has been conducive to the development of private labeled fish and seafood, typically in the form of processed or frozen products. This trend is likely to grow in response to consumer demand in developed countries for packaged, ready-to-eat or pre-prepared convenience foods. Moreover, as production involves more processing there is more opportunity for contamination. This too drives the need for stricter safety and quality controls.

Private standards are a mechanism for communicating the product and process specifications retailers require of their suppliers or operators further down the supply chain. By developing their own standards through buying specifications and/or requiring certification to a recognized international food safety management scheme, retailers attempt to protect, or even enhance, the value of their 'brand'. Requirements often extend beyond quality and safety aspects into other areas related to the corporate social responsibility policies of the firm including environmental issues, animal welfare and labour conditions. Corporate social responsibility strategies related to fish products fall into two main areas: those relating to safety and quality (including organic, no pesticides or toxic residues and "fresh" or "natural" type claims), and those of a broader nature related to the impacts on the wider environment (eg low carbon footprint, animal friendly, sustainable fisheries).

3.7. Civil society and consumer demand

Consumers expect that the food they have access to will be safe and of acceptable quality regardless of where it comes from. They expect transparency in the value chain, requiring systems that enable products to be traced back to their origins. While consumers in developed countries are increasingly concerned about the social or

⁸ 'Bad economy spurs higher private-label sales', www.intrafish.no, 22 January 2009.

⁹ For example, TESCO's has a multi-tiered system for sales of smoked salmon, from a "value" line to a "premium" brand. See Peter Hajipieris, then Group Policy Manager- Seafood, Tesco's Stores Ltd, United Kingdom, Meeting Customer Needs for Seafood, in OECD/FAO. 2007. p. 82

¹⁰ Once certified, accepted everywhere, CIES, Paris, France, 2007. P.9

environmental impacts of their purchasing decisions – concerns that are driven by NGOs and consumer advocacy groups and increasingly feature in retailers’ procurement policies – their interests remain strongest where the potential impacts of those purchasing decisions are most direct: food safety, quality and price still drive their buying behaviour.

However, the proliferation of ethical product differentiators (eco-labels, Fair trade, buy local, organics) complicates consumers’ decisions. It has been argued that as a result, consumers are tending to put their faith in trusted retailers to sift the information for them: “the consumer increasingly wants the retailer to take the responsibility for their decisions...He or she wants to know that if they shop at X retailer they can do so with a clear conscience and without having to make further consideration as they shop”.¹¹ Retailers’ corporate social responsibility policies, including their private standards and requirements of suppliers, are an important mechanism for earning and maintaining customer loyalty.

3.8. The influence of aquaculture

Fish and seafood’s increasingly positive image as a healthy food source have to some extent been challenged by concerns related to aquaculture: the use of veterinary drugs (antibiotics), the risks of contamination, tainted feed, as well as other environmental concerns (marine ecosystems, farmed fish escaping into marine environments). Aquaculture now accounts for almost half (47%) of fish for food supply and is projected to reach 60% by 2020, if not before. (FAO, 2009) Aquaculture is a boon to buyers because it offers more stable supplies of uniform quality than wild capture sources. Private standards are a mechanism for responding to concerns about aquaculture by offering guarantees of quality, safety, traceability, and transparency of production processes. They can be used to market farmed fish as a safe, sustainable and environmentally sound alternative to fish and seafood from dwindling marine capture stocks.¹² A range of private standards schemes specific to aquaculture has emerged over the last decade.

4. PRIVATE STANDARDS: RELEVANT DEFINITIONS AND A TYPOLOGY

4.1. Relevant definitions

For the purposes of this paper the following definitions¹³ apply:

Standards – are documented agreements containing technical specifications or other precise criteria to be utilized as rules, guidelines or definitions, to ensure that materials, products, processes or services are fit for their stated purpose.

Product specifications – are specifications used in contractual arrangements between suppliers and buyers (which might include references to standards).

¹¹ Melanie Siggs. Seafood Choices Alliance. in FAO, 2007b.

¹² In its latest ‘State of World Fisheries and Aquaculture’ report FAO (2009) alerted the international community to the dramatic state of the world’s fisheries: about half (52%) are fully exploited while another quarter are either over-exploited (19%), depleted (8%), or recovering from depletion (1%).

¹³ Definitions reflect ISO definitions.

Accreditation – is the procedure by which formal recognition is given that a qualified body or person is competent to carry out specific tasks. An *Accreditation body* conducts and administers an accreditation system and grants accreditation.

Certification - is the procedure by which a certification body gives written or equivalent assurance that a product, process or service conforms to certain standards. *Third party certification* is where an accredited external, independent, certification body, which is not involved in standards setting or has any other conflict of interest, analyzes the performance of involved parties, and reports on compliance. This contrasts with *first party certification* (by which a single company or stakeholder group develops its own standards, analyzes its own performance, and reports on its compliance) and *second party certification* (where an industry or trade association or NGO develops standards, analyzes the performance of involved parties, and reports on compliance).

Chain of custody – is the set of measures that verify a certified product originates from a certified production chain and is not mixed with non-certified products. Chain of Custody verification measures track/trace the product throughout the production, processing, distribution and marketing chain, with corresponding documentation.

Private labels – are a retailer’s own brand product, or what is also described as a ‘house brand’.

4.2. A typology

A variety of private standards exist: some developed by individual retailers, some by industry bodies, and some by coalitions of retail firms. Table 1 (adapted from FAO, 2009) shows the wealth and range of standards and certification schemes (public and private) applying to fisheries and aquaculture. It is not an exhaustive list.

Table 1. Standards and certification schemes operating in fisheries and aquaculture

Standard (S), Code (C), guidelines (G), label (L) or certification scheme (SC)	Type	Main Market orientation	Market access issues addressed				
			Food Safety	Animal Health	Environment	Social/Ethical	Food Quality
Codex alimentarius	S, C, G	Global	√	-	-	-	√
OIE	S, C, G	Global	√	√	-	-	-
GlobalGAP	S, SC	Europe	√	√	√	-	√
GAA/ACC	SC, L	USA	√	-	√	√	-
Naturland	SC, L	Europe	√	-	√Organic	√	√
Friend of the Sea	C,S	Global	-	-	√	-	-
Seafood Watch	C, L	USA	-	-	√	-	-
ATJ	C, L	Japan	-	-	√	√	?
FEAP code of conduct	C	Europe	√	√	√	√	√
SQF	S, L, SC	Global	√	-	-	-	√
BRC	S, L, SC	Global	√	-	-	-	√
QCS	SC, L	Global	√	-	-	-	√
Fairtrade	L	Global	-	-	-	√	-
ISO 22000	S	Global	√	-	√	-	√
ISO 9001/14001	S	Global	-	-	√	-	√
MSC	C, S, L	Global	-	-	√	-	-
Fair-Fish	S, L	Switzerland	-	√	√	√	-
ISEAL	S, C, L	Global	-	-	√	√	-
Scottish salmon producers organization (SSPO), (COGP)	C, L	Global	√	√	√	-	√
Pêche responsable Carrefour, France	C, L	Global	-	-	√	-	-

Tartan Quality mark (Scottish)	C, L	Global	√	√	√	-	√
SIGES Salmon Chile	SC, L	Europe/USA	√	√	√	-	√
Shrimp quality guarantee ABCC, Brazil	SC, C, L	UK, Europe	√	√	√	√	√
Thai quality shrimp, GAP, Thailand	S, L	Europe/USA	√	-	-	-	√
COC certified Thai shrimp, Thailand	S, L	Europe/USA	√	√	√	√	-
IFOAM	S, L	UK, Europe	√	√	√ Organic	√	√
Soil Association	S, L	UK	√	√	√ Organic	√	√
Agriculture Biologique	S, L	Europe	√	√	√ Organic	-	-
Bioland, Germany	SC, L	Europe	√	√	√ Organic	-	-
Bio Gro, New Zealand	S, L	Global	√	√	√ Organic	-	-
Debio, Norway	SC, L	UK, Europe	√	√	√ Organic	-	-
Krav, Sweden	C, L	Europe	√	√	√ Organic	-	-
BioSuisse	C, L	Switzerland	√	√	√ Organic	-	-
NASAA, Australia	C, L	Europe	√	√	√ Organic	-	-
Irish Quality salmon and trout	C, L	Europe	√	√	√ Organic	-	√
Label rouge, France	C, L	France, EU	√	-	-	-	√
La truite charte qualité	C, L	France, EU	√	-	-	-	√
Norway Royal Salmon	S, L	Europe	√	√	-	-	√
Norge Seafood, Norway	S, L	Europe	-	-	√	-	-
Qualité aquaculture de France	S, L	France / EU	-	-	√	-	√
Shrimp Seal of Quality, Bangladesh	S, L	Global	√	-	√	√	√
China GAP	C, SC	Global	√	√	-	-	√
Fishmeal and fish oil Code of Responsible Practice (CORP)	C, SC	Global	√	-	√ Sustainability	-	√
The responsible fishing scheme	C, SC	U.K	-	-	√ Responsible fishing	√ Safety of fishers	-

4.2.1. Content – product and process

In terms of content, standards can relate to products themselves (specifications or criteria for product attributes) or to processes (outlining criteria for the way products are made). Food safety standards typically focus on process aspects with the overall goal of improving the safety of final products. (FAO, 2003). Process standards might relate to performance criteria that establish verifiable requirements for the production process, or management criteria relating to documentation and monitoring.

In the fish and seafood area, some schemes are concerned with marine capture fisheries, some with aquaculture, and some with both. A new standards scheme has even been developed that deals exclusively with fishmeal¹⁴ (and includes both safety and environmental considerations). Some standards schemes cover a range of aspects but their primary focus is to a large extent determined by the interests of the developer. In general, standards developed by retailers or groups of retailers primarily focus on quality and safety aspects, those developed by producers (harvest or aquaculture) concentrate on quality assurance, while those developed by NGOs are more directed at the environmental or social implications of fisheries. That is not to say that retailers, for example, are not interested in environmental issues. As discussed elsewhere (FAO, 2008b), in response to consumer and NGO pressure, the fisheries procurement policies of most large retailers now include a significant sustainability component, but in that case retailers are more likely to associate themselves with an existing eco-labels scheme than to develop their own¹⁵.

4.2.2. Certification and compliance

Standards may or may not be underpinned by a certification programme, whereby assurance of compliance (following audit of processes against standards) is required. Where standards are established by individual companies and based on their own product specifications, compliance is typically verified by internal audit procedures. Where buyers require certification against a wider food safety management scheme, third-party verification of compliance, by bodies independent of the standard setter and the organization to be audited, is the norm. In this case certifiers are accredited as being competent to audit compliance against the standard.

There have been attempts in various fora to define the determinants of a credible certification scheme. Some relate to certification schemes generally, for example: the International Social and Environmental Accreditation and Labeling (ISEAL) guidelines for certification programmes, and the Leuven centre for global governance benchmark for assessing the credibility of certification initiatives.¹⁶ Others are specific to fish and seafood. The FAO has defined guidelines for the ecolabelling of

¹⁴ The International Fishmeal and Fish Oil Organisation is running trial audits of its Responsible Supply Code and intends having a full certification scheme in place by late 2009. See 'New standard aims to lift fishmeal sustainability, food safety', www.intrafish.no, 27 January 2009

¹⁵ Some corporations have been involved in partnerships to help fund the development of certification schemes (such as Unilever's involvement in setting up the MSC). Carrefour is one of the few retailers that have set up its own eco-label: "Peche responsable" for wild-capture fish.

¹⁶ Axel Marx, Sustainable trade? A benchmark to assess the credibility of certification initiatives, Policy Brief No. 8, Leuven centre for Global governance, June 2008 www.globalgovernancestudies.eu

fish and fishery products from marine capture fisheries, and is in the process of developing guidelines for aquaculture certification (discussed later).

4.2.3. Business-to-business versus business-to-consumer models

Private standards related to food safety and quality, are typically business-to-business arrangements, whereas those related to sustainability or environmental protection, or directed to other niche markets such organics, typically follow a business-to-consumer model. In the former case certification is a tool for communicating assurance to buyers that the supplier is in compliance with the food safety and quality standard (although sometimes a quality mark is marketed directly to consumers). In the latter case, certification is marketed to consumers at point-of-sale, often through the medium of a label attached to the product. (FAO, 2008b).

5. TYPES OF PRIVATE STANDARDS AND CERTIFICATION SCHEMES

The following section gives an overview of the various types of standards, concentrating on safety and quality standards, and how they function. It provides illustrative examples. It is organized as follows:

- Private in-house standards of large retail firms
- Collective private standards developed by local, regional or national producer/industry groups
- NGO-driven schemes
- National and international Food Safety Management Schemes (FSMS)

5.1. Private in-house standards of large retail firms

Setting product and even process specifications and requiring suppliers to meet those specifications is not a new phenomenon. Most large retailers, as well as large processors and catering firms, have developed their own detailed product specifications. Most take mandatory national (and in the case of European retailers EU) food safety regulations as a baseline and then build on other specifications in line with their in-house operating standards. These additional requirements are typically related to quality rather than food safety. Industry sources suggest that they are less likely to include more stringent “use by” dates than required by national regulations or more stringent requirements in terms of acceptable levels of pathogens or contaminants (such as heavy metals)¹⁷. However, they usually include stringent traceability and audit requirements and documentation.

Retailer product specifications are usually treated as confidential as they are considered commercially sensitive in what is a highly competitive market. (World Bank, 2005). However, the package of specifications is likely to include detailed:

- product specifications: (organoleptic/ sensory/ taste, metrological: size, block, dimension, etc.), chemical and physical, bacteriological,
- packing and packaging, labeling requirements,
- the delivery conditions (where, when, how much) and

¹⁷ Personal communication with Alastair MacFarlane, NZ Seafood Industry Council, 23February 2009.

- demands for information about the supplier company's safety and sanitary capacities: crisis management (recall) procedures, quality management process (including details on product controls), and traceability.

These specifications are typically communicated to the next level down in the supply chain: to processors, brokers or importers who subsequently translate those specifications to their suppliers. As supply chains shorten some retailers are buying direct from producers and therefore communicating specifications directly to them. Many have their own audit and inspection requirements. For example, Carrefour, the world's second largest retailer buys shrimp directly from farmers in Thailand, which involves sending their own inspectors to verify that products and farming practices meet their own standards.¹⁸

Rather than developing their own certification and verification schemes, most retailers, large brand owners and food service industry firms prefer to align themselves to, and require suppliers to be certified against, private standards schemes developed by other bodies. Therefore, in addition to their firm-specific product and process specifications, firms might also require their suppliers to be certified to:

- A national or international food safety management scheme, such as the British Retail Consortium (BRC), International Food Standard (IFS), Safe Quality Food (SQF) (all described later). For example, most large-scale British retailers require BRC certification as a standard requirement for doing business¹⁹.
- For aquaculture, to one or other of the schemes that merges quality and safety with environmental protection, animal health and even social development. For example, Wal-mart has pledged to only buy farm-raised shrimp from ACC (described later) certified sources²⁰. Darden's restaurants, the largest casual dining restaurant company in the United States, also requires all its suppliers of aquacultured shrimp to be certified by the ACC.
- For wild capture fish and seafood, to an eco-labeling scheme that offers assurance that the product comes from a sustainable fishery. For example, Wal-Mart set a goal to procure all its wild-caught seafood for North America from Marine Stewardship Council (MSC) certified fisheries within the next three to five years²¹. Asda (part of the Wal-Mart Group) in the United Kingdom has also pledged support to the MSC and has a target of buying wild caught fish only from MSC certified sources by 2010. The United Kingdom's M&S (Marks and Spencer) also has a target of 100% MSC certified fish, by 2012. (FAO, 2008b)

Requiring suppliers to conform to the firm's own quality and safety standards and/or requiring certification to a food safety management scheme offers assurances of quality, safety and traceability; in short, an insurance policy to protect the value of the firm and its brand. These are typically business-to-business arrangements. Adherence

¹⁸ Vanich Sowanapreecha, quoted in "Carrefour leading trend to buy shrimp direct from farmers" IntraFish, 7 October 2008.

¹⁹ Personal communication with Peter Hajjipeiris, Director of Sustainability and international relations, Birds Eye Iglo, 14 February 2009

²⁰ Peter Redmond, Vice-President. Wal-Mart, United States in OECD/FAO, 2007.

²¹ Peter Redmond, Vice President, Wal-Mart, see www.walmartstores.com

to a range of other private standards (related to environmental protection, animal health and social development) usually forms part of firms' 'corporate social responsibility' strategies, which are marketed both to other businesses as well as to consumers, to enhance the firm's overall reputation. Safety and quality requirements are supported by multi-layered audit and inspection requirements.

It should be noted, however, that large retailers and food firms may not be equally demanding of all their suppliers or product lines. The pressure on suppliers to conform to stringent private standards depends on the market and the type of product in question. For example, requirements are more stringent for private label and highly processed fish and seafood products than for basic commodity fish and seafood. This is discussed further later.

5.2. Collective private standards developed by regional or national producers organizations

Discussions about private standards usually centre on standards imposed by retailers or other food firms on suppliers further down the supply chain. However, some producers or groups of producers have also developed standards schemes as self-imposed specifications. These are typically business-to-business communication tools to reassure buyers of the safety and quality of products and production processes, and are often linked to the origins of the products, which is marketed as an indicator of superior quality.

Over the past 15 years seafood producers have also developed brands promoting safety and quality linked to the geographical origins of the product. The motivation is to:

- Establish quality criteria and diffuse them throughout the local industry (standards creation and implementation)
- Promote those good practices as indicators of quality to buyers. Quality assurance is verified through inspection and certification.

Wild-seafood quality schemes have emerged usually at local or regional level. They operate as business-to-business tools aimed at reassuring buyers of the quality of products. A few illustrative examples are given below.

5.2.1 Alaska Quality Seafood²²

Alaska Quality Seafood (AQS), is a private, non-profit organization, based in Anchorage, Alaska, in the United States. Its mission, programmes and staff concentrate on providing value-adding services to the Alaska seafood industry. It:

- provides specialized services certifying that *best management practices* (BMP) are applied throughout the production chain, from fishers to processing plants, to ensuring repeatable quality results for all grades of seafood.
- delivers MSC (Marine Stewardship Council) ecolabel certification and

²² see: www.alaskaqualityseafood.com

auditing services to the Alaska based industry.

Since 2000, AQS's affiliate base has included 10 seafood plants, 20 receiving stations and over 200 fishers. Its voluntary Board of Directors includes expertise in quality food processing and handling standards, ISO 9000²³ management systems, economic development, seafood marketing, fisheries management, seafood harvesting, production and international food markets.

5.2.2. SIGES - Salmon Chile²⁴

The SIGES standard was developed for the Chilean Salmon producers association, Salmon Chile. It is managed by INTESAL, the institute for salmon technology in Chile and functions as a certifiable integrated management system, dealing with:

- food safety and quality management
- environmental issues
- fish health
- occupational safety.

It incorporates all relevant legislation, plus technical standards and is based on international norms and standards including ISO 9001 and ISO 14001²⁵. As of August 2008, 31 companies were participating in SIGES, which accounts for 90% of the companies associated with Salmon Chile²⁶. Wal-Mart requires that all its Chilean suppliers have SIGES certification²⁷.

5.2.3. The Scottish Salmon Producers' Organisation (SSPO)²⁸

SSPO is the trade association for the Scottish salmon farming industry, whose membership accounts for 95% of the tonnage of Scottish salmon production. It has developed a Code of Good Practice for Scottish Finfish Aquaculture that includes more than 300 main compliance points covering; consumer assurance issues (traceability), animal health, environmental issues, and feed requirements (including the sustainability of sources of fish used as fish feed). The organization also offers access to certification schemes including Tartan Quality Mark (involving independent inspection of production processes and robust traceability requirements) and Label Rouge (Scottish salmon was the first non-French product to gain the respected French public quality mark).

5.3. NGO-driven standards and certification - aquaculture

A range of private certification and labeling schemes have been developed by NGOs in relation to wild capture fisheries mainly attesting to the sustainability of the stocks from which the fish and seafood are drawn (for example, the Marine Stewardship

²³ ISO 9000 deals with quality management systems. See: www.iso.org

²⁴ www.salmonchile.cl

²⁵ ISO 14001 deals with environmental management systems. See: www.iso.org

²⁶ FIS.com. accessed 26 January 2009

²⁷ Food and Beverage online. www.21food.com (accessed 26 Jan 2009)

²⁸ see: www.scottishsalmon.co.uk

Council, Friend of the Sea, Dolphin Safe, etc.). These are described in a separate report. (FAO, 2008b). NGOs have also been active in the developing private standards and related certification schemes in aquaculture. They have been borne out of a desire to improve the image of farmed fish and seafood as a safe and sustainable alternative to wild capture fish, and are aimed at improving practices generally throughout the industry, including reducing the negative environmental impacts. Most of the work to improve management practices has been carried out on salmon and shrimp, mainly due to their high commodity value and the importance as the most traded fish and seafood products.

5.3.1. Aquaculture Certification Council (ACC) ²⁹

Perhaps the most significant aquaculture scheme in terms of volumes and global coverage is the certification scheme developed by the Global Aquaculture Alliance (GAA). GAA first developed a voluntary best practice programme for aquaculture producers. The Responsible Aquaculture Program included various guiding principles, codes of practice and best practice standards. Responding to industry calls for more formal recognition of these practices it aligned with Aquaculture Certification Council (ACC) a non-governmental body based in the United States, to develop a certification of aquaculture production processes. The Global Aquaculture Alliance's Best Aquaculture Practices (BAP) Standards are applied into a certification system that combines site inspections and effluent sampling with sanitary controls and traceability. Certified producers are entitled to use the 'BAP certification mark'; a label attached to products from certified fish farms. Standards cover a range of considerations including: food safety, traceability, animal welfare, community and social welfare and environmental sustainability.

ACC has accredited 113 independent inspectors and auditors from 30 countries. As of early 2009, ACC had inspected over 50 farms, certifying 38, and conducted seminars for various governmental and nongovernmental organizations, as well as industry groups in 12 countries. ACC professes to work at arm's length of the GAA to maintain the "objectivity and credibility" of the certification process. It has also sought input from NGOs and other stakeholders to ensure its auditing and inspection requirements are "objective and transparent".

The importance of the ACC scheme was enhanced by Wal-mart's announcement that it will only buy farm-raised shrimp from ACC certified sources. Darden's restaurants also require its suppliers of aquacultured shrimp to be ACC certified³⁰. The seafood industry media recently commented that ACC "has had great momentum in the farmed shrimp sector, with major buyers, growers and processors coming out in strong support of the standard..."³¹. ACC has also expanded into finfish.

At a recent Seafood Summit in San Diego, ACC announced an agreement to cooperate with GlobalGap (a certification scheme with strong support in Europe, discussed later) to develop and harmonise certification systems for the aquaculture sector worldwide. A "joint checklist approach" to farm audit would be developed

²⁹ See www.aquaculturecertification.org

³⁰ Roger Bing, Vice-President Protein Procurements, Darden Restaurants, United States, in OECD/FAO, 2007.

³¹ 'Who will win the certification showdown?', www.intrafish.no, 30 January 2009

designed to facilitate efficiencies at the farm audit level, and is expected to benefit producers exporting to both the United States and Europe and related seafood buyers³². Moreover, ACC has also been chosen as part of a pilot programme launched by the US Food and Drug Administration (FDA) to evaluate the potential for voluntary third-party certification schemes to “help verify the safety of products from both foreign and domestic food companies”³³ (discussed further later).

5.3.2. WWF ‘aqua dialogues’ and Aquaculture Stewardship Council

Following on from its involvement in the certification of sustainable Forestry (Forestry Stewardship Council) and wild-capture fisheries (Marine Stewardship Council), WWF has been active in attempting to develop standards for aquaculture certification, with an emphasis on eliminating the negative environmental (and social) impacts of aquaculture. It has organized a range of round-tables involving aquaculture producers, buyers, NGOs and other stakeholders in an attempt to develop standards for aquaculture certification. The goal of the Dialogues is to create standards for 12 aquaculture species by the end of 2010. As with the MSC, the standards will be handed over to an arms’ length standards-holding entity.³⁴ WWF recently announced the formation of the Aquaculture Stewardship Council, which will be responsible for hiring independent third-party auditors to certify aquaculture farms as in compliance with ASC standards. Those standards will be finalized over the next year for 11 species that WWF say “have the greatest impact on the environment, highest market value and or the heaviest trading in the global market”.³⁵ As with MSC, the ASC will also be aimed at consumers, giving them “assurance that their food purchases are good for the environment”, whereas its competitors in the aquaculture area are largely business-to-business schemes. ASC is expected to be operational within the next two years.

5.3.3. The front-runners

The seafood industry media appears to view the key schemes in aquaculture certification as ACC, GlobalGap (described later), and the fledgling ASC, as evidenced in a recent Intrafish article: “*The race to develop farmed fish standards, which has involved three major players – WWF, GlobalGap and the Aquaculture Certification Council (ACC) – has been playing out for awhile now, with all three at varying stages seeming to have the pole position*”.³⁶

5.3.4. Organic aquaculture

Other niche markets, such as organic aquaculture, are also being developed. Sometimes, certification for fish and seafood products are linked to existing certification schemes for agricultural products. For example, the UK Soil Association and the New Zealand organics certifier BioGro have added aquaculture to their schemes. There are about 20-25 certifying bodies for organic aquaculture products.

³² ‘GAA, GlobalGap join forces on aquaculture certification’, www.intrafish.no, 1 February 2009.

³³ www.fda.gov 2 December 2008

³⁴ www.worldwildlife.org/what/globalmarkets/aquaculture/whatwearedoing.html

³⁵ ‘WWF unveils Aquaculture Stewardship Council’, www.intrafish.no 27 January 2009.

³⁶ ‘Who will win the certification showdown?’, www.intrafish.no, 30 January 2009

For example, Naturland³⁷, based in Germany but operating internationally, certifies organic farmed seafood. It is said to be widely accepted in both the US and in Europe although some European buyers also insist on certification by local organic organizations (such as Bio Suisse in Switzerland and the Soil Association in the UK)³⁸. However, organic aquaculture accounts for very small volumes of production: only about 1% of overall aquaculture production.

5.4. Food Safety Management Schemes (FSMS)

Until the mid to late 1990's, retailers typically had their own product and process specifications as well as associated verification criteria or audit schemes. As a result, a supplier often had to pass several different audits, one for each of its customers. Collaborative certification schemes, often designed for coalitions of retailers, were created to reduce the cost for certification and improve efficiency throughout the food chain. Most were designed for food generally but are increasingly applied to fish and seafood products. These are arguably the most important schemes in terms of the impacts of private standards on the food industry generally: they represent comprehensive food safety management systems and are internationally significant.

5.4.1. Operationalising HACCP

In terms of food safety, most FSMS have at their core a requirement for HACCP. Hazard Analysis and Critical Control Point (HACCP) is an internationally recognized system for risk analysis in the handling of foods (see box), and is widely used by the seafood industry worldwide. It has become a mandatory requirement for exporting to the major markets in developed countries. However, HACCP is a method and the quality of its implementation varies significantly. Several food safety management schemes were developed specifically to operationalise and verify the implementation of HACCP.

³⁷ www.naturland.de

³⁸ 'Taking the organic route', Seafood International, October 2008. p 48

Box. 1. HACCP

Hazard analysis critical control point (HACCP) is a systematic and preventive approach to food safety and quality assurance. HACCP consists of seven principles:

- Identification of all potential hazards and their control measures (CM);
- Determination of critical control points (CCP) where the identified CM should be applied to prevent the identified hazards;
- Establishment of the critical limits for each CM at each CCP;
- Establishment of a monitoring system to ensure proper implementation of the CM at each CCP;
- Establishment of the corrective actions to undertake when monitoring reveals that a particular CCP is not under control;
- Establishment of verification procedures to confirm that the HACCP system is working effectively;
- Establishment of documentation concerning all procedures and records appropriate to these principles and to their application.

The *Codex Alimentarius* Commission adopted guidelines for the application of the HACCP system from which the Codex Committee on Fish and Fishery products (CCFFP) developed a specific Code of practice on how to adapt HACCP principles to fish and seafood safety and quality. Although HACCP is accepted worldwide, and is mandatory in many countries, there are significant differences in how it is implemented. These differences raise practical questions such as:

- Should HACCP address fish safety only (USA) or safety and spoilage (European Union)?
- What is the relationship between good hygiene practices (GHP) and good management practices (GMP), and HACCP?
- Should competent authorities assist industry in developing HACCP programmes or should their role be confined to monitoring and verification?
- In terms of international trade: who should be responsible for verification of HACCP manuals (importers, exporters, importing countries competent authority, exporting countries competent authority, a third party)?
- How can 'equivalency' of approach be determined, and by what tools for evaluation and mutual recognition?

5.4.2. Dutch HACCP or CCvD HACCP

In 1996, a group of Certification Bodies in the Netherlands developed a standard for food safety management, 'The Requirements for a HACCP based Food Safety System'. The first version of this standard was published on 15 May 1996 by the National Board of Experts HACCP, a group of experts on Food Safety representing all parties in the (Dutch) food chain. Commonly called the Dutch HACCP or CCvD HACCP it is based on the *Codex Alimentarius*. The latest version contains all the relevant elements of ISO 22000 (described later), and is accompanied by a HACCP certification programme which is well recognised in the seafood industry.

5.4.3. Danish HACCP

The Danish Standards Association, Denmark's national standardization body also developed a certification model - the DS 3027 HACCP certification (called the Danish HACCP) - to enable food producers to verify their effective implementation of the HACCP method.

5.4.4. British Retail Consortium Global Standard³⁹

In 1996 UK retailers realised that on the issue of food safety, there were many advantages to sharing experience and developing robust systems together. The development of the BRC Global Standards was initially driven by the need to meet legislative requirements of the EU General Product Safety Directive and the UK Food

³⁹ see www.brc.co.uk

Safety Act, that is, for retailers and brand owners to use in their ‘due diligence’ defense should they be involved in a safety failure. It was soon seen as having significant benefits to the suppliers of product to UK retailers and subsequently, European and global retailers.

The first issue of the BRC Global Standard - Food was published in 1998.

It is regarded as a benchmark for best practice in the food industry.

It is a food safety and quality management protocol including:

- Implementation of a HACCP system
- A quality management system
- Factory environmental standards
- Product control
- Process controls
- Personnel requirements

It has evolved into a global standard (called the Global Standard for Food Safety – issue 5⁴⁰) and is used not just to assess retailers’ suppliers, but as a framework upon which many companies have based their supplier assessment programmes and the manufacture of some branded products.

Suppliers to firms under the BRC umbrella must undergo an evaluation by a BRC certified auditor. As overseas suppliers see the benefits of accreditation to BRC, the number of licensed certification bodies has grown. There is currently a network of over 80 accredited and BRC recognised Certification Bodies around the world. BRC is developing a database (to be launched in April 2009) that will allow retailers to check the accreditation of any of the more than 13,000 suppliers in 90 countries certified to the BRC Global Standards. BRC’s claim that “the majority of UK, and many European and Global retailers, and brand owners will only consider business with suppliers who have gained certification to the appropriate BRC Global Standard,”⁴¹ was confirmed by industry sources consulted for this report, especially in relation to the United Kingdom. In the UK, BRC members (including Tesco’s, Marks and Spencers, and Sainsbury’s) account for around 90% of retail trade.

5.4.5. International Food Standard (IFS)⁴²

In 2002, German food retailers from the Hauptverband des Deutschen Einzelhandels developed a common audit standard on food safety called the International Food Standard. It was designed *inter alia* to bring transparency to the supply chain. In 2003, French food retailers and wholesalers from the Fédération des entreprises du Commerce et de la Distribution joined the IFS Working Group. IFS operates as a uniform tool to ensure food safety and to monitor the quality level of producers of retailer branded food products. The standard can apply for all steps of the processing of foods following primary production. The standard includes:

⁴⁰ Issue 5 has some 326 clauses, expanded from 270 in Issue 4, including those related to increased clarity and guidance to auditors assessing food safety plans.

⁴¹ www.brc.org.uk/standards accessed 22 January 2009

⁴² www.ifs-online.eu

- HACCP
- Management systems (Quality, responsibilities, resources)
- Traceability
- Corrective action plans

IFS reports association with a range of retailers and wholesalers, mainly in Europe, including: Metro Group, Edeka, Rewe Group, Aldi, Lidl, Auchan, Carrefour Group, EMC - Groupe Casino, Leclerc, Monoprix, Picard Surgelés, Provera (Cora and Supermarchés Match), Système U, COOP, CONAD and Unes. Its website notes that “Nine of the ten biggest European food retailers use the IFS as their food safety standard.”⁴³ Registered retailers, certification bodies and certified suppliers have access to a database of IFS audit reports and certification information.

5.4.6. Safe Quality Food (SQF)

In 1995, the Western Australia Department of Agriculture developed The Safe Quality Food Programme for the purpose of verifying the safety of food exported to other countries, particularly to the United States. The programme was modelled after ISO 9000 programmes. In 2003, the Food Marketing Institute (FMI) based in Washington DC, purchased the SQF programme. FMI is a non profit association conducting programmes in research, education, food safety, industry relations and public affairs. It has some 2,300 members, including food retailers and wholesalers, covering about three-quarters of retail sales in the United States. International membership includes companies from 50 countries.

- Currently, there are two SQF Codes: SQF 1000 for farmers / producers and SQF 2000 for food manufacturers and distributors.
- SQF 1000 and 2000 Codes are based on HACCP principles, Codex, ISO and Quality Management Systems.

The SQF programme has been implemented by over 5000 companies operating in Asia-Pacific, the Middle East, United States, Europe and South America.⁴⁴

5.4.7. GlobalGap⁴⁵

EurepGap, was developed in 1997 by the Euro-Retailer Produce Working Group (Eurep), a private sector body driven by a group of British and European retailers. In late 2007 it changed its name to GlobalGap to reflect its more international focus. EurepGap was initially designed as a standard for good agricultural practices. Its food safety criteria are based on HACCP.

Originally applying to fruits and vegetables, Eurep-Gap was later extended to fish farming practices. It was the first to develop an Integrated Aquaculture Assurance Standard (in late 2004). In addition to the general code of practice, specific criteria have also been developed for salmonids (September 2007), and tropical shrimp. Standards for Pangasius and Tilapia are currently in development.

⁴³ www.food-care.info 22 January 2009

⁴⁴ www.sqfi.com 22 January 2009

⁴⁵ see www.globalgap.org 23 January 2009

GlobalGap has 100 independent and accredited certification bodies in more than 80 countries. Notably, it also allows other schemes to be benchmarked against it. It is of particular interest in developing countries because it allows certification at the level of the co-operative (rather than a separate certification for each operator). GlobalGap has strong support in the retail sector Europe⁴⁶, including the Dutch giant Royal Ahold. GlobalGap-certified products are automatically given the ‘green light’ on the UK retailer Sainsbury’s ‘traffic light’ procurement decision tree⁴⁷ (which includes safety and sustainability criteria). Tesco’s, Aldi, Wal-Mart and McDonald’s are also members but have no specific buying commitments related to the GlobalGap certified products.

6. THE NEED FOR HARMONIZATION

As noted above, GlobalGap and ACC have recently reached agreement to co-operate through a ‘joint checklist approach’ which according to GlobalGap “is a way to harmonize existing standards, create robust and accredited programs, and avoid costly and confusing duplication of efforts for producers”.⁴⁸ Indeed, industry sources suggest that rivalry between schemes – particularly related to aquaculture - has created confusion in the market, with producers not sure as to which scheme, if any, to sign up to: “the market situation is extremely confused. There is a disturbing level of over criticism by rival standards setting bodies of each others’ efforts – WWF has been particularly outspoken”.⁴⁹

In terms of food safety generally (not exclusive to, but including fish and seafood products) other attempts at reducing the confusion around the proliferation of private standards, and to seek some harmonization or international norms have occurred: the first driven by an international coalition of retailers; the other in the context of the International Standards Organization (ISO).

6.1. Global Food Safety Initiative⁵⁰

In April 2000, CEOs from a range of international retail firms identified the need to enhance global food safety including by setting requirements for food safety schemes. They were concerned that retailers were having to deal with a multitude of certificates issued against various standards in order to assess whether the suppliers of their private label products and fresh products had carried out production in a safe manner. They noted that their suppliers were being audited many times a year, at significant cost and with what they perceived to be little added benefit. The Global Food Safety Initiative (GFSI) was developed as an attempt to improve cost efficiency throughout the food supply chain.

⁴⁶ ‘Who will win the certification showdown?’, www.intrafish.no, 30 January 2009

⁴⁷ ‘Firm Commitment’, Seafood International, September 2008, p.14

⁴⁸ GlobalGap Secretary Kristian Moeller, quoted in ‘GAA, GlobalGap join forces on aquaculture certification’, www.intrafish.no, 1 February 2009.

⁴⁹ Personal correspondence with Alastair MacFarlane, NZ Seafood Industry Council, 23 February 2009.

⁵⁰ See. www.ciesnet.com.

GFSI's main objective is to implement and maintain a scheme to recognise food safety management standards worldwide, including by:

- facilitating mutual recognition between standard owners; and
- working towards world wide integrity and quality in the certification of standards and the accreditation of certifying bodies.

GFSI does not undertake any certification or accreditation activities. Instead, it encourages the use of third-party audits against benchmarked standards. The overall vision is to achieve a simple set of rules for standards, harmony between countries, and cost efficiency for suppliers by reducing the number of required audits.

A Guidance Document lists key requirements against which food safety management standards can be benchmarked. Those requirements include three key elements:

- Food Safety Management Systems;
- Good Practices for Agriculture, Manufacturing or Distribution; and
- HACCP.

Notably the application of the benchmarked standards to particular products is at the discretion of retailers and suppliers. This process will vary in different parts of the world, depending on:

- company policies;
- general regulatory requirements; and
- product liability and due diligence regulations.

Currently, there are four compliant benchmarked standards:

- BRC Technical Standard (version 4)
- IFS (Version 4)
- Dutch HACCP Certification Scheme (February 2007)
- SQF 2000 Code, SQF Code

The GFSI Board is the main governing body. It is responsible for policy-making and overall decisions. The Board is made up of representatives from the largest retail and wholesale food companies in the world: namely, Royal Ahold, Carrefour, Delhaize, Metro, Migros, Tesco, and Wal-Mart. The Board is supported by a Task Force, which acts as a consultation body. Overall the coalition accounts for over 70 percent of food retail sales worldwide.

The GFSI is an important development in that it is an attempt to reduce the transaction costs associated with retailers and their suppliers having to apply a multitude of different standards. Suppliers to European retailers report needing BRC certification for the UK market and IFS certification for the German and French markets. In theory, having a standard benchmarked against GFSI should mean that that there is some form of mutual recognition or equivalence.

All the schemes benchmarked to GFSI require traceability systems and monitoring as well as auditing in line with Codex and HACCP. In practice differences remain in terms of the specific requirements of schemes and their related certification and audit processes. Indeed in a survey conducted by OECD (OECD, 2004), retailers that were members of GFSI reported that they not only used GFSI benchmarked standards, but often a combination of them. Moreover, they also often add on firm specific standards. This is especially the case with owners of private label and brand name products. Many retailers remain members of several schemes. The French based Carrefour for example is a member of GFSI, IFS, and is a member of the Food Marketing Institute that owns SQF. The United Kingdom's Tesco's is a member of SQF, BRC and GFSI. GFSI has also engaged in dialogue with GlobalGap (although there has been no formal recognition of the GlobalGap scheme which works with the benchmarked SQF 1000 scheme). Work has also been undertaken by GFSI on differences and similarities with ISO 22000 (described later).

Recently however, GFSI has announced that its 'vision of 'once certified, accepted everywhere' has become a reality'⁵¹. Carrefour, Tesco, Metro, Migros, Ahold, Wal-Mart and Delhaize, have all agreed to reduce duplication in the supply chain through the common acceptance of any of the four GFSI benchmarked schemes. Impacts on suppliers will need to be monitored. While the jury deliberates on whether the GFSI has reduced the proliferation of private standards, it has clearly increased awareness of global food safety issues and facilitated cooperation between international retailers.

6.2. International Standards Organization – ISO 22000⁵²

In addition to the adoption of private standards, many food companies and retailers have also adopted international voluntary standards developed in the context of the International Standards Organization. ISO is a network of national standards bodies, based in Geneva Switzerland. It is a non-governmental organization that is the product of collaboration between public and private sector bodies. Its members include national food safety authorities, as well as industry associations. Despite this public/private mix, the WTO recognizes ISO as providing internationally recognized standards. As international standards these allow some assurance of safety and quality across national borders. ISO 22000 was developed in 2005, building on previous food safety related standards, as an attempt to establish one internationally recognized standard for food safety management systems. To date however, it sits alongside the range of other private and public schemes.

There has been some collaboration between ISO and GFSI: for example, ISO participates in the GFSI Technical Committee. A comparison conducted by the GFSI of the GFSI Guidance Document and ISO 22000⁵³ showed strong similarities. However, different approaches to accreditation and differences in ownership - retailer-driven GFSI versus the diverse public/private ISO 22000 membership - were cited as the stumbling blocks to formal recognition by GFSI of ISO 22000. It was thought that retailer-driven GFSI benchmarked schemes had a "specific reactivity" and could implement changes agreed in GFSI, whereas the decision-making structures

⁵¹ www.ciesnet.com/2-wwedo/2.2-programmes/2.2.foodsafety.gfsi.asp 23 January 2009

⁵² See P. Seagrave, ISO 22000: Food Safety management systems and their related requirements, in FAO, 2007.

⁵³ 'What is ISO 22000?'. www.ciesnet.com.

of ISO were thought to be less conducive to “timely and efficient” adjustments in the light of changes in market conditions and demand.

7. CALLS FOR INTERNATIONAL GUIDANCE

The preceding descriptions attest to the multitude of different food safety management systems and related private standards that have emerged over the past decade and a half. Despite attempts towards harmonization, there is little evidence to date to suggest that retailers are prepared to give up their own mix of specifications and requirements for certification. Instead it appears that global schemes sit over national collaborative schemes, which individual retailers sign up to and then add on their own individual product and process specifications (related to safety and quality as well as other aspects of their CSR policies). This is perhaps the clearest evidence that private standards are not only designed to provide guarantees against food safety failures, they are also tools for differentiating retailers and their products.

The work of GFSI and the development of ISO 22000, and the specific co-operation between GlobalGap and ACC in aquaculture, are indicators of the need for some harmonization of private standards. International organizations have been asked to play a role in this context. Discussions on private standards generally have been had in the context of the WTO. These are described later in a discussion on the impacts of private standards on international trade. The OECD has carried out a number of studies on private standards, albeit concentrating on agricultural products and excluding fish and seafood. (OECD, 2004). The FAO has been asked by its member countries, in the context of its Committee on Fisheries (COFI) and the implementation of the Code of Conduct for Responsible Fisheries, to play a role in relation to private standards generally and specifically in relation to fish and seafood. Discussions have been had in the context of two COFI sub-committees: on aquaculture, and on fish trade.

7.1. FAO Sub-Committee on Aquaculture

While recognizing the value of better management practices (BMP) and of certification for consumer confidence in the safety of aquaculture practices and products, the Sub-committee on Aquaculture was aware that there was some disquiet associated with private certification schemes. The Sub-Committee noted that the emergence of a wide range of standards, certification schemes and accreditation bodies, was causing some confusion amongst the various actors in the supply chain, but particularly amongst producers. The potential increased costs to producers wanting to participate in those schemes, in particular small-scale producers, was an additional concern. The Sub-Committee on Aquaculture subsequently requested that FAO play a lead role in the development of national and regional aquaculture standards. It highlighted a need for more globally accepted norms for aquaculture production, which would serve as a basis for improved harmonization, or mutual recognition, of the various certification schemes.

Since 2006, FAO and the Network of Aquaculture Centers in Asia-Pacific (NACA) have organized six consultative workshops in Asia, Europe, North America and South America to develop draft guidelines for aquaculture certification. A precedent had been set in the development of guidelines on ecolabelling - the 2005 FAO Guidelines

for the Ecolabelling of Fish and Fisheries Products from Marine Capture Fisheries - which were similarly aimed at reducing the confusion around the proliferation of private standards and certification (in this case certification related to the sustainability of fish stocks) by setting out: general principles and definitions, minimum substantive requirement and criteria, and the procedural and institutional aspects any certification scheme should include.

Draft guidelines on aquaculture certification were submitted to the FAO Sub-Committee on Aquaculture in October 2008. The Sub-Committee called for a further process of consultation.

7.2. FAO Sub-Committee on Fish Trade

Private standards and private certification have been on the agenda of the Sub-Committee on Fish Trade since 1998. In 2006 the Sub-Committee raised concerns about the increasing use of private standards and their impacts on international trade in fish and seafood products. This followed the announcement by some major retailers of their targets to source only certified fish and seafood products. In 2008 the Sub-Committee reiterated these concerns noting a growing proliferation of private certification schemes, campaigns and ecolabels. The Sub-Committee was concerned that the many competing certifying claims could confuse consumers and thereby undermine public confidence in labels and standards generally. Some FAO Members were also concerned that monopolies could arise in certification, and that what were initially voluntary standards could become de facto mandatory standards with implications for international trade.

8. MARKET IMPORTANCE OF PRIVATE STANDARDS

There is little empirical evidence of the market significance of private standards. However, it appears that the pressure on producers and processors to comply with private standards depends on the market, how that market is structured, and on the type of product being sold.

To take the European market as an example: all seafood entering the EU must comply with mandatory EU regulations. However, within that market there are regional differences that have implications for the pressure to also comply with private standards. The pressure is more intense in northern Europe, and especially in the United Kingdom and Germany where a higher proportion of fish and seafood is sold in supermarkets, where there is a greater predominance of processed and value-added products, as well as more private label products. These characteristics seem to drive the pressure for suppliers to comply with and be certified to a FSMS. There is less evidence on other markets, but in the case of private standards (for safety and quality as well as ecolabels) it could be argued that the European market, and in particular the UK, often acts as a harbinger for other markets.

8.1. Large retailers – stringent demands

Large supermarket chains are the most demanding in terms of private standards. In an increasingly competitive market, large food companies search for ways to distinguish their products, brands or firm from competitors. As the link between the rest of the

supply-chain and consumers they are under pressure to respond to consumer demands for safe, quality food, to show due diligence in terms of food safety assurance, and increasingly to present their corporate social responsibility credentials. Private standards play an important role in all of these aspects and subsequently provide opportunities to both protect (risk-management) and enhance reputation.

While there were traditionally fewer retailer guidelines for fish than for fresh fruit and vegetables, this is changing as supermarkets attempt to increase their fish sales potential. To take advantage of the positive image of the health benefits of fish and to develop the concept of the ‘one-stop shop’ (consumers being able to buy every food item under one roof), retailers are expanding the fish sections in their shops. They are also trying to offer a greater range of fish products, including pre-prepared ready-to-serve meals. Moreover, as noted earlier, fish products are increasingly being sold under retailers own brand or private labels. The larger the chain the more economically attractive it is to invest in private label products. (FAO, 2008a). Suppliers are required to provide levels of information and compliance – from basic information to detailed questionnaires to certification to a FSMS – depending on the product and the form in which it will be sold.

8.2. Private labels

Supermarket chains impose relatively stricter standards on their private label products, whether they are fresh, frozen or canned. Private labels operate as a market differentiator helping to build up a retailer’s reputation vis-à-vis other retailers, as well as allowing retailers to compete with big commercial ‘brands’. This trend towards private labels is likely to continue. AC Nielson research suggested that: “Private label products, especially in refrigerated foods continue to steadily increase their share of the global marketplace, eating into processors’ brands”⁵⁴. Interviews conducted for this report indicated that safety and quality requirements were significantly more stringent for private label or house brand fish and seafood products.

“The fact that the product is safe to eat and correctly labeled may be good enough for ‘commodity’ product, but branded consumer producers are generally more concerned with identifying indicators that enable them to control consistency of product and maintain consumer experience. So they need to specify attributes in buying specifications.”⁵⁵

“We supply private label and non private label seafood from Thailand, Vietnam and China to our customers. IFS certification is highly recommended (not strictly required) by our French customers for their private label line; they are far less demanding for the other segments.”⁵⁶

It should be noted however, that while steadily increasing, the proportion of fish and seafood sold under private labels is still fairly limited, volume wise.

⁵⁴ Foodnavigator-usa.com 28/9/2005

⁵⁵ Private correspondence with Alastair MacFarlane, NZ Seafood Industry Council, October 2008.

⁵⁶ Private communication between Marie Christine Monfort and French seafood importer. mid-2007.

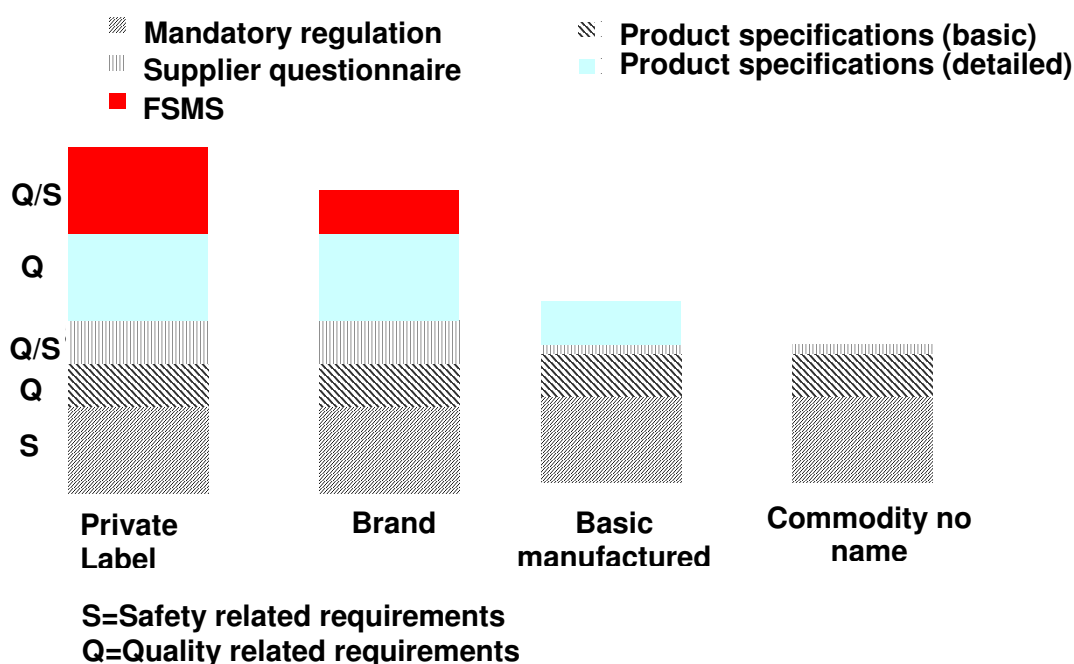
8.3. Product type – processed products

Branded products in supermarkets, including housebrands, are more likely to be found in the freezer case, rather than as chilled products⁵⁷. Again, proportions vary between markets, appearing higher in northern Europe and lower in southern Europe, differences that seem linked to the type of products preferred by consumers in those markets. For example, whole fish remains standard fare for southern Europeans (overall the biggest European seafood consumers) while northerners prefer frozen and breaded fillets and portion-sized items. Less than 10% of the seafood market in Germany is fresh fish, while 40% is frozen. Germany and the United Kingdom are the largest markets for breaded and battered seafood products”.⁵⁸

The intensity of the pressure to meet above-the-legal-requirements, including by certification to a FSMS, varies greatly by market, by market segment (product type), and according to the importance of the segment for seafood items that carry a ‘name’ linking products directly to a brand owner or supermarket chain.

Figure 1. attempts to show schematically the relative levels of compliance required depending on the type of product and level of processing.

Figure 1. Theoretical schematic representation of requirements related to types of products.



8.4. Procurement strategies and supply chains

In terms of procurement, food retailers’ buying strategies also differ around the world. “In Europe supermarkets are increasingly contracting directly with processors for

⁵⁷ Alastair MacFarlane, in OECD/FAO. 2007, p.21

⁵⁸ The European Marketplace for Sustainable Seafood, Seafood Choices Alliance, April 2007.

supply and may also secure wet fish from wholesale markets. In the United States supermarkets use the services of brokers. In Australasia there is a mix of buying from auction and contracting for supplies”.⁵⁹ Recently supply relationships have tended towards more direct contracts. The more direct the supply relationship and the more integrated the supply chain, the more private standards are likely to enter the equation. Where retailers contract directly with producers or processors, they are able to impose more controls including product and process standards.

The characteristics of supply chains also seem to impact on the relative importance of private standards. A World Bank study found that “differences in the organizational structures of supply chains result in differences in the implementation of food safety and quality control systems.” (World Bank, 2005). In general, there is a lack of vertical integration in fish supply chains compared to other sectors of the global food industry. While there might be integration from the retail sector into the processing sector, this rarely extends into the catch sector. There is relatively more integration in aquaculture where there is scope to produce to specification. Three separate supply chains for fish and seafood products have been identified; vertically integrated supply chains, collaborative supply chains, and fragmented supply chains. These are discussed further later in relation to the interface between developing country producers and processors and private standards. However, the scant evidence that exists suggests that private standards are more significant in vertically integrated supply chains.

8.5. Conclusions

The pressure to comply with private food safety and quality standards therefore depends on the market (related to the regional differences described above), on the procurement strategy (direct contracts) and the type of product the fish or seafood is destined to become (highly processed, private label, brand), and therefore affects:

- Products for sale in supermarkets that have build-up a strong brand policy, and whose products whether they are private labeled or not, carry the image of the retail shop; this is the case for a retail chains such as Waitrose, M&S, Tesco’s in the UK, Carrefour in France, Wal-Mart in the USA and elsewhere. Consequently, these chains have set up very tight quality policies and engage in direct supply relationships.
- Products supplied to the segment of the processing industry selling branded products eg. Companies such as Bird’s Eye Iglo (the number one frozen food company in Europe). Processors are under relatively more pressure to comply with private standards than producers (especially in the harvest sector; in the farmed sector farmers and processors are more equally affected).

9. PRESSURE ON DEVELOPING COUNTRIES TO MEET PRIVATE STANDARDS

In 2006, 79% of world fishery production took place in developing countries. Their exports represent about half of world exports of fish and fishery products by value and about 60% in terms of quantity. (FAO, 2009). Developing countries have expressed

⁵⁹ Alastair MacFarlane, in OECD/FAO. 2007. p.21.

concerns, for example in the context of the World Trade Organisation (WTO), that private standards could pose a barrier to their access to lucrative developed country markets.

Research on the implications of private standards and retailer procurement strategies on developing country producers and processors is fairly limited. However, it appears that, with the exception of aquacultured shrimp, developing countries have so far had relatively little exposure to the pressure to comply with private standards. This is due to three key factors:

- They supply proportionately smaller volumes into markets where private standards are most prevalent
- They supply non-processed, or minimally processed, fish and seafood while private standards apply mainly to processed value-added products for brands or private labels
- They tend to operate in supply chains with low levels of integration and therefore a limited direct interface with retailers and private standards schemes

9.1. Export markets for developing country fish and seafood

The markets that are most demanding in terms of private standards are the markets where imports from developing countries are lowest. For example, the percentage of European imports from developing countries that end up in Germany and the United Kingdom, where private labels and private standards are more dominant, are relatively low. These markets tend to prefer North Atlantic and North Pacific species to tropical species from developing countries (again, with the notable exception of shrimp and species typically sold as canned products: tuna, sardines etc.).

9.2. Relative absence of value added products

A FAO study of developing country products on sale in supermarkets in France and Italy found that: “One of the striking features is the absence of prepared seafood in the DC [developing country] range.” (FAO, 2008a). The study estimated that processed products from developing countries accounted for less than 10% of retail sales of processed fish and seafood in those markets. Fish and seafood from developing countries tends to be imported as frozen whole fish or fillets: “most fresh fishery products exported from developing countries undergo minimal (if any) value addition at the developed country level”.⁶⁰ These products demand few requirements above those mandated by public regulation. A large proportion of value added seafood products on sale in Europe, with the exception of canned fish (tuna, anchovies, sardines), has been processed in factories located in Europe (or some other third country). This is where the responsibility for complying with private standards would fall.

9.3. The impact of different supply chains

As noted earlier, differences supply chain structures result in differences in the implementation of food safety and quality control systems and exposure to pressure to

⁶⁰ Stephen Mwikya, in OECD/FAO. 2007. p. 287

comply with private standards. Three types of supply chains are discussed below in relation to developing countries.

9.3.1. Vertically integrated supply chains

“In the vertically integrated supply chain, the chain activities of fish farming, processing and transportation to the European wholesaler/retailer are fully under the control of one transnational company (in most case of Western origin)”. (World Bank, 2005). Large retailers or processors typically source fishery products from developing countries through “wholly or partly owned processing facilities in these countries or through contracts with independent firms in the developing countries”. (FAO, 2008a). Under this scenario, information about safety and product specifications flows down to producers, sometimes via representatives of the company based in the producer country. Producers are therefore linked into the production process and are supported in their activities, including with compliance to private safety and quality standards.

This would be the minority scenario for most developing country producers and processors. While acknowledging the limited evidence of its own inquiry a FAO study concluded that: “developing countries have yet to exploit the benefits from value addition gains associated with product certification”. (FAO, 2008a). Even in Asia where certification is more prevalent compared with other areas, especially in relation to the growing aquaculture industry, certified farms tend to be those closely associated with if not owned by companies from developed importing countries. For example, a FAO study in Asia-Pacific found that: “...the distribution of certified farms appears to be strongly biased towards American businesses, with Asian farmers being poorly represented”. (FAO, 2007d).

9.3.2. Collaborative supply chain

A second type of supply chain is characterised by larger producers or groups of producers who work with exporters who in turn, via their relationships with importers, translate market specifications back down to those producers. This can apply to both the wild catch sector and to aquaculture. In terms of developing countries, “most European importers who source fish from a particular country or from selected traders have established local offices in the developing countries to co-ordinate activities in the supply chain (processing, transportation, quality control, export papers)”. (World Bank, 2005). The importer advises the chain actors as to food safety and quality requirements, both public and private. This type of chain was found to be operating for Nile Perch (from Lake Victoria) and some farmed tilapia. Under this scenario importers are the link between the source and the market, making the complexity and evolving nature of the market requirements understood by producers. It is this intermediary who experiences the most pressure to respond to private standards, including by seeking additional information about methods implemented at earlier stages of the supply-chain.

9.3.3. Importer driven or fragmented supply chain

Where there is a more fragmented supply chain however, categorized by a range of small-scale suppliers, there are less direct relationships by which information about food safety and quality requirements can be passed on to producers. Those producers

typically sell into open commodity markets via an intermediary buyer/exporter. At the production end there is little information about the specifications required at the import end. Under this scenario there is a reliance on product testing at the point of importation, as safety management systems further down the chain cannot be guaranteed. Most of the exports from developing countries are traded in this type of supply chain. As the FAO study in the Asia-Pacific area explained:

“For small-scale farmers, establishing a direct link with the market would be in most cases almost impossible. Farming systems in the Asia-Pacific region are in fact dominated by networks of traders which are making quality assurance and traceability huge challenges for all stakeholders....for small-scale producers to have access to and benefit from a certification schemes they would have to be part of more direct supply chains” (FAO, 2007c).

9.4. Conclusions

In terms of the three chains, only producers in the first and the second would have any interface with private standards, the first directly, and the second indirectly whereby standards are translated via close exporter/importer relationships. However, most of the fish from developing countries is traded via the latter type of supply chain, that is: “in commodity trade arrangements [where] little is traded in more secure supply contracts or conducted as a result of transfer trading between companies that relate to each other through shared equity”.⁶¹ Therefore, it seems that to date, developing country producers, and most processors, have experienced minimal pressure to comply with and be certified to a private standards scheme. The flipside of this however, is that their limited interface with private standards reflects their inability to engage with such schemes. The result is that they are missing out on the opportunities such schemes might offer in terms of the potential to produce more value-added products and to access lucrative segments of developed country markets.

10. COST AND BENEFITS OF PRIVATE STANDARDS – STAKEHOLDER ANALYSIS

This section describes the potential costs and benefits of compliance with private standards, as they apply to the various stakeholders. Examples of the actual costs of certification and audit are given first. These are based on a limited number of respondents interviewed for this report and published material, and are indicative only. The FAO study of certification in the Asia-Pacific region (FAO, 2007d) found that it was difficult to determine the actual costs of certification, including because the actual fees are set by certification bodies and are subject to market conditions. Certification costs are also difficult to disaggregate from the costs of complying with mandatory regulatory requirements (which typically form the baseline of compliance with private standards). Moreover, costs are dependent on the size and type of business being certified. In addition, product specifications increase as the level of processing and value-added increases, which is also reflected in the costs of certification and audit (more specifications against which to verify compliance).

⁶¹ Alastair MacFarlane, in OECD/FAO. 2007. p.26.

10.1. Compliance costs

The actual costs of compliance include:

- Costs associated with upgrading methods and infrastructure
- Certification and audits

Based on information gained from a limited number of respondents interviewed for this study, the cost of certification against one or other of the FSMS range from several thousand US dollars to hundreds of thousands or even millions, depending on the size of the company, the type of operation, and the gap between current systems and those required by the private standard schemes. Some costs are direct; the actual certification fee, while others are indirect; management time spent in planning and implementing any improvements required, developing new systems, and the costs of actual upgrades. Often it is difficult to disaggregate the costs related to certification or the introduction of a FSMS because these are part of wider quality management systems.

Companies who need more than one certification might try to get them established at the same time to maximize synergies. Similarly, many try to reduce the costs of multiple audits by finding a certification company accredited to more than one FSMS and able to audit against more than one set of standards at the same time. Audits are typically carried out annually.

Some examples of certification costs are:

- A processing company in Indonesia reported costs associated with certification and audit to BRC standards at \$US10000
- A processing company in Viet Nam reported costs of audit and certification related to SQF certification at \$US6500
- A European company reported costs associated with certification to BRC and IFS at 4000 euros.
- GAA/ACC – certified facilities pay a processing fee (\$US500 in 2007) an inspection fee, which includes a daily consultation fee that can vary from \$US400 to \$US800 depending on location (a shrimp farm or facility takes several days to assess) and the expenses of the auditors (travel, accommodation etc). (FAO, 2007d). Processing facilities also pay a fee based on the amount of product exported from the facility in the previous calendar year. A recent estimate costed an overall inspection or re-inspection of a hatchery or farm at \$3000, or \$5000 for a processing plant⁶².

It should be noted however, that most of the financial burden does not come from certification or audit *per se*, but the changes required to adjust practices and infrastructures to comply with the standards criteria. One respondent to this study noted:

⁶² 'Freedom of choice', Seafood International, February 2009, p.34

*“Moving from HACCP to one of the GFSI standards is not easy and will be financially taxing on the industry, especially in emerging markets. Depending on the current system you employ, the bridging exercise may cost millions”.*⁶³

This is particularly burdensome for producers and processors in some developing countries where the pre-existing infrastructure (public and private) is poor. Moreover, the costs of compliance are disproportionately higher for small operators - the norm in many developing countries - where there are few economies of scale. Even the cost of acquiring information and introducing management systems is proportionately heavier for smaller operators.

10.2. Producers – costs and benefits

The costs to producers of compliance with private standards are likely to vary depending on the pre-existing state of the operations. As noted above, for bulk unprocessed fish and seafood there are very few requirements demanded on top of the mandatory regulatory requirements associated with exporting to developed country markets. For producers already operating effective hygiene processes, good management practices, and with a HACCP system in place, the costs of complying with any private standards would be marginal: some fixed costs associated with certification, and some ongoing costs related to audit and record keeping (including for traceability purposes). This would be the case for many developed country fishers and fish farmers.

The costs of certification escalate if a variety of certifications are required which might mean multiple audits against a variety of standards (although, as noted earlier, there is often an attempt to be audited by one certifier who is accredited to audit against more than one standard). The pressure to comply with private standards is in addition to requirements to meet public regulatory standards. Producers exporting to Europe for example, have to comply with EU regulations, various national safety regulations, and any private standards. For those exporting to France or Germany and the United Kingdom both IFS and BRC certification might be required.

Producers in developing countries already struggle to meet mandatory requirements: certification might require the introduction of new management systems, record keeping and even gear, the costs of which would be prohibitive for small operators. Moreover, they are often not supported by the public infrastructure. A FAO study concluded that, “achieving certification appears to come at a heavy cost for producers...conformity assessment frequently requires relatively large financial inputs to be paid by farmers”. (FAO, 2007d).

Overall, the costs of complying with private standards, varies considerably from one operator to another, depending on the gap between the current status and that required by the private standard. The costs however need to be weighed against the potential benefits of being certified to a food safety management scheme. These benefits might include:

⁶³ Personal correspondence with Donovan Brickles, Quality Assurance Manager – RSA Operations, Irvin and Johnson Ltd, South Africa, 23 March 2009.

- Access to new markets or consolidation of position in existing markets. This is particularly true where certification offers access to an integrated value chain and long-term supply relationships.
- Improved quality of products and subsequent reductions in costly rejections based on poor sanitary status or inferior quality.
- While there is no evidence of a price premium generally, more stable supply relationships are likely to mean less price volatility. Premium quality products might attract a price premium.

In the Asia-Pacific region there was some evidence that GlobalGAP certified shrimp farmers were enjoying some benefits from being treated as “preferred suppliers”, having access to a larger market, and receiving prompter payment (indicating enhanced relationships with buyers). (FAO, 2007d). There was also some evidence of a price premium, although this was put down to superior quality (GlobalGap itself does not raise expectations of any price benefits from certification).

Producers, particularly in developed countries, but also in developing countries where production is geared towards export to developed countries, are increasingly seeking certification against multiple standards. For example, an Irish salmon farming operation ‘Marine Harvest Ireland salmon farms’ has a stable of certifications; including Friend of the Sea (eco-label), Label Rouge (French public quality mark), ISO 9001, ISO 14001, OHSAS 18001 (occupational health and safety) and BRC.⁶⁴ The extent to which producers decide to seek certification is an indicator of the perceived, if not actual, benefits.

Overall, general concerns have been raised that whatever the costs of certification, producers bear a disproportionate share of the burden, compared to those at the retail end of the supply chain (where demands for certification generate). Previous studies have concluded that this is clearly the case for wild-capture producers in terms of certification in the environmental sustainability area. (FAO, 2008b). In the food safety and quality arena, the distribution of costs is less clear-cut. In terms of aquaculture, both producers and processors are likely to assume a significant proportion of the costs of certification to a food safety management scheme. In the wild-capture area, processors are likely to feel the weight of private standards more than their counterparts in the harvest sector.

10.3. Processors – costs and benefits

Fish and seafood processors are likely to feel relatively more pressure than producers to comply with private safety and quality standards. For those producing brand products or private label products for large-scale retailers, certification would be essential. In developed countries where plants are likely to be fairly attuned to safety requirements, including as a result of robust national regulations, the costs of certification might be limited to the fixed costs of the initial certification process and the costs of ongoing audit. As noted above, the costs increase if multiple certifications are required. A World Bank survey found that: “Currently some processing companies deal with retailers that require one or more of the following: BRC

⁶⁴ ‘Marine Harvest Irish salmon farms certified Friend of the Sea’, Sustainable Seafood News, Friend of the Sea Newsletter, 22 January 2009.

certification (mainly European retailers), HACCP and ISO certification (Dutch retailers), IFS certification (German retailers) or SQF 2000 certification (mainly retailers in Australia and the United States)". (World Bank, 2005).

The costs of certification are far greater where significant upgrading of plant and methods is required to achieve certification.

"Our 2 major plants in Cape Town have been certified to both the BRC Global Food Standard and IFS standards. The process took between 2 to 3 years as we have had to move from HACCP certification, which concentrates on food safety to an all inclusive standard (food safety, quality, traceability, allergens etc.) Some structural changes were necessary and new requirements like allergen inclusion was some of our biggest challenges".⁶⁵

Other respondents to this study suggested that upgrading existing premises was often more problematic than creating new plants specifically designed to conform to criteria set by BRC and IFS.

Clearly, in the processing sector, economies of scale lower the relative costs of safety and quality systems. Those costs might also be offset by the potential benefits. For example, it has been suggested that the costs of installing and operating HACCP systems remain low in comparison with the potential revenue lost by exporters when product is rejected at the border. (FAO, 2007a). Similarly, some respondents interviewed for this report suggested that while the costs of certification to private standards were high, they amounted to a worthwhile investment, noting improvements in quality management and products, increased customer confidence, and access to more sophisticated market segments, with potential for some price premium.

Certification to private standards might provide new opportunities for developing countries in the processing sector of the fish and seafood industry. Processing rather than primary production is where globalization of the seafood sector is developing most. The growing importance of China as an importer, processor and subsequent exporter of value-added seafood products is a key example of this trend. China is now the world's largest fish exporter, but also the sixth largest importer. (FAO, 2009).

Developing countries have a competitive advantage in terms of lower labour costs. Certification to developed country private standards might help to overcome some of the traditional prejudices towards fish and seafood products from certain geographical origins. As was suggested at an FAO/OECD workshop on globalization: "Consumer purchasing patterns suggest that customers are neutral on origin, provided that they can be assured about safety and integrity... Fish products are being packed under the most well known of European, American or Japanese household brand names in China, Thailand and Vietnam and consumers are buying them without obvious sensitivity to their countries of origin, but with confidence in the integrity of the brands"⁶⁶. Private standards might open new opportunities for value adding in developing countries.

⁶⁵ Personal correspondence with Donovan Brickles, Quality Assurance Manager – RSA Operations, Irvin and Johnson Ltd, South Africa, 23 March 2009.

⁶⁶ Alastair MacFarlane, in OECD/FAO. 2007. p.18

10.4. Importers and export agents

Importers and agents in exporting countries play an important role in translating standards up and down the supply chain. They are particularly important where supply chains are less integrated. The costs to these actors would include those associated with more record keeping and explaining clients' requirements to their suppliers. Importers interviewed for FAO research⁶⁷ had diverse views. One seafood importer described this as problematic but a growing fact of doing business.

UK retailers now ask our suppliers to comply with BRC, a very detailed system that regulates all, from the thermometer to the colour of the plaster⁶⁸. Our suppliers don't understand the rationale of these stringent criteria. We must accompany them. (UK based seafood importer)

Another noted the increasing pressure to provide information about production processes implemented at the production and processing level in order to meet buyers' standards, although this had not yet extended to requiring certification.

“When I receive from my clients their private standards (cahier des charges), I translate them, and make them intelligible to my suppliers. On regular basis, I run audits at my suppliers' processing plants; encourage them to change their practices. I may run on their behalf, chemical/ bacteriological analysis that are easier and faster to order here than at the source. I do not necessarily ask them to go for certification. I consider that a well-implemented HACCP method guarantees the safety of the products. My clients... increasingly require information about the methods implemented upstream. Associated cost for us to comply with private standards includes some additional time compared to what is necessary to comply with the stringent EU rules. Altogether, the quality issue means the employment of one of us for a third of the time, and five weeks or more of traveling for the manager for inspecting suppliers”. (European based seafood importer of shrimp and cephalopods from developing countries)

In contrast, another importer argued that certification reduced uncertainty and provided the benefit of easing business transactions.

“According to our clients needs, we look for potential suppliers who have FSMS certification. Dealing with a quality conscious operator in a developing country will considerably ease the business downward and upward”. (Large-scale European importer)

10.5. Retailers

Retailers are the main drivers of the private standards trend. As noted earlier, food safety is increasingly considered a pro-competitive issue. As noted earlier, groups like the GFSI have benchmarked a range of FSMS to assist their members. Other retailer groups are encouraging their members to include private standards in their procurement strategies. For example, the Food Marketing Institute (FMI) which represents three-quarters of all grocery sales in the United States recently adopted a new sustainable seafood policy and is encouraging its 26 000 members to include sustainability in procurement policies: it includes on its website resources that include a list of relevant certification programmes⁶⁹. The seafood industry media also offers

⁶⁷ Interviews conducted by Marie-Christine Monfort, mid-2007.

⁶⁸ This refers to a “detectable blue metal strip” attached to the fish.

⁶⁹ Largest U.S retail trade group OKs sustainable seafood policy, www.intrafish.no, 23 January 2009

advice to buyers related to certification, advising them to ask suppliers if seafood is certified and to check the acceptability (by various means) of certification standards⁷⁰. Requiring suppliers to be certified is a growing trend.

*“There is no question that there is increasing pressure to source seafood from approved sources...In the future there are likely to be more strategic cross-border alliances, particularly to gain security of supply, quality and traceability”.*⁷¹

Retailers, alongside brand owners, stand to reap the main benefits of private standards, including:

- The ability to impose more detailed safety and quality specifications on suppliers, thereby offering more security in terms of product safety and consistency of quality and supply, as well as providing an insurance policy against litigation related to food safety failure (and in the area of sustainability protection against negative attention from NGOs and the media).
- More secure supply relationships: certifications act as a link between the supplier and the retailer. When the supplier has invested in certification there is arguably more commitment to the ongoing business relationship. Certification acts as integrating factor in supply-chains, which in the light of globalization are characterized by increasing complexity
- Guarantees of traceability from farm/boat to retailer.
- Reputation enhancement, where private standards are linked to a retailer’s private label. Private standards can be used as a marketing tool to improve customer confidence in quality, safety and sustainability, and to build brand loyalty.

For retailers any costs involved in developing private standards or managing membership in a FSMS are seen as investment in reputation. Adherence to a FSMS run by a coalition of retail firms (IFS, BRC, GFSI) offers efficiencies in that each retailer is not obliged to ‘re-invent the wheel’.

When buying packaged or processed food products large-scale retailers increasingly require their suppliers to be certified against their own or a private FSMS standard that they are aligned to. Interviews conducted for this report suggested that if processors are not certified, retailers carry out their own audit of the supplier’s premises (or will contract an external audit company to do so). The costs of these audits are typically charged to the processor.

Pressure for certification also appears to be moving further and further down the supply chain. For example, Wal-Mart first required aquaculture processing facilities to be ACC certified (in 2006), following which it turned its attention to producers (requiring they be certified by early 2008), explaining that:

“The intention of certification at the farm level is to coordinate supply, ensure strategic partnerships with suppliers, processors and companies and countries they source from. The

⁷⁰ See for example, ‘Making sense of farmed-salmon certification’, www.seafoodbusiness.com, June 15, 2007, accessed 26 Jan 2009.

⁷¹ Peter Hajipieris, then Group Policy Manager- Seafood, Tesco Stores Ltd, United Kingdom, ‘Meeting Customer Needs for Seafood’, in OECD/FAO. 2007 p.83

*other tangible benefit of farm certification is food traceability and food safety. Food traceability and food safety are clearly issues that require risk mitigation”.*⁷²

10.6. Certification companies – a growing industry

Big winners in the proliferation of private standards are undeniably the certification companies who conduct audits and certify against private standards. As noted earlier BRC alone has accredited some 80 certification bodies as competent to carry out audits against BRC standards. Certification is a lucrative and competitive industry. Indeed, it has been suggested that in some countries aggressive marketing by certification companies is giving an exaggerated impression of the extent to which buyers are requesting suppliers to be certified to a private FSMS⁷³.

10.7. Governments - costs and benefits

The trend in food safety regulatory regimes over the last twenty years, particularly in OECD countries, has been to restructure “away from command and control towards performance auditing of self managed food safety systems that the food producers own...In food safety management, it is up to the producer to identify food safety hazards and appropriate controls to manage them. The role of the regulator is to set the standards for performance outcomes and audit the producer’s performance against the standards”.⁷⁴ Under this scenario the proliferation of private standards might be seen simply as the private sector responding to incentives set by government; by developing robust food safety systems based on mandatory regulation, with certified verification that standards have been met, and with guarantees of traceability. Indeed, the organization responsible for the Global Food Safety Initiative, CIES, lists in a recent paper the benefits to government of its activities as: “Business is promoting compliance with legislation; and Business is self regulating and is driving continuous improvement and best practice”⁷⁵.

In theory, this is all well and good. In practice however, some concerns have been raised about the impacts of private standards on various aspects of government policy. In essence, private standards represent the introduction by the private sector of parallel systems to counter shortfalls, either perceived or real, in governments’ abilities to carry out their responsibilities.

10.7.1. Compliance costs to business

One of the drivers for a shift in regulatory regimes away from command and control towards performance-based systems is to promote efficiency and innovation and to reduce the compliance costs to business. Private FSMS might be viewed as undermining this trend by imposing new compliance costs. Moreover, private standards tend to be prescriptive and highly detailed, rather than performance based, with little recognition of different ways of achieving the same outcome. As one

⁷² Peter Redmond, Vice-President, Wal-Mart, USA, in OECD/FAO. 2007. p. 79

⁷³ Personal communication with Francisco Blaha, FAO, 11 February 2009.

⁷⁴ Alastair MacFarlane, in OECD-FAO. 2007. p.24-25

⁷⁵ ‘Once certified, accepted everywhere: standards, harmonization and co-operation in the global food industry’, CIES, Paris, France.

commentator noted: “*private certifications schemes tend to be prescriptive, based on blind compliance to a set of structured checklists, while the contemporary approach for seafood safety management is based on outcomes*”.⁷⁶ In addition, as noted earlier, the compliance costs are borne disproportionately by producers and processors.

In developed countries, where producers and processors have robust food safety management arrangements in place, the costs of certification are arguably minimal (involving the actual certification fees and the costs of additional documentation). Under this scenario, private standards might be seen as of no particular concern to government as they form part of purely commercial relationships between private sector buyers and sellers, which OECD governments at least, are loathe to interfere with. Moreover, in those countries, in relation to imported fish and seafood, private standards might be seen as an additional food safety guarantee and a protection for consumers. Indeed, concerns about compliance costs and market barriers have been raised almost exclusively by exporting countries, and in particular developing countries (discussed further later).

10.7.2. Shift of food safety governance to the private sector

Some countries, again especially developing countries, fear a loss of sovereignty with large international firms making demands on local producers and processors, or seeking safety assurances that go beyond those that have been deemed adequate by local legislators and/or public authorities in importing countries. Private standards relating to food safety are in essence an indicator of a lack of confidence in local food safety management. This is particularly irksome for governments in exporting countries that have been certified by public authorities in importing countries as having an effective food safety management regime. For example, to export to the EU a country must be certified by the EU as having a ‘Competent Authority’ responsible for food safety management. In essence, the EU “delegates the control of food safety to a Competent Authority in each country, who in turn ensures that exporting farms, vessels and processors are producing safe food under a system equivalent to that in the European Union – the principle of equivalence”. (FAO, 2005). Without a country being certified as having a competent authority, products from that country, regardless of how modern and efficient a particular producer might be, cannot enter the EU market.

Critics of private standards argue that not only are retailers who request certification to a private standard displaying a lack of confidence in the Competent Authority of the exporting country, they are also showing a lack of confidence in their own country’s food safety policy and administrative frameworks: in the case of European countries, in EU food safety management systems. Other markets too rely primarily on guarantees from competent authorities (albeit, as in the EU, backed up by checks at the border, with some also sending inspectors into exporting countries).

⁷⁶ Personal communication with Francisco Blaha, FAO, 11 February 2009. For example, in trying to eliminate contamination by insects in processing plants they might specify the allowable gaps around doors, rather than set an outcome of an insect-free zone and allow the operator to find the most effective way of achieving that outcome, the principle of ‘equivalence’.

In contrast, US Food and Drug Administration (FDA) recently announced a voluntary third-party certification pilot programme for imported farmed shrimp⁷⁷. A range of certification bodies, including ACC (as well as public bodies including the Thai Department of Fisheries, and the U.S. Seafood Inspection Service of the National Marine Fisheries Service) will form part of the pilot. The intention is to evaluate third-party certification schemes with the possibility of eventually allowing products from facilities certified by those bodies expedited entry into the US. The programme responds to the ‘President’s Action Plan for Import Safety’ which called for the development of voluntary third-party certification programmes for foreign producers who export to the United States. The FDA’s Food Protection Plan (November 2008) “emphasizes qualified and legitimate third party certification as a way to help verify the safety of products from both foreign and domestic food companies”. This programme might signal the increasing importance of private standards and certification schemes as facilitators of entry to important fish and seafood markets. As such, the results of the pilot and future developments should be closely monitored.

10.7.3. Fisheries and aquaculture policies

The most recent FAO report on the state of world fisheries notes that opponents of private standards “see them as a private-sector attempt to replace/duplicate governmental policy in fisheries and aquaculture”. (FAO, 2009). For example, private standards in the sustainability area are effectively questioning governments’ abilities to manage their natural resources effectively. Eco-labelling schemes inevitably involve private outside interests passing judgment on the effectiveness of a country’s fisheries management regime. Similarly, private aquaculture standards seem to suggest that governments are not capable of managing not only the food safety aspects but also the environmental impacts and even the labour conditions and social impacts associated with the aquaculture industry. These concerns have been more acute in developing countries where policy frameworks and administrative systems are often weaker. However, the question is raised as to whether private standards are creating confusion amongst local producers and processors as to their obligations (to meet private or public requirements?) and/or undermining governments’ attempts to develop and implement more robust policies and administrative systems, by diverting attention and resources towards meeting private, rather than public requirements.

10.7.4. Potential barriers to trade

Concerns have also been raised that private standards schemes might undermine international attempts to reduce non-tariff barriers to trade; that requirements on exporting country fish producers and processors to comply with standards set by private sector actors in importing countries might amount to a non-tariff barrier to trade. This is discussed later in relation to discussions of private standards in the World Trade Organisation (WTO).

10.8. Developing countries - particular costs and potential benefits

Developing countries account for around half by value, and about 60% by volume, of all seafood traded internationally. Fish and seafood are important income earners for

⁷⁷ www.fda.gov 2 December 2008

them. Trade liberalization has reduced tariff barriers, which should have positive impacts on developing countries access to developed country markets. However, rather than import tariffs, the main barrier to increased exports by developing countries is their inability to adhere to quality and safety related import requirements. (FAO, 2009). Developing countries complain about the multitude of government safety and quality control regimes that vary from one jurisdiction to the next. This multitude of approaches imposes significant costs on exporters in those countries where there is limited capacity to develop comprehensive safety and quality management systems and infrastructures, let alone several different systems to meet diverse import market requirements. Although some progress has been made in terms of harmonization, in particular via the WTO and Codex, it has been slow.

The concerns expressed by developing countries in relation to public regulation in importing countries are mirrored in their concerns related to private standards: the costs of compliance (including the duplication of effort required to complete various levels of documentation), the need to respond to a multiplicity of different standards, the increasing stringency of those standards and the lack of harmonization between them. Poor public infrastructure in particular limits their abilities to meet either public or private overseas standards. Problems include:

- Absence of a national strategy on food safety and supporting regulatory frameworks consistent with import market requirements
- Poor institutional capacities: absence of, or poor performing ‘competent authority’, weak inspection and monitoring services, insufficient data collection and analysis, absence of technical and advisory services (advice on food safety, international requirements, weak or non-existent testing facilities)
- Poor physical infrastructure: roads, reliable electricity supply (eg. a well-performing processor might be undermined by inconsistent power supply necessary for effective refrigeration, or not being able to transport fresh product fast enough due to poor roading)
- The fragmented nature of the fish and seafood industry characterized by small production units (both farming and wild capture). It is estimated that more than 80% of the 12 million aquaculture farmers in Asia operate small-scale farms. (FAO, 2009). A FAO study found that “only a few and relatively larger producers appear able to access” the market for certified aquaculture. (FAO, 2007c).

Developing countries have sought assistance to build their food safety infrastructure (legislative/regulatory, institutional, and physical), which would have the positive effect of reducing the health risks for local populations as well as providing the foundations for exploiting their trade potential. Well functioning public physical and institutional infrastructures are pre-requisites to meeting both mandatory standards in importing countries as well as the growing volume of voluntary private standards. During a recent WTO discussion on private standards, Members discussed how to focus technical assistance to help developing countries respond to them. A number of countries insisted on a continuing focus on government requirements rather than branching out too much into private-sector territory.⁷⁸ In any case, developing basic

⁷⁸ ‘WTO body debates public, private food safety standards’. Bridges Trade BioRes Vol. 7 no.5, 16 March 2007.

but robust food safety systems would provide the foundations for future responses to private standards, if and when this was deemed necessary.

As discussed earlier, developing countries to date have not experienced a great deal of direct pressure to respond to private standards, except in relation to several species in the aquaculture area. However, as the dominance of supermarkets continues to grow internationally and as large retailers impose more and more requirements on their suppliers, this pressure to engage with private standards is likely to increase. Private standards might offer opportunities for developing countries to diversify away from the traditional raw commodity products (unprocessed or minimally processed fish and seafood) to more value-added processed products.

10.8.1. Opportunities for more value-added products

To date, many developing countries have been unable to access the growing market for higher value-added products. Instead, their processing activities have been limited to less sophisticated types of processing (filleting and canning). Private sector companies are unwilling to invest in more sophisticated production equipment in developing countries if their activities are not supported by the public infrastructure. Companies can and do relocate processing to developing countries – including to take advantage of lower labour costs - if they are confident in the local administrative systems (including safety and quality management regimes). The importance of China as a fish and seafood processor provides a good example of this: “China has become a leading location for processing imported fish raw material in Customs free zones for re-export to developed country consumer markets. In the period 2002 to 2004 more than USD 580 million of seafood products were exported on average annually from North America to China and more than USD 1.4 billion imported. Much of that trade was relatively unprocessed frozen fish products exported to China for further processing and re-importation back into the USA”.⁷⁹ However the recent media reports of contaminated Chinese fish and other products entering the United States market shows how dependent this trade is on robust food safety management systems and how fragile buyer confidence can be.

10.8.2. Linking into supply chains

As discussed earlier, integrated supply chains mean closer collaboration with import markets. It could also mean opportunities for transfers of technology and know-how in developing countries.

In Tanzania, a World Bank project found two distinct fish supply chains in operation, an international one characterized by “good integration, low transaction costs, high levels of investment and well-employed technologies”, where specialized agents to the export processors input equipment, finance and training. The second is a domestic chain characterized by “poor organization and little information sharing, which results in high risks for fishermen and boat operators and high transaction costs”. (World Bank, 2005b). Indeed this scenario is fairly typical for many fish exporting countries in Africa. Similar dual supply chains were also found in Thailand in relation to shrimp with larger processing factories supplying the international high-end markets while

⁷⁹ Alastair MacFarlane, in OECD-FAO. 2007. p.19

“smaller factories with less capital investment to implement good quality management systems are supplying local markets and countries with less stringent sanitary requirements”. (World Bank, 2004).

An option for developing countries is to seek ways to transfer information and know-how from one chain to the other. Indeed, some countries have taken important steps in this direction, which are briefly described below.

10.8.3. Proactive strategies – some illustrative examples

Some countries have introduced state mediated certification procedures to certify their safety and environmental credentials, in particular in their aquaculture industries. This can be seen as a proactive strategy to respond to safety and quality demands from import markets by promoting themselves as suppliers of safe and high quality fish and seafood. In some cases this might involve state support to aid compliance with an international private food safety management scheme. A few illustrative examples are briefly described below.

Thailand

Thailand has taken a proactive strategy to access high-end markets by trying to build its national reputation as producer of safe quality products. Over the last 10 years, it has increased the proportion of value added prepared and processed shrimp it exports: now well over half is exported in this form. In 1995, three-quarters were exported in frozen form. (World Bank, 2004)

The Thai government’s strategy included a Code of Conduct (CoC) for sustainable shrimp aquaculture, one-stop-shop service agency for food safety, the creation of a national committee on food safety, alignment of national sanitary standards with international standards, and a strengthened approach to food safety management generally (even distributing a simple testing kit to shrimp farmers to undertake disease diagnostic themselves). (World Bank, 2004). The Department of Fisheries is actively encouraging Thailand’s shrimp farms to meet good practice (GAP) standards or better for marine shrimp farming. This is part of an effort to get all farmers up to speed so as to ensure consistency of safety and quality. Products are marketed as CoC certified Thai shrimp.

It has been argued that these improvements have allowed shrimp farmers to enter into direct supply contracts with supermarkets: “*Shrimp farmers now have more experience in making contracts with foreign foodservice providers themselves without using any brokers*”.⁸⁰ Moreover to help promote exports the Department of Fisheries has entered into mutual recognition agreements with buying countries – for example, with South Korea - to speed product verification procedures. As noted earlier, the Department is also one of the third-party certification bodies chosen as part of the US FDA’s pilot programme for farmed shrimp.

⁸⁰ Vanich Sowanapreecha, quoted in “Carrefour leading trend to buy shrimp direct from farmers” IntraFish, 7 October 2008.

*East African Community (EAC)*⁸¹

Partly in response to the damaging EU bans on Nile Perch in the late 1990s, the three EAC states (Kenya, Tanzania and Uganda) developed a proactive strategy to market Nile Perch as a safe quality product. The strategy included significant regional co-operation (including in creating joint laboratory facilities), more effective Competent Authorities, development of private sector industry groups (including as a facilitator for the dissemination of information) and even a trademark for Nile Perch.

*Vietnam*⁸²

In Vietnam the Fresh Water Fish Association is training catfish breeders on the Hau River in the southern province of Can Tho to introduce technology and processes to meet the Association's American SFQ 1000 standards. The Association controls the programme and monitors farmers against the standard: they are audited at least once every three months. Anyone not in compliance is removed from the programme.

*India*⁸³

95% of Indian aquacultured shrimp and prawns are exported. The demands of international markets, including for certification, have been problematic for Indian farmers. As 90% of them operate ponds that are smaller than two hectares, traceability is especially difficult. To counter some of these problems, the aquaculture industry is now regulated by the Coastal Aquaculture Authority Act, which includes codes of practice for aquaculture operators and includes registration of farms, hatcheries and processors. Participatory farming is encouraged through the formation of 'aquaculture clubs' and clustering of farms, whereby farmers can pool resources, share know-how and introduce Better Management Practices (BMP). Such co-operation enables more efficient traceability and improved quality products. This level of quality insurance has led to improved returns to farmers.

10.8.4. Proactive strategies – some other options

The costs of certification to FSMS are typically prohibitive for small-scale operators in developing countries. Often the costs include flying in overseas auditors and certifiers. Some potential solutions are outlined below.

Organizing fishers and fish farmers

Organizing small fishers in developing countries, for example, by encouraging farmers/fishers associations or clusters, would enable them to respond collectively to the requirements of both public and private standards, and would ensure that they are able to take advantage of available technical assistance. Industry groups can play a vital role in disseminating information (on import country specifications) good practices (good hygiene practices, good management practices, record keeping) and technology, and provide a link to government (including pressuring government to

⁸¹ See N. Gitonga, in FAO, 2007a.

⁸² www.itpc.hochimincity.gov.vn

⁸³ G. Mohan Kumar, in OECD/FAO, 2007.

provide an enabling infrastructure - both regulatory and physical - for developing export potential).

Some FSMS such as GlobalGap will certify private sector industry groups or cooperatives, and not just individual operators. Industry bodies might also help to develop criteria against which local operators could decide whether seeking certification to a private standards scheme was a cost-effective option (along the lines of the decision tree developed by the FAO for Asia Pacific fisheries operators). (FAO, 2007c). Success stories in developing countries need to be better documented and shared with other groups and countries facing similar challenges.

Audit and accreditation capacities

Accrediting auditing agencies in developing countries would reduce the costs of having to contract-in foreign certifiers. Where the market is too small to sustain an accreditation agency, some regional solution might apply eg. EAC shared facilities and export strategies.

Compliance with public requirements first

For developing countries to take advantage of the opportunities presented by private standards, they must first be able to meet the requirements of mandatory regulatory requirements in importing countries. This would create the foundations for future responses to private sector standards. Indeed a FAO study (FAO, 2007c) on the costs and benefits of certification concluded that: “It is almost certainly more important to comply first with the basic mandatory requirements of food safety and hygiene (ie. in terms of HACCP compliance),” as well as on improving quality, reliability of supply and traceability mechanisms. As noted earlier, compliance with mandatory requirements is a pre-requisite to any private sector certification, but the reverse is not true. Certification to a private standards scheme will not allow access to the European market for example, if the exporting country itself (and its competent authority) has not been given the green light to export to the EU.

11. PROTECTION OR PROTECTIONISM? IMPACTS OF PRIVATE STANDARDS ON GLOBAL TRADE

As noted earlier, the World Trade Organization (WTO) has generated a regulatory framework to facilitate international trade. The Sanitary and Phytosanitary (SPS) Agreement and the Technical Barriers to Trade (TBT) Agreement of the WTO are particularly relevant to trade in fish and seafood products.

The impact of private standards on international trade has been raised for discussion at recent meetings of the WTO. It was first raised at the 2005 meeting of the SPS Committee: a subsequent discussion was held in March 2007. In 2008, the Chair of the Committee circulated a list of questions to Members seeking their views on what the Committee could and should do about private standards. Responses were received

from 30 Members and were summarized by the Secretariat along with a 3-phase proposal for future work in the area⁸⁴.

A note by the WTO Secretariat produced for the 2007 meeting outlined the main ongoing concerns of Member countries in relation to private standards. They included concerns related to the content of private standards, issues related to compliance with private standards, and their overall implications for international trade. These and other issues are briefly summarized below.

11.1. Non-scientific basis and lack of consistency with SPS obligations

Article 2 of SPS Agreement states that: *Members shall ensure that any sanitary or phytosanitary measure is applied only to the extent necessary to protect human, animal or plant life or health, is based on scientific principles and is not maintained without sufficient scientific evidence...*. Private standards schemes cover a broad range of specifications relating to food safety, environmental protection, animal welfare, labour standards etc. Some Members of the SPS Committee have argued that private standards invariably exceed the minimum standards set by government regulation, that those related to food safety are not backed up by science-based risk analysis, and that related product and process specifications often include non-safety and quality criteria (that have no particular scientific rationale)⁸⁵. A note by the World Organization for Animal Health (OIE) circulated to the SPS Committee in February 2008 concurred with this assessment: *“The OIE considers that private standards seldom have a scientific basis, especially if they are introduced for purely commercial reasons (e.g. to differentiate in the marketplace products that are equivalent in sanitary terms)”*.⁸⁶ The OIE also noted that, “there is reason to believe that many private standards are not consistent with SPS obligations”.

The OIE however, acknowledged that private standards have never been tested for compliance with the SPS agreement. Indeed, comparisons of private standards and relevant international public standards (OIE, Codex and the IPPC⁸⁷) formed part of the 2008 proposals put to the SPS Committee, albeit with varying views on who should conduct such comparisons. To date, there has been no robust analysis of whether private standards are, or are not, consistent with international standards or with SPS obligations.

It should also be noted that some of the “international standards” referred to in these discussions are not themselves mandatory. In terms of consumer protection and food safety, Codex has taken on unprecedented international importance. Yet Codex standards themselves are meant to be voluntary and adopted by consensus. However, given their importance under the WTO Agreements (SPS and TBT), whereby they are used as a reference in trade disputes, Codex standards in practice are neither voluntary nor fully mandatory, but fall into a category known as “voluntary under duress”.

⁸⁴ WTO, Private standards – identifying practical actions for the SPS Committee – summary of responses, G/SPS/W230, 25 September 2008

⁸⁵ The WTO Agreement on the Application of Sanitary and Phytosanitary measures (SPS Agreement). Article 2.2. www.wto.org

⁸⁶ WTO, Considerations relevant to private standards in the field of animal health, food safety and animal welfare, G/SPS/GEN/822, 25 February 2008.

⁸⁷ International Plant Protection Convention

11.2. Interface between official SPS measures and private standards.

There are concerns that private standards might start to influence government regulatory frameworks, including those affecting trade. For example, a government standards body might develop an official standard based on ISO 22000, or might give the ‘green light’ in terms of ease of entry to imports certified against a trusted private FSMS, thereby offering those products preferential treatment. Again, there is little empirical evidence to respond to these concerns, or to quantify any potential impacts on trade. However, the recent US FDA pilot programme for imports of certified farmed, discussed earlier, might add to fears that products certified to a private standards scheme might at some point be given preferential entry status.

11.3. Costs of and access to certification

Members of the SPS Committee, in particular from developing countries, have raised concerns about the costs of third party certification to private standards, especially the burden they place on small and medium sized enterprises and producers in developing countries. Multiple audits, as a result of a lack of mutual recognition between schemes, have also been identified as costly and burdensome. The requirement of many FSMS to use a limited number of accredited certification bodies has also been seen as a barrier to entry of developing country products into lucrative import markets.

11.4. Technical barriers to trade

The Agreement on Technical Barriers to Trade (TBT) is also relevant to a discussion of private standards. The TBT makes a distinction between “technical regulations”, which are mandatory, and “standards”, which are voluntary requirements. The TBT in its Code of Good Practice for the Preparation, Adoption and Application of Standards, prohibits both technical regulations and standards from discriminating between domestic and foreign products that are alike (the national treatment principle) and between ‘like products’ from different WTO members (the most-favoured nation principle). Where a technical regulation is applied in accordance with a relevant international standard, then it is presumed not to create an unnecessary obstacle to trade. However, there is no such interpretation in relation to voluntary private standards. While, as discussed earlier, private standards schemes are often based on international *Codex Alimentarius* standards (including HACCP) they invariably go beyond them rather than being applied “in accordance” with them. As noted earlier, there has been no analysis comparing the requirements of international standards and private standards.

11.5. Jurisdiction over private sector actors

While governments have the right to challenge the actions of other governments within the context of the WTO, the grounds for challenging non-governmental actors is less clear. A note by the WTO Secretariat discussed governments’ responsibilities *vis-à-vis* non-governmental bodies in relation to private standards. The note explained that:

“Were a particular private standard to fall within the definition of a standard under

the TBT Agreement, then Article 4 would apply. This Article requires Members to take reasonable measures to ensure that non-governmental bodies accept and comply with Annex 3 to the TBT Agreement (the Code of Good Practice for the Preparation, Adoption and Application of Standards)".⁸⁸

It is not clear what mechanisms governments have to control the private contractual relationships of private sector firms. Jurisdiction over multi-national firms, or coalitions of firms, would be even more problematic. The SPS Agreement offers no direction on this front and "there is no jurisprudence on this matter".⁸⁹

11.6. Trade enhancing or trade restricting? – divergent views

In the context of discussions on private standards at the SPS Committee of the WTO, differences of opinion have been expressed, including differences between Members from developing countries. For example, while some countries have argued that private standards help to expand trade, others counter that they pose challenges to small countries and traders, noting the costs of compliance, the multiplicity of schemes, and the lack of mutual recognition between them. Some Members have gone as far as to claim that private standards are "in conflict with the letter and the spirit of the SPS Agreement, veritable barriers to trade and having the potential to cause confusion, inequity and lack of transparency".⁹⁰ They pointed to compliance costs, and the arbitrariness and lack of objectivity of verification systems, which they said should be more flexible and take into account country differences.

Differences of opinion have also been expressed on the way forward for the Committee in relation to private standards. Some Members have called for clarity in terms of the legal relationship between private standards and WTO agreements, suggesting that the legality of the situation should be ascertained before any further analysis is undertaken on the negative or positive impacts of private standards on international trade.

Clearly, further evidence of the actual effects of private standards on trade opportunities, especially for developing countries, is needed. The SPS Secretariat noted that the number of Committee Members in favour of a study comparing private standards with the corresponding Codex, IPPC or OIE standards "is a clear indication of the desire for the Committee to take some concrete steps on this matter"⁹¹. Part of the proposal for future work of the SPS Committee is for Members to submit information related to the impact of private standards on specific export products, so as to generate some concrete evidence as to the actual impacts on trade.

⁸⁸ WTO SPS Committee, Private Standards and the SPS Agreement, Note by the Secretariat, G/SPS/GEN/746, 24 January 2007, para. 20.

⁸⁹ Ibid. para. 26.

⁹⁰ WTO body debates public, private food safety standards, Bridges Trade BioRes Vol. 7 no.5, 16 March 2007

⁹¹ WTO, Private standards – identifying practical actions for the SPS Committee – summary of responses, G/SPS/W230, 25 September 2008, para 5.

12. FUTURE SCENARIOS AND KEY QUESTIONS

The impact of private standards is likely to increase due to the increasing dominance of supermarket chains in fish and seafood distribution, and as their procurement policies move away from open markets towards contractual supply relationships defined by private standards and detailed product and process specifications. Moreover, as large European retailers (the vast majority of leading retail trans-nationals, with the exception of Wal-Mart, are Western European) become increasingly globalised, their buying strategies are influencing retail markets in East Asia, Africa, Eastern Europe and Latin America.

While there are a myriad of opinions on the impacts of private standards on global food governance and international trade, there remains a dearth of empirical evidence. In terms of international trade and marketing of fish and seafood the gaps in evidence are even more pronounced. Some key questions remain.

12.1. Are private standards adding value to food safety governance?

Whether or not private standards are adding value to food safety governance is arguably in the eye of the beholder. For retailers seeking quality assurance, robust risk management and clear lines of traceability then the answer is undoubtedly “yes”. In terms of bottom line food safety and consumer protection then the answer is probably “no”. Most private food safety management schemes are based on mandatory regulation with additional specifications related mainly to quality aspects and the aforementioned risk and traceability assurances. While there has been no systematic comparison of the private sanitary requirements of individual firms and those encapsulated in public regulation, industry sources supplying to those firms suggest that key safety criteria (such as ‘use-by’ dates, and acceptable levels of contaminants) do not appear to be more stringent than those required by public authorities (which also vary between markets). In any case, both public and private standards are typically based on Codex and HACCP.

Some research comparing private standards with mandatory public standards (at least in the main fish and seafood import markets) to test the relative value added by private schemes, would be useful. This would however likely to be limited to a selection of the larger food safety management certification schemes (given commercial sensitivities and the confidential nature of individual firm-based specifications). Any such inquiry would need to cover both the content of the schemes and their related standards, as well as the compliance and verification procedures, since it is often the audit requirements that those seeking certification find most burdensome and that the organizations demanding certification consider most important (and lacking in public food safety management regimes).

Comparing private standards to international public standards, such as Codex, IPPC and OIE, as envisaged in WTO discussions would also be useful. However, it should be noted that while these standards are developed in an international context and by mutual agreement, the monitoring and verification aspects of compliance are left to individual national authorities. As noted earlier, large-scale retailers requiring certification to private standards express a lack of confidence (whether justified or not) in the “competence” of some Competent Authorities.

12.1.1. Assessment tools – auditing the auditors

What is definitely not adding value to global food safety governance is the growing proliferation of private standards and certification schemes. It has led to confusion and could undermine confidence in standards overall. Various stakeholders at different levels of the supply chain have expressed concerns about the number and varying quality of schemes: producers and processors are unsure as to what scheme to seek certification against and even retailers and large brand owners have doubts about which schemes are most robust.

Some industry sources have pointed to the utility of the FAO guidelines on eco-labeling of wild capture fisheries as a potential assessment model. They argue that the guidelines serve as a benchmark against which to judge the quality of the various eco-labeling schemes, and have called for a similar model for aquaculture (encompassing both safety and quality aspects as well as environmental criteria). However, while the FAO guidelines provide an assessment framework (for one particular type of private standard – namely eco-labels) to date no public authority or international organization has actually carried out an assessment of the various private standards schemes against the criteria and principles embodied in the guidelines⁹². Assessing the quality and utility of private standards and certification schemes that cover a range of criteria – from safety and quality to environmental impacts – is arguably even more problematic. WWF has attempted to benchmark a range of private aquaculture certification schemes, albeit against criteria of particular interest to WWF (see box).

While the FAO Members agreed to the development of guidelines for eco-labeling schemes and are likely to agree to guidelines for aquaculture, there is less agreement - and no clear mandate - as to whether the FAO should assess any private scheme against those criteria.

A further question for policy makers, in the context of an apparent shift in responsibilities from the public to private sector for food safety management, is who audits the auditors: are profit maximizing private sector firms the best agents for incentivising better food safety management throughout the supply chain?

⁹² The UK Seafish Authority has recently formed a consortium of interested parties (including industry bodies from other countries) to commission a study of the various eco-labeling propositions. The FAO is acting as a technical observer in those proceedings.

Box 2. WWF Benchmarking Study of Certification programmes for Aquaculture

WWF conducted a study on standards and certification schemes currently used in aquaculture, whereby a wide range of schemes were evaluated and benchmarked against a range of criteria. It found significant shortcomings in all of the schemes studied including:

- Limited openness in standards governance, and insufficient multi-stakeholder participation in their development
- Inadequate meaningful, measurable and verifiable criteria for addressing key areas of concern (as defined by WWF)
- Weak independence in the operations of the bodies responsible for creating, holding, inspecting and certifying standards
- Deficient mechanisms for certification of chain-of-custody
- Poor mechanisms for applying corrective measures and sanctions

While all of the schemes studied were considered inadequate, it should be noted that they were judged against criteria set by WWF (mainly environmental impacts, social issues and animal welfare), some of which were arguably outside the objectives set by the schemes themselves (for example several schemes in Europe or developed nations were judged inadequate because they did not specifically encompass labour rights and social issues, which in those countries would be a 'given' and well controlled by public regulation and authorities). WWF counters stating that "...WWF does not accept that any key impacts can be ignored because an industry or stakeholder group decided not to work on them".¹ Yet the benchmarking study excluded issues concerning "food safety, product hygiene and product quality", which are the primary focus of many of the standards and certification schemes. Despite this the study provides a useful analytical model for any future benchmarking or evaluative studies.

12.2. Do private standards conflict with, complement, or duplicate public regulation?

Again because there has been no systematic comparison of private standards and public regulation there is no concrete evidence to assess the relationship between public and private standards. Several areas are especially pertinent:

12.2.1. Food safety

As noted above, private standards are typically based on mandatory regulation and therefore are not likely to demand more in terms of acceptable levels of contaminants, or more stringent 'use-by dates' etc. Hence they are unlikely to conflict with public food safety regulation. Duplication is more likely to be an issue, if not in relation to the content of requirements, then in methods of compliance and verification.

Concerns about having to comply with a variety of standards need to be addressed. Those concerns are likely to mirror concerns about the relative lack of harmonization of public regulation including the lack of harmonization between the safety and quality requirements of public authorities in various export markets. Some harmonization and mutual recognition of public regulatory frameworks for food safety would go a long way towards reducing the current complexity in global food safety governance and would ease international trade. It is perhaps disingenuous of public authorities to point the finger at the private sector when the private sector has arguably been as active as the public sector in terms of harmonization of food safety standards (the activities of the GFSI is a case in point). Dialogue between the public

and private sector at the international level, with the aim of reducing the complexity of food safety governance overall, would be useful (the dialogue between ISO and GFSI might act as a harbinger).

There is little evidence to suggest that compliance with private standards might facilitate the implementation of public standards. Indeed, the inverse is a more likely scenario. Compliance with public standards provides a baseline for, and is therefore essential for meeting the requirements included in private standards schemes.

A FAO report on eco-labels (FAO, 2008b) suggested that fisheries that typically achieve certification (as sustainable) are those that are already well managed anyway. The same might apply to certification for safety and quality: do demands from buyers for suppliers to be certified and the certification process itself incentivise better food safety management, or are operators who achieve certification mainly those that already run effective food safety management systems?

12.2.2. Traceability

The traceability (chain of custody) requirements of private standards schemes – often requiring full traceability from farm/boat to fork - are likely to be as, if not more robust, than most public requirements. The EU traceability requirements are arguably the most stringent in terms of public regulatory requirements, based on the principle of “one step backwards, one step forwards”⁹³, and requiring all aspects of the supply chain⁹⁴ to be approved for purpose by the EU approved Competent Authority. However, as noted earlier, private standards schemes require traceability requirements to be verified by private sector certification companies, partly due to a lack of confidence in the capacities of local competent authorities (even those that have been approved as fit-for-purpose under strict EU criteria). Assisting with capacity building in countries with weak administrative systems would arguably be a more effective strategy than imposing a parallel private system to compensate for perceived or real administrative shortcomings. Moreover, a company certified to a private standards scheme will still not have access to certain markets, such as the EU, if the competent authority of the country in which it operates, has not been approved by public authorities in key import markets.

12.2.3. Audit and Documentation – duplication and complexity

It is in the area of audit and verification and the related documentation required where duplication between public and private requirements is perhaps most evident. Separate sets of compliance documents relating to public and private certification (or even several public and several private certifications) amount to heavy compliance costs. Those costs are especially burdensome where there is a prescriptive rather than an outcomes-based approach to compliance. It has been argued that while the public sector trajectory is towards more outcome-oriented systems (defining outcomes and allowing operators the flexibility to choose how to achieve them), private standards schemes remain wedded to a substantive checklist approach including precise product and process requirements. There is a need to promote more outcome or performance

⁹³ See: Exporting Seafood to the EU, International Trade Centre, Bulletin No.84/2008/Rev.1

⁹⁴ Vessels, landing sites, transporters, processors etc. for capture fisheries and feed producers, hatcheries, farms, transporters, processors etc. for aquaculture products.

based compliance management and verification. Producing two (or more) compliance documents according to who is conducting an audit is not only "...a waste of resources, it diminishes the value of true compliance, as it is seen as paper exercise",⁹⁵ rather than as a tool for continuous management and quality improvement.

12.3. Do private standards facilitate market opportunities or act as a barrier to trade?

The jury is still out on whether private standards are a bonus or pose a barrier to international trade. On the one hand they can be trade-creating in that compliance offers opportunities to access lucrative markets in developed countries. However, as noted earlier, compliance with private standards schemes is highly problematic for some operators, especially small producers and processors in developing countries.

Market liberalization and the reduction of trade barriers negotiated by national governments in the WTO will not ease market entry for developing countries if public requirements are replaced by new rules set by large international private firms or coalitions of them. Moreover, while private standards are on the surface 'voluntary', they could become de facto mandatory standards if compliance with them becomes necessary to access developed country markets.

13. CONCLUSIONS AND AREAS FOR ATTENTION

This report is based on existing information and the views of stakeholders in the fishing industry. It has highlighted the dearth of empirical evidence and the need for further research and some action in the following areas:

13.1. Monitoring developments in private standards – accumulating evidence

There is a need for more evidence and analysis on the impacts of private standards on international trade based on concrete country evidence. Do they really act as non-tariff barriers to trade, generally, and specifically in relation to fish and seafood? Moreover, what role can and should the public sector take in regulating the activities of private sector standards schemes?

Comparisons of public and private food safety management requirements are needed to determine where there are synergies to be exploited, efficiencies to be gained, and duplication to be avoided.

13.1.1. Assessment tools and methodological advancement

There is a need for some guidelines or assessment criteria so that industry players can judge the quality of private standards schemes (the FAO eco-labels guidelines provide a useful model) to assess which FSMS carry most value: which schemes best serve consumer protection and public health, as well as industry needs for traceability and risk management?

⁹⁵ Personal communication with Francisco Blaha, FAO, personal communication, 11 February, 2009.

13.1.2. Need for harmonization – public and private

There is a need for harmonization of both government food safety regulations and private FSMS, including through mutual recognition. This would lead to cost efficiencies, would facilitate trade, and would decrease the current complexities in global food safety governance. Some sort of roadmap with desired outcomes and interim deliverables would need to be developed with both public and private sector participation.

13.1.3. Support to developing countries

Support to developing countries would likely be best in the form of assistance to develop the infrastructure (physical, regulatory and institutional) that is a pre-requisite for compliance with both public and private food safety and quality standards. This might involve some supply chain development. The transfer of information, technology and know-how from integrated supply chain actors to other parts of the industry might help fisheries stakeholders move beyond “entry-level commodity trading relationships with international markets”⁹⁶ to take advantage of opportunities for more value-addition and subsequently improve access to more lucrative markets or market segments in importing countries. Documenting success stories and sharing these with industry stakeholders in other developing countries would be valuable.

13.2. Conclusions

Any evaluation of standards and certification schemes set up by and for the private sector raises issues related to the role of public authorities (national or international) in regulating aspects of private commercial contracts, and related questions as to what mechanisms they have to achieve leverage in the area. As private standards become increasingly important in global food safety governance and in international trade in fish and seafood products, international action will be required to ensure further harmonization and mutual recognition between various public regulatory frameworks and between public and private standards, so as to ensure that all standards are non-discriminatory and are consistent with the rules of international trade. As private standards play an increasingly significant role in overall food safety governance, governments cannot afford to ignore them.

⁹⁶ Alastair MacFarlane, in OECD-FAO. p.26

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