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Report on the Stakeholder Hearing

(30/11/06)

DG JRC/IPTS

*“This report contains the minutes of the Hearing,
recording issues raised by the participants with reference to the objectives and any
conclusions reached, as well as all presentations made.”*

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List of abbreviations

B2B: Business-to-Business
B2C: Business-to-Consumer
BRC: British Retail Consortium
CEJA: European Council of Young Farmers
CELCAA: European Liaison Committee for the Agricultural and Agri-Food Trade
CIAA: Confederation of the Food and Drink Industries in the EU
CIES: Food Business Forum
COPA/COGECA: Committee of Professional Agricultural Organisations in the European Union - General Confederation of Agricultural Co-operatives in the EU
DG: Directorate-General
DG AGRI: Directorate-General for Agriculture and Rural Development
EFAC: European Federation of Associations of Certification Bodies
EU: European Union
EurepGAP: Euro Retailer Group for Good Agricultural Practices
FIC: Fédération des Industriels de la Charcuterie
GAP: Good Agricultural Practice
GFSI: Global Food Safety Initiative
GMP: Good Manufacturing Practice
HACCP: Hazard Analysis Critical Control Point
IAF: International Accreditation Forum
ICQM: International Conference of Quality Managers
IFS: International Food Standard
IFSI: International Feed Safety Standards
IIOC: Independent International Organisation for Certification
IOP: Institute of Packaging
IPTS: Institute for Prospective Technological Studies
IQNet: International Certification Network
ISO: International Organization for Standardization
JRC: Joint Research Centre
LRF: Federation of Swedish Farmers
MEP: Member of the European Parliament
NFU: National Farmers Union
NGO: Non-Governmental Organisation
PDO: Protected Designation of Origin
PGI: Protected Geographical Indication
QAS: Quality Assurance and certification Scheme
QS: Qualität und Sicherheit, Germany
SA: Social Accountability
SME: Small and Medium-sized Enterprises
TRIPS: Trade-Related Aspects of Intellectual Property Rights
TSG: Traditional Speciality Guaranteed
UGAL: Union of Groups of Independent Retailers of Europe
WHO: World Health Organization
WTO: World Trade Organization

Introduction

In 2004 the European Parliament (EP) decided to fund a pilot project on “quality assurance and certification schemes for integrated supply chain management and the opportunity of a Community legal framework for protection of such schemes”.

The Directorate-General for Agriculture and Rural Development (DG AGRI) entrusted to the Directorate-General Joint Research Centre / Institute for Prospective Technological Studies (DG JRC/IPTS) to carry out the pilot project with the aim to provide an exploration of the different approaches to a European-wide framework for the development of quality assurance and certification schemes (QAS) managed within an integrated supply chain.

The project is based on a set of specific studies and a consultation of stakeholders' representatives. Further information on the project can be found on its website (<http://foodqualityschemes.jrc.es>).

In this framework, the European Commission (DG JRC/IPTS in collaboration with DG AGRI) organised a Stakeholder Hearing on 11/12 May 2006 in Brussels, with the main objective of completing the findings previously obtained.

The Hearing was conducted on the basis of a set of panels, each one representing a given stakeholder category: farmers/producers, traders, food processors, certification bodies, catering and retailers, as well as consumers. The Commission (DG JRC/IPTS) invited a number of associations/organisations to participate in the Hearing and requested them:

- to select their panel members, taking into account that their panel should not exceed a total of seven persons and should be representative of the EU 25 and of all food sectors dealing with QAS. Additional organisations could also be proposed within the limits of seven members as well as of the geographical and sectoral coverage;
- to jointly identify the panel spokesperson, to be the panel contact person for further communication with the Commission and to make the panel presentation at the Hearing;
- to jointly organise their panel presentation within the allocated time.

A panel of academic experts on food quality schemes has also been set up to ensure that pending issues were addressed and that statements were substantiated.

Catering and consumers representatives were unfortunately unable to take part in the Hearing¹. The consumers panel had thus to be cancelled.

The final membership of the panels was as follows:

Farmers/Producers

CLARKE David, Assured Food Standards, NFU - COPA/COGECA

FIEDLER Marc – CEJA

RYDBERG Ingrid, LRF/Sigill Kvalitetssystem AB, LRF - COPA/COGECA

TOZZI Luigi, Confagricultura - COPA/COGECA

VAN OORSCHOT Frank, LTO - COPA/COGECA

¹ The Commission (DG JRC/IPTS) would welcome any relevant input from EU-level catering and consumer organisations that could be included in the study at a later stage.

Traders

BUTTLER Christina, Verein für Kontrollierte Tierhaltung e. V. - CELCAA
COOLS Romain, EUROPATAT - CELCAA
MOEHRKE Axel, DOLE FRESH FRUIT EUROPE - CELCAA
VAN DER LINDEN Arie, The Greenery - CELCAA
VILANOVA AMAT Mar, ANECOOP S. COOP - CELCAA
VON DER CRONE Caspar, Gibier et Détail - CELCAA

Food processors

LAAN Willem-Jan, UNILEVER - CIAA
REY Yves, Danone - CIAA
ROSIERS Marc, SUBEL - CIAA
SERGENT Sophie, Groupe Aoste/CLITRAVI - CIAA
VAN SADELHOFF Henry, ADM - CIAA

Certification bodies

ABI RACHED Georges, Moody Certification France - EFAC
ADAMCIK Patrick, DNV - IIOC
FRANCOIS Fabienne, BVQI - IIOC
MIKULASKOVA Marta, CQS Auditor - IQNet
ROBERTS Simon, Product Authentication Inspectorate - EFAC

Retailers

FOCHESSATI Monica, Selex Gruppo Commerciale s.r.l. - UGAL
FRANCONY Laurent, Système U - UGAL
GARBUIT Nigel, EUROHANDELSINSTITUT E.V. - Eurocommerce
GRAY Alisdair, BRC - EuroCommerce
LABATUT Denis - UGAL
LEGLISE Pascal, Carrefour - EuroCommerce
ROGGE Alexander, FCD - EuroCommerce

Experts

ARAGRANDE Maurizio, University of Bologna (I)
BURRELL Alison, University of Wageningen (NL)
DRIES Liesbeth, University of Leuven (B)
GELLYNCK Xavier, University of Ghent (B)
GENTILE Enrica, University of Bologna (I)
MANCINI Maria Cecilia, University of Parma (I)
SCHNEIDER Andreas, CEPS (B)
SOLER Louis-Georges, INRA (F)
THEUVSEN Ludwig, University of Göttingen (D)
TRAILL Bruce, University of Reading (UK)

Each panel had received a [background paper](#) (common to all panels) and a [list of questions](#) (specific to each panel) drafted by the Commission (DG JRC/IPTS). The questions put to each panel are listed in the table below:

<p style="text-align: center;">PANELS</p> <p style="text-align: center;">SPECIFIC QUESTIONS</p>	Farmers/Producers	Traders	Food processors	Certification bodies	Retailers/Catering	Consumers
How would you describe the roles of supply-chain stakeholders in developing and managing QAS?	√	√	√	√	√	√
Can you provide a brief assessment of the main costs and benefits for stakeholders of the present state of QAS in Europe? Are QAS achieving their intended aims in the supply chain?	√	√	√	√	√	√
What is the main impact of QAS on competitiveness, employment and sustainable development, in particular in rural areas?	√	√	√	√	√	√
In your opinion, what are the most important quality attributes that should be covered by QAS?					√	√
To what extent do you consider that QAS effectively contribute to providing consumers with reliable information?						√
What is the present impact of QAS on vertical and horizontal relations between supply-chain stakeholders?	√	√	√	√	√	√
To what extent do you believe that QAS are turning into compulsory private standards?	√	√	√		√	
To what extent do QAS in which your sector participates also involve farmers/producers? What are, in your view, the main reasons for not involving them?		√	√			
To what extent are small-scale producers, whether or not organised in groups, able to attain adequate bargaining power by means of the mechanisms considered to ensure fair and reasonable conditions of contract with larger entities in the chain?	√		√		√	
What are the most important drivers of change for the development of QAS?	√	√	√	√	√	√
How do you envisage the future development of QAS in Europe?	√	√	√	√	√	√
In particular, do you believe that endogenous trends will push towards rationalisation of QAS (e.g. mutual recognition and benchmarking)?	√	√	√	√	√	√
<p>In the light of the main challenges that you have identified, to what extent do you believe that an EU-wide framework for the development of QAS would help in addressing those challenges? In particular, what is your opinion with respect to the following options concerning QAS:</p> <ul style="list-style-type: none"> - No intervention at EU level - Regulation of mutual recognition and benchmarking - Standardisation of existing quality assurance schemes/general implementing rules - European registry of quality assurance logos - European logo confirming compliance with EU regulations - Further development of existing EU schemes - Other options 	√	√	√	√	√	√

At the Hearing, each session was structured as follows:

- Presentation by the representative (spokesperson) of each panel with the following format: general position on food quality schemes, comments on the background paper, answers to the specific questions and any additional statements from panel members.²
- “Question and Answer” session from the expert panel to the stakeholder panel.
- “Question and Answer” session from the Commission and other participants in the Hearing to the panel.

The present report is based on both the [panels' presentations](#) made at the Hearing and the [contributions](#) received after the event. Furthermore, the report draws on the discussions carried out at the Hearing between each stakeholder panel and the expert panel as well as the whole audience³.

The report first addresses the objectives of the Hearing – as defined by DG AGRI – for each stakeholder category. It then describes stakeholders' opinion regarding other specific issues such as the drivers of change for the development of QAS or the future development of QAS in Europe. It also assesses the extent to which an EU-wide framework for the development of QAS would help in addressing the main challenges identified. The report ends with concluding remarks summarising the key issues discussed at the Hearing.

² In the case of the farmers/producers panel, two presentations were given as the organisations concerned were unable to designate a single spokesperson to represent the whole panel.

³ The Hearing audience consisted in 90 [participants](#), including representatives of stakeholders, public authorities, the European Parliament and the Commission.

A. Objectives of the Hearing

1. GENERAL ASPECTS

1.1. Types of quality elements that consumers may wish to know about

No additional information could be gathered during the Hearing as no consumer representatives were able to attend the event.

1.2. Range of food quality assurance and certification schemes in place or feasible

FARMERS:

Some members of the farmers panel (COPA/COGECA) stated that the Food Quality Schemes project is a very important study for them and that the background paper shows a good understanding not only of quality assurance and certification schemes (QAS) but also of their complexity. They supported the idea that farmers producing to higher standards should retain a fair share of the added value.

According to several members of the farmers panel (COPA/COGECA), the important thing is that the QAS are feasible, take account of the structure of agriculture and do not create unnecessary or excessive additional burdens. Regardless of participation in a QAS, every link in the food chain must fulfil legal requirements. Compliance with legal standards is therefore a basic requirement for every QAS.

According to the same panel members (COPA/COGECA), consumers' growing need for food safety and for transparent and traceable production and handling processes had resulted in comprehensive, strict legislation (on food safety, traceability, residues, labelling, the environment and animal welfare). With the introduction of QAS, the agri-business sector and the food industry have taken on voluntary obligations with a view to achieving higher product quality and added value.

Moreover, European producers are subject to binding legislative standards which are stricter than international standards. It is essential for producers that existing legislation is harmonised within the EU in order to have fair competition. Beyond that, the EU has to ensure that imports comply with EU food law and related legislation.

In addition to market orientation and showing concern for consumers' wishes, future efforts must ensure that as it costs farmers more to deliver quality they must also retain the added value.

TRADERS:

The traders panel represented agri-food traders from several sectors – eggs, poultry and game; nuts, spices and dried fruits; sugar; flowers and bulbs; dairy products; cereals, oilseeds, animal feed, oils and fats, and olive oil; potatoes; tobacco processors; wine; livestock and meat; flowers; fresh fruit and vegetables (Freshfel) – but with common concerns. Indeed, in 1979 agricultural and agri-food traders identified the need to set up CELCAA to address issues of general interest, such as the common agricultural policy (CAP), trade negotiations, trade mechanisms, customs issues, food safety and veterinary and phytosanitary issues. Over time general issues have grown in importance, hence the need for cooperation between

sectoral trade organisations. Furthermore, representation of agricultural and agri-food traders' interests vis-à-vis partners in the food chain is crucial in view of the vertical integration.

Agri-food traders stated that they support independent standards for good production practices and supply-chain activities and certification thereof.

Traders expect QAS/certification to:

- Contribute to moving towards sustainable production and high quality.
- Prevent consumer health scares through due diligence.
- Help industry to comply with legislative requirements and avoid legal problems and litigation.
- Optimise management and traceability from field to fork.
- Keep the supply base diverse with fair competition.
- Protect the reputation of brand or private labels.
- Become more flexible and help implement innovations.
- Link tracking and tracing to competitive supply-chain activities.

Traders described what they see as the consequences of the current situation. According to them, risk increases as legal requirements are interpreted differently. This leads to more standards and more complexity (i.e. different expectations and different ways of interpretation and implementation). Certification to individual standards does not guarantee business. Competitive differentiation does and this is based on actual implementation of good practices all along the supply chain. Finally, implementing and auditing different standards with key overlapping codes of practice is not cost-effective but increases costs. The present proliferation of standards has negative effects on suppliers which have to bear extra costs to implement several QAS. Certification against the standards is costly and a necessary but insufficient prerequisite for business. Some requirements of the different QAS partly overlap but their implementation may differ slightly from scheme to scheme, pushing up the cost of meeting them all.

Traders have the following expectations regarding future demands of QAS:

- Move towards more simplified systems.
- Determine common responsibilities and critical control points.
- Promote harmonious implementation of auditing/certification of standards and legislation.
- Encourage mutual recognition/benchmarking and harmonisation of good practice and management systems for efficient global trade.
- Push authorities and owners of standards to promote confidence in good practice for a fresh, safe and sustainable supply of food.

FOOD PROCESSORS:

Food processors pointed out that there is a wide variety of QAS with diverse characteristics within the supply chain. However, they believe that the distinction between food safety and food quality requirements is essential in order to address the industry's role in QAS:

- Food safety, all along the food chain, is a fundamental and non-competitive prerequisite before a product may enter the market. The industry does not compete on food safety. Food safety is a joint responsibility shared by all the stakeholders in the food chain and requires their combined efforts.
- Quality requirements are a private affair and can provide a competitive advantage. The market dictates food quality and it is the responsibility of the industry.

Regulatory requirements concern mainly food/feed safety, but also consumer information, the environment and/or animal welfare. They are based on strict Community legislation (general food law and related legislation) or, in its absence, on national regulatory requirements. They are mandatory and should not be a competitive issue. Quality requirements on the other hand, unless based on vertical legislation such as the requirements for jam, honey or chocolate, are supplementary to the requirements imposed by law, with some exceptions (biological and measurable quality, organic production and PDO/PGI). They relate, for example, to taste, texture or means of production. They are additional and voluntary and are a competitive issue for the industry.

According to food processors, a QAS includes both:

- a normative document: a set of requirements which enables stakeholders to guarantee compliance with what is laid down;
- a certification process: an independent verification process.

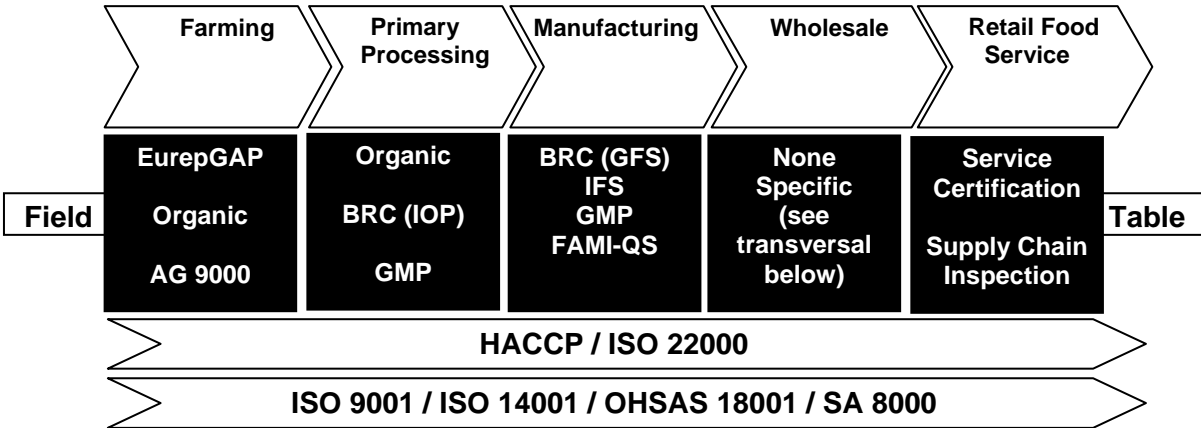
Requirements also have to be laid down for certification bodies.

Apart from these schemes, the industry has developed and is continuing to develop initiatives aimed at further improving the safety and quality of products. These initiatives are an integral part of the in-house policy of companies and are not certified.

Food processors stated that currently a large number and variety of schemes are being developed by the industry (Business-to-Business (B2B), Business-to-Consumer (B2C); including farmers or not; certification of food safety and food quality requirements). QAS implemented in companies are a good example of the integrated approach.

CERTIFICATION BODIES:

Certification bodies’ representatives presented the “farm to fork” approach, which is covered by several standards, some duplicating others:



The standards of the agri-food system may be classified into two categories: horizontal and vertical. The first may be applied by each player in the food chain and, if applied by all stakeholders in the food chain, certification against the standard gives the consumer guarantees from farm to fork. The second category includes standards for individual activities (e.g. agricultural activities, processing, etc.). Combined implementation of the first and second category of standards could lead to overlaps.

The intended goal is “certified once, accepted everywhere” (IAF and GFSI).

RETAILERS:

Retailers presented the two broad categories of schemes: B2B and B2C. The main points raised are summarised in the table below:

<u>B2B</u> e.g. Post-farmgate (BRC/IFS), Pre-farmgate (EurepGAP)	<u>B2C</u> e.g. Label Rouge, Fair trade, Organic
<ul style="list-style-type: none"> - Focus on verification of practices: Good Agricultural Practices (GAP), Good Manufacturing Practice (GMP) and QMS/HACCP - Mainstream product offering 	<ul style="list-style-type: none"> - Focus on product differentiation - Usually forms part of a retailer's niche market offering
<ul style="list-style-type: none"> - Applied globally (open and inclusive) - Common base for safe, lawful product (BRC/IFS) and, in addition, for sustainable product (EurepGAP) - Pre-competitive between retailers - Not visible to consumers 	<ul style="list-style-type: none"> - National or regional application - Focus on differentiating quality attributes, e.g. provenance, organoleptic, etc. - Offers potential competitive advantages for retailers - Visible to consumers
<ul style="list-style-type: none"> - For retail-label products (own brands) - Part of supplier partnership agreements and/or commercial contracts 	<ul style="list-style-type: none"> - Offered by retailers to increase choice (market segmentation) - Branded offering: Usually no retail input to product development
<ul style="list-style-type: none"> - B2B schemes have fallen in number over the last 10 years, as a result of the trend towards rationalisation in the retail sector 	<ul style="list-style-type: none"> - B2C schemes have increased in number. This reflects the increased market segmentation and product differentiation in Europe

1.3. Roles of stakeholders in the supply chain and of the public authorities in managing the different schemes

FARMERS:

The association of young farmers, CEJA, sees the role of supply-chain stakeholders in developing and managing QAS as a positive factor.

In April 2006 CEJA held a seminar to discuss various aspects of “made in the EU – a concept of development”. By the end of the event Europe’s young farmers had drawn up a joint declaration identifying three main topics to proceed with, including, among other things, the need to strengthen alliances between all stakeholders in the food chain, and stating:

“There can be no doubt that we, the European young farmers, need to become better at producing for the market, and this is exactly why we need to get in better touch with the market! This is why we want to create alliances with all stakeholders in the food chain to identify what citizens and consumers want and how they want it. We need to create synergies in order to re-establish the connection between people and places, and this is why CEJA propose to establish a working group with all representatives in the food chain.”

We need to look into the possibility of elaborating - in collaboration with trendsetters, environmentalists, consumers, the food industry and the retail sector - concrete projects, that reinforce collaboration between enterprises and markets and between enterprises and society, both capable of supporting entrepreneurial strategies that go hand in hand with what consumers and citizens want.

We would especially like to discuss with consumer organisations how best to re-establish connections between people and places. A debate that we would also like to have with the industry and the retail sector, but here including also a debate on how better to distribute the value added along the food chain.”

Other members of the farmers panel (COPA/COGECA) considered that QAS are developed and implemented in accordance with the needs of the market. They also stated that it is very important that all stakeholders are able to participate in the development of a QAS. But this raises the question of who are the stakeholders, particularly in schemes that will be used in wider geographical areas. Farmers' representatives must be fully involved in QAS that set criteria for farm production.

TRADERS:

In traders' opinion, QAS are effective and useful only when stakeholders have an opportunity to provide input (e.g. in the form of expertise). The structure of various QAS differs markedly, as does the extent of stakeholder involvement. In addition, in a few QAS stakeholders play some role in technical committees and other such bodies. Consequently, stakeholders have some influence over the standard and its requirements. Traders believe that they must motivate suppliers to comply with QAS and offer effective management solutions to ensure that involvement in QAS brings competitive advantage to suppliers.

FOOD PROCESSORS:

According to food processors, one stakeholder in the supply chain takes the lead in development of each QAS, based on its own interest. However, it is essential to involve in development of the scheme all stakeholders within the supply chain who will apply it. This helps to create confidence and commitment from different stakeholders in the supply chain.

Audits are the responsibility of accredited external and independent bodies.

CERTIFICATION BODIES:

Certification bodies pointed out that for some standards not all stakeholders in the food chain segment are included in the working groups.

According to them, the various schemes in horizontal food chain segments should be harmonised and the number of schemes for each food chain segment should be reduced. The first step should be mutual recognition between similar schemes.

RETAILERS:

Retailers work together with their suppliers to establish, maintain and improve standards. This may be perceived as an imposition on other stakeholders in the supply chain or look as if the retailers are the catalysts. Indeed, they have kick-started many QAS but have been increasing involvement of the supply side in those schemes. For example, EurepGAP was initiated by retailers but now 50% of its board and technical committees are retailers and 50% suppliers, who could be producers, farmers, growers, exporters or importers. This is quite unique

because all those stakeholders are nominated and elected to those positions by their industry peers. Retailers stated that they try to be as open and as transparent as possible and that they respect participation by stakeholders.

Moreover, according to retailers, standard-owners are working with them to reduce duplication of audits. In their view, it is very important to ensure consistency for the consumer and that the whole chain is assured. This is done by means of amalgamation and inter-operation of the EurepGAP pre-farmgate standard and the BRC and IFS post-farmgate standards. Certain key components must, of course, be in place, such as a rigorous international accreditation system. As a consequence, retailers have worked very closely with accreditation and certification bodies to ensure the integrity of that process.

2. BENEFITS FOR CONSUMERS AND STAKEHOLDERS IN THE SUPPLY CHAIN, FOR HOLDERS OF INTELLECTUAL PROPERTY RIGHTS AND FOR SUSTAINABLE DEVELOPMENT OF RURAL AREAS

FARMERS:

According to members of the farmers panel (COPA/COGECA), the main benefits of QAS for primary producers are:

- market access;
- greater market segmentation;
- possibility to profile their products which may command a premium price;
- since most QAS take EU legislation as their base, participation in such schemes ensures that producers comply with EU legislation;
- improved production/product quality and improved efficiency for the farmer/producer, which may provide management tools.

Moreover, members of the farmers panel (COPA/COGECA) stated that if a QAS is developed by all stakeholders, it will then be tailored both to the users and to the market and will provide a useful tool for all stakeholders in the food supply chain.

According to young farmers (CEJA), some QAS create a number of new opportunities, for instance higher prices or sales and new marketing channels, especially if a fair deal is struck between the different stakeholders on how to share surpluses.

TRADERS:

In the opinion of traders, QAS provide a means of gaining/maintaining market access by satisfying the demands of retail and improving the organisation and technical capabilities of the supplier. QAS are also a way to have a more customer-oriented approach to trade. They improve effective awareness, prevention and control in raising food quality. QAS allow superior crisis management options and greater brand protection. QAS increase liability for suppliers.

FOOD PROCESSORS:

According to food processors, the main benefits of QAS are to:

- Maintain and increase consumers' confidence (e.g. development of QAS following food crises in recent years).
- Add value to products.
- Improve the production process.

- Provide documented proof in cases of product liability.
- Reduce the cost of controls: Supervision of compliance with safety and quality requirements can be delegated by the public authority to certified private auto-control systems: in Belgium, in the context of the International Conference of Quality Managers (ICQM) initiative and the delegation of controls, combi-audits are being developed to avoid duplication of controls.
- Provide the necessary transparency on the market for consumers and distributors.

CERTIFICATION BODIES:

According to certification bodies, the benefits of QAS are safety - as more and more agri-food standards are focusing on safety and hygiene, e.g. the EurepGAP, BRC and IFS standards - plus sustainability and consumer confidence.

Certification bodies think that QAS have achieved their purpose, namely access to clients and the European market.

RETAILERS:

According to retailers, over the last few years there has been significant harmonisation of B2B requirements, leading to fewer standards and fewer duplicated audits now. For example, one of the primary goals of BRC/IFS is to decrease the number of audits and associated costs. In addition, B2B QAS are, in retailers' opinion, a consequence of EU regulation and supplement action taken by regulators. B2B schemes help and verify compliance with regulations and provide suppliers with clear criteria for market access. B2B QAS obey transparent rules and are non-discriminatory.

Retailers also stated that B2B standards remain fundamental for opening markets in developing countries. They described the Kenya EurepGAP case (Source: Horticultural Development Centre. USAID, Kenya. October 2005) where:

- fob value is expected to increase by 16.6% in 2005,
- smallholder income was the highest ever recorded in 2005,
- up to 40% was saved on pesticide costs.

KenyaGAP – equivalent to EurepGAP – allows interpretation of criteria for small-scale farmers, compliance with national and international legislation, local acceptance and international buyer recognition as it facilitates trade.

3. COSTS AND SHORTCOMINGS FOR CONSUMERS AND STAKEHOLDERS IN THE SUPPLY CHAIN, IN TERMS OF COSTS OF MANAGING THE SCHEMES AND COSTS OF THE FINAL PRODUCT, AND FOR STAKEHOLDERS IN THE SUPPLY CHAIN, IN TERMS OF REGULATORY BURDENS

FARMERS:

According to young farmers (CEJA), QAS have the disadvantage of considerable costs to the farmer (in terms of increased administration and control). Farmers bear a relatively heavy burden due to their small size compared with the other stakeholders later in the supply chain, for instance retailers. According to young farmers, signing into a QAS is relatively expensive for individual farmers and is risky, especially when the QAS is new, as the brand might not be recognised by consumers, who are confused about the different schemes existing.

According to other members of the farmers panel (COPA/COGECA), the main costs of QAS are:

- inspection costs,
- costs for complying with standards (although these could often be seen as investments);
- costs for increased administration.

In addition, some members of the farmers panel pointed out that producers exporting to a country where buyers have their own QAS are often forced to have certification under several QAS. This increases the production costs for farmers.

Finally, some members of the farmers panel stressed the overlap between private and public control. Checks and audits by government bodies are seen as duplicating the audits in the private-sector QAS. According to these representatives, duplication of audits could be reduced if government bodies were to recognise private audits under certain conditions.

TRADERS:

Traders believed that the major problem with QAS lies in the high financial implications of gaining certification, notably in primary agriculture. In this case, the existing schemes (QS and EurepGAP) can be prohibitive for medium-sized and small growers, because all the growers in a small or medium-sized cooperative have to be audited separately as if they were independent growers.

In addition, joint certification to cover multiple producers in producer organisations is essential but not always possible. Another disadvantage of QAS is that suppliers need to be certified by many schemes to maintain their relationships with various retailers. Specific requirements could then be duplicated if there is more than one certification process. Traders added that it is a lengthy process for any stakeholder to gain acceptance under a scheme and become fully certified. Moreover, many costly systems must be put in place to ensure overall compliance, e.g. improved tracing and tracking or new management systems. Compliance with QAS raises clients' and consumers' expectations and complexity to unachievable levels due to more and more complicated and detailed codes of practice. Finally, there is limited focus on providing management or technical solutions to achieve compliance.

This depends on the QAS. In particular, the BRC standard is a quite balanced mix between compliance and focus on quality management to provide a step-by-step system for improvement.

However, the situation regarding primary agriculture standards is not the same. According to traders, QS and EurepGAP – option 1 are compliance systems. In these systems, auditing is performed individually in a yearly pre-arranged visit. The producer does not have to implement a quality management system with tasks, responsibilities and schedules for verification and internal audits. In addition, EurepGAP is not vertically integrated and, in order to guarantee something to the consumer, the whole chain should be considered.

Traders think that a primary production QAS should favour introduction of a quality management system. The general benefits of quality management systems for any product or service should be obvious; besides, in primary production they could favour grouping farmers and growers, their technical improvement – since more technical expertise will be needed –

and the necessary concentration of the primary sector into stronger organisations that can deliver what the clients and consumers require more efficiently.

Some traders also believe that the private and public sectors overlap. According to them, overlapping is not a problem in itself. Instead, the problem remains that the public sector is not using private systems to make sure that the private sector is working in accordance with the legislation and rules. In traders' opinion, the public sector should use private systems when they are solid and good.

FOOD PROCESSORS:

According to food processors, when suppliers have to comply with different standards, it leads to unnecessary costs and duplication of effort. Implementation of QAS and adaptation of management structures generate fixed costs, which place a burden on SMEs. Companies also face inspection costs. SMEs are not the only ones affected by the proliferation of QAS and, hence, of controls. Companies with different facilities have to certify each of their plants.

CERTIFICATION BODIES:

Certification bodies think that the main costs of QAS are, first, accreditation, approval for each scheme and qualification of auditors and, second, maintenance of such approval. They also consider that the main costs for suppliers are implementation, certification and certificate maintenance.

Certification bodies see duplication of audits as a problem (as it makes them lose clients) rather than a way to make more money. They are therefore willing to improve the situation, for example by participating in working groups and helping to harmonise everything. Certification bodies also pointed out that two schemes, such as BRC and IFS, may be very alike but still each require different reporting.

RETAILERS:

According to retailers, the EU is a single, internal market, but food legislation is not fully harmonised. Different operators who are subject to different provisions implement or interpret the same legislation in different ways. In this case, these operators are normally trying to obey what is imposed nationally, but there are differences from one system to another.

For example, BRC is driven by the national legal environment in the UK and that is what makes it different from the IFS used by German and French retailers.

4. IMPACT OF VARIOUS SCHEMES ON COMPETITIVENESS, EMPLOYMENT AND SUSTAINABLE DEVELOPMENT

FARMERS:

According to farmers' representatives QAS are a means of diversification, which should help to strengthen the competitiveness of all stakeholders involved. If the diversification is successful they can even become a tool to increase employment in the local area.

Members of the farmers panel commonly agreed that, if suitable criteria are included, QAS could become a vehicle to deliver the environmental dimension of sustainable development.

According to young farmers, a distinction should be drawn between citizens and consumers. The sustainability criteria (for instance, cross-compliance) concern public goods produced by farmers from which all citizens benefit but which are not remunerated by the market. For example, keeping soil in good shape for future generations is a public issue in the interest of everybody. National consumer surveys show that not all consumers are willing and/or able to pay higher prices for products fulfilling sustainability criteria.

Even though QAS can be a good tool to increase transparency along the food chain, helping the consumer to make a more informed choice at the point of sale, the debate on production identification and production methods should never be a private-sector issue. As a result, CEJA suggested that discussions on the future development of use of QAS in the EU must be accompanied by discussions on what kind of European agricultural policy is needed in the future to help farmers meet the costs arising from fulfilling certain environmental, animal welfare, food safety, public health and other requirements.

TRADERS:

For traders, the impact could be very positive. However, some recent trends in primary-sector QAS worry them. QAS and “private traceability databases” are trying to provide a data service to retailers that competes with the traceability service which many exporters, SMEs and cooperatives are already able to provide. Besides, some requirements of these systems exceed the legal traceability requirements and could compromise both the know-how and privacy of producers and suppliers. The potentially compulsory use of such systems damages traders’ position as suppliers to retailers and imposes service monopolies on them, pushing up costs.

In addition, traders stated that in the long term these developments will favour continuation of the current fragmentation of primary production and food production in general in the EU, instead of professionalism and a certain degree of concentration in the primary sector.

Traders believe that the competitiveness of small suppliers is reduced if several certifications are needed, as small suppliers in rural areas may not be able to cover the costs, while large suppliers improve their competitiveness as a result of QAS.

Often the links between QAS and sustainable agricultural practices are clouded when not all aspects of sustainability, i.e. environmental, social and economic improvements, are included on the checklists.

Traders have to ensure that suppliers comply with the requirements on social accountability, environmental and economic assurance schemes (e.g. SA8000, ISO 14000, Fair Trade, etc.). Traders need assistance with identifying indicators of sustainability and converting expectations into action.

FOOD PROCESSORS:

The food industry has to respond to increased consumer demand for value added and quality products. Maintaining constant quality is essential to keep consumers' approval and, in the longer run, for the performance of the company. Hence, QAS can contribute to increasing competitiveness.

Certain QAS aim to raise the general level of farming practices. Some of them are large-scale initiatives including a number of agricultural sectors at national level, others remain sectoral

(e.g. the Danone programme on good practices for fruit). Thanks to such schemes promoted by the industry, farming practices are progressing and producers are able to improve their productivity and profitability.

CERTIFICATION BODIES:

Certification bodies, in turn, consider that QAS have an impact on both environmental and social aspects.

RETAILERS:

According to retailers, both B2B and B2C standards are beneficial to rural communities. They believe there is evidence that both are providing employment and benefits to rural communities as B2B standards are used at production level and at small manufacturers' level, for example in the production of lightly processed agricultural products in rural communities. In the case of farmhouse cheeses, the milk will go from a small farmer to a small creamery. Such farmers could be certified if they are supplying a major retailer. Equally, the processing facilities are likely to be certified as well. Such farmers and small manufacturers are actually benefiting, gaining market access to the major chains for their regional and local produce by using those standards.

5. EXTENT TO WHICH SMALL-SCALE PRODUCERS, WHETHER OR NOT ORGANISED IN GROUPS, ARE ABLE TO ATTAIN ADEQUATE BARGAINING POWER BY MEANS OF THE MECHANISMS CONSIDERED TO ENSURE FAIR AND REASONABLE CONDITIONS OF CONTRACT WITH LARGER ENTITIES IN THE CHAIN

FARMERS:

According to members of the farmers panel (COPA/COGECA), some existing systems include arrangements to cater for small-scale producers. But when the QAS of a purchaser in one country is imposed on a small-scale producer in another country it can be difficult for small-scale farmers to attain adequate bargaining power. One view amongst some of the COPA COGECA experts was that compliance with the legislation should be sufficient for small-scale producers to gain access to the market, without additional requirements in a QAS.

According to CEJA, small-scale producers – which make up a large proportion of farmers – lack sufficient bargaining power vis-à-vis larger entities in the chain, in particular organised distributors. Producers are able to build up adequate bargaining power if their label is very strong.

FOOD PROCESSORS:

Regarding food safety, the industry wishes to combine stakeholders' efforts and expertise in order to reduce the number of overlapping QAS. It is easier for SMEs to enter horizontal and large-scale QAS.

Food processors think that mutual recognition and combination of audits should be further developed in order to reduce the number of audits. Therefore, according to them, public access to the different normative documents could be useful. Once a database is available where everybody can consult each other, it might be possible to reduce the number of audits and for the whole control to be run by a single audit which checks different points.

The improved transparency of QAS requirements should be a great help to SMEs.

Moreover, according to food processors, it must be remembered that the benefits of QAS also lie in process improvement, including innovation, and possible reduction of controls.

RETAILERS:

Retailers consider that both B2B and B2C schemes are applicable to large and small-scale producers.

They think that it is very important to group small-scale farmers together (e.g. producer cooperatives or group certification) as this has two advantages: first, it reduces the fixed costs of certification and also it brings small-scale farmers into a supported mechanism, where they can buy imports along with other producers and have access to grants. Small-scale farmers can also gain access to the market more easily.

B. Other issues addressed

1. WHAT IS THE PRESENT IMPACT OF QAS ON VERTICAL AND HORIZONTAL RELATIONS BETWEEN SUPPLY-CHAIN STAKEHOLDERS?

FARMERS:

Young producers (CEJA) believe that horizontal relations could be improved by greater collaboration between producers within the same QAS. Regarding vertical relations, QAS have had a positive influence on relations between farmers and the industry, especially at local/regional level. Relations with retailers and consumers still have to be improved.

Other members of the farmers panel (COPA/COGECA) think that QAS support the network between stakeholders in the food chain. QAS make information about the producer available to the next customer and thus bring transparency to the supply chain.

According to some members of the farmers panel (COPA/COGECA), horizontal relations could, in particular, improve and grow stronger if producers within the same QAS act together. In any event, horizontal relations provide peer pressure and self-regulation to protect the reputation of the industry and to help recovery after loss of confidence in some sectors following crises.

In their opinion, vertical relations in the supply chain are strengthened very much by QAS. The main advantage is a more direct relationship with other stakeholders in the supply chain and a more direct link to retail and the consumer. This is one essential advantage of QAS. At the same time QAS provide warranty and encourage “due diligence”, thereby allowing the supply chain to function effectively. They also provide useful product differentiation to supply specific consumers.

TRADERS:

Traders believe that vertical integration allows a better focus on customer demands. They are worried that third parties providing services to retailers may end up competing with suppliers. They pointed out that it should not be adequate for a QAS organisation to compete with food-chain stakeholders. QAS and “private traceability databases” could be detracting from traders' service tools to increase loyalty on the part of their clients/retailers. Finally, traders believe that horizontal integration improves the chances of suppliers working together and sharing relevant best practice.

Traders also consider that QAS have certainly increased the chain approach over the last few years. For example, in the potato sector, the actual trade is certainly only surviving and positioning itself for the future thanks to this chain approach. For instance, a pre-packer of potatoes for the fresh market is merely at the level of the fruit and vegetable sector in one way, but can also be a supplier of the processing industry. In some companies, traders are still playing an important role in gathering part of the product, the raw material which is needed for the processing industry.

In the future, traders believe that the distance between traders and farmers/producers will tend to narrow and to disappear as growers incur traders' costs and traders enjoy growers' benefits. Traders are also involved in implementing QAS in cooperatives.

FOOD PROCESSORS:

According to food processors, QAS make relations between stakeholders easier.

On the food safety side, food processors believe that QAS obviously improve vertical relations but also horizontal relations. Indeed, negotiations between stakeholders are under way in certain sectors and Member States: harmonisation of “Good Manufacturing Practices” within the French “Fédération des Industriels de la Charcuterie” (FIC); “Integrated Chain Quality Management” (IQCM) in Belgium where different standards were harmonised into one QAS; IFSI (International Feed Safety Standards) in the feed industry where QAS in four Member States have been harmonised in a common scheme since January 2006; and participation by some food companies in the GFSI (Global Food Safety Initiative).

Food processors also stressed that quality requirements are related to the individual company and depend on supplier/client relations. Collaboration is therefore directed more towards vertical than horizontal relations.

CERTIFICATION BODIES:

According to certification bodies, QAS have an impact on horizontal relations between supply-chain stakeholders as standards are used in the whole sector of industry.

2. TO WHAT EXTENT DO YOU BELIEVE THAT QAS ARE TURNING INTO COMPULSORY PRIVATE STANDARDS?**FARMERS:**

According to members of the farmers panel (COPA/COGECA), one trend common to many countries is that, as a result of food scandals, increased global trade and a larger share of retailers’ own brands, retailers are driving the development of QAS, e.g. to ensure food safety and product quality. Compliance with these standards is often a prerequisite for supplying products to the market. Producers who export to a country where buyers have their own QAS are often forced to have certification under several QAS.

There is a common trend in the Member States: young farmers (CEJA) believe that, as a result of the concentration of retailers and the processing industry, private standards are being imposed as a tool to increase traceability along the chain. It is doubtful that this is a healthy development. CEJA is in favour of increasing traceability on the market, but this traceability must be transmitted to the consumers, including when it comes to identifying the origin of all food products.

It is commonly known that QAS have highly diverse focuses and targets, and that a number of schemes include certain production method requirements that leave young farmers a little perplexed. They fear that one day some politicians/citizens might consider that these schemes will be able to take over from the common agricultural policy as a tool to compensate for certain higher-cost production methods.

TRADERS:

Traders believe that QAS are turning into compulsory private standards. According to them, expectations amongst traders and suppliers are high. Heavy reliance on QAS is being developed to reduce risk and liability. In addition, participation in such schemes has become obligatory to satisfy the demands of the retail sector. Many retailers have varying requirements, with the result that traders and suppliers need multiple certification.

FOOD PROCESSORS:

According to food processors, to meet suppliers' requirements giving specific guidance on good practice and compliance levels, a large number of retailers require certification against their own standards. As a consequence, producers who want to trade products are sometimes forced to comply with three or four different "compulsory" private standards. Comparing these individual standards, it can be seen that the bulk of the requirements are at least similar and often identical. The industry's distinction between regulatory requirements and commercial (or quality) requirements could contribute to strengthening QAS and limiting the specific requirements imposed by individual standards.

RETAILERS:

Retailers stressed that only regulatory standards are truly compulsory. B2B schemes define requirements to assist in meeting regulatory standards; they translate legal requirements into more precise measures. B2B schemes are an important step towards a "level playing field" for all sources of supply.

Comparing B2B and B2C schemes, retailers raised two points:

- "Bargaining power" should not be confused with the universal need for standards.
- Both B2B and B2C products are subject to commercial negotiations within an open market economy.

3. TO WHAT EXTENT DO QAS IN WHICH YOUR SECTOR PARTICIPATES ALSO INVOLVE FARMERS/PRODUCERS? WHAT ARE, IN YOUR VIEW, THE MAIN REASONS FOR NOT INVOLVING THEM?

TRADERS:

According to traders, the principal basis of QAS is dictated by the retail sector which must respond to consumer concerns and perceptions. But farmers and researchers are involved in evaluation, establishment and implementation of many QAS. The extent to which farmers are involved in QAS varies between schemes, but they are generally well represented.

FOOD PROCESSORS:

Food processors consider that the relationships with farmers depend on the chain they are in. In some sectors primary producers are included and fully involved in development of QAS. In others, where the processing industry has numerous suppliers, participation by farmers is less frequent.

RETAILERS:

Retailers send personnel to producers to help them to organise and to develop products, particularly with the growth of own-label products. According to retailers, there is considerable contact between them and their producers and suppliers. Retailers tend to use these resources in terms of business development, to help producers comply and form groups. They are sometimes deployed in a perhaps slightly different way, which many retailers would see, and many suppliers see, as being pro-active to generate business between the parties.

As an example, 50% of EurepGAP's board consists of retailers. The remaining 50% are farmers, growers, importers and exporters selected through a democratic process of nomination and election by their peer groups. That means that they are represented both at

policy level on the board and also in the sector committees which actually set the standards. Stakeholders are therefore involved in the policy-making and in the standard-setting sides of EurepGAP.

4. WHAT ARE THE MOST IMPORTANT DRIVERS OF CHANGE FOR THE DEVELOPMENT OF QAS?

FARMERS:

According to young farmers (CEJA), some of the most important drivers of change for the development of QAS are market conditions, such as consumers asking for more information about how and where the product has been produced and processed. Other drivers, in their opinion, are food scandals which have put more focus on food safety, encouraging the development of food safety legislation and policy. QAS can be a useful tool to help governments control, among other things, cross-compliance rules. Due to the concentration and shift of power in the food chain, a number of new QAS have unfortunately been imposed on farmers, even though officially voluntary. QAS can also be a tool to increase diversification and, as a result, increase the competitiveness of each of the partners involved in the market.

Other members of the farmers panel (COPA/COGECA) see market conditions as the main drivers of change for the development of QAS. Indeed, consumers are expressing the need for more information about how and where production takes place. Another driver is legislation/policy. The new EU food hygiene legislation clearly highlights the need for producers to have adequate QAS in place in order to guarantee safe food. QAS systems checked independently may provide a useful tool for government controls. QAS can also be used as a management tool for producers to increase efficiency and product quality. Finally, technological developments might permit rather than drive change.

TRADERS:

In the view of traders, the retail sector responds to demands made of it by consumers and pressure groups. With regard to drivers of change for the development of QAS, many factors come into play:

- Preferred suppliers, expectations, lower transaction costs;
- Inter-changeability of suppliers;
- Socio-demographics and consumers – retailers respond to change;
- Technology – more virtual trading, with less contact between suppliers and retail;
- Legislation.

Some traders also think that many schemes were born because there were problems in the past: it was not clear to customers what was safe and what was not, especially in the case of imports, where national legislation may differ. New schemes may then have been created to avoid this uncertainty.

FOOD PROCESSORS:

Food processors pointed out the following drivers of change behind the development of QAS:

- Consumer confidence, including food scares;
- Competitive advantages;
- Management tool for improving processes within global production systems;
- Documented product liability;
- Reduction of costs regarding audits.

CERTIFICATION BODIES:

According to certification bodies, the two main drivers of change for future development of QAS are to reduce duplication in the same segment of the food chain and to lower costs by combining or reducing the number of audits and harmonising schemes.

RETAILERS:

Retailers consider the following elements as drivers of change when considering B2B schemes:

- Loss of consumer confidence from the late 1980s;
- Change in regulatory framework (HACCP, self-control obligation, GMP and GAP);
- Retailers are legally the “producer” of retail-label products;
- Globalisation of production and retailing;
- Retailers work together with their suppliers to establish, maintain and improve standards;
- Costs (decrease of costs – “audit tourism”);
- Retailers are directly challenged by civil society and the media.

5. HOW DO YOU ENVISAGE THE FUTURE DEVELOPMENT OF QAS IN EUROPE?

FARMERS:

Some members of the farmers panel (COPA/COGECA) believe that QAS will be widespread and generally used in the future. The future development of QAS will lead to more market segmentation and to a higher-quality performance on the part of the total supply chain. They also think that, in the future, QAS should stay autonomous, dynamic and market-oriented, based on a legal framework and, if needed, interconnected through mutual recognition.

For young farmers (CEJA) the future development of QAS depends largely on the different stakeholders’ willingness to collaborate, giving each partner the possibility to develop in the QAS. They are convinced that farmers are willing to sign in and to make an effort to provide better quality products, and that they have to become better at producing what the market wants. But development of QAS will depend, to a large extent, on acceptance of each partner in the chain, with each partner being respected, and profit shared, in the process.

TRADERS:

Traders stressed that the number of requisites is increasing, but sometimes the increase is not focusing enough on improving the quality management system. According to traders, some QAS are merely compliance systems. These developments may exhaust SMEs. The effort put into multiple certification can also be great, curbing the level of resources allocated to product development, research and innovation or other technical activities improving competitiveness.

According to traders, the following developments in QAS will occur in Europe:

- Improvement in systems to reflect new emerging trends;
- Greater pressure on SMEs to survive;
- Less finances available for companies to spend on product development/research and innovation; reduced competitiveness of the sector.

FOOD PROCESSORS:

Considering the costs entailed in QAS, food processors see a need for rationalisation of QAS, focusing on implementation of legal requirements. The number of such schemes, in the context of B2B, should decrease (or has already decreased). Transparency about the requirements will enhance this trend.

On the other hand, food processors also believe that development of schemes which focus on differentiating quality attributes responds to consumer demand and reflects the important product differentiation in the EU.

CERTIFICATION BODIES:

Certification bodies think that there will be greater acceptance in the short term through standardisation or mutual recognition. In the medium term, there should be a smaller number of schemes in each segment of the food chain.

RETAILERS:

Retailers see an ongoing process of harmonisation of QAS on a free market, with some initiatives (such as checklists) already in progress and gaining pace.

6. IN PARTICULAR, DO YOU BELIEVE THAT ENDOGENOUS TRENDS WILL PUSH TOWARDS RATIONALISATION OF QAS (E.G. MUTUAL RECOGNITION AND BENCHMARKING)?

FARMERS:

In the opinion of some members of the farmers panel (COPA/COGECA), wherever there is an overlap, rationalisation is needed to avoid confusion, administrative burden and costs. To some extent market forces can achieve this.

Young farmers' representatives (CEJA) consider it obvious that overlaps should be avoided, especially in relation to legislation. Rationalisation and simplification are important tools to reduce confusion, administrative burden and costs.

TRADERS:

Traders do not believe that endogenous trends will push towards rationalisation of QAS but think that so far the opposite is taking place. On the one hand, competition between QAS is already taking place, but this is not bad, since monopolies are always dangerous. On the other, different QAS and retailers' own QAS – e.g. Tesco's Nature Choice – will be required by supermarkets to gain ground in the competition on food safety or in the perception consumers may have about the safety of the foods they sell.

Traders also think that increased competition could reduce the number of QAS. The number remaining will be a function of economies of scale, public/private support, the integrity of the QAS, etc. According to traders, the retail sector is continuing to demand certification against

own-scheme requirements as well as schemes with wider participation. There is also a need to reduce use of food safety as a competitive advantage.

FOOD PROCESSORS:

Food processors provided examples of industry-driven harmonisation: GMPs within the FIC, IFSI, IQCM in Belgium and SAI Platform (see point B.1).

In food processors' opinion, retailers have already begun harmonisation and convergence between B2B QAS. Certain food companies (e.g. Danone) are taking part in the GFSI.

RETAILERS:

Retailers believe that further harmonisation and convergence will take place without intervention. In fact, harmonisation of QAS is already in progress.

According to them, the number of B2B schemes has been reduced in the last 10 years. For example, 31 retail members are now using the pre-farmgate EurepGAP scheme in their supply chains. Previously, those retailers were either using or developing their own pre-farmgate standards. Rather than 31 different standards and 31 potentially different audits, there is now a high degree of harmonisation and this is the result of hard work. Retailers think the same can be said for the post-farmgate standards: each retailer either had or was developing its own post-farmgate manufacturing standard. As a result, these standards have been dramatically reduced over the last 10 years to two core standards which really represent the European market and much more.

B2C schemes have actually increased in number and this reflects the market segmentation and product differentiation within Europe. Many types of consumer exist and the segmentation is extremely detailed. B2C schemes respond to those different consumer requirements. They have increased in number; retailers do not necessarily see that as a bad thing if these schemes are fulfilling a need. Retailers think that B2C will thrive and succeed where it meets consumer requirements.

7. IN THE LIGHT OF THE MAIN CHALLENGES THAT YOU HAVE IDENTIFIED, TO WHAT EXTENT DO YOU BELIEVE THAT AN EU-WIDE FRAMEWORK FOR THE DEVELOPMENT OF QAS WOULD HELP IN ADDRESSING THOSE CHALLENGES?

In particular, what is your opinion with respect to the following options concerning QAS:

- No intervention at EU level.
- Regulation of mutual recognition and benchmarking.
- Standardisation of existing quality assurance schemes/general implementing rules.
- European registry of quality assurance logos.
- European logo confirming compliance with EU regulations.
- Further development of existing EU schemes.
- Other options.

FARMERS:

Young farmers (CEJA) expressed the following opinion on the proposed options:

- No intervention at all at EU level is not an option.
- There is definitely a need to ensure mutual recognition and benchmarking. This is needed not only to make the EU work better as a single market but also as a way to make farmers' efforts better known abroad. A first step in this direction could be for the EU to press for mutual recognition of PDO (Protected Designation of Origin), PGI (Protected Geographical Indication) and TSG (Traditional Speciality Guaranteed) within the WTO TRIPS Agreement.
- Young farmers have no objection to developing a European registry of quality assurance logos, allowing the European Commission continuously to monitor development of QAS with greater transparency (as proposed in the report). Such a tool might not become "the" reference for the consumer, but – if published on the internet – it could help to provide an overview to all interested parties of what kind of logos already exist and, perhaps, be the beginning of something really innovative.
- Young farmers think that, rather than developing an EU logo confirming compliance with EU regulation at this stage, the EU should start to develop a communication campaign explaining the EU standards required to obtain CAP support, both within and outside the EU, making citizens aware of the main objectives of EU policy.

Other members of the farmers panel (COPA/COGECA) shared CEJA's views that there is no need for an EU regulatory framework for QAS. The driving force for QAS comes from the consumer, so the schemes are market-driven in response to local and international requirements. The diversity of QAS that have evolved around Europe shows that local requirements can vary across regions, although generally built on common foundations. Regulatory intervention would lose that dynamic and create systems that were not responsive to the market with the necessary speed.

Some members of the farmers panel (COPA/COGECA) added that market forces act to eradicate some of the potential problems identified in the background paper – for example, many initiatives have prevented duplication and overlap between QAS by consolidating several QAS into one or promoting mutual recognition between QAS. It should also be remembered that competition law and market legislation are available to deal with any QAS which act anti-competitively or as barriers to trade.

The same members of the farmers panel (COPA/COGECA) believe that there are some situations where official interaction with QAS can be beneficial:

- First, the primary sector strongly supports the existing quality schemes - PDO/PGI, TSG and organic production. Of course, use of these QAS is more widespread in some regions than others, but the Commission should continue to promote these schemes and, where possible, to develop them further.
- Second, QAS can make a significant contribution to ensuring that producers meet legal requirements to produce safe food following standards on good agricultural practice. In some regions there is already direct government support under rural development programmes to help some producers to participate in QAS and this could be encouraged more widely.
- Third, the background paper refers to possible duplication of audits between QAS. There are many areas where this has been eradicated by market forces, yet producers still face a significant problem from multiple audits by regulatory inspectors that duplicate audits in QAS. Competent authorities should be allowed and actually encouraged to regard producers certified in a QAS as less of a risk than other producers. Regulatory authorities should adjust their inspection programmes accordingly to reduce inspections of certified participants in relevant QAS.
- In either case the question is does every QAS deserve support or recognition? The answer is “No”. The solution might be to develop, with industry, an EU-wide framework providing non-mandatory guidelines on organisation of a reputable QAS. This might cover requirements on:
 - Organisational structure;
 - Independent operation;
 - Equal and effective participation by all stakeholders, irrespective of their location;
 - Transparency;
 - Clearly defined technical scope of the QAS;
 - Technical competence.

Another key benefit of such a framework of guidelines might be to facilitate mutual recognition between QAS operating in the market place.

Concerning the idea of a European registry of QA logos, farmers’ representatives think that this would be very difficult to manage and question what purpose this might serve.

Finally, farmers’ representatives believe there is no need for a logo confirming compliance with EU regulations, because the law is a prerequisite and since every product will bear the logo it cannot serve any useful purpose.

TRADERS:

Traders believe that an EU-wide framework could help to solve the issues and challenges outlined above. Some aspects of the QAS may be promoted by the EU, others should be forbidden, and in general the rights of producers and suppliers should be safeguarded. In primary production, QAS should favour the good of consumers, farmers and producers in general, together with concentration of production, and should not penalise SMEs, cooperatives or any other grouping of producers.

Traders expressed the following views on the proposed options:

- Traders are not in favour of an EU QAS.
- Authorities should ensure consistent application of food safety laws across EU Member States – plus greater consumer confidence and an open trading environment.
- The EU could provide financial assistance for development of systems to improve the integrity of QAS.
- Laboratory standards, analytical expertise, innovation and technical support should be developed to help traders/suppliers to improve sustainable agricultural practices.
- The EU could assist the CIES (GFSI) with improving benchmarking and mutual recognition to reduce multiplication within schemes.
- The EU can play a role in facilitating information transfer.
- The EU could assist with developing sustainable agricultural parameters and their measurements.
- Some traders believe that the EU could provide greater support – in the form of financial and technical assistance – to assist suppliers with compliance.

QAS are welcomed by traders of agri-food products. Any crisis in the public domain has a negative impact on the food sector and traders therefore strive to minimise crises – with the help of QAS. At present, there are too many QAS and compliance costs are high. The EU should not develop its own system but could support mutual recognition exercises.

In conclusion, traders are in favour of EU intervention along the lines described above and, in particular, of standardisation of existing QAS and of general implementing rules. Not only should minimum requirements be established but also some types of requirement should be forbidden.

FOOD PROCESSORS:

In food processors' opinion, legal requirements (notably, food safety) are already regulated. Consequently, there is no need for additional legislation laying down requirements. Food processors do not consider involvement of public authorities in quality issues to be beneficial.

Food processors also consider that there is no need for standardisation of existing QAS at EU level. According to them, on the one hand the companies determine the commercial requirements. On the other, food safety requirements are based on existing EU and national legislation. Consequently, no European logo confirming compliance with EU regulations should be created.

From the industry's point of view, there is the following room for improvement within QAS:

- QAS are numerous and there is scope for industry-driven harmonisation of the process related to QAS.

The procedure should be harmonised as follows and more widely used in the EU:

- The normative document should be made available to the public, in order to ensure clarity about what “quality” is being assured. This normative document remains the responsibility of the industry.
 - Guidance on certification of implementation of the normative document. Stakeholders should agree on the certification scheme, based on a certification standard.
 - Certification should be undertaken by an accredited body.
 - The industry is willing to promote use of this process, based on a normative document and certification, for regulatory and commercial requirements.
- Individual QAS have to be transparent vis-à-vis other stakeholders in the food chain, including consumers. Supply-chain stakeholders have to make sure that the relevant information is publicly available.
Indeed, due to their proliferation, QAS may lead to confusion, discredit and loss of confidence in consumers' minds. This transparency, for which the industry is responsible, is essential for small suppliers in the context of B2B QAS and for consumers.
 - This opens the door to industry-driven mutual recognition, which will reduce the area of scrutiny through combi-audit.
 - Development of an EU database covering the existing QAS, which would include details on their criteria and certification, could promote transparency vis-à-vis consumers and other stakeholders in the supply chain.

Moreover, food processors pointed out that the industry is committed to being an active player in the further debate.

CERTIFICATION BODIES:

Certification bodies believe that the EU should work only as a facilitator of rationalisation of QAS in the form of reducing the number of schemes in each segment of the food chain and improving mutual recognition and benchmarking.

RETAILERS:

According to retailers, development of QAS in Europe is advanced and well established for both B2B and B2C schemes. They do not consider the current situation dysfunctional but regard it as an ongoing process of harmonisation in a free market. Retailers believe that market participants and consumers have a choice. Indeed, “the successful products in the

market are those meeting the consumer's needs". Segmentation of supply, by means of proliferation of QAS, widens the consumer's choice.

Regarding further development of EU schemes or the EU quality mark/logo, retailers stated that:

- Further development should be in response to specific consumer demand rather than to meet different policy objectives.
- "One-size QAS" will not fit all. Such schemes would need to be supported by all stakeholders. Retailers questioned whether the EU scheme would conflict with existing legislation and how the massive cost to promote it EU-wide would be financed.
- An EU quality mark is likely to be seen as just another logo. Moreover, retailers believe that compliance with EU regulations should not be used as a marketing tool. Creation of an EU quality mark also generates questions among retailers, such as "What will happen with products without a logo?" or "How can we prevent the reality/perception of a new barrier to trade with third countries?"

In conclusion, retailers are highly sceptical about the costs and benefits of developing an official EU quality mark.

Concerning the proposed options, retailers expressed the following views:

- How will official intervention to standardise existing QAS differ from the requirements in international norms on accreditation and certification? It could lead to loss of diversity in B2C. Will legal liability be transferred from operators to regulators?
- Regulation of benchmarking and mutual recognition: retailers think that mutual recognition is a minefield and that regulation will not improve it (cf. problems in the public sector). Moreover, certification schemes have to build confidence in their systems and are accountable directly to their stakeholders, so they must be free to set their own reasonable criteria.
- Intervention in benchmarking and mutual recognition: further harmonisation and convergence will take place without intervention. This process has already started, according to retailers, as it is a commercial imperative. B2C schemes will succeed where they meet consumer requirements.
- Other options: research has not yet identified the best practice amongst QAS, but they have been judged on how they use differentiated quality criteria. Stakeholders may wish to consider what voluntary action they could take together to facilitate dissemination of best practice amongst QAS.

C. Concluding remarks

First, stakeholders drew a distinction between **B2B and B2C schemes**. The main points raised are summarised in the table below:

<u>B2B schemes</u> e.g. Post-farmgate (BRC/IFS), Pre-farmgate (EurepGAP)	<u>B2C schemes</u> e.g. PDO, PGI, organic
<ul style="list-style-type: none"> - Focus on verification of practices - Mainstream product offering 	<ul style="list-style-type: none"> - Focus on product differentiation - Usually forms part of a retailer's niche market offering
<ul style="list-style-type: none"> - Applied globally - Common base for safe, lawful product (BRC/IFS) and, in addition, for sustainable product (EurepGAP) - Pre-competitive between retailers - Not visible to consumers 	<ul style="list-style-type: none"> - National or regional application - Focus on differentiating quality attributes, e.g. provenance, organoleptic, etc. - Offers potential competitive advantages for retailers - Visible to consumers
<ul style="list-style-type: none"> - For retail-label products (own brands) - Part of supplier partnership agreements and/or commercial contracts 	<ul style="list-style-type: none"> - Offered by retailers to increase choice (market segmentation) - Branded offering: Usually no retail input to product development
<ul style="list-style-type: none"> - B2B schemes have fallen in number over the last ten years, as a result of the trend towards rationalisation in the retail sector 	<ul style="list-style-type: none"> - B2C schemes have increased in number as a result of increased market segmentation and product differentiation in Europe

A few stakeholders thought that there should be more **communication** (in both directions) along the chain regarding the priorities and performance of QAS. Farmers especially thought that they should have more say in how QAS are designed. There was an impression that in most schemes one dominant link in the chain is setting the rules.

Farmers, traders and food processors believe that QAS are turning into **compulsory private standards** as a result of the increased global trade and the larger share of retailers' own brands. Compliance with these standards is therefore often a prerequisite for supplying products to the market. According to them, expectations on the part of traders and suppliers are high. Heavy reliance on QAS is being developed to reduce risk and liability. In addition, participation in schemes has become obligatory to meet the demands of the retail sector. Many retailers have various requirements. As a consequence, producers who want to trade products can be forced to comply with three or four different "compulsory" private standards. On the contrary, retailers stressed that only regulatory standards are truly compulsory.

Stakeholders also pointed out that the EU is a single, internal market but, at the same time, food legislation is not fully harmonised. Different operators who are subject to different provisions **implement or interpret the same legislation in different ways**. In this case, these operators are normally trying to obey what is imposed nationally, but there are differences from one system to another. For example, BRC is driven by the national legal environment in the UK and that is what makes it different from the IFS used by German and French retailers. Therefore, producers who export to a country where buyers have their own QAS are often forced to have certification under several QAS.

Moreover, when suppliers find that they have to comply with different standards, it often leads to unnecessary costs and **duplication of controls/audits**. Concerning this last issue, certification bodies agree with other stakeholder groups and see this as a problem (as it makes them lose clients) rather than a way to make more money.

In addition, several stakeholders stressed that they do **not** perceive “benchmarking” and “mutual recognition” to be exactly the same thing. So far no clear view has emerged about how they perceive the differences. However, a metaphor of marriage was used to illustrate the difference:

Mutual recognition is a bit like marriage. If I say to you, “Please will you marry me?” and you say, “No, I do not want to”, I will be very sad but there is absolutely nothing I can do about it. It is a free world, there are no such things as forced marriages. It is a choice, stakeholders have a choice.

Benchmarking processes help stakeholders to achieve equivalence between standards. In order to make benchmarking as open as possible, there should be transparency in the rules, allowing stakeholder involvement, peer review and witness assessment.

This perceived difference should be further investigated.

Furthermore, strongly conflicting views were expressed on “benchmarking and/or mutual recognition”. Certification bodies thought this was going to happen in the short run anyway. Retailers also thought this, despite their cautious attitude. So, if these two groups think it will happen, but without saying that **they** will encourage it, that leaves the question what will be the driving force behind it. Food processors say it will be “industry-driven” and expressed a preference, in the medium term, for rationalisation and fewer schemes; whereas retailers thought mutual recognition was a minefield and that progress in that direction should be “very cautious”.

Another important point that should be highlighted is the lack of, and need for, **input from consumers** as a stakeholder group. Various stakeholders said that they were only acting in the consumers’ interests and that **of course** they were doing what consumers wanted. But, unfortunately, no-one was at the Hearing to say whether or not that was how consumers see it. Without a broadly based view from consumers one important component is missing from this stakeholder consultation.

Finally, stakeholders' opinions on the **policy options** which should be pursued at EU level are summarised in the table below.

STAKEHOLDERS' OPINIONS ON OPTIONS CONCERNING QAS

Options	Farmers/Producers		Traders	Food Processors	Certification Bodies	Retailers
	CEJA	COPA/COGECA				
Intervention at EU level?	YES	YES	YES	NO	NO	NO
Regulation of mutual recognition and benchmarking	YES First step: mutual recognition of PDO, PGI and TSG within the WTO TRIPS Agreement	NO	No regulation but EU could support mutual recognition exercises by assisting CIES (GFSI) in improving benchmarking and mutual recognition	-	No regulation but EU should work only as a facilitator of rationalisation of QAS in the form of reducing the number of schemes in each segment of the food chain and improving mutual recognition and benchmarking	NO
Standardisation of existing QAS/general implementing rules	-	Non-mandatory guidelines on organisation of a reputable QAS	YES	NO	-	NO
European registry of quality assurance logos	No objection	NO	-	-	-	-
European logo confirming compliance with EU regulations	NO	NO	NO	NO	-	NO
Further development of existing EU schemes	-	YES	-	-	-	-
Other options	Communication campaign	Adjustment of inspection programmes Direct government support under rural development programmes	Consistent application of food safety laws across EU Member States Financial assistance for development of systems to improve the integrity of QAS Technical support to help traders/suppliers to improve sustainable agricultural practices Facilitate information transfer Develop sustainable agricultural parameters and their measurements	EU database covering the existing QAS	-	