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*Standards and Agro Food Exports (SAFE) Research Programme*

*Short Description of Research Project*

### **Organic standards and developing countries**

The DIIS study of organic standards and trade which is carried out as part of the SAFE programme looks at:

1. Standard-setting and implementation in the EU and its implications for suppliers in the South. A study was carried out by Peter Gibbon in 2005 of the development of the EU Regulation 2092/91 between 1992 and 2005, based on interviews with private and public organic standard setters and certification bodies. This study was published by UNIDO and is available at [www.unido.org/file-storage/download?file\\_id=60024](http://www.unido.org/file-storage/download?file_id=60024). A follow-up study on the likely impact of a proposed UK Soil Association ban on certifying or re-certifying air-freighted organic imports, for the International Trade Centre, was started in June 2007 (see description below). This study is being carried out by Peter Gibbon, Simon Bolwig and Lone Riisgaard.
2. The structure and value-chain linkages of the emerging certified organic agricultural sector in East Africa. A study was carried out of the development of the certified organic export sector in Uganda up to 2006. The study was carried out by Peter Gibbon in collaboration with the Sida-supported EPOPA programme in Uganda. It is available in the form of a DIIS Working Paper at <http://www.diis.dk/sw21578.asp>
3. Costs and benefits for Eastern and Southern African producers of adoption of certified organic standards. A study of costs and benefits of conformity with certified organic standards for smallholder farmers of cocoa, coffee and pineapple was carried out in Uganda by Simon Bolwig and Peter Gibbon in 2005-06. The study involved a survey of a sample of 172 organic farmers and a matched group of 159 conventional farmers. The results were analysed using tests of difference, correlation and regression. A preliminary version of the results (excluding the regression analysis) is available at <http://www.diis.dk/sw32913.asp>. A repeat study, if possible using the same panel of respondents, will be undertaken in 2009.

Danish Institute for International Studies, Trade & Development Research Unit

## The Economic Cost of a Ban on Certifying Air Freighted Fresh Produce as ‘Organic’

### Proposal and Work Plan

#### *General objective*

The research will explore the economic impact in developing countries of a change in demand for air freighted products brought about by airfreight bans by standard setters. As there are no provisions for excluding air freighted products in the EU regulation, the standard setters in question are private certification bodies who are accredited according to EU requirements.

#### *Specific objectives*

1. To determine the extent and content of likely bans, reduction programmes and labelling schemes: Pressure for a **ban** comes from some organic certification bodies with their own private standards. Of these, Bio-Suisse has already introduced a ban while the Soil Association is considering one. An extension of such a ban is thought most likely to come from ‘own standards’ certifiers who already refuse to certify certain imports where these compete with domestic ones, such as Debio (Norway). Developing country imports into the markets served by such bodies are not great however. The most far-reaching consequences would be if a ban was introduced by large certification bodies with their own standards in larger import markets. These include Skal Stichting (Netherlands), Naturland (Germany), Bio Ernte (Austria) and Krav (Sweden). As many of the bodies referred to here as possible will be interviewed by telephone to discuss the organisations’ views of an air freight ban and from where such pressures arise. IFOAM representatives (responsible for their global and EU standards activities) will also be interviewed to provide an overview of trends in this area.

Some supermarkets including the UK Marks & Spencer have announced **airfreight reduction programmes**. These programmes are generic and do not refer only to organic products. The same applies to **airfreight labelling schemes**, which are apparently being implemented by other UK supermarket chains (and which the Soil Association is considering as an alternative to a ban). The research will provide details on the extent and content of these programmes and schemes, and provide what information is known about their impact. The main sources of information used here will be telephone interviews with the large UK supermarkets (Asda, Sainsbury, Morrisons, Tesco, Waitrose) and with UK fresh produce importers (see below).

In the specific case of the UK it is important to ascertain the position of the second largest organic certification organisation (Organic Farmers & Growers –OF&G), which has always maintained a more pragmatic position on issues of standards than the Soil Association. To what extent would OF&G have the capacity or be willing to directly or indirectly substitute itself for

Soil Association in the air freighted fresh produce trade? OF&G will be interviewed as part of the UK fieldwork described below.

2. To determine current airfreight trade flows for organic fresh produce into the EU, with particular reference to the UK and also with reference to the Netherlands and Germany. Air freighted organic fresh produce is known to cover most categories of exotic fruit and vegetables as well as many 'early season' and counter-seasonal temperate products. The largest import destinations are thought to be the Netherlands (mainly for re-export), Germany and the UK. Information will be provided on products shipped by air, and estimates given of approximate volumes for a range of products into these markets. Based on previous research experience it is not considered feasible to directly obtain information on total values, some rough post-hoc estimates may be made. A breakdown of this information by exporting country will be also provided. An attempt will be also made to capture trends in these dimensions over the last 3 years. Two main sources of information will be used in this process. Firstly, large internationally-active certification companies (including those without their own standards). These include Ecocert International, BCS and Lacon (Germany), IMO (Switzerland) and Skal International (Netherlands), as well as Soil Association. The second source will be large importers of organic fresh produce. The method used here will be to attempt to obtain face-to-face interviews with (a) the largest specialist organic fresh produce importers in the Netherlands (Eosta, Bio-Centre ZANN, OTC) and Germany (Denree Versorgungs, Lehmann Natur and Naturkost Ernst Weber) and (b) a wider range of larger specialist and mixed conventional and organic fresh produce importers into the UK (Organic Farm Foods, Wealmoor, W. Bailey, Greenvale, Mack Multiples, J.O.Sims, Chingford, etc.) The UK list will be checked and elaborated against the Soil Association's own.

In addition to covering import information, interviews with importers will aim at examining their perceptions of the scale and scope of existing trends in this area, the financial costs and benefits of these trends to their own business and businesses further upstream, and their current and likely future responses to these trends. The latter may include, for example, re-engineering supply chains with existing air freight suppliers, substituting existing airfreight suppliers with other suppliers able to conform to the demands of re-engineered supply chains, or pulling out of the part of the fresh produce business previously served by air freight.

Finally, once interviews with importers have been used to ascertain principal developing country supplying countries, a single developing country will be selected for a study of the export side of the trade. Importers will be asked to identify their main exporters from this country. On the basis of one of the researcher's examination of confirmed EU import authorisations from 1997-2004 it is currently believed that the largest single source of developing country fresh produce imports into the EU is Egypt. However, this situation may have changed subsequently and the choice of exporting country will only be taken when the research in Europe has been completed or is near to completion. Importers will be also asked to identify the certification bodies in the exporting countries that inspect (and in some cases certify) these exporters.

3. To determine the impact of proposed ban or labelling schemes in a major

developing country organic air freight exporting country. Fieldwork will be carried out in a single developing country aimed at ascertaining the current share of air freighted organic fresh produce in total organic fresh produce exports by product specialisation, volume and value as well as by end market and season. Secondly, the fieldwork will aim at determining rationales for the use of air freight in exporting (whether it is the only possible option for a given customer/product line, whether it is undertaken to obtain a higher margin, whether it is a precondition for benefits such as greater security of contract, etc). Thirdly, it will aim at determining the extent to which air freight exports have sunk costs for exporters (e.g., as a result of the purchase of specific assets) and the extent to which these are shared by non-air freighted exports. Fourthly, it will aim at determining the 'next best option' for this part of exporters' businesses, should a ban, reduction programme or labelling requirements be introduced. These options will probably fall into a wide range between changing certifier, through changing end-market and accepting lower prices, to terminating (a part of) the business. Information on the predicted costs and benefits of this change to the exporter will be sought.

This information will enable a determination of the likely overall scale of reduction in exports from the country in question, as well as the firm-level business impacts and thereby the broader impact on the national organic sector. In establishing this information it is aimed at interviewing between 5 and 10 leading exporters. Discussions will also be held with national certification organisations (if in Egypt, COAE and ECOA, both of which are UK DEFRA approved inspection bodies for purposes of current EU import regulations).

At least four exporters who are also growers will be also identified, in order to conduct a more detailed examination of impacts of exporters' 'next best options' on labour and/or on contracted farmers, where these are used. The exporters in question will be asked provide information on numbers of permanent and temporary employees and/or contracted farmers dependent on the air freight part of their business, their wage levels (workers) or sales revenues (contracted farmers) and employers' other economic and social contributions - where provided. In each case, at least one focus group will be held with farm workers or contracted farmers to discuss local labour and agricultural market conditions as these determine alternative employment or farm sales options as well as household-level implications of employment, income and other losses. Some attention will be focused on gender dimensions of employment and contracting and also on impacts on women and children at household level.

While the developing country research outlined will provide findings that are at best indicative of national- and international-level impacts, a cautious attempt will be made to extrapolate their wider implications from them.