Supermarkets and standards

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The world of standards

• Public
• Private
  – Collective (eg EurepGAP)
  – Retailer-specific (eg Tesco’s Nature’s Choice)
• Common elements:
  – QMS and traceability
  – Independent audits and certification
  – Quality and safety (pesticides and pathogens) are key
  – Minor status of envi and social criteria
Why private standards are a development issue

• At the heart of “Making markets work for the poor” and benefits of liberalisation
  – Connect producers to value-added markets
  – Exploit comparative advantage of small farmers
  – Escape volatility and low prices of commodity markets

• But in added-value markets, ‘voluntary’ private standards are becoming a *de facto* condition of market entry

• Off the WTO radar
Increasing concentration and globalisation in the food industry, and the growing role of product standards, are likely to exert an increasing influence on production and trade.
"Export markets offer very lucrative opportunities but can be very hard to exploit. Large retailers such as supermarkets in Europe play a decisive role in structuring the production and processing of fresh vegetables exported from Africa… Their informal or private standards can be even more exacting than official ones… leading to the exclusion of small farmers and concentrating business in the hands of large firms"

Drivers

A response to consumer demands, or a buyer strategy to reduce risk and/or increase efficiency?

• Privatisation of food safety
  – Government shift to oversight role, passing responsibility to the private sector via legal instruments (eg EU White Paper on Food Safety 2002)
  – Business “firewall” response to legislation
  – Liability and proof of Due Diligence

• Reputation and brand protection

• Global sourcing
  – A proxy for supplier competence

• Differentiation in the marketplace
  – “This is not just food, this is…”

• Control and rationalisation of supply
Benefits of private standards

- Reduction and careful use of chemicals
- Spill-over into domestic market
- Enforcement of labour standards, minimum wage
Convergence of standards

• New European harmonised framework for food and feed hygiene: a "farm to table" approach
  – General Food Law EC/178/2002
  – Hygiene of Foodstuffs EC/852/2004
  – Feed and Food Law EC/882/2004
    • ensure verification of compliance
Standards are not the only market requirement!

- Reliability and continuity of supply
- Consistency
- Quality
- Scale

Requires
- Capital (note payment terms)
- Technology
- Organisation
Equity in standards: what can be done?

- Train small farmers
- Promote producer organisation
- Adjust protocols
- Adjust standards
- Modify procurement policies
- Invest in alternative chains
- Apply development test to new EU standards
Getting a better development bang from African procurement

• “Supermarkets should assess the development impact of their procurement and standard setting practices on smallholders and help them integrate into the supply chain.”

The realities of supermarket procurement

• Each buyer will manage 4-5 categories, each category will have hundreds of products, and each product will have 4-5 suppliers

• Buyers tend to take comfort in large producers
  – Small producers present a problem of confidence related to capacity

☞ Need to speak with the buyers, not necessarily Technical Director or CSR managers
The realities of supermarket procurement

- Asymmetry of power between supermarkets and suppliers leads to:
  - Opportunistic behaviour (rather than collusion)
  - Unfunded demands for services and standards
  - Annual price deflation
The realities of supermarket procurement

• “Supermarkets have little concern about UK development policy
  – Secretary of State for International Development will have little power to influence long-term business decisions

• But company policy can make a differences
  – Example of Fairtrade bananas ”
Small-Scale Producers and Standards in Agrifood Supply Chains

Concerns in the United Kingdom have recently led them around the world, profound economic to highlight environmental and social standards. The diversity of practices and policies in many developing countries. Small-scale farmers and producers can help drive the improvement of agricultural practices in developing countries. However, these and the way supply chains are managed through regulations and through advice and assistance provided by companies and NGOs, often for the benefits of large companies and not always for the benefit of the small farmers and their communities.

Small-scale farmers often lack access to the necessary resources and information to enter the market, such as access to finance for scaling up their production and ensuring the traceability of their products. The small scale of their operations can also mean that the risks associated with production and marketing are more significant. They often lack access to information and technical assistance, leading to the production of small volumes and consuming more time than large farmers. Small-scale farmers and farmers in developing countries may also need help when they are the supply chain.
Not just an export story

• Growth of supermarkets and branded food processors in middle- and low-income countries can disconnect small producers from their national markets
P.S. Airfreight and sustainability: pulling up the development ladder?

Draft UK Food Industry Sustainability Strategy (FISS) proposed indicators:

- Urban vehicle kilometres (car/LGV/HGV)
- CO² emissions from traffic
- **Air-transport of food**
- HGV vehicle and tonne kilometres for congestion and transport efficiency

www.defra.gov.uk/corporate/consult/fiss/
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