Food and Agriculture Organization of the United Nations

Third Expert Meeting on Socially and Environmentally Responsible Horticulture Production and Trade

Theme: Building partnerships for responsible trade

Nuremberg, Germany,
16 February 2003

REPORT

“The problem is that economic pressures often induce farmers to grow a particular crop in the most profitable way possible, leading them to ignore sustainable practices. Therefore, public policy needs to encourage and support sustainable agriculture. An ecosystem approach, which considers economic, social and ecological factors together, is the only way to prevent degradation of the environment.”

Jacques Paul Eckebil, former Assistant Director-General, head of the Sustainable Development Department of FAO, 2002

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Abstract

The Third Expert Meeting on Socially and Environmentally Responsible Horticulture Production and Trade was held in Nuremberg, 16 February 2003. Various representatives of standard setting and certification bodies, as well as producers and traders of fresh produce presented their experiences and opinion on the theme of the meeting: “Building partnerships for socially and environmentally responsible horticultural trade”. In the afternoon discussions were held in three groups.

The debate on “building partnerships” concentrated on the responsibilities of the actors in the supply chain and the need for transparency. It was felt that small farmers should organize to increase their marketing and bargaining powers and to be able to create partnerships with market operators on a more equal level. Both the costs and the value addition associated with social and environmental improvements should be distributed in a fair way among the parties.

The debate on responsible pricing concentrated on the transparency of price building along the supply chain, especially on the part of the retailers. Such transparency would facilitate negotiations of fair prices. The group saw no evidence that price guarantees to cover the cost of production would stimulate overproduction, as low prices have often triggered increased output.

The debate on the role of certification in partnerships concentrated on the role of certification bodies beyond verification. It was recommended that the certification bodies organize open training sessions and provide more information on buyer and consumer requirements. Certification bodies could help to evaluate the certification systems by sharing their experiences in standard implementation with accreditation agencies, producers and consumers.

List of Acronyms and Abbreviations

ACP-country	Country in Africa, the Caribbean or the Pacific that has signed the Cotonou agreement with the European Community
AEAAZ	Agricultural Ethics Assurance Association of Zimbabwe
COLEACP	Association of stakeholders in EU-ACP horticultural trade
COLSIBA	Co-ordination of Latin American Banana Workers' Unions
ETI	Ethical Trading Initiative
EUREP	European Retailer Produce Association
FAO	Food and Agriculture Organization of the United Nations
FLO	Fairtrade Labelling Organizations International
GAP	Good Agriculture Practices
GMO	Genetically Modified Organism
HACCP	Hazard Analysis and Critical Control Points
IBS	IFOAM Basic Standards
ICFTU	International Confederation of Free Trade Unions
IFOAM	International Federation of Organic Agriculture Movements
IIED	International Institute for Environment and Development
ILO	International Labour Organization
IOAS	International Organic Accreditation Service
IPM	Integrated Pest Management
IPPC	International Plant Protection Convention
ISEAL-Alliance	International Social and Environmental Accreditation and Labelling Alliance
ISO	International Organization for Standardization
IUF	International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations
NGO	Non-Governmental Organization
NRET	Natural Resources and Ethical Trade programme of the Natural Resources Institute
PIC	Prior Informed Consent (procedure for Certain Hazardous Chemical and Pesticides in International Trade)
POPs	Persistent Organic Pollutants
RUTA	Regional Unit for Technical Assistance
SAI	Social Accountability International
SAN	Sustainable Agriculture Network
SASA-project	Social Accountability in Sustainable Agriculture project
UNEP	United Nations Environment Programme
UPC	Unique Product Code
WHO	World Health Organization

Basic Concepts of Certification Programmes

Accreditation. The evaluation and formal recognition of a certification programme by an authoritative body.

Audit, auditor, auditing body, see inspection, inspector, inspection body.

Certification. A procedure by which a third party gives written assurance that a product, process or service is in conformity with certain standards.

> **Certification body**. An organization performing certification. Sometimes referred to as the certifier or the certification agency. The certification body may use an existing standard or may set its own standard, perhaps based on an international and/or normative standard.
>
> **Certification label**. A label or symbol indicating that compliance with standards has been verified. Use of the label is usually controlled by the standard setting body.
>
> **Certification programme**. A system of rules, procedures and management for carrying out certification. Sometimes referred to as a certification system. One certification body may execute several different certification programmes.

Control, control body. Terms commonly used by the trade when referring to inspection and an inspection body.

Inspection. An on-site visit to verify that the performance of an operation is in accordance with specific standards of a certification programme.

> The **inspector** is the person appointed to undertake the inspection. May be an independent operator or an employee of the certifier.
>
> **Inspection body**. The body performing the inspection part of certification. Where a certification body performs its own inspections, the certification body is also the inspection body.

License. A document issued under the rules of a certification programme, by which a certification body grants a person or body the right to use certificates or certification labels for its products, processes or services in accordance with the rules of the relevant certification programme.

Standards. Documented agreements containing technical specifications or other precise criteria to be used consistently as rules, guidelines or definitions, to ensure that materials, products, processes and services are fit for their purpose.

> **Environmental standards** are standards for materials, products and production processes to ensure that negative impacts on the environment are minimal or kept within certain limits.
>
> **Organic standards** are standards for production and processing of organic food products.
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> **Labour standards** are standards for working conditions to ensure workers rights are respected.
>
> **Social standards** can be used to mean labour standards but can also include standards for organizations and production processes on other social issues such as relating to neighbouring communities.
>
> **Normative standards:** generic (general, non-specific) standards or guidelines to be used as a framework by local standard setting or certification bodies to formulate a specific standard for their certification programme, also referred to as **Standards for Standards**, e.g. the IFOAM Basic Standards and FAO/WHO Codex Alimentarius guidelines

I Introduction

Based on the recommendations of the Sub-Group on Bananas of the Intergovernmental Group on Bananas and on Tropical Fruits in 1999, the Horticultural Products Group of the Commodities and Trade Division of FAO organized an Ad hoc Expert Meeting on Socially and Environmentally Responsible Banana Production and Trade in March 2000. The meeting gathered experts from various environmental and social standard setting and certification programmes, small banana growers, auditors and consultants. In December 2001 a second Expert Meeting was organized in Costa Rica, gathering a wider group of stakeholders in the banana supply chain.

The third Expert Meeting on Socially and Environmentally Responsible Horticulture Production and Trade was held in Nuremberg, Germany, 16 February 2003. Its objective was to continue dialogue among stakeholders in the fresh produce supply chain on social and environmental issues. The meeting aimed to formulate recommendations on building partnerships in the chain and on possibilities to use supply chain management to improve social and environmental responsibility. Furthermore, the potential role of certification in partnerships for sustainable trade was explored.

This document reports on the presentations and discussions of the third Expert Meeting. Chapter 2 gives a short introduction to relevant conventions and initiatives for socially and environmentally responsible horticulture production and trade. Chapter 3 reminds of the conclusions of the first two expert meetings. In Chapter 4 an introduction to the theme - “building partnerships for increasing sustainability in the fresh produce chain” - is given.

Chapter 5 and 6 form the core of the report. Chapter 5 summarizes the presentations and Chapter 6 the discussions held in the breakout sessions. Finally, in Chapter 7 the main recommendations from the meeting are summarized.

II Context of the meeting: Initiatives for socially and environmentally responsible horticulture production and trade

(Chapter II-IV formed together the meeting's *background document* sent out prior to the meeting)

Over the past twenty years, there has been growing public awareness of environmental and social issues in agricultural production and trade. Food safety crises and animal disease epidemics have intensified concerns over intensive agricultural practices. Consumers have also become more knowledgeable about labour conditions and about the problems faced by small farmers due to low commodity prices.

There are an increasing number of company codes of conduct, some of which reach down the commodity chain to producers. In addition, consumers' concerns have given rise to a number of certification and/or labelling initiatives, some led by NGOs and others led by the business sector. Social and environmental certification and labelling are market-oriented mechanisms, they use market incentives to encourage management improvements above the minimum level required by law, to implement laws that are otherwise difficult to enforce, or to suggest a framework where formal laws may not exist. They often refer to international treaties and conventions, sometimes translating them into verifiable standards for direct implementation by producers and/or traders. In this way, voluntary certification programmes are complementary to (inter) governmental regulatory frameworks and to labour unions, but do not and can not replace these.

II.1 Relevant International Conventions and Treaties

Conventions of the International Labour Organization (ILO): The ILO was created in 1919 primarily for the purpose of adopting international standards to cope with the problem of labour conditions involving "injustice, hardship and privation". The ILO standards take the form of international labour Conventions and Recommendations. Eight ILO Conventions have been identified by the ILO's Governing Body as being fundamental to the rights of human beings at work. They are conventions: No. 87 (1948) and No. 98 (1949) on Freedom of association and collective bargaining; No. 29 (1930) and No. 105 (1957) on the abolition of forced labour; No. 111 (1958) and No. 100 (1951) on Discrimination and equal remuneration; and No. 138 (1973) and No. 182 (1999) on the elimination of child labour. For the agricultural sector another important convention is No. 184 (2001) Safety and Health in Agriculture. These conventions are ratified by an increasing number of countries. The ILO also gives technical assistance to governments, employers' groups and workers organizations to promote the implementation of its conventions.

Conventions on pesticides and pesticide use:
- International Code of Conduct on the Distribution and Use of Pesticides, of which the Revised Version was adopted by the FAO Council in November 2002.
- Rotterdam Convention on the Prior Informed Consent (PIC) Procedure for Certain Hazardous Chemicals and Pesticides in International Trade. FAO/UNEP, Rome/Geneva. 1998. Under the PIC procedure, the secretariat provides all participating countries with detailed information on the risks the chemicals pose, allowing them to decide whether to accept future imports. If any country does choose to ban or restrict substances on the PIC list, which contains presently 31 chemicals, exporting countries are advised and must immediately inform their exporters, industry and customs departments.
- The Stockholm Convention is a global treaty to protect human health and the environment from persistent organic pollutants (POPs). POPs are chemicals that remain intact in the environment for long periods, become widely distributed geographically, accumulate in the fatty tissue of living organisms and are toxic to humans and wildlife. In implementing the Convention, Governments will take measures to eliminate or reduce the release of POPs into the environment.

Conventions on Biodiversity:
- The International Plant Protection Convention (IPPC) of 1952 to which 116 governments currently adhere was last amended in 1997. The purpose of the IPPC is to prevent the spread and introduction of pests of plants and plant products and to promote measures for their control to avert the threat to biodiversity from such alien and invasive species.
- The Convention on Biological Diversity was born out of the Earth Summit in 1992. More than 175 countries have ratified the agreement. The Convention has three main goals: The conservation of biodiversity; Sustainable use of the components of biodiversity; and Sharing the benefits arising from the commercial and other utilization of genetic resources in a fair and equitable way. Parties must establish rules governing access to biological resources, systems recognising the rights of local communities, mechanisms ensuring the transfer of appropriate technologies, and procedures for the safe handling, use and transfer of living modified organisms.
- The International Treaty on Plant Genetic Resources was adopted by the FAO Conference on 3 November 2001.

II.2 The main social and environmental standard setting and certification programmes in the tropical horticulture sector

National standards and codes: There are numerous national standards and codes of conduct that address environmental and social issues. Some are developed by a specific industry alone while others are developed by wider coalitions that may include governments, NGOs and consumer associations. An example is the “Compromiso Ambiental” of the Costa Rican banana industry that is monitored internally. Another example is the Silver and Gold Standards Code of Practice of the Kenyan Flower Council that is monitored by Bureau Veritas. A third example is the Green Food Programme in China with A-Grade and AA-Grade labels, the latter meant to be recognised as an organic label in international markets. These examples are by no means exhaustive but serve to illustrate the wide range of geographical areas, farming systems and methods of implementation of such national standards.

COLEACP Harmonized Framework for codes of good practice in the horticulture sector: The COLEACP is an inter-professional association of exporters, importers and other stakeholders of the EU-ACP horticultural trade. To improve market recognition of ACP produce and to respond to the market demands for environmentally and socially responsible conditions of production, COLEACP took the initiative to encourage horticultural export associations to move towards harmonization of their Codes of Practice. Currently (December 2002) 13 fresh produce trade associations are participating, coming from 9 African and Caribbean countries. The Framework is meant as a minimal set of food safety, environmental and social standards to be incorporated into national codes.

Sustainable Agriculture Program of SAN/Rainforest Alliance: The Sustainable Agriculture Network (SAN, formerly Conservation Agriculture Network (CAN)) is a coalition of conservationist NGOs in the Americas. The programme has set standards for more sustainable production methods for five tropical crops: bananas, citrus, coffee, cocoa and ferns/ornamental plants. The programme initially focussed on the environmental impact of production methods and habitat conservation, but has increasingly incorporated standards for community relations and labour conditions. The Rainforest Alliance is the main force behind the initiative and secretariat of SAN. Their “Better Banana Project” and “ECO-OK” seals will be replaced by a new label “Rainforest Alliance Certified” in 2003. Until now the labels have hardly been used directly on the product, but more in public relations activities of certified producers, and in relations between producers and buyers (importers, wholesalers and retailers).

Organic: Organic production is a holistic management of the agro-ecosystem, emphasising biological processes and minimising the use of non-renewable resources. This includes maintenance of soil fertility through the use and recycling of organic materials. The use of synthetic fertilizers and

pesticides is prohibited. The International Federation of Organic Agriculture Movements (IFOAM) has formulated IFOAM Basic Standards, on which organic certifiers can base their standard, with a view of international harmonization. The International Organic Accreditation Service (IOAS) accredits certification bodies that have organic certification programmes that comply with the IFOAM standards. During the last revision of the IFOAM Basic Standards, the standards for ecosystem management were strengthened. There are ongoing discussions on whether the standards should also include criteria for labour conditions and other social issues, to which currently only a very general reference is made.

With the growing market for organic products, many countries have developed national organic regulations to be able to protect producers and consumers against misleading organic claims. The FAO/WHO Codex Alimentarius Commission has formulated guidelines for labelling of organically produced food, with a view to harmonizing national regulations.

Fair trade: The fair trade initiatives try to provide better market access and better trading conditions to small farmers. This includes a price premium for producers to be invested in social and environmental improvements. For larger production units an additional aim is to improve the conditions for workers. The Fairtrade Labelling Organizations (FLO) International is an umbrella organization of 17 national fair trade labelling initiatives, but producers and traders are also represented on the board. FLO has developed production criteria, both socially and environmentally oriented, differentiated for smallholder production and plantations. In addition, it has developed standards for trade, with which traders licensed by FLO have to comply. Complementary to the generic standards, there are product specific standards. Currently FLO standards exist for coffee, tea, cocoa, cane sugar, honey, fresh fruit, fruit juices, bananas, rice and sports balls. Standards for wine and cut flowers are being developed. From January 2003 the certification unit will be a legally independent certification body.

ICFTU/ITS Basic Code of Labour Practice: The International Confederation of Free Trade Unions adopted a text for a “Basic Code of Conduct covering Labour Practices” in December 1997. The code aims to establish a minimum list of standards that ought to be included in all codes of conduct covering labour practices. A central idea of this code is that codes of conduct must incorporate freedom of association and the right to collective bargaining. The basic code is meant to assist any trade union organization in negotiations with companies and in working with NGOs in campaigns involving codes of conduct. It can also be used as a benchmark for evaluating any unilaterally adopted codes of labour practice.

Social Accountability Standard SA 8000: This workplace standard has been developed by Social Accountability International (SAI) in 1998, initially for the manufacturing industry. The standard is very similar to the ICFTU/ITS Basic Code and promotes the implementation of International Labour Organization (ILO) conventions covering social justice and working conditions. These include prohibition of child or forced labour, enforcement of safe and healthy working environments, rights to freedom of association and to collective bargaining. SAI accredits certification bodies to audit production facilities. Companies that do a substantial amount of sourcing from contracted suppliers can join the Signatory member programme, which requires that the company issue a plan for moving company owned and supplier facilities to SA 8000 certification over time and report publicly on progress. SA 8000 was approved for use in the agriculture sector in 2000 and so far 11 agriculture facilities have been certified, covering growing, packing and processing of bananas, pineapples, tobacco and wine.

Ethical Trade Initiative: The Ethical Trade Initiative (ETI) is a multi-stakeholder alliance in the United Kingdom. It has a tripartite structure in which NGOs, unions and the private sector are represented. The ETI focuses on ethical sourcing by companies, in particular retail chains. The ETI is a learning initiative to gain insight on how social standards can be developed and implemented. It has developed a Base Code of 9 principles, based on ILO conventions. The Base Code is similar to the SA8000 standard. Companies involved in the ETI execute internal business evaluation programmes to assess compliance with the ETI Base Code and subsequently try to address non-conformities encountered in

the evaluations. The ETI conducts various pilot projects to learn about: monitoring implementation of the Base Code; implementing core labour standards as part of supply chain management in a given country; applying the Base Code in circumstances that have been identified as potentially problematic; and implementing particular aspects of the Base Code.

The ETI's horticulture pilot project in Zimbabwe resulted in the formation of the Agricultural Ethics Assurance Association of Zimbabwe (AEAAZ), a tri-partite association of local business, trade union and development organizations. AEAAZ plans to implement a system of monitoring and verification of its own code, which is currently in draft form.

Race to the Top project: Race to the Top is a collaborative project of major UK multiple retailers and an alliance of farming, conservation, labour, animal welfare and sustainable development organizations. The project is co-ordinated by the International Institute for Environment and Development (IIED). The project will offer supermarkets independent benchmarking against indicators grouped in seven modules: environment (emissions and waste); giving a fair deal to producers; wages and conditions for workers; communities (sourcing local); nature (on-farm); animal welfare; and healthy food. In 2002 indicators and measures were developed and in 2003 baseline data will be collected against which progress can be measured.

ISO 14001: this standard for environmental management systems is part of a series from the international organization for Standardization (ISO). It does not set specific quantitative performance targets but provides a framework for an overall strategic approach to an organization's environmental policy, plans and actions and aims at continued improvements. A growing number of horticulture farms are being certified against the ISO 14001 standard.

EUREPGAP: EurepGap is a certification system driven by 22 large-scale retail chains that form the core members of the Euro-Retailer Produce Association (EUREP). The main focus of the Good Agriculture Practices (GAP) norms are on food safety and traceability. They also include environmental (IPM practices) and social (issues on workers health) norms, although these have been criticised for being rather vague. EurepGap was also aimed at harmonization of requirements for food hygiene and of Maximum Residue Limits for pesticides in food. This harmonization effort has only partly been successful, considering that not all retailers are involved and that the standards refer to existing governmental regulations, which are not the same across Europe. EurepGap has enlarged producer participation in its standard setting process; retailer and producer representatives now have each 50% of the seats in the Technical Committee responsible for the regular revisions. In time, EurepGap certification may become obligatory for those producers selling to the retailers involved in EUREP.

II.3 Collaboration in environmental and social certification

ISEAL Alliance: The International Social and Environmental Accreditation and Labelling Alliance is an effort by leading international standard-setting, accreditation and labelling organizations that are concerned with social and environmental criteria in product and renewable resource management certification. These include SAN, FLO, IFOAM, IOAS and SAI. The main goals of the Alliance are to attain credibility and recognition for the participating organizations, to defend common interests and to promote continuing professional improvement of member activities through shared learning, peer review, development of guidance documents, and documentation of best practices in standard setting and certification procedures.

SASA project: Four ISEAL members, FLO, IFOAM, SAI and SAN also undertake the Social Accountability in Sustainable Agriculture (SASA) project. The objectives of the project are to enhance co-operation among the organizations and to develop guidelines and tools for social auditing. The project examines the impact and responsibilities of supply chain actors, the particular needs of small- and medium-scale producers and the possibilities for integrated audits for multiple certification

programmes. To achieve these objectives eight pilot audits are being carried out and workshops are organized to focus on specific standards or certification procedures, e.g. on smallholder group certification for social audits.

III Context of the meeting: Previous Expert Meetings organized by FAO

(Chapter II-IV formed together the meeting's *background document* sent out prior to the meeting)

Based on the recommendations of the Sub-Group on bananas of the Intergovernmental Groups on Bananas and on Tropical Fruits at its First session in 1999, the horticultural products group of the Commodities and Trade Division of FAO organized an ad hoc Expert Meeting on Socially and Environmentally Responsible Banana Production and Trade in Rome in March 2000. The meeting gathered experts from various environmental and social standard setting and labelling initiatives, small banana growers and consultants. A comparative study of the main social and environmental standard setting and certification initiatives in the banana sector was presented. The debates centred on the constraints encountered in setting appropriate standards and monitoring their application. The meeting recognised that each certification initiative has its specificity and a role to play. Each respond to different consumer demands and has a different vision, but they all share the same goal of increasing sustainability in the banana and horticulture industry.

It was suggested to create an electronic forum to share information, also with participation of stakeholders outside the limited circle of social and environmental standard setting programmes. Research on how joint inspections could be implemented in practice was considered desirable by all the programmes. In addition research could be undertaken on the monitoring of labour standards, the definition of basic needs and common criteria for worker health and safety. Consideration was also given on pooling of information on good practices in banana cultivation. In order to reduce confusion on what is covered by the various labels and schemes and to ensure that retailers and wholesalers understand the differences between various initiatives, it was agreed to prepare a brochure. To continue this dialogue, execute the proposed activities and monitor progress, an ad hoc working group was created, in which all participants joined. It was recommended that the group meet regularly, at least once per year.

The Working Group on Socially and Environmentally Responsible Horticulture Production and Trade has developed since then into an informal and loose group of experts, with communication facilitated by the Horticultural Products Group of FAO. The first activity undertaken by the Working Group was the production of a brochure in which SAN, FLO, IFOAM and SAI presented themselves and their activities in banana certification. The brochure was finished in July 2001 and distributed widely. In October 2001 a moderated electronic forum started, to exchange information on developments in the world's banana industry and to discuss social, economic and environmental issues in banana production and trade. Participation in the forum is free and currently counts about 75 subscribers.

In December 2001 a second Expert Meeting was organized in Costa Rica. The first day of the meeting was dedicated to the Working Group. Recent developments in the standard setting and certification initiatives active in the banana sector were presented. The participants agreed on a plan of activities for the Working Group. It was agreed to broaden the scope of the group to other tropical horticultural crops. On the second day various representatives of the Costa Rican Ministry of Agriculture, banana producers and the Consumers Union presented their experiences with the various certification initiatives. In the afternoon discussions were held in two groups.

The debate on social standards concentrated on: the quality of auditing; the involvement of stakeholders in the certification process; local specificity and flexibility; and the relation with local governments and international trade negotiations. The group agreed that the main accomplishment of social standards and certification so far had been to bring the issues into the open.

The debate on environmental standards focussed on the multiplication of certification initiatives and on ways of increasing the cost efficiency of certification. The group agreed that the actual impacts on the environment included a reduction of pollution and higher biodiversity around farms. Certification has increased environmental awareness and has promoted a cultural change in companies, farmers and their communities.

In the plan of activities for the working group, case studies for impact assessment of the certification programmes and cost-benefit analysis were prioritised. After discussion on objectives and methodology, a guiding checklist of necessary information was developed, including two alternative methodologies for cost-benefit analysis. Two case studies were executed in Costa Rica, one on citrus analysing costs and benefits of SAN certified and organic certified systems and one on smallholder organic coffee production.

In addition, a web site was created on the Working Group, with basic information on the history and objectives of the group, the participants, the Banana Forum and with the documentation and reports of the expert meetings.[1]

IV Theme of the meeting: Building partnerships for increasing sustainability in the fresh produce chain

(Chapter II-IV formed together the meeting's *background document* sent out prior to the meeting)

IV.1 Supply chain management

Supply chain management is the management of the entire set of production, distribution and marketing process of a specific product or product group.[2]

The food industry has been slow to adopt supply chain management as compared to other industries. According to O'Keeffe (1996)[3] there are four characteristics in the food sector that impede the process of trust building, necessary for supply chain management:

1. In commodity markets the sum of value created is fixed and the major issue is how it is divided among chain participants.
2. Auction systems and regulated markets isolate farmers, thus farmers do not gain insight into their customers. Likewise processors have not needed to or have not had the opportunity to develop relationships with growers.
3. Supply Chain Management does not remove the volatile nature of prices and supply in the agriculture sector. Price volatility puts pressure on the relationship.
4. Interdependence is difficult to achieve owing to size imbalance between processors (/retailers) and farmers.

Maybe as a consequence of those characteristics of the food chain, supply chain management seems to have mainly taken the form of increasing requirements imposed by retailers on suppliers, usually without any increase in producer prices. In an effort to increase the efficiency of supply chains, inventory levels are cut down. Reductions of inventories at the retail end have often caused increases in inventories at the side of the supplier/shipper, who sometimes have established distribution centres closer to the markets. Reductions of inventories have also resulted in reductions of production lead times. Farmers are asked to deliver desired quantities at the latest possible moment, putting pressure on their labour force. In addition, traceability systems are put in place, mainly addressing the need to

[1] http://www.fao.org/es/ESC/esce/escr/bananas/responsible.htm

[2] Adapted from: Woods E. 1999. Supply chains: What are they and why be interested? ACIAR Postharvest Technology Workshop. 1-2 December 1999. Canberra

[3] O'Keeffe M. 1996. Establishing Supply Chain Partnerships: lessons from Australian Agribusiness." In: International Journal of Supply Chain Management, vol.3 no.1.

be able to locate the source of a food safety problem quickly and with the additional effect that more responsibility and liability is transferred to the primary producers and packers.

Increasing non-price demands on produce, have also changed sales-buying relationships, according to Perosio et al.[4]. They argue that in the past the principal communication between supplier and customer took place mainly via the sales agent and the buying agent and price was the main point of negotiation. Nowadays progressive suppliers/shippers in the US have formed sales "teams" and retail firms have formed buying "teams" with category managers, quality assurance personnel and warehouse managers. A few shippers even organize shipping point seminars to allow the wholesaler/retailer to fully appreciate the unique features of the products, resulting in a better understanding of the vendors' typical dilemmas.

Example of developments in supply chain management:

Automatic collection and analysis of Point Of Sale data.
With the use of new computer technology, sales data are automatically collected via scanners at the checkout counter and orders for replacement are automatically transmitted to the manufacturer. Since the introduction of standardized product-look-up codes for fresh produce, such automatic data collection is also possible for fruits and vegetables. Fruits and vegetables were previously sold without UPC bar codes (the black stripes), but now consumers in supermarkets are asked to weigh their desired amount and put the sticker on the bag themselves. This allows for lower inventory levels at the shop, more efficient use of shipping trucks, improved storage operation and a reduction in unsold goods. It also allows for better and easier monitoring of consumer behaviour, reactions to promotional activities, new products or packaging. [4a]

The above characteristics of supply chain management mainly address efficiency of the chain and product quality. Such decisions on efficiency and quality measures along the chain are usually dominated by one or two powerful actors in the chain. When it comes to increasing environmental and social performance, supply chain management is often confined to what is called "ethical sourcing". The powerful buyer adds social and environmental criteria to the list of requirements their preferred suppliers have to meet. This has the danger that the buyers in developed countries dictate what constitutes environmentally and socially responsible business, even beyond their borders. It does not necessarily address the priorities of the suppliers, their work force and the communities in which they operate.

On the other hand, vocal consumers have given rise to environmental and social certification initiatives (see chapter 1.1). The involvement of both retailers and traders in the development of these schemes has often been minimal and in some cases also producers were not actively involved. Similarly to buyer-dominated "ethical sourcing", these NGO-dominated certification programmes have the danger that those (European and US based) NGOs decide on what constitutes environmentally and social responsible production and trade.

Building partnerships along the chain and giving all actors a voice in the management of the chain might provide better opportunities to work towards responsible trade.

IV.2 Building partnerships along the supply chain

"Partnership" is a widely used concept, but is not well defined. The Social Security Administration of the US defines partnership as follows in its handbook: "In a partnership each partner contributes in one or more ways with money, property, labour, or skill and shares in the profits and risks of loss in accordance with the partnership agreement or understanding."

[4] Perosio D. J., McLaughlin E.W., Cuellar S., Park K., 2001. Fresh Track 2001; Supply Chain Management in the Produce Industry. Cornell University, New York.
[4a] Cook R. L. 2001. The U.S. Fresh Produce industry: An Industry in Transition. University of California, Davis.

Fearne and Hughes (2002) point out that effective communication between and within all organizations involved is necessary but that sharing information poses threats to independence and is extremely difficult when trading partners lack trust. They select three major conditions for successful partnerships in supply chain management: Clear benefits for all participants in the chain, sharing of the same long-term objectives, and an aim for leadership in quality.[5] According to Senge (1990), successful chains will be those that embrace the notion of the 'learning chain'. This requires a shared vision, challenging conventional wisdom and current practice without inducing defensiveness while engaging in systems thinking.[6]

From a development and fair trade perspective, the NRET has come to very similar conditions and characteristics of partnerships in trade. Tallontire (1999) characterises partnerships as a relationship with a shared time frame, participation, balance of responsibilities, clear boundaries, autonomy of partners, accountability and transparency. The conditions for such partnerships are shared understanding, mutual commitment, distinct contributions, shared objectives and trust.[7]

Examples of building partnerships

ETI. In ETI pilot projects local tri-partite groups (companies, unions and NGOs) research how to implement the ETI Base Code, with regular communication and guidance from the UK-based tri-partite group. Trust is built and learning is shared within the ETI. Unfortunately, due to confidentiality agreements, not all the results are open to a wider public.

Fair trade. The fair trade initiatives aim to create long term trading relations between fair trade producers and licensed traders. FLO also organizes activities to bring producers into contact with the market in which their produce is sold, and information is provided to consumers about the producers behind their fair trade food. With the recent reorganization of FLO's structure, producers and traders gained positions in the Board, which is further stimulating partnership building within the fair trade initiative.

IV.3 The link with the consumer

With the globalization of trade, the link between the producer and consumer has been eroded. Some consumers are romanticising rural life or lack basic knowledge about food production. This may be illustrated by the fact that some urban consumers think that milk is produced in a factory. Many consumers are unaware that selecting totally unblemished fruits indirectly results in more pesticides being sprayed. Consumers do not (and most of the time can not) know how much of the final price is going to the different actors in the chain, and whether these actors make a profit from that share or not.

Example of relinking the producer and consumer

In the US Community Supported Agriculture tries to built partnerships between consumers and producers. Community Supported Agriculture consists of a community of individuals who support a farm so that it becomes the community's farm, with the growers and consumers providing mutual support and sharing the risks and benefits of food production. Community farm members pledge in advance to cover the anticipated costs of the farm operation and farmer's salary. In return, they receive shares in the farm's bounty throughout the growing season, as well as satisfaction gained from reconnecting to the land. Members also share in risks, including poor harvest due to unfavourable weather or pests. (Adapted from USDA definition)

[5] Fearne A. and Hughes D. 2002. Supply chain partnerships in a global food industry: towards a sustainable competitive advantage. In: Outlook, A Journal for Western Australia's Agribusiness Industry, Autumn 2002.
[6] Senge P. M., 1990. The Leaders' New Work: Building learning organizations. In: Sloan Management Review. 7, Autumn 1990
[7] Tallontire A. 1999. NRET Working Paper 6. Partnerships in fair trade. Reflections from a case study of Cafédirect.

At the other end of the chain producers are hardly aware about how their produce is presented to the final consumers, what place it takes in their diets and how these consumers value their produce.

However, recent food scares, mainly in Europe, have made more consumers aware that it does matter how food is produced and that their food has travelled many miles before reaching their plates. Furthermore the growing organic and fair trade markets indicate that some consumers do care about production methods and labour conditions.

With these growing "ethical" markets and a proliferation of other initiatives, there is a growing number of "responsible actors" in the fresh produce sector. This creates opportunities for building partnerships and "responsible supply chains". However, for this to be possible, the "responsible actors" need to find each other and create an enabling environment to act responsibly.

Effective communication between actors in the chain is essential to reach mutual understanding of what improving environmental and social conditions would mean at each step. While talking about the environmentally responsible chains, a store manager might think about reducing waste from unsold produce by better and more uniform quality, while the producer might think of spraying less chemicals, which may lead to more blemishes on the product.

IV.4 Challenges and opportunities for producers, exporters and shippers from developing countries

Trust building in the food supply chain is difficult because of the nature of commodity markets with volatile prices, isolation of farmers from markets and size imbalances between the different actors in the chain. The actors from developing countries are often most isolated from markets and are the smallest and least powerful actors in the chain.

Supply chain management in the fresh produce sector has so far mainly addressed efficiency and product quality and has been dominated by the most powerful actors in the chain, which are often the retailers. While producers and packers from developing countries face many difficulties when trying to comply with efficiency and quality requirements, they have in most cases not received higher prices for their products.

This type of supply chain management does not appear to be designed to increase environmental and social performance of the chain. Building partnerships between the actors of the chain might provide better opportunities for responsible chain management. This poses many challenges for communication along a global supply chain with great distances to bridge, different languages and cultures and differences in access levels to telephones, e-mail and internet. However, without communication, without "knowing each other", building of trust between actors is extremely difficult, if not impossible.

Supply chain management innovations have so far mainly tried to increase efficiency and reduce costs, and more recently increase food safety. Improving social and environmental responsibility might increase costs. The big question will be who is to pay for these. Or could the chain combine the two: costs saved by increasing efficiency to be reinvested in social and environmental projects?

V The meeting: Presentations

This chapter summarizes the presentations. The editors have tried to reflect the presentations as accurately as possible but by doing so are not endorsing any programmes or claims. A copy of the presentations can be found in Appendix III.

V.1 Latest developments in social and environmental certification initiatives

(For introductory information on these initiatives, see Chapter II. Corresponding pages are indicated in brackets.)

The organic movement (introduction at page 3): The organic market has gone from double digit growth rates to healthy growth rates of 5-10%. A shift from air freight to sea freight is expected to reduce both costs and food air-miles. The movement works further on harmonization of group certification standards. There are also ideas of creating organic-plus certification programmes with additional qualifications like HACCP or EurepGap. Some organic certifiers already offer EurepGap certification as an additional service. Interest is growing in the social chapter of the IFOAM Basic Standards. There are also new initiatives for collaboration between the organic and fair trade movements such as between the Soil Association and the Fairtrade Foundation in the UK.

ISEAL (page 5): The ISEAL Alliance is moving from being an observer of change towards being a driver of change, initiating new activities through which its members work increasingly together.

Sustainable Agriculture Network(page 3): SAN is involved in several sustainable agriculture projects. PROARCA is 5-year project promoting the green market segment. The SASA project made the SAN and other participants look carefully into how they are doing their social certification. The new Rainforest Alliance certification seal replaces the old ECO-OK and Better Banana seals. The biggest growth for SAN is in the coffee and the fern programmes; there are now 23 fern farms certified. SAN continues to train new auditors and has also 3 auditors trained to conduct EurepGap audits. SAN has developed chain-of-custody protocols and has tested them on coffee mills. To streamline certification "whole farm" standards are being developed, for farms that grow secondary crops not yet included in the SAN standards. Furthermore, SAN is considering integrated or joint audits, for example with SA8000 certifiers.

Social Accountability International (page 4): SAI started in 1996 (as CEPAA), partly as not-for-profit and partly as a business. SAI has developed the SA8000 auditable humane workplace standard SA8000. Child labour problems and abuse of labour situations have been central to the standard. Companies have sought SA8000 certification mainly to protect their reputation. The SAI accreditation agency checks the accredited certification bodies every 6 months to ensure the absence of any conflict of interests and to check the quality of the audits. SAI offers auditor training courses globally and has a worker training programme. An important feature of the SA8000 is the open complaints and appeals procedure, which has led to corrective action in several cases.

Social Accountability in Sustainable Agriculture (SASA) project (page 5): In 2002, four audit exercises were completed. They focussed on demonstration of the certification systems and generated tremendous learning about each participating initiative. Critical social issues that have been highlighted are: Working hours in seasonal production systems and Freedom of association and right to collective bargaining. It has been decided to add a discussion to the project on standards - their interpretation and where thresholds for certification are set. Also more time is needed to discuss among the steering committee and with the constituent groups about preliminary results and how they can be best applied. Therefore there will be fewer audits but they will be more focussed, for example on Internal Control Systems for smallholders or on integrated audit methodologies or on supply chain issues. A few workshops for discussion with key stakeholder groups have been added to the project.

Interested persons can contribute to the discussions in the Global Consultative Group, Pilot Audit Crop/Country Groups or by simply writing an Email.

Fairtrade Labelling Organization International (page 4): One of the latest developments of FLO International is the new structure with a Certification Department that is separate from the other departments, following ISO guidelines for certification bodies. Furthermore generic tropical fruit standards have been developed that will make it easier to add new tropical fruit products to the fair trade range.

V.2 Producers' experiences of standard implementation

Cost-benefit analysis at Del Oro, Costa Rica, by Mikkel Andersen (FAO/RUTA) & Omar Somarribas (Del Oro), Costa Rica.

The aim of the case study was to contribute to the development of a common methodology for impact assessment and cost-benefit analysis of standard implementation. Following a participative approach, the producers' experience with certification in both quantitative and qualitative terms was studied.

Del Oro, Costa Rica, comprises five farms and a juice processing plant. The transformation activities were excluded from the study. Del Oro started work with the Rainforest Alliance/Sustainable Agriculture Network in 1996 and got SAN certified for all 5 farms in 1997. In 1998 one of the 5 farms was converted to organic production methods and received full certification in 2001. The case study comprises the years 2000 and 2001. Because the plantation is young, productivity in general was still increasing as trees matured and entered the maximum production phase.

The annualized costs of the development and implementation of the SAN standard were calculated as 1.5% of the total production costs. The main investments were new infrastructure and the change of the type of herbicide. The annualized costs of the 3-year conversion period towards organic status was calculated as 1.4% of the total production costs for that particular farm. On the long term, the variable costs before harvest increased by 37%. Initially yields dropped considerably, which can be partly explained by a lack of research; during the first 6 months of the conversion period no specific organic methods were applied to compensate for not using chemical fertilizers and pesticides. Since the year 2000 yields have been increasing again and Del Oro expects the organic farm to be back on pre-organic production levels in 2003.

The financial analysis of the five farms shows that profits were low or negative in 2001 and positive in 2002, mainly due to better prices on the world market. In addition, the organic farm experienced significant losses in 2001, but a good profit in 2002, the first year full certification and organic price premiums were received. The total production costs per hectare do not differ much between the conventional and organic farms, but variable costs before harvest are higher for the organic farm.

The implementation of the SAN standard offered an update on legislation and useful learning on best practices. The Rainforest Alliance also provided important public relation support at a time when Del Oro got media attention due to an innovative natural resource and waste management practice. Organic certification offers a significant price premium. Long term benefits will depend on market prices and whether the certification programmes offer new learning opportunities. In the producers' view, there are several areas for improvement of the certification programmes: multiple recognition of organic certificates; more flexibility to local conditions; and services offered by the certification bodies (training courses, capacity of auditors and promotion in the market). More market transparency would also be welcome.

Clarification was asked about the "capacity of auditors". It was explained that for the company a more narrative certification report would be interesting, which would also include the areas on which improvements had been made. The SAN representative stated that they (as many certification bodies) should continue work on how to get the same interpretation of the same situation by different auditors.

He also explained that formerly SAN had had an extension role but due to the ISO guidelines on the prevention of conflict-of-interest they had lost that aspect of their work.
It was questioned if cost of certification was a problem, given that Del Oro was also ISO14001 certified. As a big company it was not a big problem, but as a commercial company they require value for money.

The relations with government were discussed. The Costa Rica government has developed a legal framework for organic agriculture but as a company Del Oro had not had a lot of contact with the government. It was remarked that there is a need for parallel action on extension, certification and marketing. However, the Costa Rican government does not have the resources to do a lot on extension. It was noted that the extension role could not be just put on the certification bodies either, as this would result in conflicts of interest, as shown in recent financial auditing scandals in the US.

V.3 Views on building partnerships for environmentally and socially responsible trade

The difficulties encountered by small farmers to meet the requirements of the international market. By Emilie Dardaine, FLO, Germany.

Nowadays the Northern consumer wants to buy good quality products that do not endanger his health or the health of the producers and that are environmental friendly. As a result buyers ask greater aesthetic presentation of the fruit and the creation of buffer zones. Buyers require producers of conventional bananas to wear gloves and masks while spraying at the packing station where the temperature may be up to 40°C. At the same time the price of a box of bananas has not been increased to cover these additional costs.

We need to be aware that farmers will comply with standards only if: They are applicable to the reality of the production; farmers are convinced of the usefulness of the criteria; and the producer price covers the costs of these requirements.

FLO International sets a minimum price that covers cost of production, cost of complying with FLO International standards and the cost of living of the farmers. FLO International facilitates exchanges between buyers, consumers and the producers that help producers to understand market realities. Finally, producers participate in standards setting, they are represented in FLO certification committee and in the FLO Board.

If we want a socially and environmentally responsible production and trade, we cannot have standards that cannot be complied with by the poorest. Let us remind ourselves that certification is a tool and not a goal.

A question was asked from the audience on the relation between fair trade and food safety requirements. There is no direct relation but as everybody else the fair trade supply chain has to comply with legal food safety requirements.

The role of certification, advantages and disadvantages of local versus international certification bodies in building partnerships. By Jean Martin Tetang, Export Agro, Cameroon

In central Africa there are many traditional agricultural practices that are organic. Since the advent of the organic market thousands of small producers regroup themselves around organic projects. The operators of these projects organize the certification and are often the exporters. However, due to many problems encountered during the certification process, in Cameroon only 2 out of 14 operators are active. Problems include delays in audits and issuing of certificates, sometimes certificates are issued after the harvest campaign is over.

In Central Africa there are no national standards for organic agriculture and the operators depend on foreign certification bodies. The association of organic producers and exporters currently studies the development of local standards that will be adapted to the local context and will help to create recognition of organic production at government level and in the local markets and hopefully generate a better co-operation with international inspectors.

Partnerships in responsible trade, Chiquita's experience: methods, risks and benefits. By George Jaksch, Chiquita, Belgium

Chain of events: In 1992 Chiquita started co-operation with the Rainforest Alliance in the "Better Banana Project" and in 2000 all owned farms were certified. In 1999 Chiquita made a public commitment to Corporate Responsibility. The first internal audits against the SA8000 were conducted in the year 2000. In 2001 an Agreement on freedom of Association and minimum labour standards was signed with the union associations IUF and COLSIBA and in the same year the first Corporate Responsibility Report was published. A second round of internal SA8000 audits was conducted in 2002, this time with observers. Chiquita also became member of the Ethical Trade Initiative in the UK. Chiquita works to obtain the first SA8000 certifications of its banana farms in 2003.

The qualifications of a partnerships and its partners are: Integrity / sincerity; competence; social & environmental responsibility; transparency; commitment and resources; spirit of dialogue and co-operation; willingness to persist and make the partnership work. A partnership needs a meaningful agenda with common interests and objectives, defined roles and responsibilities and defined goals and targets. There need to be mechanisms for dialogue and decision making; a regular review to maintain direction; and private conflict resolution mechanisms. A partnership can *not* be an image exercise.

Going from a megaphone diplomacy to constructive dialogue has resulted in understanding that enables solutions. Energy could be shifted from conflicts to improvements. Partnerships give a view of the wider world and recognition follows, eventually. In the future, partnerships are probably the only way to make adequate progress towards sustainability.

"Companies have a duty to contribute to the evolution of equitable and sustainable communities and societies"
Johannesburg Declaration, 2002

Value addition in the Food Supply Chain. By Volkert Engelsman, EOSTA, The Netherlands

Observed megatrends in purchase criteria are: Food safety, taste and health; Environment; and Social Justice. In the organic market 7% of the organic customers are responsible for 55% of all organic purchases; the so-called "heavy users". Therefore the wishes of those 7% (should) weigh more in value addition decisions, and these well aware consumers demand such things as combined organic-fairtrade and add-on certifications. The responses of the retail sector include add-on criteria such as "no airfreight", "sourced locally", "IFOAM accredited" or "no copper". The retailers with a maximum strategy towards organics display more organic products in their stores and are able to capture 3-8% of the organic market. In contrast, supermarkets with a basic strategy towards organics have few organic products on offer and have only 2% or less organic market share.

The challenge is to create economic awareness for organic agri*culture*, social *development* and food *quality*. For agricultural quality EurepGap and the organic EU regulation are considered the basics. With increasing consumer awareness there will be more demand for e.g. biodynamic methods, biodiversity initiatives and CO2 emission reductions. For social quality requirements the observance of national laws, ILO conventions and the SA8000 standard are the basics. Higher consumer awareness would demand fair trade and additional efforts for e.g. education and medical care. A forum for Food, Quality and Health has launched a Food Quality Index, based on residue levels, physiological compounds, sensoric compounds and vitality characteristics.

EOSTA's Nature & More audit includes ratings for Ecological Quality, Social Quality and Product Quality, which together give an average quality ranking. On the web site of EOSTA interested buyers can look up company profiles and the ratings for the different ecological, social and product aspects that make up the total quality rating. Somebody from the audience asked who did the verification. Apart from the organic and other existing certificates, the verification and ranking for the Nature & More programme was entirely done by EOSTA, but they would welcome any offer from certification bodies to develop a third party verification programme to confirm their results.

VI The meeting: Discussion

After the presentations the participants split into three discussion groups. A summary of the discussions is presented below.

VI.1 Discussion on "Building partnerships"

- How to identify and select your partners?

The best partners will be those who can fulfil the needs of the producer or firm seeking a partner. A good partner should add value to the firm's products and be economically competitive. Partners should share common interests, values and vision. One participant felt that long-term commitment is a key criterion. For small farmers a good trading partner should provide feed back on export markets and prices. Small farmers need to create partnerships among themselves as a first step to increase their marketing and bargaining powers.

- What are the rights and responsibilities of each actor?

The group found that fair dealing and ethical conduct was a moral obligation for all parties. The right to obtain information on marketing of the product and its price is important. Partners should ensure transparency, which nurtures trust, a key factor for success. Some participants argued that in case of hardship a good partner should show solidarity towards farmers, helping them beyond its basic responsibilities.

- What are the mechanisms to ensure a good working relation?

The Group debated the use of contracts. It was agreed that contracts are not very useful as legal enforceable documents. Good faith, commitment and ethics give more guarantees than a contract. However, a contract can be useful as a reference document that spells out an understanding and as a framework setting agreed goals. Again, mechanisms for transparency and dialogue were mentioned as important. If problems can be detected early enough, can be discussed and solutions can be found jointly by the partners, the partnership will prove effective and last longer.

It is market power, not the contract, that determines how successful a partnership is. A working partnership is an alliance between parties of comparable strength. Again, farmers need to organize if they are to forge a successful alliance with powerful trading or retailing firms. This might be difficult due to their lack of trust and collaboration spirit. A possible solution lies in training and capacity building with support from governments and international development agencies.

However, concentration in the retail sector has given formidable power to supermarket chains. Even if farmers organize and improve their bargaining power, it will still not be sufficient to match that of large-scale retailers. Some participants thought that consumers should pressure supermarkets to commit to sustainable development. Consumer associations should scrutinize the practice of retailers and their suppliers. They have the right to detailed information on the origins of the foods found in supermarkets. This two-pronged approach, i.e. organizing producers upstream and putting pressure on large-scale retailers downstream, might help improve sustainability in the horticultural industry.

- How to reach social and environmental goals through partnerships?

It was pointed out that all parties in an alliance should benefit from it. If some parties do not make profit, they will tend to save on environmental or social costs. The value added should be distributed in a fair way among partners. When demanding more sustainable production methods, retailers and importers should share with producers the higher costs that these methods entail.

The Group noted that common social and environmental targets should be specified and agreed from the start when the partnership is negotiated. Some participants felt governments and international agreements such as the ILO conventions could have an important impact that could improve sustainability. Nevertheless, others felt that civil society initiatives (e.g. from NGOs) were much more effective.

In some participants' opinion, it is important to change people's attitudes and show it is possible to improve practices. This can be best achieved by showing respect to producers and understanding their constraints. In some developing countries, industry codes of conduct have received wide support and led to progress (e.g. the Kenya Flower Council code). However, the dissemination of these experiences is constrained by language difficulty and the burden of information that farmers already receive. More South-South co-operation should be supported to allow exchange of experiences.

VI.2 Discussion on "Responsible pricing"

- How to determine responsible prices along the chain?

The group observed a lack of transparency in the cost building mechanisms along the supply chain. One participant stated that 30-40% of the retail prices of fresh fruits goes to the retailer. It is not clear to the other actors of the chain what costs the retailer has to cover and what the retailers' profit margins are. Some believed that the retailer's policy was to collect a 30% gross margin on all products and it was stated that in specialized natural/health shops this could even be 50%. However, nobody was sure on such figures. The question was posed that if supermarkets were such profitable business, why were there not more entrepreneurs setting up new chains, why was there instead such a concentration?

During the discussion the need for transparency to be able to negotiate fair prices was repeated frequently. FAO was asked to gather information on price building. Supermarkets need to be encouraged to sit around the table. A positive example was observed in the UK where supermarkets had been around the table with the Fairtrade Foundation and now carry fair trade bananas. It would be useful to document these examples. Supermarkets need to become partners in the chain to work together on fair prices and to promote consumption of socially and environmentally sustainable products.

Nowadays certification and food safety investments add to production costs, which should be shared in a fair way along the chain. When talking about costs and prices, external costs and benefits need to be considered, for example social and environmental services provided by farmers. It might be worthwhile for society to keep small farmers into business. It was perceived that small farmers are at a relative disadvantage if such external costs and benefits were not internalized. Certification could serve to internalize environmental and social costs better into the production costs and indirectly reduce economies of scale.

- Cost of certification.

In the fair-trade system the trader who sells to the retailer pays for the certification costs (and this can be supposed to be passed on to the consumer). In organic certification costs can be as high as 5-10%, which has to be paid by the producer (or a friendly NGO). It makes sense to seek fairtrade certification first and to pay for the organic conversion period with the fair-trade premium. There is a need to compare costs and methods of certification, for example in cents per kilo.

- If prices always cover production costs, does this not stimulate overproduction?

The group felt there was no evidence for this. History shows many examples of the contrary: if prices go down farmers produce more to earn the same. At the moment producer and consumer prices seem not to be related to each other. The group concluded that the effect of minimum producer prices depends on the size and type of operations concerned (plantations and small farmers react differently), on market maturity and on the type of market (conventional, organic, fair trade).

- What could be the role of intermediaries in building partnerships along the chain and in responsible price setting?

It was felt that the role of intermediaries has changed dramatically due to the adoption of new Information Technologies. In the past they were sometimes the only actors in the chain to know both supply and demand and they fulfilled a necessary broker role. Now this information is easily available for many parties. It was observed that retailers are actively cutting out middlemen from the chain. Transport and logistics are the key roles left for intermediaries. Transparency and competition are essential and liabilities have to be defined explicitly. An example was given of intermediaries not taking responsibility for rejections at import level. The producers had to bear the financial responsibility for rejections of containers even if they had delivered them in good condition at the port of export. It was observed that there is a lack of competition between intermediaries in the organic supply chain and it was argued that middlemen dealing with fairtrade certified produce should work as "fairtrade middlemen".

After the presentation of the group to the plenary it was remarked that indirect benefits of achieving standards are often overlooked, such as savings from a reduced number of accidents, reduced labour turnover and insurance costs. However, it should not be too difficult to quantify them.

VI.3 Discussion on the role of certification in partnerships

Certification can be seen as a way of communication along complex supply chains. What services should certification bodies ideally provide to producers and to what extent would that be possible without compromising their verification role?

- Training and education.

Certification bodies could give training on the standards and on preparation for certification. The implementation of ISO 65 (a standard for how certification bodies should operate) is constraining this education role of certification bodies to prevent conflicts of interest. It was felt that the certification bodies are content to focus on their control work. However, the need for training and extension may be high in many less developed countries where there are often very few sources of information. But in those cases the problem of conflict of interest is also evident: if certification bodies become the main source of information they will be auditing their own work. Exploratory, open and general training courses are no problem, but it is different if specific producers ask advice on compliance with specific standards. Farmer associations could be instrumental for training of individual farmers. The group concluded that certification bodies could provide open training courses separated from the auditing process.

- Market requirements and promotion of seals.

Certification bodies could bring in more knowledge on buyer and consumer requirements, for example on quality. Market related legislations that have been developed over the past 10 years in the industrialized countries, for example the organic regulations, are often perceived to be inflexible in developing countries. Ideally developing countries should develop their own regulations and set their own standards. Although certification bodies cannot promote individual producers they can promote the seal and the standard and certification system in general. They can also inform producers about opportunities related to certified status to gain financial assistance or fulfil procurement preferences. They could also advocate for obtaining such general preferences for certified producers.

- Forum for linking producers, certifiers and consumers.

Certifiers have links with both producers and consumers and they could use this position to promote discussions between them. Such forums could also be used to evaluate the certification system and to prioritise issues important to both consumers and producers. Many group members felt that the certification bodies could do much more in this area. Others provided examples of cases where certification programmes already provide this forum, like the SAI business conferences.

- Consensus building in standard setting.

Certification bodies have an important role in communicating their experiences with standard implementation to accreditation agencies, producers, consumers and others. They have an overview of what is possible in the field. It was felt that retailer-driven initiatives like EurepGap did not involve producers in the standard setting and that was the reason why these standards often are perceived to be imposed. Most certification bodies are open to more engagement of producers in standard setting, but producers need to take the initiative.

- Negotiate and deal with emerging standards defined by retailers.

Reasons that retailers are setting standards could be: addressing food scares; moving more liability to producers in case of food scandals; establishing a chain of custody; setting the agenda in supply chain management; and ensuring product consistency through one baseline standard. The ISEAL Alliance or the FAO forum could take the initiative for joint negotiations with the retailer driven systems. The FAO secretariat of the Working Group on Socially and Environmentally Responsible Horticulture Production and Trade and some ISEAL members have already participated in several EUREP meetings to inform EUREP of existing certification initiatives and foreseen complications for small producers due to the EurepGap.

After the presentation of the discussions of the group to the plenary it was clarified that the EurepGap managing director could not participate in the meeting because of other duties.

VII Concluding remarks

The meeting provided a rich debate with many constructive ideas. There was a consensus that to increase the social and environmental responsibility of the fresh produce supply chain all the actors in the chain have their own contributions to make.

In partnerships, fair dealing, ethical conduct and transparency are a moral obligation for all parties. Producers were called to organize themselves and take more initiatives to engage in standard setting. Certification bodies were requested to provide more general training and facilitate communication between producers and buyers/consumers. Traders and retailers were asked to be more transparent in their price setting mechanisms, to understand that their new requirements increase production costs and to engage in dialogue with other actors in the chain.

The participants agreed that social and environmental certification programmes provide learning opportunities and should aim at continuous development. In addition, costs as well as the value added from social and environmental improvements should be distributed in a fair way among the parties.

FAO was asked to continue work on social and environmental standards and socially and environmentally responsible trade and to continue providing information to stakeholders. This report is part of our information efforts and we are planning other “information products”. We look forward to continued co-operation with the participants of the meeting. Participants also requested FAO to organize a follow up meeting after progress on the current recommendations has been made.

It was regretted that several stakeholders like unions, retailers and consumer organizations were not present and it was hoped that they would come to a next meeting. The ability for FAO to organize a follow up meeting will depend on human and financial resources.

It is hoped the meeting contributed to furthering the dialogue among stakeholders in the fresh produce supply chain on socially and environmentally responsible trade and the recommendations made will be useful to them.

APPENDICES

Appendix 1: Agenda

Appendix 2: List of Participants

Appendix 3 (in separate electronic files): Presentations

- Latest developments in the organic movement and the ISEAL Alliance. *By Bo van Elzakker, the Netherlands*
- Latest developments: The Rainforest Alliance and the Sustainable Agriculture Network. *By Thomas Divney, Costa Rica*
- Latest developments: Social Accountability International and SA 8000. *By Alice Tepper Marlin, USA*
- Latest developments in SASA project. *By Sasha Courville, Australia*
- Producers' experiences of standard implementation and cost-benefit analysis at Del Oro, Costa Rica. *By Mikkel Andersen (FAO/RUTA) & Omar Somarribas (Del Oro), Costa Rica.*
- Building partnerships, the difficulties encountered by small farmers to meet the requirements of the international market. *By Emilie Dardaine, FLO, Germany*
- The role of certification, advantages and disadvantages of local versus international certification bodies in building partnerships. *By Jean Martin Tetang, Export Agro, Cameroon*
- Responsible partnerships, Chiquita's experience: methods, risks and benefits. *By George Jaksch, Chiquita, Belgium*
- Value addition of certification for importers and retailers. *By Volkert Engelsman, EOSTA, The Netherlands*

Appendix 1. Agenda

Third Expert Meeting on Socially and Environmentally Responsible Horticulture Production and Trade

Organized by the Food and Agriculture Organization of the United Nations (FAO)
Nüremberg, Germany, 16 February 2003

AGENDA

09h00 **Introduction,** and reminder of the main conclusions of the **first and second Expert Meeting** , *by Pascal Liu, FAO, Italy*

09h30 Presentation of **the latest developments** in the main environmental and social standard setting and/or certification programmes

- ISEAL Alliance and the organic movement *by Bo van Elzakker, the Netherlands*
- Social Accountability International and SA 8000 *by Alice Tepper Marlin, USA*
- The Rainforest Alliance and the Sustainable Agriculture Network*, by Thomas Divney, Costa Rica*
- Latest developments in SASA project , *by Sasha Courville, Australia*

10h30 Coffee break

10h45 Producers' experiences of standard implementation and cost-benefit analysis at Del Oro, Costa Rica, *by Mikkel Andersen (FAO/RUTA) & Omar Somarribas (Del Oro), Costa Rica.*

- Discussion

11h30 **Views on "partnerships in socially and environmentally responsible horticulture trade":**

- Building partnerships, the difficulties encountered by small farmers to meet the requirements of the international market. *by Emilie Dardaine, FLO, Germany*
- The role of certification, advantages and disadvantages of local versus international certification bodies in building partnerships. *by Jean Martin Tetang, Export Agro, Cameroon*

12h00 Lunch break

13h30 **Views on "Partnerships in socially and environmentally responsible horticulture trade"**

- Responsible partnerships, Chiquita's experience with the Rainforest Alliance and the IUF *by George Jaksch, Chiquita, Belgium*
- Value addition of certification for importers and retailers *by Volkert Engelsman, EOSTA, The Netherlands*

14h00 **Discussion in groups**:

- **group 1: Building partnerships**; how to start? Choosing your partners, negotiation of contracts, what are rights and responsibilities of each actor?
- **group 2**: Responsible **pricing.** How to improve pricing mechanisms throughout the chain so that producers can make social and environmental investments on their farms?
- **group 3**: The role of **certification** in partnerships. More than a control mechanism? How to ensure that certification fulfils its other potential roles such as communication along the chain? Where is the value addition for the actors in the chain?

15h30 Coffee break

16h00 Presentation of **group results** and **plenary discussion**
17h15 Closing of the meeting

Appendix 2. List of participants

Third Expert Meeting on Socially and Environmentally Responsible Horticulture Production and Trade

Organized by the Food and Agriculture Organization of the United Nations (FAO)
Nüremberg, Germany, 16 February 2003

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