

Supermarkets and standards

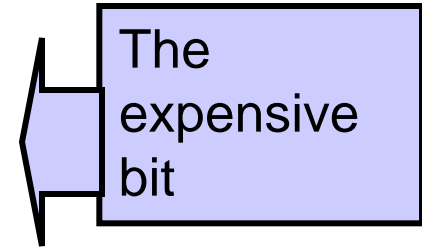
Bill Vorley

IIED



The world of standards

- Public
- Private
 - Collective (eg EurepGAP)
 - Retailer-specific (eg Tesco's Nature's Choice)
- Common elements:
 - QMS and traceability
 - Independent audits and certification
 - Quality and safety (pesticides and pathogens) are key
 - Minor status of envi and social criteria



Why private standards are a development issue

- **At the heart of “Making markets work for the poor” and benefits of liberalisation**
 - **Connect producers to value-added markets**
 - **Exploit comparative advantage of small farmers**
 - **Escape volatility and low prices of commodity markets**
- **But in added-value markets, ‘voluntary’ private standards are becoming a *de facto* condition of market entry**
- **Off the WTO radar**

OECD Agricultural Outlook

21/06/2005

Increasing concentration and globalisation in the food industry, and the growing role of product standards, are likely to exert an increasing influence on production and trade.



"Export markets offer very lucrative opportunities but can be very hard to exploit. Large retailers such as supermarkets in Europe play a decisive role in structuring the production and processing of fresh vegetables exported from Africa... Their informal or private standards can be even more exacting than official ones... leading to the exclusion of small farmers and concentrating business in the hands of large firms"

Our Common Interest. Report of the Commission for Africa: More Trade and Fairer Trade. 2005

Drivers

A response to consumer demands, or a buyer strategy to reduce risk and/or increase efficiency?

- **Privatisation of food safety**
 - **Government shift to oversight role, passing responsibility to the private sector via legal instruments (eg EU White Paper on Food Safety 2002)**
 - **Business “firewall” response to legislation**
 - **Liability and proof of Due Diligence**
- **Reputation and brand protection**
- **Global sourcing**
 - **A proxy for supplier competence**
- **Differentiation in the marketplace**
 - **“This is not just food, this is...”**
- **Control and rationalisation of supply**

Benefits of private standards

- Reduction and careful use of chemicals
- Spill-over into domestic market
- Enforcement of labour standards,
minimum wage

Convergence of standards

- New European harmonised framework for food and feed hygiene: a "**farm to table**" approach
 - General Food Law EC/178/2002
 - Hygiene of Foodstuffs EC/852/2004
 - Feed and Food Law EC/882/2004
 - ensure verification of compliance

Standards are not the only market requirement !

- Reliability and continuity of supply
- Consistency
- Quality
- Scale

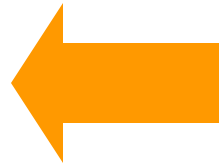
Requires

- Capital (note payment terms)
- Technology
- Organisation

Equity in standards: what can be done?

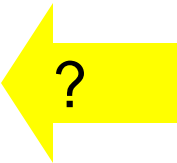
- Train small farmers
- Promote producer organisation
- Adjust protocols
- Adjust standards
- Modify procurement policies
- Invest in alternative chains
- Apply development test to new EU standards

Seller



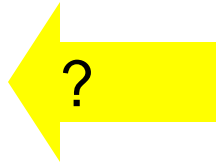
Standard-setter

?



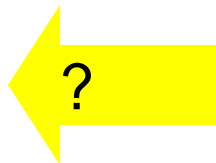
Buyer

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State

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Getting a better development bang from African procurement

- “Supermarkets should assess the development impact of their procurement and standard setting practices on smallholders and help them integrate into the supply chain.”



Our Common Interest. Report of the Commission for Africa: More Trade and Fairer Trade. 2005

The realities of supermarket procurement

- Each buyer will manage 4-5 categories, each category will have hundreds of products, and each product will have 4-5 suppliers
- Buyers tend to take comfort in large producers
 - Small producers present a problem of *confidence* related to *capacity*
- ⇒ Need to speak with the buyers, not necessarily Technical Director or CSR managers

The realities of supermarket procurement

- **Asymmetry of power between supermarkets and suppliers leads to:**
 - **Opportunistic behaviour (rather than collusion)**
 - **Unfunded demands for services and standards**
 - **Annual price deflation**

The realities of supermarket procurement

- **“Supermarkets have little concern about UK development policy**
 - **Secretary of State for International Development will have little power to influence long-term business decisions**
- **But company policy can make a differences**
 - **Example of Fairtrade bananas ”**

Small-Scale Producers and Standards in Agrifood Supply Chains

Consumers in the Global North are increasingly concerned about the quality and safety of the food products they buy. This has led to a high level of awareness of food safety standards, such as ISO 22000 and HACCP. This awareness has led to a demand for agricultural products that meet these standards. However, many small-scale producers in the Global South are unable to meet these standards due to a lack of resources and knowledge. This project aims to help these producers meet these standards through a series of interventions, including training, technical assistance, and access to markets. The project is funded by the UK Government through DFID.

"Small-scale producers in the Global South are often unable to meet the high standards required by consumers in the Global North. This project aims to help these producers meet these standards through a series of interventions, including training, technical assistance, and access to markets. The project is funded by the UK Government through DFID."

www.icddr.org



www.icddr.org

IIED-NRI-DFID project

- Dialogue
- Information
- Good practice

Not just an export story

- **Growth of supermarkets and branded food processors in middle- and low-income countries can disconnect small producers from their national markets**

P.S. Airfreight and sustainability: pulling up the development ladder?

Draft UK Food Industry Sustainability Strategy (FISS) proposed indicators:

- **Urban vehicle kilometres (car/LGV/HGV)**
- **CO² emissions from traffic**
- **Air-transport of food**
- **HGV vehicle and tonne kilometres for
congestion and transport efficiency**

For more information..

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