

# Environmental Requirements and Market Access: The Case of Horticultural Export Products

UNCTAD National Training Workshop on Environmental Requirements and Market Access for Horticultural Products  
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## Concerns of Exporting Developing Countries

- Emerging food safety and quality requirements will be applied in a discriminatory manner against developing countries.
- DgCs lack the administrative, technical, and other capacities to comply with new and more stringent requirements.
- Adjustment and compliance costs will undermine the comparative advantage of DgCs in high-value food trade.
- Institutional weaknesses and compliance costs will further marginalize weaker economic players, including smaller countries, enterprises and farmers.
- Inadequate availability of national extension support and capacity-building support from international donors.

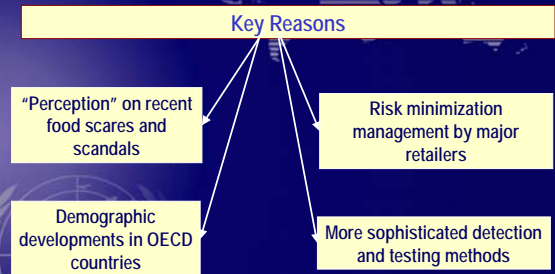
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## Abstract

1. Escalation of food safety and food quality requirements
2. Key problems of the current adjustment approach
3. Elements of a strategic and pro-active response
4. Supportive activities under UNCTAD's new Consultative Task Force (CTF) on Environmental Requirements and Market Access for Developing Countries

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## Escalating Food Safety and Quality Requirements



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## Main Trends in Food Safety and Quality Requirements

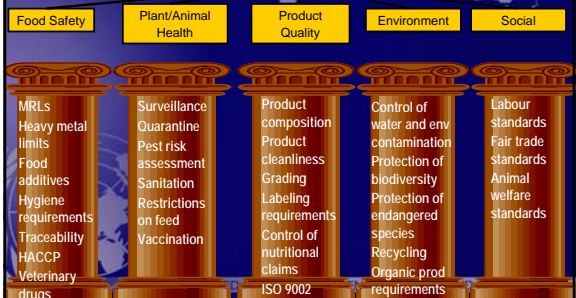
### 3 Trends:

- 1 More strict
- 2 More complex
- 3 More multi-dimensional

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## Multidimensionality of Requirements

### Pillars of Food Safety & Quality Requirements



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## Current Markets and Their Requirements

### Domestic wet markets

- No stringent food safety requirements
- Not very high quality requirements
- No social issues
- No animal welfare considerations

### Neighboring countries

- Generally similar to domestic wet markets
- In some countries, development of national GAP codes

### Overseas Markets

- As described in previous slide

- Differential application of requirements/standards is the norm, rather than the exception.
- Given the diversity of standards applied within and between countries, there is scope for different speeds on the highway of standards compliance.
- Weak compliance enforcement by governments, strong by retailers.

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## Diverse Standards in National and International Markets



Source: Jaffe, S.

There is an ongoing process to put in place harmonized requirements and codes, yet the application is occurring at different speed and depths.

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## Key Problems of Current Adjustment Approach

### General Issues

- Reactive/fire-fighting approach prevails (delaying compliance until after a crisis has occurred). This is costly:
  - High ad-hoc adjustment costs, resulting from mostly uncoordinated and rushed adjustment
  - Benefits or catalytic role of new standards cannot be fully used
  - Costs of re-establishing reputation and market access
- Piecemeal and fire-fighting approach on technical assistance
- Insufficient participation in pre-regulation or pre-standard-setting consultations by developing country producers/exporters
- Costs of adjustment are often more apparent than benefits/catalytic effects. Many potential benefits of standard compliance are:
  - long-term intangible or
  - accrue to stakeholders who do not incur the associated costs.

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## Key Problems of Current Adjustment Approach [2]

### Specific Issues

- Weak regulatory system relating to the import, production and sale of pesticides.
- Lack of capacity to undertake pest-risk analyses.
- Weak controls relating to plant pests and diseases at borders.
- Low capacity to implement quarantine measures and enforce pest-free areas.
- Limited farmer knowledge of alternative pest-management approaches and appropriate use of pesticides (e.g. Integrated Pest Management).
- Limited application of HACCP principles by fresh vegetable packers/exporters (especially SMEs).
- Limited/lack of systems for fresh-produce traceability (especially from smallholders).
- Often lack of storage rooms for pesticides and fertilizers and appropriate changing and washing facilities for farm workers.

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## Estimated Adjustment Costs

For tomato-growing farms of about 10 hectares in Morocco, costs were:

- Some US\$ 50,000 for buildings, facilities and equipment to become compliant.
- Compliance measures account for about 12% of farm production costs and 4% of FOB value of its tomato exports.

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## Key Actors in the Strategic Response Strategy

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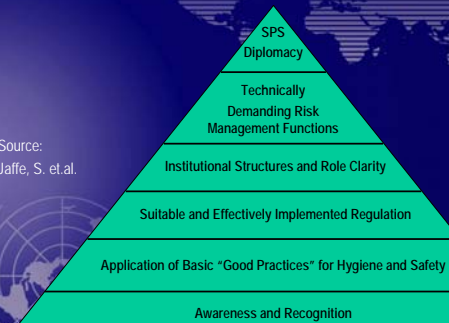
	Individual	Collective
Public	Specific ministry or agency	Inter-ministerial task forces Inter-governmental MoUs Multi-country SPS counter-notification
Public-private	Subsidies, co-financing Joint ventures	Joint public-private sector task force
Private	Investment Company codes of practice	Trade and industry assoc. Grower associations Partnerships in co-ordinated supply chains

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## Hierarchy of Trade-related SPS Management Functions

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Source:  
Jaffe, S. et al.



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## Key Role of Government

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### Key Function of Government:

1. Taking into account broad commercial and developmental objectives.
2. Optimizing long-term costs and catalytic benefits of compliance.
3. Focus on wider distributional and societal impacts of the available responses.

### Studies on Kenya's horticultural sector have shown:

Adjustment process has lead to a sharp segmentation of the Kenyan horticultural industry (i.e. reduced role of SMEs and enhanced role of integrated food producing and exporting companies. Strategies applied in this regard were:

- Backward integration
- Product separation
- Intensified extension
- Close outgrower governance

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## Reflecting National Conditions and Development Priorities in the EurepGAP Benchmarking Approach

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## Context of UNCTAD Activities

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- One of the sector-focused project activities under the new UNCTAD Consultative Task Force (CTF) on Environmental Requirements and Market Access for Developing Countries.
- CTF draws into governmental discussions voluntary, private sector requirements and also addresses multidimensionality of new requirements in export markets, i.e. the combination of food safety, food quality, environmental, social and animal safety requirements.
- In the preparatory phase for the CTF, UNCTAD implemented a series of country-case studies in Asia on food quality requirements and market access for horticultural products, involving Bangladesh, China, Cambodia, Thailand, the Philippines and Viet Nam.

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## Background of UNCTAD Activities

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- General concern in DgCs:
  - New stringent requirements on HACCP, MRLs and traceability will jeopardize market access
  - Institutional weaknesses and compliance costs will undermine competitiveness
  - New requirements will reinforce concentration among producers and exporters and marginalize smallholders
  - Inadequate extension services and capacity-building assistance
- EurepGAP is a harmonized standard that may gradually overcome multi-tier standards that are a major market entry hurdle and a significant cost factor, in particular for producers from DgCs.
- Public requirements on MRLs, HACCP and Traceability are not or very poorly enforced by developed country governments. They are however effectively implemented by private sector GAP schemes, such as EurepGAP.

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## Objectives of UNCTAD's GAP Activities

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1. How can national circumstances (regulatory, agronomic and social) and developmental priorities be reflected in a EurepGAP-benchmarked national GAP?
2. Activities are focused on policy analysis, awareness-raising and stakeholder involvement, rather than technical aspects of the design and implementation of GAP.
3. Encouraging stakeholder dialogue at national and sub-regional level on GAP.
4. Pooling expertise of other relevant institutions, in particular FAO, UN ESCAP and GTZ.

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## Trade and Development Impact of ERs

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### Analytical Activities

Study of FoodPlus GmbH on strategic concept of EurepGAP benchmarking and procedural requirements of the benchmarking process

Country-case studies on reviewing options for shaping national GAPs and related policies in a way that duly reflects national conditions and development priorities

Discussed at Sub-regional Stakeholder Workshops in South-East Asia, East Africa and South America

Target countries: Argentina, Brazil, Costa Rica  
Malaysia, Thailand, Philippines, Viet Nam  
Kenya

## Issues Addressed in the Study by FoodPlus GmbH

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- What is the strategic thrust of FoodPlus GmbH on the EurepGAP benchmarking option (e.g. national versus sub-regional GAPs, harmonized frameworks, interpretation guidelines, crop specificity)?
- How can harmonization, technical equivalence with or mutual recognition of other GAP systems (notably in the US, Japan, but also China) be achieved?
- What level of flexibility and policy space can be allowed at national level for GAPs?
- What are the specific procedural requirements for EurepGAP benchmarking?
- What are the risks that multi-tier verification procedures under benchmarking erode the national specificity of a national GAP?
- How can specific circumstances of smallholders be addressed?

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## Issues Addressed in Country-case Studies

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- What are the GAP requirements in the key target markets and how does EurepGAP fit into those requirements?
- What are the national experience with the development of "quality systems" for exported horticultural products and what stakeholders have been driving the process?
- Clear understanding that national GAPs are primarily designed for small- and medium-sized producers/exporters; their requirements need to take center-stage.
- What national conditions need to be reflected in a GAP?
- Importance of extension services for meeting GAP requirements
- Institutional capacities for certification and inspection
- Government role in national GAP development and implementation
- Supportive role of bilateral donors and international institutions

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## Not Losing Sight of the Following Issues

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- DgCs and companies – moving from fire fighting to a more strategic and pro-active approach
- Appreciating new requirements not only as a barrier, but also as a catalyst and opportunity (often underestimated or not attributed to new standards)
- The issues is not whether smallholders can be integrated, but whether this can be done competitively (continuous monitoring of compliance is problematic)
- Need for developing a national GAP should be judged against
  - a) structure of the industry and its relative stage of development;
  - b) importance of exports and their destination; and
  - c) availability of supporting infra-structure

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## Not Losing Sight of the Following Issues [2]

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- Importance of well organized outgrowers networks or cooperatives
- Importance of extension services
- Significance of Integrated Pest Management and other traditional forms of production
- Mitigating potential adverse effects on smallholders by developing traditional or alternative markets

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## Merits of Benchmarking

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- Is of strategic importance in bringing about the harmonization of private sector standards.
- It provides encouragement to producers and other key stakeholders to “put their stamp on things” and assume ownership of the benchmarked standards.
- Assures DgCs’ suppliers of predictability, transparency and consistency in further development and application of the governing “rules of the game”.
- It encourages the setting up of local certification bodies and thereby can reduce certification costs.

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## On-line Sources

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### Website of UNCTAD's Consultative Task Force

[www.unctad.org/trade\\_env/test1/projects/taskforce.htm](http://www.unctad.org/trade_env/test1/projects/taskforce.htm)

### DFID Project Website with Info on Country-case Studies on Horticultural Exports

[www.unctad.org/trade\\_env/test1/projects/field.htm](http://www.unctad.org/trade_env/test1/projects/field.htm)

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