

## **A PRIVATE SECTOR PERSPECTIVE ON PRIVATE STANDARDS**

### **– SOME APPROACHES THAT COULD HELP TO REDUCE CURRENT AND POTENTIAL FUTURE CONFLICTS BETWEEN PUBLIC AND PRIVATE STANDARDS –**

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**Summary:** *Standards are critically important to businesses that are involved in various aspects of food supply chains around the world. In a broad sense, standards are involved in every aspect of food production and are often referenced in business transactions between various private sector entities operating within a food supply chain.*

*Public food-system-related standards promulgated by the OIE, the Codex Alimentarius Commission and the International Plant Protection Convention ('the three sisters') are officially recognized under the WTO Agreement on the Application of Sanitary and Phytosanitary Standards (the SPS Agreement). WTO member nations are encouraged to implement these official standards for the purpose of ensuring safe trade.*

*Animal welfare is within the scope of the WTO Agreement on Technical Barriers to Trade (TBT Agreement) but not of the SPS Agreement. Although there is no explicit recognition by the WTO of the OIE's international standards for animal welfare, the OIE is recognized as the unique organization developing global animal welfare standards for international trade.*

*In the past few years, OIE Members have raised concerns about the increasing importance of private standards to the international trade in animal products and the potential for conflict between official standards and those established by private standard setting organizations.*

*Collective efforts are needed on the part of food system stakeholders, governments and intergovernmental organizations to ensure food safety, animal health, animal welfare and plant health as these aspects of food production are critical to consumer confidence, affordability and food security.*

*Respectful dialogue amongst the public, private and academic stakeholders is necessary for continuous improvement within the global collection of food systems that serve to nourish the public. The global private standard setting bodies such as GFSI and GLOBALG.A.P., as well as global industry organisations such as the International Poultry Council (IPC), the International Egg Commission (IEC), the International Meat Secretariat (IMS), the International Dairy Federation (IDF) and the International Federation of Agriculture Producers (IFAP) are well placed to foster and facilitate collaborative undertakings.*

**Key words:** *official standard – private standard – food industry – trade – food safety – animal welfare – Codex Alimentarius Commission – International Plant Protection Convention – GFSI – GLOBALG.A.P. – SSAFE*

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## 1. Introduction

In contrast with public standards, private standards that have been developed in response to consumer preferences and concerns have greatly increased in number and significance in the past decade. In some instances private standards may conflict with the official public standards. Regarding the food system, such conflicts have been recognized by the World Trade Organization (WTO) and the intergovernmental standard setting organizations (the ‘three sisters’ — World Organisation for Animal Health [OIE], Codex Alimentarius Commission [CAC] and International Plant Protection Convention [IPPC]) — in several recent reports [9, 12].

The OIE sanitary standards are formally recognised under the WTO Sanitary and Phyto-Sanitary Agreement (SPS Agreement).

Animal welfare is within the scope of the Agreement on Technical Barriers to Trade (TBT Agreement) but not of the SPS Agreement. Although there is no explicit recognition by the WTO of the OIE’s international standards for animal welfare, the OIE is recognized as the unique organization developing global animal welfare standards for international trade.

This paper presents a private sector perspective on private standards and suggests some approaches that could help to reduce current and potential future conflicts between public and private standards.

## 2. Background

In October 2007 the OIE signed an official Agreement with the not-for-profit organization ‘Safe Supply of Affordable Food Everywhere’ (SSAFE). In brief, this agreement provides a formal framework for dialogue between the OIE and the private sector, particularly international players in the food and animal feed supply chain [6]. The goals of this collaboration include facilitating and enabling progress in strengthening the safety of the global food supply chain and leveraging resources through public/private partnerships for collective action through the collaborative implementation of public standards.

At the 76th OIE General Session (25–30 May 2008) a paper on the “implication of private standards in international trade of animals and animal products” was presented [5] and the OIE World Assembly of Delegates discussed the problem of animal health and animal welfare standards established by private organizations without direct involvement of governments. Reflecting their concerns at the potential for such standards to conflict with the official standards established by the OIE, the OIE Members passed a Resolution calling for action to address this issue [7].

In June 2009 the OIE convened an expert group (Ad Hoc Group on Private Standards and International Trade in Animals and Animal Products) to examine the current and possible future problems and benefits presented by private standards for sanitary safety and animal welfare in regard to international trade [8]<sup>2</sup>. A questionnaire developed by the Ad Hoc Group was sent to all OIE Members and to relevant organizations having an official agreement with the OIE. The responses to the questionnaire were discussed at the November 2009 meeting of the Group. As Appendix IV of the report of this meeting, the summary on the results of the questionnaire highlighted the clear distinction drawn by OIE Members in regard to private standards for sanitary safety and private standards for animal welfare, as well as the different views of developed and developing countries on the topic of private standards [9]<sup>3</sup>.

During the period from 2008 to 2010, the WTO SPS Committee has also been examining the issue of private standards falling within its mandate, i.e. sanitary and phytosanitary standards. The intergovernmental standard setting organizations (‘the three sisters’: OIE, CAC, IPPC) have made significant contributions to the analysis undertaken by the SPS Committee. As of April 2010, an informal working group of the SPS Committee proposed to make recommendations to WTO

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2 The full report of the June 2009 meeting of the Ad Hoc Group is available as an annex of the report of the September 2009 meeting of the Terrestrial Animal Health Standards Commission.

3 The full report of the November 2009 meeting of the Ad Hoc Group is available as an annex of the report of the February 2010 meeting of the Terrestrial Animal Health Standards Commission.

member States, the ‘three sisters’ and private standard setting bodies [12]. Discussion on this matter is going on at the time of writing.

In recognition of the on-going importance of this topic to Members, the Director General of the OIE invited SSAFE to contribute a paper for discussion at the 78th OIE General Session (May 2010). This paper presents a private-sector perspective on private standards and suggests some approaches that could help to reduce risk of current and potential future conflicts between public and private standards.

### **3. Standards and the Private Sector**

Many in the food industry recognize the valuable role of the OIE, CAC and IPPC and embrace the animal health, food safety and plant health principles that are advanced by the respective organizations. Yet it should be recognized that the food industry is in large part motivated by the need to meet the expectations of its customers, which are ultimately driven by consumer preferences and spending patterns. Over the past two decades, many consumers have become more concerned about food safety and other aspects of the food which they consume. These concerns have driven retailers and their suppliers within the food industry, along with many governments, to react, not always in scientific evidence-based ways. Some retailers, especially those catering to more affluent societies, have adopted private certification programs in order to safeguard the products that they offer while meeting the expectations of their consumer base.

Because supply chains often cut across many businesses and nations, the use of common management frameworks and the application of mutually recognized principles such as ‘prerequisite programs’ and HACCP<sup>4</sup> are critical. Standards are often used by those involved in various aspects of food supply chains to ensure a common understanding of expectations in business relationships and transactions. Food system stakeholders include farm input suppliers, farm producers, primary collection and processing facilities, food ingredient and packaging manufacturers, food manufacturing firms, distributors, importers, exporters, retailers, food service and restaurant operators, and consumers. The complexity of often global food-supply chains necessitates the adherence to common standards which are implemented and verified using a shared framework.

### **4. Conflicting standards**

Concerns about private standards with requirements that differ from and are sometimes more restrictive than those outlined in related public standards were identified in the recent survey of OIE Members. Upon review of the survey, one observation is that concerns arise because private standards are sometimes prescriptive while public standards tend to be based on outcomes (i.e. positive results in terms of animal health, public health and animal welfare).

#### **a. GLOBALG.A.P.**

GLOBALG.A.P. (formerly known as EUREPG.A.P.) is a private-sector organization with members in more than 100 countries around the world [1]. The governance system is based on 50% producers and 50% retailers and food service, thus providing a match between primary producers and markets.

GlobalGAP sets voluntary standards for Good Agricultural Practices (GAP) and for the certification of agricultural products in international trade, thus providing an entry point for producers around the globe (including in developing countries) to the more affluent food markets. GlobalGAP’s aim is to establish one GAP standard that is based on scientific evidence and that can be applied to different products in global trade. GlobalGAP develops standards for fruit, vegetables, livestock and aquaculture products. Food safety is the key element of these standards but animal welfare is also important.

This GlobalGAP certification scheme was originally established for application in a European country and the scheme’s requirements were originally established on the basis of typical production conditions in that country. However, the requirements were later applied to

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4 HACCP: hazard analysis and critical control point

production systems in distant countries outside of Europe as a condition of gaining access to retailers in Europe.

The GlobalGAP '*Control Points and Compliance Criteria – Integrated Farm Assurance – Poultry*' standard contains specific animal housing, husbandry and welfare requirements. Provisions address, inter alia, the maximum stocking density for broilers; use of concrete or asphalt for floor surfaces; the use of new litter for each flock; the provision of hot water to farm workers for hand washing, and the provision of artificial light with a period of darkness of at least 4 hours in every 24 hours [2]. Integrated poultry producers in an exporting country that wanted to gain access to specific European Union retail customers, had to establish, at significant additional expense, production operations that met the prescriptive criteria of the European-based private scheme. Once certified by the private scheme owner, these poultry farms operated in a zone along with similar size traditional poultry operations serving the same integrators who segregated product into export and domestic use streams. The traditional production methods utilized poultry houses with gravel floors, reused heat-treated litter for multiple flocks and provided hand-washing stations with unheated ambient temperature water and soap. Animal and public health outcomes between the two production systems (export vs. domestic) were evaluated by poultry integrators in the exporting country. The traditional local production system was demonstrated to be superior in these regards. Specifically, the extent of *Salmonella* and *Campylobacter* shedding within flocks and the incidence of contamination on poultry carcasses were lower as compared to production systems that were 'certified' by the private scheme which was marketing as providing high assurances to European retail customers.

#### **b. The OIE international animal welfare standards**

The OIE international animal welfare standards relevant to poultry cover transport by land, sea and air, slaughter for human consumption and killing for disease control purposes. Currently, the private animal welfare standards that apply to livestock do not present a conflict with OIE standards, since these private standards are concerned largely with livestock production systems, not with transport and slaughter (where official standards seem to be recognized and accepted). However, this situation may change in the future as new OIE standards for production systems come into effect. Work is currently under way on the development of an OIE standard for the production of broiler poultry but this standard could only be adopted in 2011, at the earliest.

The above examples demonstrate the need for global cooperation between producers and the market when prescriptive standards are applied to corresponding production systems operating in a different region of the world. A preferable approach, typically taken by public standard setting organizations, would focus on outcomes (i.e. results in terms of animal health, public health and animal welfare) rather than establishing prescriptive criteria. Outcome-based approaches stimulate creativity and innovation and allow for local conditions to be taken into account.

In the exporting country involved in the above example 'a', a national research institute experimented with various sources of litter and treatments applied before re-use. This resulted in the establishment of a best practice adopted within the region. In this case, the private standard did not recognize equivalency between litter use approaches and did not provide a mechanism for disputing requirements that were not evidence based. GlobalGAP has tried to address this type of problem by establishing technical working groups at national or regional level.

Not all differences between comparable public and private standards result in dramatic conflicts as outlined above.

The demand for private certification led to the proliferation of auditing schemes. This can result in duplication of efforts, both within and across geographic regions. Auditing is a complex activity that is facilitated by using clear and evidence-based standards with a common-sense approach to implementation, taking account of regional conditions. The need to apply one-stop audit systems for food business operators, including primary producers, is broadly recognised and provides a challenge to industry to provide these services. In reality, many of the differences between the numerous private audit schemes have been overplayed for competitive marketing purposes. When deconstructed, the private audit schemes were found to have a common foundation that was fairly consistent with expectations outlined by the CAC.

## 5. A new approach to co-existence

The conflict between public and private standards does not need to be considered a permanent condition. Leaders in the food industry and retail sector have recognized the need to transform the way in which industry collectively assures food safety. A consensus exists that a supply-chain approach, with requirements based in large part on standards established by the official standard setting organizations, needs to be taken.

Harmonisation with the standards of the CAC is a fundamental consideration of the Global Food Safety Initiative (GFSI), which serves as a model for public/private cooperation on food system standards. A similar initiative could be taken in relation to the animal health, animal welfare and plant health standards developed by the OIE and IPPC respectively. Such initiatives need to be championed and driven by the official standard setting organizations and private organizations jointly to achieve synergies and avoid conflicts.

The GFSI was launched in 2000 to promote “continuous improvement in food safety management systems to ensure confidence in the delivery of safe food to consumers” [3]. Initially driven by food retailers and later involving other supply-chain stakeholders, GFSI now serves to benchmark various food safety auditing schemes to a shared set of expectations primarily based on public standards developed by the CAC. This approach benefits food businesses and consumers in two ways. First, food safety is enhanced as universally-recognized food safety management principles are adopted and implemented across supply chains. Secondly, duplication of efforts in certifying supply-chain segments are greatly reduced resulting in cost savings. The latter benefit is in large part to the leadership of multinational food retailers and companies in accepting certifications from GFSI recognized food safety management schemes as equivalent. The benchmarking processes undertaken by GFSI and GlobalGAP and the uptake of these schemes by participating retailers and food companies has led to improved transparency between the content of private audits and the CAC standards.

The global private standard setting bodies such as GFSI and GlobalGAP, as well as global industry organizations such as the International Poultry Council (IPC), the International Egg Commission (IEC), the International Meat Secretariat (IMS), the International Dairy Federation (IDF) and the International Federation of Agriculture Producers (IFAP) are well placed to foster and facilitate collaborative undertakings. Mutual understanding, engagement in dialogue and establishment of collective solutions with food system stakeholders should be pursued by the intergovernmental organizations. It is encouraging that under the leadership of its Director General, the OIE has reached out to industry stakeholders in this regard. One example of outreach by the OIE is the establishment of a Memorandum of Understanding between the OIE and SSAFE. SSAFE’s mission is “to foster the continuous improvement and global acceptance of internationally-recognized food protection systems and standards” [4].

One opportunity for cooperation between the food industry and the intergovernmental standards setting organizations would be for the establishment of rapid assessments and provision of guidance on emerging issues. Currently, official standard setting mechanisms take one or two years for OIE and two or more for the CAC to establish an international standard. In some situations, such as melamine, rapid decisions to protect animal and human health are expected of the food industry often prior to any guidance by national and international health authorities. Mechanisms to rapidly convene dialogue with relevant private sector stakeholders to collectively explore the issue would be welcomed by the private sector. Ideally, temporary guidance on best managing emerging risks would be useful and could reduce the potential for divergent private standards to develop.

## 6. Conclusions

Collective efforts are needed on the part of food system stakeholders, governments and intergovernmental organizations to ensure food safety, animal health, animal welfare and plant health as these aspects of food production are critical to consumer confidence, affordability and food security.

The food industry recognizes the critical importance of the work undertaken by the OIE, CAC and IPPC and has started to take steps which better align private certification schemes with public standards. The scientific evidence-based nature of the official public standards, the transparent

process of their development and consensus based mechanism for their adoption are respected by the food industry.

Despite numerous conflicts between public and private standards, a trend toward transparent linkage of private auditing schemes to requirements established by the official public standard setting organizations is occurring. Enhanced understanding of private sector certification needs by the intergovernmental organizations would be beneficial to all stakeholders including consumers. Respectful dialogue amongst the public, private and academic stakeholders is necessary for continuous improvement within the global collection of food systems that serve to nourish the public.

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