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Case studies

5. EurepGAP

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Preface:

"Case studies:

A detailed report for each case study, including data sources, data sets, discussion of findings and results with regards to the above objectives."

"Objectives:

- *to assess the benefits and costs of quality assurance and certification schemes for farmers, processors, retailers and consumers;*
- *to analyse the effects of quality assurance and certification schemes on European farmers with special focus on small-scale farmers;*
- *to analyse the contribution of quality assurance and certification schemes to the development of rural areas."*

Each case study assesses the benefits and costs of quality assurance and certification schemes along the food supply-chain from farmers to consumers. In the section on farmers particular attention is paid to the effects on small-scale farmers. The contribution of quality assurance and certification schemes to the development of rural areas is included in the case studies at various points and an in-depth discussion of this aspect is conducted in the "Final Report".

The following case studies have been conducted by ETEPS AISBL and JRC-IPTS:

1. Baena, olive oil, Spain
2. Boerenkaas, cheese, the Netherlands
3. Comté, cheese, France
4. Dehesa de Extremadura, cured ham, Spain
5. EurepGAP, fruit & vegetable, Europe
6. Label Rouge, chicken, France
7. Neuland, pork, Germany
8. Parmigiano Reggiano, cheese, Italy
9. Red Tractor, potatoes, United Kingdom

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CASE STUDY: EurepGAP



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CHAPTER 1. Introduction

1.1 Purpose of the study

Council Regulations (EEC) 2081/92 and (EEC) 2082/92 form the basis for the certification of regional quality assurance in the European Union food industry, PDO (Protected Designation of Origin), PGI (Protected Geographical Indication) and TSG (Traditional Speciality Guaranteed). Combined with Council Regulation (EEC) 2092/91 providing the framework for organic farming they are the only EU enforced quality assurance schemes in the food industry. There are other schemes either backed by public entities both national and regional as well as by private initiatives which are related to this issue and their number is constantly increasing, thus generating confusion among both consumers and operators of the food chain.

The European Parliament has requested that the European Commission launches a pilot study on food quality assurance and certification schemes. This is entrusted to the Directorate General Agriculture and Rural Development who commissioned the Directorate General Joint Research Centre (JRC) and more precisely the Institute for Prospective Technological Studies (IPTS).

The main aim of quality assurance and certification schemes is to differentiate the included products from the rest of the production to obtain an increased market price as well as a marketing advantage. Different approaches have been undertaken to determine the costs and benefits from these schemes for the respective participants along an integrated food supply chain. Yet there is no systematic approach available so far.

As part of IPTS's objective to support DG Agriculture and Rural Development, an economic analysis of the value adding process in the food chain is carried out which focuses on the effects of quality assurance and certification.

The study will provide information on selected quality assurance schemes (QAS) through case studies and will provide policy recommendations on the role of QAS in the EU and their implications for the Common Agricultural Policy.

1.2 Criteria and relevance for selecting the EurepGAP initiative

It was agreed that the case studies should cover a wide geographical scope but also product range. The idea behind this approach was to capture as many countries where QAS are operating as possible and also to get a wide product range covered by QAS. Following the consultation it was decided that a number of QAS will be investigated with products specific to each scheme.

The lack of a supra-national QAS in Europe led to the suggestion to carry out an analysis of EurepGAP, because this initiative is supported by several retailers from various EU countries. EurepGAP views itself as a cross-border initiative, with farmers/growers, retailer, supplier and associates as its members. The analysis will refer to EurepGAP in general and in the specific issues to the scope Fruits and Vegetables.

1.3 Previous research on EurepGAP

EurepGAP has never been completely analysed from a chain perspective. Since its inception some reports focused on EurepGAP. Many of those in the context of EurepGAP guidelines and challenges related to farm assurance schemes as well as from the perspective of developing countries. The most dominant reports are listed below:

A report about the requirements and also a guide to EurepGAP was published to provide information on it.

<http://www.farmdata.de/Informationen/QS/QS-Handbuch/3.%20EUREPGAP.htm>

The German TUV south issued a report about EurepGAP and its schemes.

http://www.tuev-sued.de/management_systeme/lebensmittelsicherheit/eurepgap

In 2001 the German accreditation institute issued a catalogue but also a guide of EurepGAP.

<http://www.dap.de/95doc/AFK-EUREPGAP.pdf>

A report in 2005 focused on the challenges of EurepGAP in Asia

<http://www.philexport.ph/EUREPGAP/eurepgap.html>

More issues about EurepGAP can be obtained from the conference in 2004 on integrated farm assurance.

<http://www.avantel.de/eurepgap2004/index.php?site=programm.inc&cid=126709&pid=1151&hshow=11111&ps=4826b394ba5bc13f53fa1f17602da978>

There have been several studies with regards to developing countries:

Kariuki, L.N. 2006. Participation of smallholders in international trade. In: R. Ruben, M. Slingerland and H. Nijhoff (eds.) (2006). Agro-food chains and networks for development. Springer, the Netherlands 41-48.

Kleinwaechter, U. and Grethe, H. 2006. The adoption of the Eurepgap standard by mango exporters in Piura, Peru. Contributed Paper at the International Association of Agricultural Economists Conference, Gold Coast, Australia, August 12-18, 2006.

Vermeulen, H., Jordaan, D. Korsten L. & Kirsten J. 2006. Private Standards, Handling and Hygiene in Fruit Export Supply Chains: A Preliminary Evaluation of the Economic Impact of Parallel Standards. Working paper: 2006-01; Department of Agricultural Economics, Extension and Rural Development, Faculty of Natural and Agricultural Sciences, University of Pretoria, South Africa.

Jaffee, S. and Masakure, O. 2005. Strategic use of private standards to enhance international competitiveness: Vegetable exports from Kenya and elsewhere. Food Policy, Volume 30, Issue 3, June 2005, 316-333.

USAID, 2005. The relationship of third-party certification (TPC) to sanitary/phytosanitary (SPS) measures and the international agri-food trade. Final report; RAISE SPS global analytical report #9, December 2005.

1.4 Methodological approach for the study

EurepGAP is a widely applied QAS with a strict business-to-business (B2B) approach. It is thus only to a limited extent comparable to the most other QAS, which generally prevail a logo which is communicated to consumers. Hence it is analysed in a slightly different way.

There is no in-depth economic analysis of the value-adding process because the benefits of participation in the scheme have only a very limited effect on the value-adding. This leads to a clear focus on the cost and benefits of EurepGAP throughout the economic analysis. An economic assessment of benefits and costs includes the discussion of positive and negative aspects of the issue to be reviewed. Quantitative data may also be included not necessarily have to. Especially in the case of non availability of sufficient data, the assumption of monetary costs and benefits can easily be misused. The case study on EurepGAP is based on available secondary information and extensive interviews of main stakeholders. The main objective of this study is gain some insight into the EurepGAP initiative and to understand the stakeholders' rationale and motives to participate, the successes of the initiative but also the shortcomings. For that reason, the study is based on the collection of primary data by interviewing three executives in the UK and Germany, but also on secondary data, mainly desk research given the limited time available.

The initial step of this study has been to collect and examine secondary data to be able to understand the structure of EurepGAP, but also to get guidance of whom to approach within the initiative and who is influential. Two of three interviews had been carried out in person, whereas the other was conducted via telephone. All interviews were recorded in written form and lasted between one and two hours.

CHAPTER 2. Overview of EurepGAP

2.1 Organisation and general objectives of EurepGAP

EurepGAP (www.eurepgap.org) was established in 1997 as a private initiative of retailers belonging to the Euro-Retailer Produce Working Group (EUREP). It has subsequently evolved into a partnership of agricultural and food producers and their retail customers, with the aim to develop widely accepted standards and procedures for the global certification of Good Agricultural Practices (GAP).

The desire to reassure consumers is a driving force behind EurepGAP, following food safety scares such as BSE (mad cow disease), pesticide concerns and the rapid introduction of GM foods. In addition, consumers throughout the world are asking how food is produced with the need to be re-assured that it is both safe and sustainable. As food safety is a global issue and transcends international boundaries, many EurepGAP members are global players in the retail industry and obtain food products from around the world. "If a reason was needed for EurepGAP's existence it is because food safety is an ongoing everyday concern." (Alfons Schmid¹)

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.

¹ Source: EurepGAP-Newsletter, September 2006, www.eurepgap.org

EurepGAP also offers producer organisations the possibility to seek an independent and transparent recognition of equivalence with the EurepGAP standards and procedures through a benchmarking system thereby facilitating global trade and aiding the harmonisation of technical criteria.

Box 1: History of EurepGAP

1997 - EurepGAP starts as an initiative by retailers belonging to the Euro-Retailer Produce Working Group (EUREP). The initiative was created by a group of twenty leading European retailers under the coordination of the European Trade Institute (ETI). With the initiative the group reacted on growing concerns by the consumers with product safety, environmental and labour standards, but also to claim greater responsibility for what happened in the supply chain. On the other side the development of common certification standards were also in the interest of many producers. Those with contractual relations to several retailers complained that they had to undergo multiple audits against different criteria every year. On this background EUREP started to work on harmonized standards and procedures for the development of Good Agricultural Practices (GAP) in conventional agriculture.

EurepGAP views itself as:

- a private sector body that sets voluntary standards for the certification of agricultural products around the globe.
- an equal partnership of agricultural producers and retailers which want to establish certification standards and procedures for Good Agricultural Practices (GAP).
- to provide a pre-farm-gate-standard that means the certificate covers the process of the certified product from before the seed is planted until it leaves the farm.
- EurepGAP is a business-to-business label and is therefore not directly visible for the consumers.

The main aim of EurepGAP is to achieve a greater consumer confidence in food quality and food safety through its developed standard. The structure of EurepGAP in comprising of retailers, suppliers, and associates is a fundamental key element in achieving this goal.

An important aspect of EurepGAP is to educate and advise members in the supply chain about the different standards offered to the industry. The effect of this will be reduced confusion on behalf of members but also accurate advice about the various QAS. Therefore, EurepGAP's priority over the next two years is to concentrate on making this more understandable by encouraging the industry to work on the basis of mutual recognition and follow a path of benchmarking their standards against EurepGAP.

2.2 Structure of EurepGAP

The headquarter of EurepGAP is in Cologne, Germany, with staff working in Germany, UK, Spain, South Africa and China, underlining its global credentials. EurepGAP members include retailers (responsible for retailers and final distribution of food chain), producers/farmers (responsible for growers, producers, and food handlers), and associate members (responsible for certifying bodies, plant protection, and fertilizer industry) from the input and service side of agriculture.

EurepGAP is governed by an eight member strong board, of which half of the members come from the retail side and the other half from the supplier side. The board is chaired by an independent chairperson. The board also agrees on the activity plan of the organisation. Sector committees discuss and decide upon product and sector specific issues. All committees have 50% retailer and 50% producer/supplier representation and hereby creating an efficient partnership. However, at a closer look the retailers are in a more dominant position, because the supplier side is divided into three sub-groups diluting the influence of the single supplier. The work of the committees is supported by FoodPLUS, a not for profit limited company based in Cologne, Germany, fulfilling a secretariat function for EurepGAP.

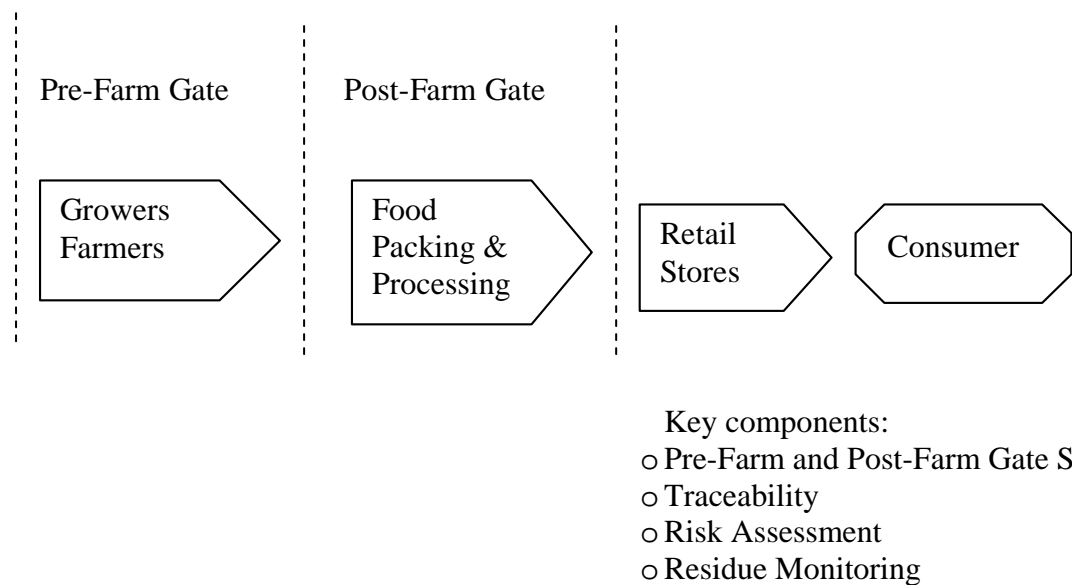
As the Global Partnership for Safe and Sustainable Agriculture, EurepGAP intends to link its global implementation activities closer to the grower, while at the same time seeking to gain qualified input from national experts in their own language with respect to specific legal and structural conditions within the different areas covered by EurepGAP. This goal will be achieved by the establishment of EurepGAP technical workgroups. Such groups work in close cooperation with the EurepGAP secretariat and support as well as facilitate the EurepGAP implementation and continuous improvement based on the specific interest area needs.

To enforce its standing within the supply chain, EurepGAP has developed five strategic pillars which support decision making within EurepGAP:

- **Partnership** - Retailers and producers are equally represented in decision making committees. EurepGAP provides open access to certification systems for all producers globally thereby encouraging the adoption of safe and sustainable agricultural practices.
- **Integrity** - The certification process is developed and operated to standards which are industry leading and exceed accreditation norms.
- **Benchmarking** - Operating principles of independent, fair and transparent benchmarking to demonstrate equivalence and facilitate recognition of national and regional farm assurance schemes.
- **Stakeholder Involvement** - Meeting the specific information and data needs of members. To work with other key stakeholders particularly government and non-government organisations. Foster an open and consultative culture, which contributes to the global effort of harmonising GAP certification standards.
- **Efficiency and Effectiveness** - EurepGAP will develop globally relevant, cost effective solutions on behalf of its members to avoid multiplication of standards, systems and audits. It will strive to use internal resources as efficiently as possible.

The basic structure of EurepGAP encompasses three vital steps, where initially the growers and farmers in the pre-farm gate step are controlled as one unit, before in the post-farm gate the packing and processing industry is checked. The next step is that retailers are certified, creating a supply chain with quality standards at various steps and traceable to every stakeholder in the chain (Figure 1).

Figure 1 Structure of EurepGAP

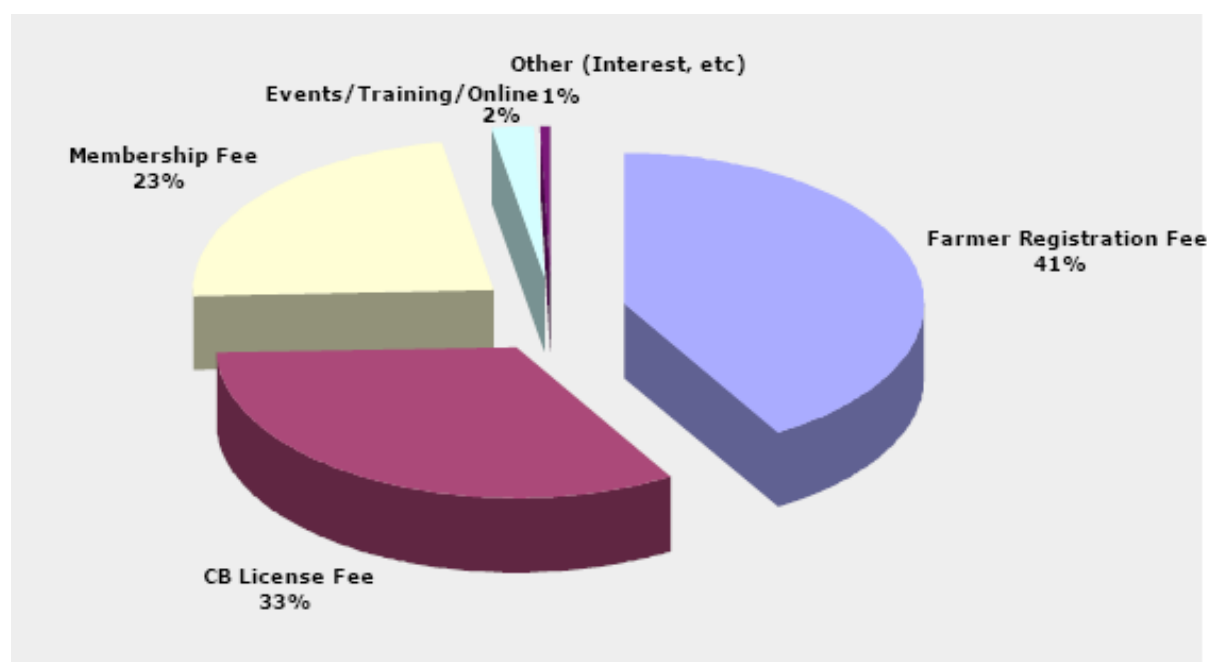


Technically speaking EurepGAP is a set of normative documents suitable to be accredited to internationally recognised certification criteria such as ISO Guide 65 (EN 45011). Representatives from around the globe and all stages of the food chain have been involved in the development of these documents. In addition the views from stakeholders outside the industry including consumer and environmental organisations and governments have helped shape the protocols. This wide consultation has produced a robust and challenging but nonetheless achievable protocol which farmers around the world can use to demonstrate compliance with Good Agricultural Practices (GAP).

EurepGAP works with a range of certification bodies which all have received full ISO Guide 65 (EN 45011) accreditation to the scope of EurepGAP "Integrated Farm Assurance" and are fully approved to carry out EurepGAP certification. Only these accredited certifiers are allowed to use the EurepGAP logo on their certificates and promotion material and will allow growers to do the same according to their certification agreement.

As for the implementation, EurepGAP is one of the very few globally operating standardisation organizations that enjoy a high level of political and financial independence from the public sector as well as from individual member influence and shareholder agendas. To keep its independence EurepGAP does not conduct the certification process itself. Farmers or farmer groups can only be certified against the EurepGAP criteria by authorized certification bodies. Currently EurepGAP is working with over 100 certification bodies in more than 70 countries. EurepGAP is mainly financed by member ship, farmer registration and certification body licence fees (Figure 2).

Figure 2 Revenue shares in the EurepGAP budget plan 2007



Source: Moeller, K. 2006. Globalization of the EurepGAP Standard. Presentation at the EurepGAP Event for Revision and Implementation 2007, Prague, 21 September 2006. (online: http://www.eurepgap.org/documents/infoletter/1_Moeller_Globalization-of-EurepGAP.pdf).

In Table 1 the EurepGAP fee structure for 2006 is depicted. To be represented in the structures of EurepGAP it is necessary to become member. Membership allows full access to all information and allows to be elected into the institutions of EurepGAP. The according fee is calculated on an annual basis and ranges from 1550 Euro to 3600 Euro for 2006. Retailers pay the highest membership fees but they also enjoy the most benefits within the scheme as they always constitute 50 % of each elected committee including the managing board. The other two possibilities to participate formally in EurepGAP are foreseen for farmer/producers and certification bodies. They do not have to be members but have consequently only very limited influence on the design and development of EurepGAP. Farmers/Producers are normally not members and have only to pay a registration fee. This fee is relatively small. For a single farmer (option 1) it is 20 Euro (Certification license fee) plus 3 up to 100 Euro (Registration fee) depending on the size of the farm. For a producer group (option 2) the certification license fee is calculated by the formula square root of members plus one times 20 Euro. The farmer registration fee applies per single member in the same way as for single farmers. The difference regarding the EurepGAP fees is small between both options but the main difference is in the certification cost, which has to be paid to the certification body for its services can make a considerable difference. This will be discussed in the section on farmers/producers. The fees for certification bodies to be accredited EurepGAP certifiers are at the minimum 3000 Euro per year. This will be for sure incorporated into the fees charged for certification of farmers/producers according to the EurepGAP regulations.

Table 1 Extract of general EurepGAP fee table 2006

| Fee | Applies to | Amount annual | |
|--|---|--|----------------------|
| Farmers Fees | | | |
| Certification license fee | per completed inspection | 20 EUR per inspection based on the minimum frequencies established in Option 1 and 2 | |
| Farmer registration fee per product scope*/checklist | per registered farmer and scope | See APPENDIX below (incl. online management of master data and online self-assessment) | |
| Certification Body (CB) Fees | | | |
| Evaluation fee for applicant CBs | CB's that apply for EUREPGAP recognition | 300 EUR (for first applications only); (not annual) | |
| CB base license fee | CB's only | 1 st application 3,000 EUR (500 EUR member discount); extension to additional product scope 500 EUR each. | |
| Member Fees | | | |
| Retail Membership | Retailers only | 3,600 EUR | |
| Supplier Membership | Farmer Group or Grower Organisation, or Scheme (incl. 1 sector/scope) | 2,550 EUR (maximum 3,600 EUR for Farmer Groups covering all scopes. | |
| Supplier Membership | Individual Farmer, or Exporter/Importer without production (incl. 1 sector/scope) | 1,550 EUR (maximum 2,600 EUR for Individual Farmers covering all scopes) | |
| Supplier Membership | for each additional scope | 520 EUR | |
| Associate Membership | CB, Consulting, plant-protection or fertilizer industry, etc. (all scopes) | 1,550 EUR – 3,600 EUR | |
| Appendix: Size/quantity related Farmer Registration Fee | | | |
| Farmer Registration Fee: NON-COVERED CROPS ² | Farmer Registration Fee: COVERED CROPS ² | Farmer Registration Fee: ANIMAL PRODUCTION ³ (according to quantity) | Amount annual in EUR |
| < 1 ha | < 0.1 ha | < 10 t | 3 |
| 1 - 10 ha | 0.1 - 0.25 ha | 10 – 20 t | 5 |
| >10 - 50 ha | > 0.25 - 0.5 ha | > 20 – 50 t | 15 |
| > 50 - 100 ha | > 0.5 - 1.0 ha | > 50 - 100 t | 35 |
| > 100 - 150 ha | > 1.0 - 1.5 ha | > 100 – 150 t | 60 |
| > 150 - 200 ha | > 1.5 - 2.0 ha | > 150 – 200 t | 85 |
| > 200 ha | > 2.0 ha | > 200 t | 100 |
| Registration in the database without declaration of size / of quantity | | | 100 |

*product scopes: Fruit & Vegetables, Flower & Ornamentals, Integrated Farm Assurance, Integrated Aquaculture, Coffee, Tea, Feed
For option 2: The square root of the total number of farmers + 1 for the group is multiplied by the Certification licence fee.

² the information on whether a crop is covered or non-covered has to be entered in the database at time when the CB sets the status of the registered farmer to "Certified". ³ live weight.

Source: EurepGAP

2.4 Benchmarking against EurepGAP

Individual farmers and farmer groups can join through the benchmarking options. A specially designed approval process, as the EurepGAP benchmarking option facilitates existing national or regional quality assurance schemes to prove equivalence with EurepGAP requirements. Hereby multiple audits are avoided at grower level and the development of regionally adjusted integrated crop management systems is encouraged.

The recognition of other farm assurance schemes via benchmarking is one of EurepGAP core objectives. In order to improve perceived and actual integrity and transparency of the system,

the EurepGAP Technical and Standards Committee (TSC) “Fruit and Vegetables” has approved a benchmarking procedure for EurepGAP². The EurepGAP Steering Committee (SC) decided to appoint external, recognised and competent organisations to undertake the technical review and witness audits (“physical benchmarking”). The procedure is dominated by EurepGAP as the applicant schemes have to fulfil the EurepGAP requirements but this is the clear difference between mutual recognition and benchmarking. Produce produced within an approved scheme enjoys the same treatment as produce produced within the EurepGAP framework. For producers it gives the opportunity to select between different schemes to enter the same market. Table 2 provides information on schemes that have been recognised by FoodPLUS as equivalent to the EurepGAP standard for Fruit and Vegetables and on the status of applicant schemes where applications have been received but the approval has not yet been granted. Approved certification bodies are certification bodies that have received accreditation ISO Guide 65/EN 45011 to the scope of the benchmarked scheme and to the EurepGAP General Regulations of the relevant product scope.

² Online: http://www.eurepgap.org/documents/webdocs/EUREPGAP_BenchmarkingProcedure_V1.2-June05HH.pdf

Table 2 EurepGAP approved and applicant schemes; scope: fruit and vegetables

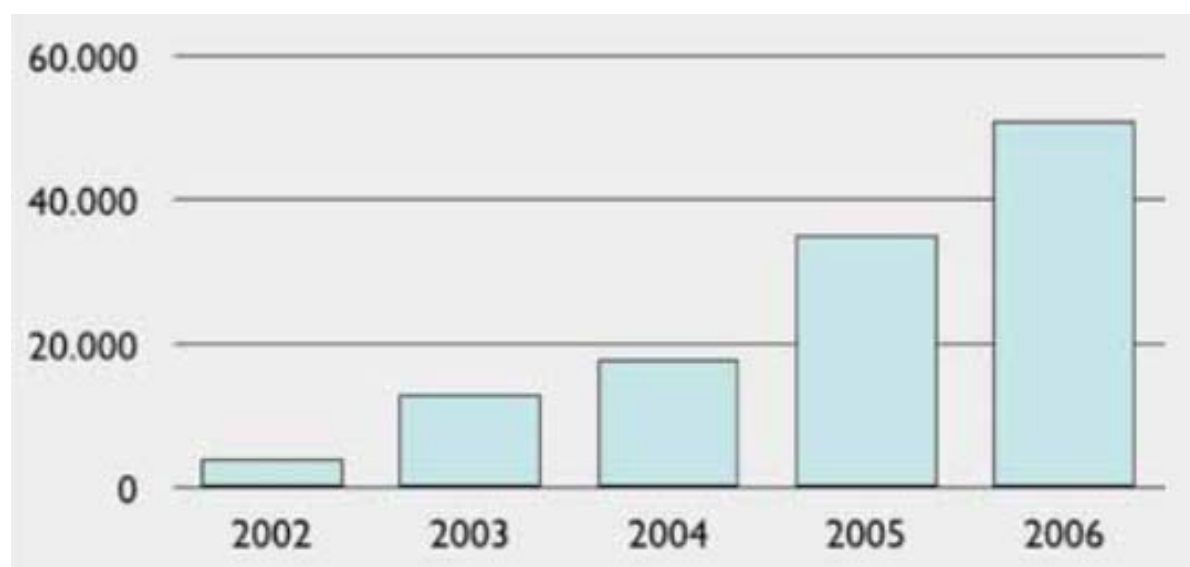
| Scheme owner, country | Scheme name and version, products | Approved certification bodies |
|---|--|--|
| Agrarmarkt Austria Marketing GesmbH Austria | AMAGAP (AMA Stamp of Quality Control Directive V.Feb04) V.Feb04 | Agrovet,Lacon,SGS Austria,SLK, |
| Association Generale des Producteurs de Mais (AGPM) France | Mais Doux (Sweet Corn) V.2001-Revision 2005 | Integra |
| ANECOOP Spain COOP Spain | Naturane vs.1.3 | Procert,Grupotec |
| E. Martinavarro.S.A. Spain | Natursense Versión: 03 / Julio 05 | Procert |
| Horticulture NZ New Zealand | New Zealand GAP V.August 2005 | AgriQuality |
| AENOR Spain | UNE 155000 | AENOR, Spain |
| Fundacion para el Desarrollo Fruticola - FDF Chile | ChileGAP 2005 V2 Rev 02 | Inspectorate, CMI, Latu Sistemas |
| Mexico Calidad Suprema A.C. Mexico | México Supreme Quality-GAP Version 1.0 Rev02. June 06 | *waiting for first Certifer accredited |
| QS Qualitaet und Sicherheit GmbH Germany | QS-GAP 1.0 | |
| QualiserVice GmbH Switzerland | SwissGap V. 2006 | |
| Scheme owner, country | Applicant scheme / status | |
| Assured Produce United Kingdom | Assured Produce 2005 Notice of Intent to formally recognize Equivalence | CMI Certification |
| Danish Agricultural Advisory Service Denmark | Danish GAP Fruit & Vegetables Version 2.1 Oct. 04 Notice of Intent to formally recognize Equivalence | |
| Danish Agricultural Advisory Service Denmark | Danish GAP Potatoes Version 2.1 Oct. 04 Notice of Intent to formally recognize Equivalence | |
| Fresh Produce Exporters Association Of Kenya - FPEAK Kenya | Kenya GAP Independant Technical Review | |
| Grön Produktion i Sverige AB Sweden | Integrated Production Preliminary Technical Review | |
| Agro-information Consulting Ltd. Japan | JGAP 1.0. Preliminary Technical Review | |

Source: EurepGAP homepage, www.eurepgap.org (2006)

CHAPTER 3. Farmers and Producers

As consumers and customers demand for high quality and safe food is constantly increasing, the challenge for farmers and farmer groups is to keep up with the quality standards. EurepGAP certification is required by a considerable number of retailers, especially supermarkets. This can be a threat for some farmers, as non-compliance with EurepGAP standards may lead to an exclusion from certain (export) markets. But it offers also a great chance for farmer groups to introduce sustainable agricultural practices based on integrated crop and pest management principles. Figure 3 shows the increase in total number of farmers/producers world wide certified according to EurepGAP regulations. The increase indicates the success of the scheme in recent years. It can be expected that the participation will increase also in the coming years.

Figure 3 EurepGAP certified growers (Option 1 and 2)



Source: Moeller, K. 2006. Globalization of the EurepGAP Standard. Presentation at the EurepGAP Event for Revision and Implementation 2007, Prague, 21 September 2006. (online: http://www.eurepgap.org/documents/infoletter/1_Moeller_Globalization-of-EurepGAP.pdf)

EurepGAP provides the umbrella to ensure Good Agriculture Practice for over 50,000 producers of fruit, vegetables, horticulture, livestock, aqua culture and animal feeds according to information provided at the Prague Conference 2006³. The most important countries are in this order: Italy, Germany, Spain, Greece, the Netherlands, Belgium, South Africa and Chile with each more than 1000 producers (Figure 4). There are in total 75 countries in which farmers/producers are producing according to EurepGAP. This clearly shows the international importance. In countries outside Europe most accredited farmers are producing produce for the export to Europe. They are quoted that EurepGAP is necessary to enter the mainstream retail market in the EU.⁴

³ Source: EurepGAP-Newsletter, September 2006, www.eurepgap.org

⁴ Source: Vermeulen, H., Jordaan, D. Korsten L. & Kirsten J. 2006. Private Standards, Handling and Hygiene in Fruit Export Supply Chains: A Preliminary Evaluation of the Economic Impact of Parallel Standards. Working paper: 2006-01; Department of Agricultural Economics, Extension and Rural Development, Faculty of Natural and Agricultural Sciences, University of Pretoria, South Africa.

EUREPGAP
The Global Partnership for Safe and Sustainable Agriculture

Truly Global Standard

| Region/Country | Certified Producers (Blue Bar) | Not Certified Producers (Red Number) |
|----------------------------|--------------------------------|--------------------------------------|
| North America (USA/Canada) | ~340 | 49 |
| South America (Brazil) | ~1000 | 16 |
| Europe (UK/Ireland) | ~1000 | 7 |
| Europe (France) | ~1000 | 1 |
| Europe (Spain) | ~1000 | 1 |
| Europe (Italy) | ~1000 | 1 |
| Europe (Greece) | ~1000 | 1 |
| Europe (Portugal) | ~1000 | 1 |
| Europe (Poland) | ~1000 | 1 |
| Europe (Hungary) | ~1000 | 1 |
| Europe (Czech Republic) | ~1000 | 1 |
| Europe (Slovakia) | ~1000 | 1 |
| Europe (Slovenia) | ~1000 | 1 |
| Europe (Croatia) | ~1000 | 1 |
| Europe (Bulgaria) | ~1000 | 1 |
| Europe (Romania) | ~1000 | 1 |
| Europe (Greece) | ~1000 | 1 |
| Europe (Turkey) | ~1000 | 1 |
| Europe (Russia) | ~1000 | 1 |
| Europe (Ukraine) | ~1000 | 1 |
| Europe (Belarus) | ~1000 | 1 |
| Europe (Lithuania) | ~1000 | 1 |
| Europe (Latvia) | ~1000 | 1 |
| Europe (Estonia) | ~1000 | 1 |
| Europe (Finland) | ~1000 | 1 |
| Europe (Sweden) | ~1000 | 1 |
| Europe (Denmark) | ~1000 | 1 |
| Europe (Norway) | ~1000 | 1 |
| Europe (Iceland) | ~1000 | 1 |
| Europe (Faroe Islands) | ~1000 | 1 |
| Europe (Guernsey) | ~1000 | 1 |
| Europe (Jersey) | ~1000 | 1 |
| Europe (Manx) | ~1000 | 1 |
| Europe (Cyprus) | ~1000 | 1 |
| Europe (Malta) | ~1000 | 1 |
| Europe (Monaco) | ~1000 | 1 |
| Europe (Andorra) | ~1000 | 1 |
| Europe (San Marino) | ~1000 | 1 |
| Europe (Vatican City) | ~1000 | 1 |
| Europe (Liechtenstein) | ~1000 | 1 |
| Europe (Luxembourg) | ~1000 | 1 |
| Europe (Belgium) | ~1000 | 1 |
| Europe (Netherlands) | ~1000 | 1 |
| Europe (Germany) | ~1000 | 1 |
| Europe (Austria) | ~1000 | 1 |
| Europe (Switzerland) | ~1000 | 1 |
| Europe (Liechtenstein) | ~1000 | 1 |
| Europe (Finland) | ~1000 | 1 |
| Europe (Sweden) | ~1000 | 1 |
| Europe (Denmark) | ~1000 | 1 |
| Europe (Norway) | ~1000 | 1 |
| Europe (Iceland) | ~1000 | 1 |
| Europe (Faroe Islands) | ~1000 | 1 |
| Europe (Guernsey) | ~1000 | 1 |
| Europe (Jersey) | ~1000 | 1 |
| Europe (Manx) | ~1000 | 1 |
| Europe (Cyprus) | ~1000 | 1 |
| Europe (Malta) | ~1000 | 1 |
| Europe (Monaco) | ~1000 | 1 |
| Europe (Andorra) | ~1000 | 1 |
| Europe (San Marino) | ~1000 | 1 |
| Europe (Vatican City) | ~1000 | 1 |
| Europe (Liechtenstein) | ~1000 | 1 |
| Europe (Luxembourg) | ~1000 | 1 |
| Europe (Belgium) | ~1000 | 1 |
| Europe (Netherlands) | ~1000 | 1 |
| Europe (Germany) | ~1000 | 1 |
| Europe (Austria) | ~1000 | 1 |
| Europe (Switzerland) | ~1000 | 1 |
| Europe (Liechtenstein) | ~1000 | 1 |
| Europe (Finland) | ~1000 | 1 |
| Europe (Sweden) | ~1000 | 1 |
| Europe (Denmark) | ~1000 | 1 |
| Europe (Norway) | ~1000 | 1 |
| Europe (Iceland) | ~1000 | 1 |
| Europe (Faroe Islands) | ~1000 | 1 |
| Europe (Guernsey) | ~1000 | 1 |
| Europe (Jersey) | ~1000 | 1 |
| Europe (Manx) | ~1000 | 1 |
| Europe (Cyprus) | ~1000 | 1 |
| Europe (Malta) | ~1000 | 1 |
| Europe (Monaco) | ~1000 | 1 |
| Europe (Andorra) | ~1000 | 1 |
| Europe (San Marino) | ~1000 | 1 |
| Europe (Vatican City) | ~1000 | 1 |
| Europe (Liechtenstein) | ~1000 | 1 |
| Europe (Luxembourg) | ~1000 | 1 |
| Europe (Belgium) | ~1000 | 1 |
| Europe (Netherlands) | ~1000 | 1 |
| Europe (Germany) | ~1000 | 1 |
| Europe (Austria) | ~1000 | 1 |
| Europe (Switzerland) | ~1000 | 1 |
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| Europe (Sweden) | ~1000 | 1 |
| Europe (Denmark) | ~1000 | 1 |
| Europe (Norway) | ~1000 | 1 |
| Europe (Iceland) | ~1000 | 1 |
| Europe (Faroe Islands) | ~1000 | 1 |
| Europe (Guernsey) | ~1000 | 1 |
| Europe (Jersey) | ~1000 | 1 |
| Europe (Manx) | ~1000 | 1 |
| Europe (Cyprus) | ~1000 | 1 |
| Europe (Malta) | ~1000 | 1 |
| Europe (Monaco) | ~1000 | 1 |
| Europe (Andorra) | ~1000 | 1 |
| Europe (San Marino) | ~1000 | 1 |
| Europe (Vatican City) | ~1000 | 1 |
| Europe (Liechtenstein) | ~1000 | 1 |
| Europe (Luxembourg) | ~1000 | 1 |
| Europe (Belgium) | ~1000 | 1 |
| Europe (| | |

To understand the success of EurepGAP it is necessary to analyse the requirements to participate. The following section will focus on the scope Fruit and Vegetables as the most important scope within the EurepGAP framework.

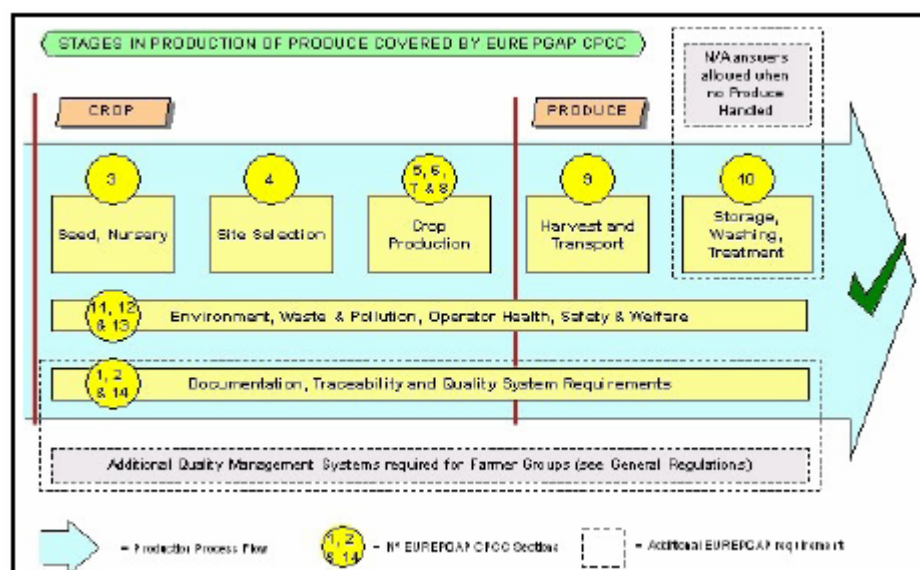
13

Table 3 EurepGAP Control Points and Compliance Criteria; Fruits and Vegetable

| No. | Section name | Major Musts | Minor Musts | Recommended |
|------------|--|-------------|-------------|-------------|
| 1 | Traceability | 1 | | |
| 2 | Record keeping and internal self-inspection | 3 | 1 | |
| 3 | Varieties and rootstocks | 1 | 6 | 4 |
| 4 | Site history and site management | 2 | 2 | 1 |
| 5 | Soil and substrate management | 1 | 3 | 6 |
| 6 | Fertiliser use | 2 | 15 | 4 |
| 7 | Irrigation / fertigation | 1 | | 15 |
| 8 | Crop protection | 15 | 43 | 6 |
| 9 | Harvesting | 6 | 1 | 2 |
| 10 | Produce handling | 13 | 14 | 5 |
| 11 | Waste and pollution management, recycling and re-use | | | 6 |
| 12 | Worker health, safety and welfare | 2 | 13 | 9 |
| 13 | Environmental issues | | 1 | 8 |
| 14 | Complaint form | 2 | | |
| Sum | | 49 | 99 | 66 |

Source: EurepGAP Control Points & Compliance Criteria (CCPC) Fruit and Vegetables; Version 2.1-Oct04

Figure 5 Stages in the production of fruits and vegetables covered by EurepGAP



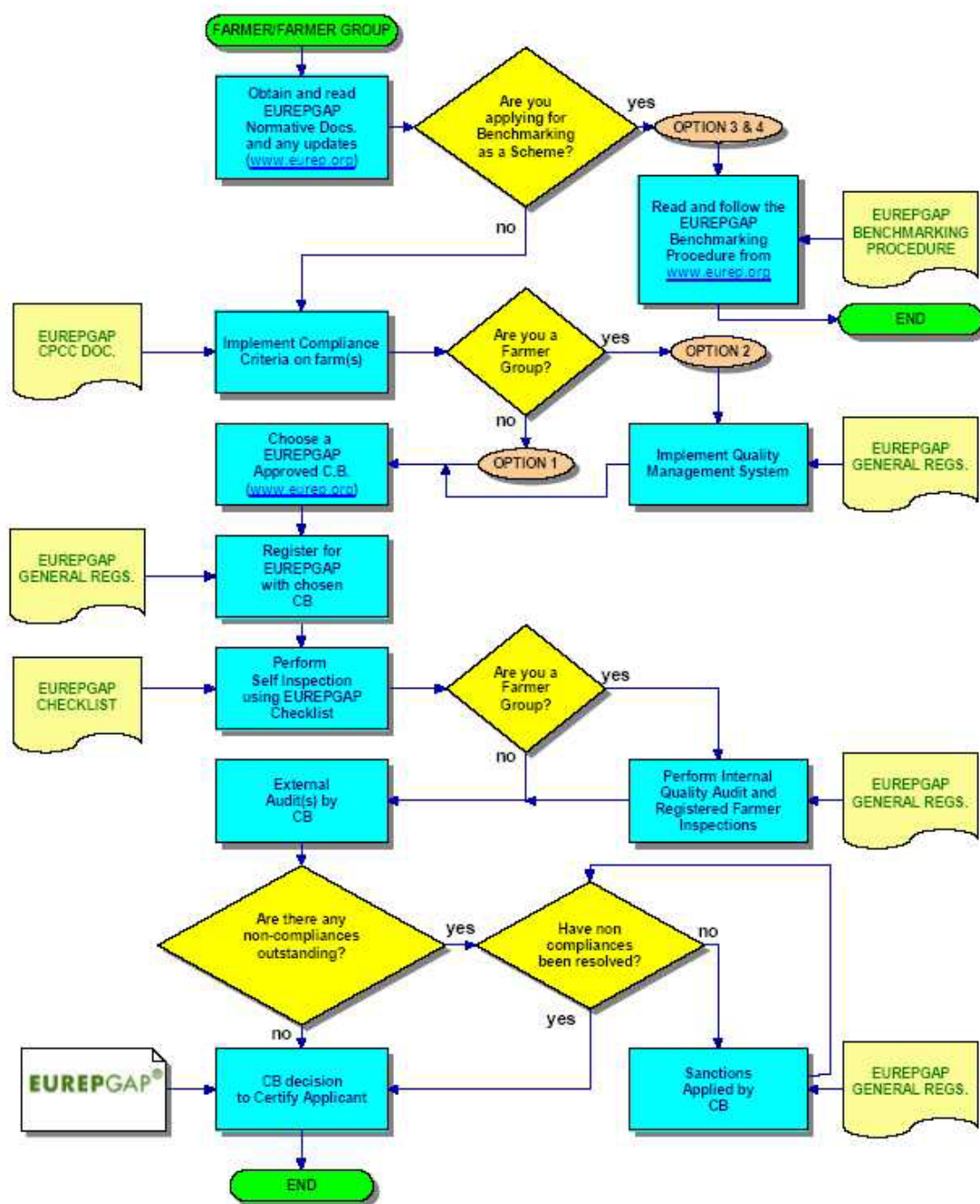
Source: EurepGAP Control Points & Compliance Criteria (CCPC) Fruit and Vegetables; Version 2.1-Oct04

Compliance with EurepGAP Fruit and Vegetables consists of three types of control points, that the applicant is required to undertake in order to obtain EurepGAP recognition; Major Musts, Minor Musts and Recommendations, and must be fulfilled as follows:

- Major Musts: 100% compliance of all applicable Major Must control points is compulsory.
- Minor Musts: 95% compliance of all applicable Minor Must control points is compulsory.
- Recommendations: No minimum percentage of compliance is set. All control points in the CPCC must be audited, including the recommendations.

Figure 6 shows the procedure for a farmer to obtain an EurepGAP certification.

Figure 6 EurepGAP farmer certification process flowchart



CB: Certification Body; CPCC: Control Points and Compliance Criteria

Source: EurepGAP General Regulations - Fruit and Vegetables - Version 2.1-Oct04

As can be seen from Figure 6 it is important for a farmer to choose a certification body (CB). The CB is actually the direct link between the farmer and EurepGAP. It collects for EurepGAP the registration and certification licence fee. In addition the farmer or farmer group has to pay for the certification audits by the CB. Farmers and farmer groups can choose between accredited CBs but has to follow the procedure laid out by EurepGAP. Figure 6 also

indicates that there are four different options for farmers to become recognised as producing according to EurepGAP. Option 1 and 2 are directly via the EurepGAP procedure as discussed here and option 3 and 4 are a certification by an approved benchmarked scheme. Option 1 and 3 are for the certification of single farmers/producers whereas option 2 and 4 are the certification via a farmers group. The latter reduce the costs for certifications and licences and are thus a possibility also for smaller farmers to be certified but require coordination between farmers/producers. The minimum requirements for the coordination within such a group are laid out in the EurepGAP requirements.

There are two types of external costs borne by the grower:

1. Certification Fees charged by certification bodies: certification bodies that operate with EurepGAP compete on prices, subject to the same competence level. Their certification fees are free market prices and not fixed by EurepGAP.
2. EurepGAP registration fees: The grower registration fee depending on the size of the farm per grower and year as well as the certification license fee of 20 EUR per each completed inspection (Option 1 and 2). Both fees are charged through the control body.

The membership of EurepGAP is independent from an approval as grower or as certifier. EurepGAP is an open system, where anybody can apply and receive approval when complying with the objective criteria set out in the various EurepGAP documents. Members show additional commitment to shape and improve the system as active partners. In return, members qualify for discounts in the EurepGAP fee system for approvals.

EurepGAP has created the option for the joint accreditation of farmer groups this does not result in a huge benefit with regards to the already low EurepGAP registration fees, but might create huge benefits with regards to the direct certification costs. The requirement is that only farm inspections will be employed to the number of farms equal to the square root of the absolute number of members in the farm group. This means that in a farm group of 100 members farm specific audits will only be carried out by the chosen certification body on 10 farms. The additional requirement for farm groups in comparison to a single farm is that there has to be a joint quality management. This also includes regular recorded farm inspections on all member farms at least on an annual basis. This requirement will create additional costs and also organisational obstacles which have to be weighted against the benefits from lower average certification costs. The option appears very viable for farms which already work together in form of a marketing and handling cooperative which is considerably widespread in the fresh fruit and vegetables production.

As the certification costs are normally dependent on the specific situation of the farm and on the certification body no published figures exist. In England, the cost of an audit for EurepGAP in ornamental plant production costs GBP 5,000 as reported by the Chairman for the British Ornamental Plant Producer organization.⁵ An observation in Spanish citrus industry a figure of Euro 205,40 per hectare for certification and analysis costs in a farm group.⁶ These figures can serve as a rough estimate but should be treated with caution. In addition to the cost of the audit also other indirect costs may arise but these are varying largely depending on the specific situation and also on what costs are attributed to

⁵ Source: Kearton, A. (2005). British Ornamental Plant Producers Annual General Meeting. Sutton Bonington.

⁶ Source: Peris Moll, E.M. and J.F. Juliá Igual (2005). "Production costs of citrus growing in the Comunidad Valenciana (Spain): EurepGAP protocol versus standard production", paper presented at the 92nd EAAE seminar, 2-4 March, Göttingen. www.eaae.uni-goettingen.de/Startseite/EAAE-Vortraege/Peris_Moll.pdf

compliance with EurepGAP or which costs are simply costs for the improvement of the farm operation. Re-certification costs are usually less than the initial cost of compliance, which is usually applied to infrastructure. The compliance costs are high but non-avoidable for farmers if they want to stay competitive.

The cost of designing and implementing an on-farm food safety program comparable to EurepGAP is difficult to estimate. It varies depending upon (i) number and size of farms, (ii) number of water sources used, (iii) ability of growers to develop food safety program documentation themselves, (iv) increased labour costs, (v) cost of chemical and microbiological tests, (vi) employee training session costs and (vii) capital equipment costs to assure that people, water, and soil amendments do not contaminate produce.⁷

In a study the average production costs of citrus cultivated under EurepGAP protocol regulation in the Comunidad Valenciana (Spain) are analysed.⁸ The results obtained are then be compared with the average standard regional costs employing traditional production methods. The farmers who produce citrus following the EurepGAP protocol face a series of extra costs (registration fees), or controls (analysis and certification costs), in addition to the obligation of implementing the code of Good Agricultural Practices (GAP). In the final cost comparison all these additional costs are more than outweigh by the efficiency gains against the average regional production. The question whether these efficiency gains can be directly attributed to the EurepGAP requirements is left open and needs further research. In this study the efficiency gain is a clear monetary gain of EurepGAP which resulted in on average lower production cost per unit for oranges produced in a cooperative certified by EurepGAP compared with the regional average.

According to the EurepGAP General Regulations - Fruit and Vegetables - Version 2.1-Oct04, members recognise the significant progress already made by many farmers, farmer groups, farmer organisations, local schemes and national schemes in developing and implementing best-practice agricultural systems. EurepGAP members also encourage further work to improve farmers' capability in this area, and in this respect this GAP framework, which defines the key elements of current agricultural best practice, should be used as a benchmark to assess current practice, and provide guidance for further development. EurepGAP is a means of incorporating Integrated Pest Management (IPM) and Integrated Crop Management (ICM) practices within the framework of commercial agricultural production. Adoption of IPM/ICM is regarded by EurepGAP members as essential for the long-term improvement and sustainability of agricultural production. EurepGAP supports the principles of HACCP (Hazard Analysis Critical Control Points) and encourages its use. It is essential that all organisations involved in the food production chain accept their share of the tasks and responsibilities to ensure that EurepGAP is fully implemented and supported. If consumer confidence in fresh produce is to be maintained, such standards of good agricultural practice must be adopted, and examples of poor practice must be eliminated from the industry. Wherever referred to, all farmers must demonstrate their compliance with national or international law.

All farmers should be able to demonstrate their commitment to:

⁷ Source: Garrett, E.H., Gorny, J.R., Beuchat, L.R., Farber, J.N., Harris, L.J., Parish, M.E., Suslow, T.V. and Busta, F.F. (2003) Microbiological Safety of Fresh and Fresh-Cut Produce: Description of the Situation and Economic Impact. Comprehensive Reviews in Food Science and Food Safety 2: 13-37.

⁸ Source: Peris Moll, E.M. and J.F. Juliá Igual (2005). "Production costs of citrus growing in the Comunidad Valenciana (Spain): EurepGAP protocol versus standard production", paper presented at the 92nd EAAE seminar, 2-4 March, Göttingen. www.eaae.uni-goettingen.de/Startseite/EAAE-Vortraege/Peris_Moll.pdf

- maintaining consumer confidence in food quality and safety;
- minimising detrimental impact on the environment, whilst conserving nature and wildlife;
- reducing the use of crop protection products;
- improving the efficiency of natural resource use; and
- ensuring a responsible attitude towards worker health and safety.

CHAPTER 4. Traders and Processors

EurepGAP covers the requirements of the retailers at the farm-gate but it does not cover the intermediaries in the food supply chain thus an information gap might exist in this section.⁹

Preliminary indications are that there exists a discrepancy between the standards enforced before and after the farm gate in citrus supply chains.¹⁰ Observations suggest that these standards are strictly applied to the production and handling of fruit (especially on farm and pack house levels), implying that the transmission of the intrinsic value is seemingly well organised to the point in this case of the South African port. On the other hand the observations revealed that consequent stages of the fruit supply chain are seemingly not subjected to the same strict requirements laid out for producers, leading to fruit quality deterioration and financial losses for producers. This constitutes clear parallel standards in terms of fruit safety and quality standards between upstream and downstream sections of the supply chain.

The previous elaboration shows that there is a gap between the farm-level certification by EurepGAP and the final point of sale to the consumers. This gap is in Europe often been closed by the British Retail Consortium (BRC) and the International Food Standard (IFS). In 1998 the British Retail Consortium (BRC) developed and introduced the BRC Technical Standard and Protocol for Companies Supplying Retailer Branded Food Products (the BRC Food Technical Standard). Although originally developed primarily for the supply of retailer branded products, in recent years the BRC Food Technical Standard has been widely used across a number of other sectors of the food industry such as food service and ingredients manufacture. There has also been substantive evidence of the use of the BRC Food Technical Standard outside the UK, as it became the framework upon which many companies have based their supplier assessment programmes.¹¹

The BRC standard also possesses a comprehensive scope covering all areas of product safety and legality, and it addresses part of the due diligence requirements of both the supplier and the retailer. Therefore it covers: HACCP system; quality management; factory environment standard; and product and process control. As with EurepGAP, the BRC is also measured against global standards, which are an enhancement to the original BRC standard which was designed to comprehensively meet the needs of retailers who sub-contract manufacturing of

⁹ Source: Martin von Arx: Eurepgap – Das erste Glied in der Zertifizierung der Lieferkette (Warenfluss-)Kette In: Lebensmittelindustrie, October 2004. Online: www.vae.ch/publikationen/pdf/Fachartikel_LM-Industrie.pdf (retrieved: Nov: 2006)

¹⁰ Source: Vermeulen, H., Jordaan, D. Korsten L. & Kirsten J. 2006. Private Standards, Handling and Hygiene in Fruit Export Supply Chains: A Preliminary Evaluation of the Economic Impact of Parallel Standards. Working paper: 2006-01; Department of Agricultural Economics, Extension and Rural Development, Faculty of Natural and Agricultural Sciences, University of Pretoria, South Africa.

¹¹ Source: BRC Global Standard – Food; Issue 4, January 2005.

their own-brand goods. The BRC certification is product specific and it does not carry out audits.

The IFS was created in 2002 by German retailers to develop a common audit standard and to create common food safety standards. It has at its goal to create a consistent evaluation system for all companies supplying retailer branded food products with uniform formulations, uniform audit procedures and mutual acceptance of audits, which will create a high level of transparency throughout the supply chain. It defines requirements in content, procedure and evaluation of audits and a requirement profile for the certification bodies and auditors. The catalogue of requirements includes: management of the quality system; management responsibility; resource management; product realisation; measurements, analyses, improvements.













IFS has been designed as an uniform tool to ensure food safety and to monitor the quality level of producers of retailer branded food products. The standard can apply for all steps of the processing of foods subsequent to their agricultural production.

There is no formal connection between EurepGAP on the one side and BRC and IFS on the other. But as both being initiated by retailers for a similar purpose they work well together and a combination at the different levels of the food supply chain is widely applied throughout Europe.

CHAPTER 5. Retailers

Retailers are the initiators of EurepGAP and are driving stakeholder group in the scheme. They remain with a share of 50 % of the members in the ruling council well represented and have a considerable influence on the development of the scheme. (Table 4)

Table 4 Retail and Food service members of EurepGAP

| Organisation | Head Quarter | URL | Logo |
|-------------------|----------------|--|---|
| Ahold | Netherlands | www.ahold.com |  |
| CBL | Netherlands | www.cbl.nl |  |
| Coop Switzerland | Switzerland | www.coop.ch |  |
| Delhaize | Belgium | www.delhaize.be |  |
| Kesko | Finland | www.kesko.fi |  |
| McDonald's Europe | Germany | www.mcdonalds.com |  |
| Metro Group | Germany | www.metro.de |  |
| Migros | Switzerland | www.migros.ch |  |
| Sainsbury's | United Kingdom | www.sainsburys.co.uk |  |
| Somerfield | United Kingdom | www.somerfield.co.uk |  |
| Tesco | United Kingdom | www.tesco.com |  |
| Wm Morrisons | United Kingdom | |  |

Source: EurepGAP

The retail members of EurepGAP are the large retailers dominating the European food market. Through EurepGAP they receive fresh produce, fruits and vegetables, which fulfil their requirements regarding tracking and tracing as well as regarding several aspects of the production process which have been described in more detail in the section on farmers. Through EurepGAP these aspects have been independently be certified and assured. Thus the individual retailer does not need to re-evaluate these aspects and can focus on other aspects. It

is possible for a retailer to choose a supplier which producer conform with EurepGAP and an individual check on the production is not necessary to fulfil important sections of the retailers own quality philosophy with regards to fresh produce. It is impossible to quantify the benefits for retailers obtained due to the purchase of EurepGAP produce compared to non certified produce. The increasing share of EurepGAP produce in the overall market clearly indicates that the benefits must clearly outweigh the search costs attributed to finding EurepGAP produce.

Due to the strong position of retailers in the EurepGAP boards they can assure that their requirements are met with the obligations set by EurepGAP for certification of agricultural production. These gains are also hidden but must clearly exist, as the success of EurepGAP shows.

By the end of 2003 two Dutch supermarket surveys reported that 100% of the Dutch supermarkets were participating in a EurepGAP program in which more than 85% of all the fresh fruits and vegetables were sold as EurepGAP certified¹². Several sources indicate that EurepGAP is an entry requirement for the sale of fresh produce through the standard supply chain. But presently, no published data exists to corroborate this current denial of access to European markets.¹³ As market access becomes more dependent on strict food quality standards, such as EurepGAP, producers must comply with these “de facto mandatory” standards or find other places to market their crops. Therefore, the increase in demand for EurepGAP certification reflects a need for market access which, in turn, incurs higher costs of compliance.

The retailer play a key role in EurepGAP but it requires more in-depth analysis to determine whether they act solely in their own interest or whether their behaviour is supportive for the overall supply chain. In this case they clearly communicate the requirements by consumers and legislation. In the judgement of this question the personal opinion of the analysts can substantially influence the perception and thus it is left open.

CHAPTER 6. Consumers

EurepGAP has been designed to cater for consumer demands. In their own words: “To respond to consumer concerns on food safety, animal welfare, environmental protection and worker health, safety and welfare by:

- Encouraging adoption of commercially viable farm assurance schemes, which promote the minimisation of agrochemical inputs, within Europe and worldwide
- Developing a Good Agricultural Practice (GAP) framework for benchmarking existing assurance schemes and standards including traceability.
- Providing guidance for continuous improvement and the development and understanding of best practice.
- Establishing a single, recognised framework for independent verification.

¹² Source: Nagel, J. 2004. Private Sector Initiatives to Guarantee Food Safety and Environmental Standards: An Emerging System of Global Protocols. Midwest Specialty Grains Conference; online: <http://www.ngplains.org/documents%5CMidwest%20Specialty%20Grains%20speech.pdf>

¹³ Source: USAID, 2005. The relationship of third-party certification (TPC) to sanitary/phytosanitary (SPS) measures and the international agri-food trade. Final report; RAISE SPS global analytical report #9, December 2005.

- Communicating and consulting openly with consumers and key partners, including producers, exporters and importers.”¹⁴

EurepGAP is generally not communicated to consumers through a logo. Thus consumers cannot identify produce from EurepGAP directly and in consequence the benefits and costs of EurepGAP for consumers are difficult to determine. Regarding the indirect and direct costs of participation in EurepGAP it is clear that these costs are in the long run incorporated in the final product prices which the consumer has to pay. The amount of these costs is almost impossible to quantify as already no defined price difference can be observed between products with and without EurepGAP certification at the farm level. If EurepGAP delivers towards its own terms of reference the benefits for consumers would be considerable. It has to be questioned whether this has been done and also how important these aspects have been considered by consumers. Clearly, these aspects have been raised by several consumer organisations.

CHAPTER 7. Overall analysis and conclusions

7.1 Summary of the economic assessment of benefits and costs

An obvious benefit of attaining EurepGAP certification is that the producer will gain access to the intended market. Other benefits include producing a higher quality product, being more environmentally sustainable, improving worker welfare, etc. This compilation of standards in the EurepGAP protocol assures retailers that their important issues are taken into account, while at the same time, saving producers the extra time, energy and money that they would have needed to attain certifications for each of these issues individually. For traders and processors EurepGAP provides the opportunity to obtain product which is certified according to industry-accepted traceability and Good Agricultural Practice standards. This is directly compatible with the widely applied BRC and IFS standards. To maintain these benefits traders and processors have to separate EurepGAP produce from other produce, which might be at a cost. Direct participation in EurepGAP and especially its requirement development needs a membership at the fees illustrated in Table 1. Retailers would receive produce which fulfils their requirements with regard to traceability and Good Agricultural Practice. Retailers demand more and more the certification of especially fresh produce according to EurepGAP. Some information indicates that all fresh produce sold by major retailers has to be EurepGAP certified, but detailed information is not available.¹⁵ Table 5 provides an overview of the discussed benefits and costs.

¹⁴ Source: EurepGAP General Regulations - Fruit and Vegetables - Version 2.1-Oct04; page 3.

¹⁵ Source: Nagel, J. 2004. Private Sector Initiatives to Guarantee Food Safety and Environmental Standards: An Emerging System of Global Protocols. Midwest Specialty Grains Conference; online: <http://www.ngplains.org/documents%5CMidwest%20Specialty%20Grains%20speech.pdf>

Table 5 Summary of benefits and costs by main stakeholder category

| | Benefits | Costs |
|--------------------|---|--|
| Farmer / Producer | <ul style="list-style-type: none"> • Access to the mainstream market • Establishment of a Quality Management System • Single certification | <ul style="list-style-type: none"> • EurepGAP fees 23 Euro to 120 Euro • Certification cost 1000 Euro to 50000 Euro (very vaguely estimates depend on farm and certification body) • Adjustment of farm business to EurepGAP requirements |
| Processor / Trader | <ul style="list-style-type: none"> • Traceability and Good Agricultural Practise • Compatible with BRC and IFS | <ul style="list-style-type: none"> • Voluntary membership in EurepGAP • Maintenance of the traceability chain (e.g. BRC, IFS) • Separation costs of EurepGAP and non EurepGAP |
| Retailer | <ul style="list-style-type: none"> • Traceability and Good Agricultural Practise according to retailer requirements • EurepGAP requirements are strongly influenced by retailer interest (50 % participation in all boards) | <ul style="list-style-type: none"> • Voluntary membership in EurepGAP • Search costs for EurepGAP products • Maintenance of the traceability chain |
| Consumer | <ul style="list-style-type: none"> • Indirect benefits from Good Agricultural Practise (low residues etc.) • Traceability might be beneficial in the case of food crises | <ul style="list-style-type: none"> • EurepGAP is financed by the private sector and this will end up in the consumer price |

One benefit might be the improvement of the efficiency of the resource usage. Here the collaboration with NGO especially in the field of plant protection has resulted in EurepGAP requirements which have clearly beneficial societal contributions in comparison with standard production of fresh produce. In addition the establishment of quality management systems at the farm level will have in the most cases beneficial effects on the usage of resources (fertiliser, plant protection, irrigation etc.) and factors (labour, capital and land) as well as the efficiency of production. On the other hand some of the requirements will also unnecessarily bind some of these resources; this issue is often voiced in relation to record keeping requirements. The observed dominant position of large retailers within EurepGAP might be seen as a social cost as this limits the choice and influence of other participants in the agro-food chain. This is an ideological issue and depends largely on the viewpoint taken by the analyst. In the framework of this assessment this point remains open for the judgement of the reader.

7.2 Success and failure as well as advantages and disadvantages of EurepGAP

Since inception EurepGAP is establishing a Pan-European standard system and tries also to harmonise all EU-wide standards to achieve a system where other common standards are being benchmarked against EurepGAP, in order to bring greater transparency into the system. This approach constitutes undoubtedly an advantage and an opportunity of the scheme, but this has not been completely achieved so far. The following SWOT analysis has been carried out from the viewpoint of the active participants in the food chain (e.g. farmers, traders, processors, retailers) with the objective to analyse the advantages and disadvantages of EurepGAP for them. Table 6 outlines the results of the SWOT analysis.

Table 6 SWOT analysis of the EurepGAP value chain

| | |
|--|---|
| Strength <ul style="list-style-type: none"> - Private sector initiative - A pre-farm standard including seeds and other early inputs - Willingness to harmonize different standards - Pan-European & global approach - Influential scheme - Global partners - Freely available information on requirements | Weaknesses <ul style="list-style-type: none"> - Not visible for consumers, which means that a lot of potential buyers are not being aware - Not size neutral (in favour of larger farms) - Imposing standards onto farmers - Lack of collaboration in some countries - Retailer driven - Not an equal partnership as claimed, because suppliers are split into different groupings - High certification costs |
| Opportunities <ul style="list-style-type: none"> - Harmonize EU-wide standards by recognising other existing schemes - Create global network of standards - Increase transparency amongst standard systems | Threats <ul style="list-style-type: none"> - Losing of specific focus due to global application - Loss of some retailers as they plan own scheme - Pan-European QAS through regulator |

The strengths of EurepGAP from the viewpoint of the active participants in the food supply chain include that it is a private sector initiative and thus, is flexible to react to changes and adjust the scheme if necessary. Especially for farmers it is of advantage that already seeds and other inputs are included and in this way ease the traceability of these inputs. In several contracts signed by farmers it is necessary to provide detailed information on the origin of inputs. Due to the usage of EurepGAP on an European and even global level it is possible to obtain products produced to similar standards without the necessity to compare national legal requirements and their enforcement. Because of its success EurepGAP has already developed into an influential player on the market and serves as orientation for other schemes. This status is used by benchmarking other schemes towards EurepGAP in a considerably demanding procedure. On the other hand, most of the information on EurepGAP is freely available and provides all interested stakeholders to obtain a personal view on the scheme.

The weaknesses of EurepGAP include that it is not a producer driven scheme and non-visible scheme for consumers, as it is a B2B scheme. Both of these aspects imply that a price premium for farmers are almost impossible and are currently non observable. By some farmers it is felt as EurepGAP is imposing standards onto them which they have to comply to stay in the mainstream market. It also not size neutral meaning that the scheme favours larger farms, which makes it more difficult for small-scale farmers to benefit from the scheme. With regard to rural development no clear link can be drawn to employment effects but EurepGAP strengthens the competitiveness of the participating farms. The scheme is retailer driven and the claim of an equal partnership is somehow artificial as retailer alone account for 50 % in all decision bodies of EurepGAP. The other stakeholders are split in different categories and account together for the other 50 %. Another weakness are the high certification costs which are due to several circumstances, firstly, the certification has to be paid in full, as no support is available, secondly, the considerable membership and accreditation fees for certification bodies to become member of EurepGAP are transferred to the certification costs and lastly, the controls are rather extensive and thus require much effort by the certification bodies which has to be paid for. For the participation of small-scale producers/farmers the farm group option has been created but still the accessibility to EurepGAP remains limited as the requirements as well as the certification costs pose a huge obstacle. It is questionable whether this is possible to be overcome size neutral. The only option would be a redistribution of burdens between participants but this appear not a viable option for a privately run scheme.

In the future development the size and importance of EurepGAP creates both opportunities and threats. It may be a clear reference system for all Good Agricultural Practise schemes but on the other side it may loose its focus and be challenged by new schemes either form private initiatives or possibly from public institutions. From the former because EurepGAP might be less focussed due to the necessity to be applicable throughout the world.

7.3 International implications

EurepGAP is in the process of developing global reference standards across the entire agricultural sector. Working groups (open to all) are established for the main livestock species (including input sectors such as feedstuffs) combinable crops and ornamentals. This is particularly relevant in a global market place where food safety scares know no boundaries and there is a need to achieve a level playing field.

If developing countries are going to effectively compete in the international community, they need to develop effective food safety and food control systems. If a developing country's national scheme is not benchmarked to EurepGAP standards, then the producers or producer organizations need to gain certification on their own. A EurepGAP certification offers market access mainly in European markets, yet the process and cost of obtaining a EurepGAP certification could be an obstacle for smallholders. The cost can vary among producers and locations. Even when some smallholders are denied access to certain markets due to high costs, the demand for EurepGAP certification seems to be growing in developing countries.

There are over two hundred components covered in the EurepGAP protocol including record-keeping, food safety, pesticide use and control, integrated crop management, workers' health and environmental adherence requirements. For instance, while some of EurepGAP provisions constitute a progressive approach that will in the long run contribute to upgrading

the supply chain of produce exported by developing countries; some of the provisions are not realistic enough with respect to local conditions. Smallholder farmers in many developing countries have very small parcels of land ranging from half an acre to 2 acres. It would easily require such a farmer 2 to 3 years of production to pay for one annual EurepGAP audit, making participation of smallholders simply impossible.¹⁶

The evolution of private food safety and quality standards has profound implications for not only economic, but also political and social relations within agri-food systems. Indeed, the growing predominance of private standards has very significant implications for the future governance of agri-food systems. The increasing role of third party certification provides just one example. Further, while the role of private standards is perhaps quite widely recognised in the industrialised country context, for EurepGAP it is also shown how private food safety and quality standards and modes of enforcement are coming to pervade global agri-food supply chains to high-income markets and also the agri-food systems of developing countries. This suggests that the traditional dichotomy between industrialised and developing country agri-food systems needs to be rethought; both the structure of supply chains and the predominant modus operandi of food markets across the globe are converging rapidly around the central role of supermarkets and governance through private standards, admittedly alongside traditional public regulatory mechanisms.¹⁷

WTO Members examined for the first time the role of private sector standards in restricting trade during the 29-30 meeting of the Committee on Sanitary and Phytosanitary (SPS) Measures.¹⁸ St Vincent and the Grenadines, supported by Jamaica, Peru, Ecuador, and Argentina, complained that 'EurepGAP' SPS standards imposed by the Euro-Retailer Produce Working Group, composed primarily of food retailers, were more strict than EU governments' requirements. Referring to Article 13 of the SPS Agreement, which says that Member governments "shall take such reasonable measures as may be available to them to ensure that non-governmental entities within their territories... comply with the relevant provisions of this agreement," these countries argue that the EU rules should apply to private sector. Argentina said that this matter needed to be resolved or "twenty years of work" would be wasted. The EU countered that it is not responsible unless the private sector organisations claim that their standards are EU standards, and that any claims should be brought up directly with the relevant company. Given that the private sector standards are driven by consumer demand, the EU is not in a position to intervene.

7.4 Implications for Common Agricultural Policy (CAP) measures

The 'Single Payment Scheme' in the first pillar of the CAP is in principle independent from production and can be linked to achieving certain environmental, food safety, animal and plant health and animal welfare standards, as well as the requirement to keep all farmland in good agricultural and environmental condition ("cross compliance"). The introduction of compulsory cross compliance means that from 1 January 2005 farmers receipts of direct payments will be required to respect a set of statutory management requirements (SMRs), as

¹⁶ Source: Kariuki, L.N. 2006. Participation of smallholders in international trade. In: R. Ruben, M. Slingerland and H. Nijhoff (eds.) (2006). *Agro-food chains and networks for development*. Springer, the Netherlands 41-48.

¹⁷ Source: Henson, S. and Reardon, T. 2005. Private agri-food standards: Implications for food policy and the agri-food system. *Food Policy*, Volume 30, Issue 3, June 2005, 241-253.

¹⁸ Source: "SPS CTTE considers private sector standards; struggles continue with S&D" In: *Bridges – Weekly Trade News Digest*, Vol. 9 No. 24, 6 July 2005; <http://www.ictsd.org/weekly/05-07-06/story3.htm>

set out in annex III of Regulation (EC) 1782/2003, and maintain eligible land in good agricultural and environmental condition (GAEC), in line with the framework established by annex IV. Standards, or better the compliance with standards, are thus an integral part in accessing some CAP funds. Cross compliance and EurepGAP are similar to the extent that they are both systems that seek to ensure compliance with a set of requirements. Their approach to ensuring compliance is also similar in the way they both establish inspection protocols and enforce sanctions. However, there are also a number of clear differences. EurepGAP appear to have established more rigorous inspection protocols than is perhaps possible with cross compliance. Normally all producers who seek certification are inspected at least every year with the exemption of farm members of producer groups which are only inspected internally at least once year and only a sample externally by an accredited certification body. With cross compliance, inspections take place on about five per cent of farms that obtain the Single Payment. This difference is somewhat influenced however by the accompanying sanctions, with the potential sanctions applied through cross compliance apparently rather more severe than those that are applied by EurepGAP. EurepGAP is currently the most widely applied private standard for Good Agricultural Practise. But EurepGAP has to compete with other schemes and it may also try to harmonise other standards into one. The question arises whether this creates a parallel standard to the already applied cross compliance conditions. If synergies can be created and successfully maintained, there may be positive cost implications for either public administrations or farmers, or both. The net administrative burden faced by farmers and administrations may also reduce.

Good Agricultural Practices, which are understood by producers all over the world, deliver clearly defined outcomes with regard to all three dimensions of sustainability. The provisions made so far in the CAP for cross-compliance or Good Agricultural Practice does not cover farm assurance schemes, focussing on quality management. However, many producers are probably at the receiving end of cross-compliance and it is envisaged that any future CAP reform may have an element of food policy. Therefore, farm quality assurance schemes, focussing on quality management, can lead the way in delivering evidence that participating farmers need less inspection and still producing quality products. For sure the participation in EurepGAP requires a farmer to fulfil all cross-compliance aspects. Some of these are actually Major Musts and are thus directly checked on an annual basis by the certification bodies.

Overall the relevance of EurepGAP influencing the CAP is limited, as a B2B scheme it eases the transactions between farmers and other participants in the agro-food chain, and thus an interaction with the CAP is only a side-effect. Some of EurepGAP requirements are aimed at an efficient use of resources this may contribute to the general aim of axis two of the Rural Development Regulation but not in a specific way. In addition, the success of EurepGAP may imply to assess the specific technical requirements in comparison to cross-compliance requirements to adjust the later with regards to practical implementation. This might be a complicated task as at least all SMRs have also been fulfilled to become EurepGAP certified.

7.5 Conclusions

Henson and Reardon (2005) conclude in a special issue of Food Policy¹⁹: "The rise of private standards as an increasingly dominant instrument of governance in agri-food systems both nationally and internationally, raises challenges for policy-makers in defining appropriate responses to emerging food safety and quality issues. In some instances, private standards develop in response to weaknesses in prevailing public standards, raising interesting questions as to the extent to which private modes of regulation can substitute for public action or raise concerns about the capture of food safety and quality governance by private interests. Alternatively, private standards have evolved despite the existence of strong public food safety and quality standards as a means to differentiate products, reflecting the growing predominance of quality as the mode of competition in agri-food systems. In certain circumstances, private standards can act to facilitate compliance with public standards and/or allow for the better targeting of scarce compliance resources."

Putting this conclusion in relation to EurepGAP the question arises whether EurepGAP is a response to the weakness in the European and national standards, or whether it reflects the competition based on quality. From this analysis it seems that EurepGAP prevails both aspects. With regard to the latter EurepGAP only communicates on quality aspects within the agro-food chain and not to the final consumer. It combines some legal requirements, e.g. traceability, with aspects of resource use, e.g. fertiliser, plant protection. In this regard it is complementing the existing public standards. Concerning its dominance in the fruit and vegetables sector it is questionable whether it already constitutes a de-facto standard. This issue would require further investigation as the market for fruits and vegetables is rather fragmented and may make some in-depth analysis of the impact on competition necessary. So far no reliable facts could be found which would prove such an issue.

EurepGAP has its benefits and costs for all participants in the agro-food chain. The benefits clearly outweigh the costs in the case of the retailers as they receive fresh produce which fulfils their requirements at a costs which cannot be quantified, as no price difference between EurepGAP and non EurepGAP could be observed. For farmers it appears to be attractive to participate but it is unclear how their balance between benefits and costs stands. However, both aspects have a considerable importance. Other stakeholders are only affected to a limited extent in terms of benefits and costs.

The balance between retailers and producers and other stakeholders in EurepGAP might not be perfect, as there is too much focus on the retailers. In EurepGAP the public institutions are not at all incorporated, but this may be necessary in a pan-European QAS scheme. This would clearly require a close analysis of issues related to international food trade and WTO rules.

¹⁹ Source: Henson, S. and Reardon, T. 2005. Private agri-food standards: Implications for food policy and the agri-food system. Food Policy, Volume 30, Issue 3, June 2005, 241-253. (quote pages 251-252)

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