

SESSION 7B

THE IMPACT OF PESTICIDE REGULATIONS ON WORLD AND EU TRADE

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Accessing the EU market for food products

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ABSTRACT

In this presentation, the new legislation will be examined, in a practical way, in order to assist stakeholders to understand what is necessary to gain access to the European Food market. In this respect, both the industry and regulatory points of view need to be considered in contemplating access to the European market. The aim of the presentation will be to ensure that stakeholders understand the steps involved in accessing the EU market for food products, and some of the issues which lie behind EU food safety policy.

While crop protection issues will be considered, the paper will aim to cover all food safety issues related to fruit and vegetables. The interaction of EU Regulations and private standards will be examined.

International issues will also be discussed, including the Doha Development Agenda and its implications for food safety issues, notably the questions of special and differential treatment and technical assistance for developing countries.

INTRODUCTION

The European Union (EU), consisting of the 25 Member States, is a market of more than 450 million citizens and a total consumer spend of close to €1,400 billion on food products. Such market dynamics create great interest from world food suppliers wanting to access such a large market with its high total spend on food products.

Food suppliers from outside of the EU often accuse the EU of adopting Sanitary and Phytosanitary standards which are excessively high and which create unjustified barriers to trade and in particular, act to the detriment of developing countries. However, the EU leads the world in the value of its imports from developing countries. It is clear that EU standards can be met, once they are understood. As well as providing access to the lucrative EU market for food products, EU standards also act as a catalyst for the development of higher national standards, contributing to the improvement of health and higher quality food in the developing world.

The market is open, and many countries have seen the opportunity to trade and invested in meeting the standards. However, the EU rules are complex and have undergone a recent overhaul. This overhaul should eventually be to the benefit of all, but it will take time to get to grips with the new approach. The EU integrated approach to food safety aims to assure a high level of food safety, animal health, animal welfare and plant health within the European Union through coherent farm-to-table measures and adequate monitoring, while ensuring the

effective functioning of the internal market. The implementation of this approach involves the development of legislative and other actions, namely:

- To assure effective control systems and evaluate compliance with EU standards in the food safety and quality, animal health, animal welfare, animal nutrition and plant health sectors within the EU and in third countries in relation to their exports to the EU;
- To manage international relations with third countries and international organisations concerning food safety, animal health, animal welfare, animal nutrition and plant health;
- To manage relations with the European Food Safety Authority (EFSA) and ensure science-based risk management.

POLICIES

The central goal of the European Commission's food safety policy is to ensure a high level of protection of human health and consumers' interests in relation to food, taking into account diversity, including traditional products, whilst ensuring the effective functioning of the internal market. The Commission's guiding principle, primarily set out in its White Paper on Food Safety, is to apply an integrated approach from farm to table covering all sectors of the food chain, including feed production, primary production, food processing, storage, transport and retail sale.

The challenge is to ensure that consumers are being supplied with food that is safe to eat - and at the same time, how to ensure that strict health and safety regulations are not being used as an excuse for protecting domestic producers. An agreement on how governments can apply food safety and animal and plant health measures (sanitary and phytosanitary or SPS measures) has been set by the basic rules in the WTO.

Maximum Residue Levels

The current regulation on MRLs within the EU for pesticides is a combination of EC and Member States' MRLs. The EU is in the process of adopting a new regulation on MRLs for pesticides in all food and feedstuffs that will harmonize all EC Member States' national legislation and this is likely enter into force in mid 2006.

Traceability

Countries outside of the EU are specifically concerned about traceability and record keeping for bulk commodities, registration of all food establishments (production, processing and distribution) and animal welfare. The identification of the origin of feed and food ingredients and food sources is of prime importance for the protection of consumers, particularly when products are found to be faulty. Traceability facilitates the withdrawal of foods and enables consumers to be provided with targeted and accurate information concerning implicated products.

The EU Regulation 178/2002 contains general provisions for traceability (applicable from 1 January 2005) which cover all food and feed, all food and feed business operators, without prejudice to existing legislation on specific sectors such as beef, fish, GMOs etc. Importers are similarly affected as they will be required to identify from whom the product was exported in the country of origin. Unless specific provisions for further traceability exist, the requirement for traceability is limited to ensuring that businesses are at least able to identify the immediate supplier of the product in question and the immediate subsequent recipient, with the exemption of retailers to final consumers (one step back-one step forward).

The requirements that would apply to third countries when the new food and feed hygiene rules come into force on 1 January 2006 are covered by the Regulations 852/2004, 853/2004 and 854/2004. A document clarifying the traceability provisions of the new body of legislation has been distributed through WTO on this specific issue in February 2005 (G/SPS/GEN/539). This document clearly explains that the traceability provisions are not extraterritorial and that the essential aim of the regulation is that each link in the chain of supply can be identified in the event of product recalls. The requirement for an "HACCP-based" food system would vary according to the risk posed by the food. It is the plan that comprehensive documentation and guidelines will be provided on how the regulation would apply in practice.

SANITARY AND PHYTOSANITARY

The European Union, as a major global trader of food and feed, has entered into international trade agreements and contributed to the development of international standards which underpin food law. It also supports the principles of free trade in safe food and feed following fair and ethical trading practices. This is of enormous importance to citizens in Europe and around the world whether they are politicians, traders or consumers.

With respect to the challenges for developing countries, the WHO Sanitary and Phytosanitary Committee have adopted a 13-page report in which the committee has agreed to build on earlier discussions and work toward a decision, starting with "initial elements" that consider five broad issues:

- how developing countries can be informed promptly about SPS measures that are important for their trade
- how to help them identify and evaluate the measures that could cause trade problems
- how to help them make better use of the committee to identify and resolve specific trade concerns
- how to help them identify and request technical assistance more effectively
- how to improve technical assistance

PRIVATE FOOD INDUSTRY STANDARDS

Throughout the EU there are a number of private sector schemes that set standards on agricultural practice. In some cases these standards are seen to be more stringent than the government standards and requirements. This can lead to the concern by some exporting countries of technical barriers to trade being created. One of the most prominent of such schemes is Eurep (the Euro-Retailer Produce Working Group). The "EurepGap" requirements are "good agricultural practices" (GAP) set by Eurep which the EU describes as a consortium representing major retailers. The EU does not take a position to intervene with private sector schemes because the private sector organisations indicate they are reflecting consumer demand. The impact of such schemes however, is becoming an increasingly important consideration for those food suppliers wishing to enter the European food supply market.

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Support of small scale out growers in ACP countries to meet food safety requirements through the EU funded Pesticides Initiative Program (PIP)

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ABSTRACT

The EU funded PIP (Pesticides Initiative Programme) has developed and implemented several measures to support small scale producers in African, Caribbean, Pacific (ACP) countries in attaining the European Union required high level of precaution related to food safety. Access to European markets through export companies therefore represents a significant source of earnings for thousands of farming families. The increasingly strict regulations and the increased client requirements with respect to food safety (including traceability) emphasise all the more clearly the issue of the transparent participation of these outgrowers in the production and export chain of food products. The support, through the PIP is tailored to the socio-economic surrounding of the individual producers; the focus is on training measures and technical assistance. The socio-economic impact of the export horticultural sector is fundamental to improving the precarious social balance in developing countries. Outgrowers' participation in agriculture and horticulture activity is a vital element in redistributing export income and in alleviating poverty in rural areas. It also contributes to limiting rural depopulation.

INTRODUCTION

Food safety requirements in Europe are driven by new European regulations that are based on the White Paper for Food Safety. The main legal frame to guarantee the safety of fruit and vegetable for the European consumers is laid down in the food law (EC178/2002) and the hygiene law (EC852/2004)

Two major principles are the basis of these legal acts, the precautionary principle and the principle that the polluter pays. The precautionary principle is expressed in a risk based approach for the food safety measures. The risk analysis (risk assessment, risk management and communication strategies) is based on state of the art sciences and aims to guarantee a high level of safety for the consumers. The principle that the polluter pays is expressed in the approach that the responsibility for the safety of food and feed is located on the side of the commercial operators in the food chain.

The importing entities are thus responsible for the safety of the source of fruit and vegetable. To cover this responsibility mainly big supermarket chains require guarantees /certificates

from their trading partners that the production and handling of the produce is done with respect to their own company standard or other private standard schemes.

THE PESTICIDES INITIATIVE PROGRAMME (PIP)

The general context

The sector of fresh fruit and vegetable exports from ACP countries to the European Union is faced with serious difficulties stemming from:

- the harmonisation of European regulations on pesticide residues, currently under way;
- the growing demands of European distribution businesses in terms of the quality and safety of the products they sell.

It is imperative for fresh fruit and vegetable producers and exporters from ACP countries to bring their products into conformity with these regulatory and commercial requirements as soon as possible. If they fail to do so, they are in danger of losing their market shares in the EU, which would threaten an important source of earnings for the ACP countries and the jobs of a large number of those employed in the sector.

From ACP countries, some 402,000 tonnes of fresh fruit and vegetables are exported yearly to the European Union (excluding bananas and not including South Africa), with import value of around €550 million. It is estimated that the sector provides a living, directly or indirectly, for 7 million people.

The PIP's Objectives

The Pesticides Initiative Programme (PIP) was set up by the European Union at the request of the ACP Group of States in order to forestall any negative effects on the ACP export sector resulting from ongoing regulatory changes in the EU and to assure the sector's long-term sustainability. The process is to help enterprises to revise their practices and to adopt systems for food safety management and product traceability.

More generally, the PIP aims to contribute to the development of safe and sustainable trade between responsible partners.

The PIP programme is therefore fully in line with the three guiding principles of the ACP-EU Cotonou Agreement: supporting development of the ACP private sector; alleviating poverty; promoting regional integration.

The PIP also has the objective of:

- ensuring that the specific needs of tropical crops (so-called minor crops - excluding bananas) are taken into account in the harmonisation of regulations in the European Union
- providing support for building the local capacity necessary for sustainable development of the sector: supporting the so-called intermediary structures (professional organisations, local consultants and experts, laboratories, etc.)

The management of the PIP

The European Commission and the ACP Group of States placed management of the PIP in the hands of the sector's interprofessional association, COLEACP. This decision demonstrates their will to enable the sector itself to define its own expectations and to focus the programme on the private sector. The PIP programme became operational on 11 July 2001, based on a five-year funding contract in the amount of €28,807,000.

COLEACP set up a Management Unit in Brussels. For the Programme's strategic orientation, COLEACP takes into account the recommendations of the Consultative Committee composed of representatives of the sector and technical and regulatory experts. The ACP Group of States, the European Commission and the COLEACP Board of Directors are also represented in the Committee.

The PIP's intervention principles

The PIP's interventions are not based on handing out subsidies but rather as a response to applications submitted by private companies or their professional associations. These interventions can concern, for example, the establishment or strengthening of food safety initiatives, the training of staff needed for such initiatives, the introduction of traceability systems, etc.

PIP financial interventions share with beneficiaries the costs incurred by making exported products comply with EU regulations (a higher level of support is possible for small-scale producers).

PIP actions in figures

Nearly 300 intervention applications
Actions in 23 ACP countries
210 memorandums of agreement signed
142 companies
400,000 tonnes / year, or about 80% of targeted trade flows
8 revised crop protocols
8 agreements with pesticide manufacturers
9 task forces

PIP AND SMALL SCALE GROWERS IN ACP COUNTRIES

Why do the ACP export companies work with outgrowers?

The crops grown by the outgrowers are part of an economic attitude which valorises family labour and do not proceed always from an economically planned corporate point of view. In this approach, the "production costs" are generally lower than "industrialised" production. This type of production enables export firms to purchase without making major investments and to pass part of the market variation and production risks on to the outgrowers. If the market is not profitable, they limit their purchasing.

In some African countries, access to land ownership is fairly complicated for property regulation reasons and the main way to increase exports is to purchase supply from the outgrowers.

To meet European market requirements for traceability, the control of food safety risks and particularly risks related to pesticide residues (compliance with Maximum Residue Levels) requires financial engagements that are at present covered mainly by the exporters, the outgrowers and by support programmes like PIP and from several other taxpayer financed projects.

What are costs for out growers to meet food safety and market requirements?

The costs related to reach the required level of precaution related to the safety of fruit and vegetable are divided on company level in two categories:

(1) the costs to reach the required level - for example costs for training in safe use and handling of pesticides; use of more expensive and less hazardous pesticides; for setting up and maintaining a documentation/traceability system; for constructing and / or maintaining specific facilities like pesticide and fertilizer stores; for applying good agricultural practices and maybe IPM (Integrated Pest Management) systems; setting up and maintaining of a HACCP based post harvest and transport system etc.

(2) the costs for inspection, certification and recertification (if required by importers) . The amount of costs is dependent on the individual status/level of the food safety related measures of the operation. For example if the operation is already operating very close related to the required standard the costs are lower compared with an operation that is far away from the standard. The costs for the same measures could also vary depending on the socio-economic surrounding (availability and costs of human resources), the location and the country. The amount of costs for the certification is dependent mainly on the country. If for example like in Kenya a local certification body is available, certification / travel costs could be lower.

THE PIP APPROACH

PIP is already strongly committed to maintaining outgrowers in the sector. PIP's action is based on export firms' activities in training and technical assistance for their small growers.

PIP has emphasised the sustainable guidance of the outgrowers by the export firms as the main option for preserving outgrowers in the business, in the short and mid-term. Indeed, the proper structuring of the smallholder / exporter relationship, with voluntary participation from the involved people, and PIP support, provides for the ability to take rapid action which directly benefits both types of operators.

PIP assists export firms in sustainable setting up or improving their food safety, traceability and "production technical support" systems. The latter system includes monitoring of food safety, traceability of the outgrowers' productions and the technical assistance and training.

The commitment undertaken by the companies and company leaders, increased awareness of the fact that today it is indispensable to consolidate the relationship between the exporter and his small suppliers, and to build loyalty between the two by investing in the small suppliers in order to improve their control over their operations, remain the principal guarantee of the sustainability of PIP's actions.

Then, so as not to confine the outgrowers in a relationship which is overly exclusive with their exporter, PIP also carries out trainings for the outgrowers through local relays (professional organisations, NGO's, small grower groups etc.), which are specialised in assisting these operators.

In every country concerned, one or more structure already providing horticultural training is identified. Thanks to specific support from the PIP, these structures can then add to their training programmes messages related to good practices and the requirements of European markets in matters of food safety and traceability. These structures will then relay these messages to small producers.

Relay structures are selected on the basis of two major criteria:

- (1) the competence and experience of the people in charge of training, not only in technical matters, but also in teaching and communication.
- (2) capacity in terms of staff, equipment and financial resources.

The PIP's intervention at the level of these relay structures consists of two types of action:

- (1) enhancing the capacities of the individuals assigned to train small producers, by providing specific training or through participation in a training session already organised by the PIP.

- (2) supplying the necessary material and equipment so that the relay structure staff will have the tools they need for actions to promote awareness and to train small producers: basically, small agricultural equipment for field demonstrations, teaching material, etc..

The subjects addressed in such training sessions can be geared more specifically to different product types, export markets, etc. Since they are aimed at producers likely to sell diversified production to several companies, the subjects addressed by the relay structures are generic or across-the-board, i.e. common to all production.

These subjects mainly include: hygiene, safe use of pesticides, technical itineraries, also IPM (Integrated Pest Management) and traceability (scouting and record-keeping at the level of plots and systems for the transfer of information from the plot to the exporter).

How to defend the outgrowers' production

In contrast to the fears expressed by the supermarket retail sector, the production grown by the outgrowers is often close to "organic". Indeed, pesticides are not always economically accessible to these modes of production. For example, the mango (Western Africa) and avocado sectors (Kenya) are primarily represented by production which comes from untreated trees which are not grouped into plantations.

From an agronomic standpoint, the extensive, locally adapted, spread-out production grown by outgrowers could be less subject to pest and disease pressures than in the intensive production concentrated on a given surface area; this could be another reason for the limited use of pesticides.

In addition, outgrowers have very limited access to chemical products, due both to economic reasons (costs) and to geographical reasons (access to stores). This leads to increased use of natural (potential less polluting) means, including physical control.

The socio-economic impact of the export horticultural sector is fundamental to improving the precarious social balance in developing countries. Out growers' participation in agriculture and horticulture activity is a vital element in redistributing export income and in alleviating poverty in rural areas. It also contributes to limiting rural depopulation.

In addition, it is important that the export firms, which have to fit their activities into a difficult socio-economic framework as harmoniously as possible, be part of the economic development of their region by redistributing parts of their economic profits through employment or purchase of local production.

Combating the marginalisation of ACP small producers is a shared objective for:

- ACP Authorities: small producers play an important role in the production structures of the ACP countries, especially the poorest ones. Since the development of international trade is essential for these countries, the problem of the small producers must be tackled;

- Professional circles: most of the COLEACP partners and companies that responded to the June 2004 survey recognised the importance of combating the marginalisation of the small producers. This reflects consideration for non-commercial factors, i.e. social factors, ethics, etc., over and beyond business companies' economic and financial concerns;

- The international development community: this community is anxious to alleviate poverty and recognises that the market game cannot solve all the current problems. It feels that trade does not automatically trigger development, especially local development but that appropriate support for trade mechanisms to help the most vulnerable groups could contribute to consolidating their business position;

- The Pesticides Initiative Programme: one of the specific objectives of PIP is to protect the position of the ACP small producers in the ACP-EU horticultural sector when faced with food safety and traceability requirements. PIP provides technical supervision and training for small producers through export companies and has expanded its support actions to include local relays that reach out to the rural families. PIP sees the mobilisation of stakeholders in order to increase the effects of its work on the small producers as an urgent challenge.

Taking into account the social importance of exports for these family owned small farms, new approaches for guarantying safe food for the European consumers are required. The communication and dialog between the consumers, importers, exporters and other relevant stakeholders as a potential key for solutions in terms of mutual respect and understanding needs urgently to be strengthened. Namely the supermarket chains and the consumers need to be more involved in the finding and the financing of acceptable solutions to keep the small scale producers in ACP countries in the production business for the European market of fresh fruit and vegetable.

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Facilitating trade for fresh produce through the application of EurepGAP

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ABSTRACT

EurepGAP has become internationally recognised as fostering assurance from farm to fork. Increasingly, more suppliers – be they growers, packers or importers / exporters – recognise that the strength of EurepGAP is not only to provide an accepted reference standard across the world, but also create a greater transparency within the international market between buyer and seller. It is not surprising therefore, that more and more retailer end customers and their suppliers are requesting EurepGAP certification. Retailers across Europe need to know that consistent standards are being set and that they are effectively controlled by efficient certification bodies. Acceptance of EurepGAP by major industry sectors globally is recognition of the commercial opportunity created for growers to sell and export their produce.

INTRODUCTION

Consumers and the food supply industry alike can be easily confused by the large numbers of assurance schemes operating in the wider environment. They are asking what standards do they operate and how do they all relate to each other. In responding to the demands of consumers, retailers and their global suppliers have created and implemented a series of sector specific farm certification standards.

The aim is to ensure integrity, transparency and harmonisation of global agricultural standards. This includes the requirements for safe food that is produced respecting worker health, safety and welfare, environmental and animal welfare issues.

In October 2003 the following mission and objectives were agreed by the EurepGAP IFA (Integrated Farm Assurance) Steering Committee:

Why is Farm Assurance Important?

- It provides controlled and more efficient production of agricultural raw materials
- It is the farmers' response to globalization
- It reassures and improves confidence in agricultural products

Objectives of EurepGAP - IFA

- To facilitate mutual recognition through transparent benchmarking
- To boost world-wide participation in farm assurance
- To encourage continuous improvement
- To provide performance and integrity measurement for assurance schemes (e.g. certification, accreditation)

Furthermore, moving forward in the area of meat standards within the EurepGAP's implementation of global Integrated Farm Assurance standards, it has been agreed that:

- Harmonisation is necessary to increase food safety and reduce costs
- National schemes are the backbone of vertically integrated quality assurance systems and should be benchmarked to meet EurepGAP standards
- The needs of smaller farmers must be considered
- Global standards open up markets for farmers and allow retailers to source with confidence
- Harmonisation should include standards for feed and medication, as well as transport and encourage food safety standards to be continuously reviewed

Milestones for Integrated Farm Assurance

Key milestones have been set for Integrated Farm Assurance, namely;

- Reducing duplication of audits at farm level
- To see IFA become the preferred global reference standard for farm assurance schemes at pre-farm gate (agricultural production)
- To see IFA become a common buyer standard for all sources of supply irrespective of the country of origin

BENCHMARKING

A priority for EurepGAP has been to be to concentrate on making certification more understandable by encouraging the industry to work on the basis of mutual recognition and follow a path of benchmarking their standards against EurepGAP.

Growers and farmers do not need a multiplication of standards and audits, rather one system that will meet the needs of all customers globally. There are very many customer, industry and regulatory auditing systems that producers are required to implement and to be assessed against. They all address certain requirements identified for the particular geographical location and

marketplace. They also reflect the local needs and cultures and often have a brand image attached to them.

The process of benchmarking is an important one, with the objective to enable a valid and like-for-like comparison of different standards and systems which exist in countries worldwide. This creates an important transparency between buyer and seller and gives reassurance that equivalent standards are being maintained, wherever the product may be produced.

During the process of benchmarking an applicant assurance scheme is compared to the EurepGAP protocols and Associated Regulations, and is declared to be equivalent or otherwise or otherwise. Critical issues such as auditor competencies, audit frequencies, nonconformity classifications and sanctioning rules are reviewed to ensure that there are equivalent processes to support the standards. A key part of the benchmarking process is to ensure the impartiality and independence of the benchmarking auditors, since the integrity of the system is paramount to ensuring success and retaining confidence of all participants worldwide.

International arrangements

EurepGAP has technical working groups in several European countries, as well as Malaysia, New Zealand, Australia, Brazil, Argentina, Chile and South Africa.

More recently, for fruit and vegetables small scale farmers in Kenya will be able to participate in the KenyaGAP scheme. Mexico is establishing MexicoGAP and China is moving forward with the implementation of ChinaGAP. The aim of harmonization between schemes will ensure a level playing field is created for all participants.

These working groups ensure that the standards meet the various local and government requirements. The working groups also provide training for members and the various certification bodies and negotiating multi-lateral agreements to provide controlled and consistent standards.

Fully trained accreditation assessors, who have access to EurepGAP guidelines have also been involved in the organisation's innovative benchmarking work in the various countries. EurepGAP has developed a transparent online benchmarking tool which is capable of delivering details on the IFA scheme. The idea has been created that farming to a national scheme should be able to pass the EurepGAP standards.

Documents

EurepGAP has published a standardised Farmer Group Quality Management System Checklist that harmonises the application and implementation of EurepGAP requirements on Farmer Group level. The Checklist is the central documentation to satisfying EurepGAP requirements.

The EurepGAP Technical and Standards Committee for IFA evaluates and approves the General Regulations, Control Points and Compliance Criteria and the Checklist for Integrated Farm Assurance which are then recognised as EurepGAP approved versions.

Future opportunity

Moving forward, EurepGAP will create opportunities for trade for growers globally. By satisfying mutually accepted standards, backed by recognised auditing procedures, the end customer retailers are able to feel confident about the quality and standards of the produce they receive. In turn, opportunities to extract value as producers are facilitated worldwide, together with the creation of a level playing field for all by the implementation of a tool that is able to create harmonization globally.

Satisfying the quality demands of the European food retailing industry – Capespan, a case study

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ABSTRACT

Capespan is a specialised world class leader in the marketing of fresh fruit internationally. The company has become an innovative and established force that has created a dynamic global infrastructure, providing freshness and energy in the form of healthy, pure and delicious fresh fruit to all corners of the globe. Capespan has succeeded in satisfying the demands of the European food retail industry by recognising the various regulatory and private standards scheme expectations and applying appropriate measures to satisfy these schemes through supply chain relationships and capacity building at grower level. Success in South Africa to supply the European market is the result of constant dialogue across the complete supply chain together with an exceptional market place focus on retailer and consumer expectations.

INTRODUCTION

Synergy is a key element ensuring the success of Capespan. A symbiotic relationship between suppliers and retailers is maintained at all times. This harmony and synergy is responsible for making sure that every bit of produce, when distributed by Capespan, is at its absolute freshest.

Over recent year Capespan has successfully expanded its horizons beyond its traditional southern African supply base, and new origins are constantly being integrated into the Capespan portfolio. It is a mark of Capespan's confidence in these important new supply sources that the company allows the world-class brand names to be used on their products, for example Cape, Outspan, Goldland and Bella Nova. Top quality deciduous, citrus and exotic fruit is imported from leasing production areas throughout the world and year-round availability has become a reality for many key products.

THE SOUTH AFRICAN MODEL

The South African economy is dependent on three major industries; mining, manufacturing and agriculture. The fruit industry, which is central to South Africa's export drive, supplies at least 40% of its production to more than 60 countries. These exports earn South Africa R8 billion in foreign exchange. Since deregulation of the so called 'single desk' marketing in 1997, the competition between export and marketing organisations forced more client-driven focus.

Today over 70% of South Africa's export fruit is bought by UK and other EU multiple retailers. Quality is passed down the supply chain by retailer category managers. In today's market quality has become a given expectation by the retailer buyers. Expectations on volume have made supplying very difficult for small-volume suppliers.

New market trends have established that food safety, environmental safety and social accountability together with people safety are non-negotiable expectations by the European retailing market. Crop protection products play a major role in the area of product safety, environmental safety and people safety and so there has emerged a major focus on chemicals.

The management of chemical residues has become problematic, especially for small growers and exporters. Chemical use within South Africa is regulated by Act 36 of 1947. But internationally use is regulated by various regulation and harmonisation attempts as well as by the end user markets.

Challenges

Lack of international tolerances causes much strain for crop protection product specialists. Language barriers, i.e. Scandinavian countries seldom publish in English create difficulties and informal tolerances set by category managers in the end market place exacerbate difficulties. Furthermore, there is always the challenge to ensure complex rules are followed by all individuals in the supply chain particularly when government takes a dwindling control. Support structures for new registrations also need to be in place in order to ensure new chemistry is available to the growers.

Supply chain information

Capespan in South Africa has succeeded in rising to the challenges through a number of initiatives. Maximum Residue Level (MRL) lists supplied by produce bodies have been generated to reflect the national and official residue status of each crop protection product. These lists have been supplemented by Capespan by reflecting with the official MRL lists the major market requirements. This data is then made available through internet systems to the producers.

Crop protection product companies have become important partners to Capespan in the attempt to manage the intricacies of all the necessary data information. The information from the crop protection product companies is readily accepted by growers. In turn the companies also accept final responsibility for the information supplied by the authorities.

DIALOGUE AND SUPPLY CHAIN RELATIONSHIPS GLOBALLY

For a number of years now Capespan has been substantially increasing its global network of growers & suppliers, providing technical support to enable fruit of a superior quality to be packed under Capespan's brands. The company is no longer an exclusively South African orientated company. Capespan is particularly active in a number of developing economies where substantial growth in exports will take place in the coming years - countries like China, Turkey, Egypt and Brazil. Capespan has established a network of high quality like minded growers & suppliers in the more traditional supply origins, for example with 12

suppliers in Chile from where the company has confidence supply all food supply chain needs from this source.

Capespan provides year round availability on all of its traditional products. Constant dialogue between Capespan and its retail and wholesale customers and between Capespan and its growers is the key to the success and marketing of produce from 20 plus countries around the globe. By guaranteeing the growers the highest level of technical support and ensuring that customer requirements are met and often exceeded, Capespan has been able to maintain a position as the supplier of choice.

CAPACITY BUILDING

The Capespan Foundation is part of the Capespan Group of Companies and has as its primary purpose the co-ordination of the social investment programmes of the Capespan Group. These programmes focus on land reform in the fruit industry together with capacity building through skills development of farm workers. The Capespan Group and sponsorships from international Retailers and Governments support these initiatives financially.

The land reform programme is a central focus of the Foundation and involves the establishment of economic empowerment of farm workers in existing farming businesses and the setting up of new farming ventures, owned by black farmers. This is done in partnership with financiers and grower mentors, for the transfer of the necessary skills to enable the workers to take on greater responsibility.

Capespan exports the fruit produced on these empowerment farms under the Thandi brand. Only high quality product is packed under the Thandi brand, which is aimed at the upper end of the international markets to ensure sustainability and maximum benefit to the black farm workers and owners. The Foundation skills development programme improves farm worker skills and exposes workers to the requirements of international fruit marketing. A special feature of the programme is training in food safety and due diligence, and integrates Fruit Management to achieve EurepGap accreditation.

THE SUCCESS OF CAPESPAN

Capespan employs a multidisciplinary approach to its activities. The company keeps regular communication with its markets and the authorities as well as with the producer maintaining regular interaction with the regulatory authorities. Regular interaction with the crop protection product industry has proven to be key as well as capacity building and training at grower level.

A summary of Capespan's success is encapsulated by the following company statements:

- Exceptional technical skills available to use at source.
- Consistent quality and leading brand packaging.
- Economies of Scale. logistics, shipping, packing materials
- Capespan is able to provide markets all over the world for each grower.
- Customer specific packaging at source e.g. Punnets, boxes
- Globally coordinated marketing.