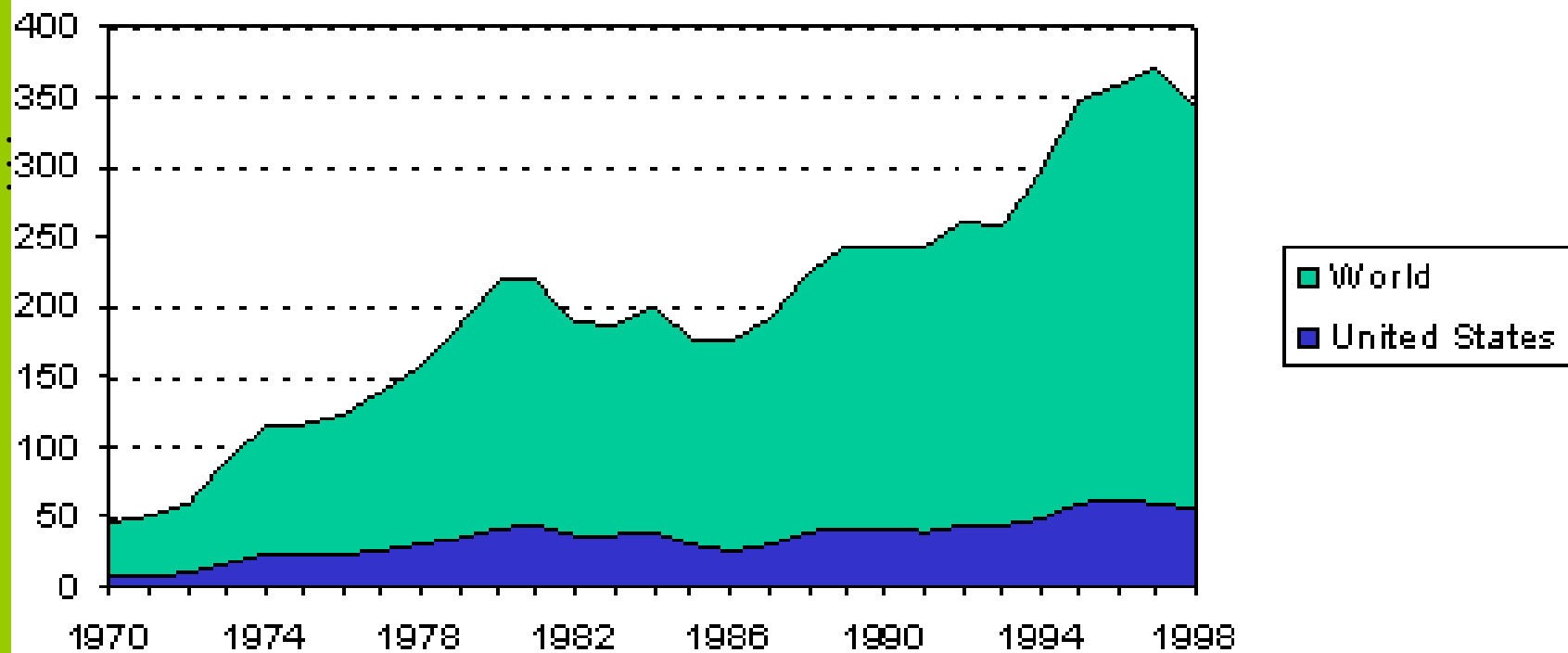


Effects of Private Standards on Meat Trade

By Michael Ollinger
Economic Research Service

Agricultural exports continue to expand

Billion \$US



Source: United Nations data

Why Have Standards

- Sets forth attainable levels of food quality on various quality dimensions.
- Facilitates trade by establishing a concrete basis upon which food qualities, such as food safety, can be measured
 - Gives producers confidence that products cannot be rejected if meet the standard
 - Gives producers a target that must be attained
 - Gives consumers a minimum level of quality .

Public standards that helped expand trade of all types

- Sanitary and Phytosanitary (SPS) Agreement
 - conditions under which SPS issues could be used to limit trade
 - consideration given to science and international standards setting bodies, such as the Codex Alimentarius in making those determinations
- Technical Barriers to Trade (TBT) Agreement
 - Discuss conditions under which trade in goods and services might be restricted
 - limits how packaging, labeling, customs forms, etc. could be used to block trade.

Why Have Private Standards*?

- For Industry Group:
 - Establishes common standard, facilitating production
 - Reduces costs of establishing standards.
 - Has legitimacy if endorsed by multiple buyers.
 - may be more comprehensive than general standards, e.g. EurepGap versus GAP.
 - Enforced with third party audits or own auditor

Private standards

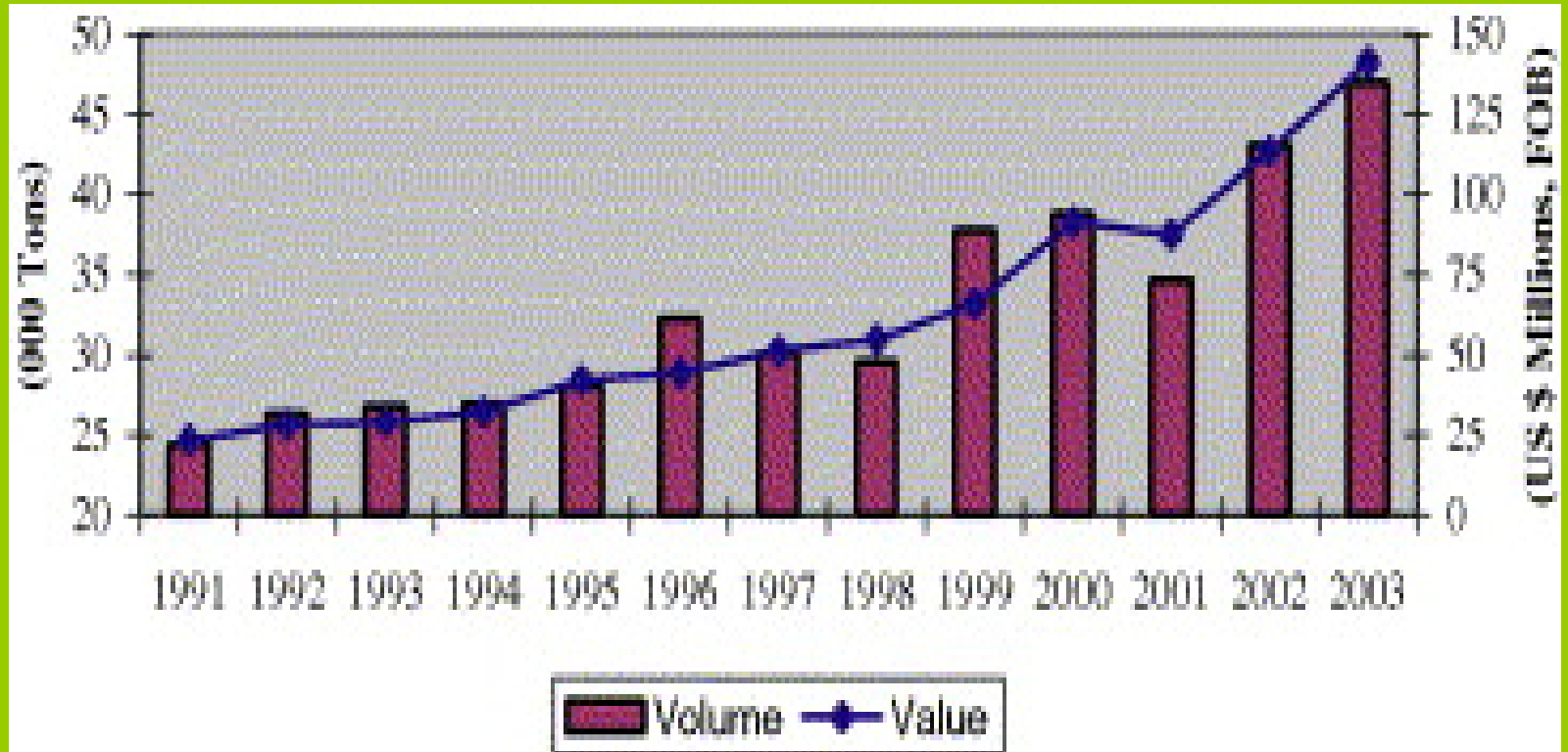
- For individual Firm:
 - Combine elements of several national standards. Allows firm to freely move products across countries but within firm.
 - Allows company to differentiate products. Supermarkets might use it for their private brands
 - Enforced by exporter, third party audits, or in-house auditor.

RAISE SPS GLOBAL ANALYTICAL REPORT #9 for U.S. Agency for International Development, 2005

Examples of Industry Groups

- British Retail Consortium (BRC):
 - focus on the processing facilities, including detailed documentation and traceability of all administrative and factory processes
- EurepGAP: 13 largest European retailers including Royal Ahold, Marks & Spencer, Tesco, Safeway, and Sainsbury start it. At least 23 members now
 - Environmental quality, worker welfare, and food safety focus
 - documentation and traceability of produce at the farm level
- Suppliers must conform to both and individual standards.

Kenyan exports of fresh produce



Source: based on data from the Kenyan HCDA. Data modified as in [Jaffee \(2003\)](#)

Kenyan Exporters Adapt to EurepGap

(Jaffee and Masakure, 2005)

- Spot Market
 - products come from non-controlled sources
- Products for Supermarkets arranged by exporters
 - Full compliance with HACCP
 - Professionals hired to manage production system
 - Farmers are trained, sometimes provided inputs,
 - Farmers monitored to ensure compliance
 - Backward integrate into farming to ensure traceability

The Ghanaian Adaptation to EurepGap (1)

- Blue Skies Exporting company
 - Purchases and processes fruit from certified growers
 - provides loans for grower certification, pays for farmers training in EUREPGAP, builds infrastructure.
 - conducts farm inspections
 - checks fruit quality at harvest time
 - no formal contract with growers, imposing a risk on them, since they make investments.

The Ghanain Adaptation to EurepGap (2)

- Farmapine farmer cooperative
 - assists small- and medium- sized pineapple producers who own from half an acre to 30 acres to gain certification
 - guarantees markets and prices and conducts all marketing.
 - provides all inputs on credit; these costs are deducted from what the farmer earns from his harvest.
 - ensure fruit quality by preparing, harvesting, and packing fruit for export.
 - Farmers must deal separately with leftovers and fruit that does not meet standards.

How countries have performed under European Standards

(Jaffee and Makasure, 2005)

- Overall Kenyan exports rise
- Small Kenyan landholder share of exports drops from 45 percent to 27 percent over 1989-2002 (Jaffee, 2003).
- Ugandans do not successfully comply with EurepGap
- Peruvian complies and becomes leading exporter of Asparagus.
- Ghanain exporters supply market for fresh-cut fruits, including pineapples, passion-fruit, papaya, mango and coconut

Adapting to the American Market: The case of green onions*

- Some U.S. and Canadian buyers require high standards for, food safety and use third party audits to enforce standards
- costs for Mexican green onion growers to adopt GAP/ GMP: \$0.7 to \$2.5 million (Avendaño and Schwentesius, 2003)
- 25% of growers comply with EurepGAPs, which cover environmental quality and worker welfare.
 - produce to one set of standards to meet needs of all buyers.
- Hepatitis outbreak leads to a \$12.43 to \$7.23 price drop per box in one week
- Six months later: growers with full or partial GAP compliance have no impact on output. Others lose 50-100% of output.

*Calvin, Linda, **Belem Aventine**, and **Rita Schwentesius**, 2004

Summary of Private Standards, primarily fruits and vegetables

- Emerged because public standards do not include features demanded by consumers.
- Specify particular qualities, such as food safety, worker rights, environmental standards, ripeness, etc.
- Tailored for special products or special needs.
- Used for export or domestic sources

Private Standards in Meat Products.

- Wal-Mart and other U.S. retailers require third party certifications
 - U.S. retailers have had separate quality programs, raising costs for producers and requiring each retailer to have its own program.
- European retailers established GlobalGap for meat and produce in 1997 to minimize cost of complying with 27 countries and a European agency
 - Responds quickly and precisely to food safety and other events
 - reduces compliance and management costs

Source: Private Food Standards Gain Favor --- Wal-Mart, McDonald's Adopt European Safety Guidelines. Wall Street Journal, March 11, 2008

French Minimum Quality Standard in beef

- Prohibition of growth stimulants and steroids
- Prohibition of ground animal parts in cattle feed
- Progressive Prohibition of growth-inducing antibiotics
- Health monitoring of the animals, identification and treatment of diseases and systematic veterinary examination before and after slaughter
- Systematic tracking down of ESB through tests (cattle of more than 24 months old)
- Verification of the elimination of specific risk materials
- Verification of identity (ear tags and animal passports)
- Computer data base of animals by country
- Traceability; each animal part is precisely identified; allows traceback to specific animal
- Country of origin/birth, raising, and slaughter of animal and the registration number of the slaughterhouse and parts-cutting room (and whether it is monitored and certified)
- Labeling at the points of sale and labeling of origin of meat served at restaurants

Carrefour private label beef in France

- Requires animal breed and that France is the country of origin
- Requires that maximum slaughter age of cattle is less than 9 years
- Specifications related to musculature and fat
- Specification of minimum carcass weight (300 kg for cows)
- Requires minimum of 12–18 days aging to ensure meat tenderness
- requires minimum time of pasture-feeding
- requires production notebook verified by government and monitored by a third party expert

Summary of Private Standards and Produce Trade.

- Private standards are common in fruits and vegetable trade
 - Deal mainly in north-south trade
 - Suppliers provide off-season produce, e.g. winter tomatoes
 - Supply exotic fruits and vegetable, e.g. mangoes.

Will Meat Trade Follow Produce Trade?

- North-south trade in meat and poultry is not common, except for spot market
- No off-season or exotic markets.
- Unless U.S. exporter has some other way to differentiate its product, private standards would loom as just another standard that an exporter must meet to satisfy market conditions
 - Would likely raise costs