

In recent years, increased consumer interest in corporate social accountability and environmental standards has encouraged the development of certification schemes for commodities, reassuring consumers and offering potential price premiums to commodity producers. On April 2, 2009, an international workshop on the Opportunities and Challenges of Certification for Commodities Harvested / Extracted by the Rural Poor was held at the International Network for Bamboo and Rattan Headquarters in Beijing, China. The workshop was an opportunity for the Common Fund for Commodities, its various International Commodity Bodies, and certification organizations to share their views and knowledge on certification and the role that it plays within their sectors. This publication is a collection of experiences from major certification bodies and institutions on certification within the timber, jute, coffee, lead and zinc, olive, bamboo and cotton sectors.



Certification of Commodities: Opportunities and Challenges for the Rural Poor

Proceedings of the ICB-CFC International Certification Workshop

Held in Beijing, China on April 2, 2009

Editors: Kathleen Buckingham, Giles Henley, Lou Yiping





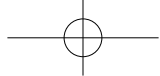
The International Network for Bamboo and Rattan is an independent, non-profit intergovernmental organisation established in 1997. INBAR is dedicated to improving the social, economic, and environmental benefits of bamboo and rattan. INBAR plays a unique role in finding and demonstrating innovative ways of using bamboo and rattan to protect environments and biodiversity, alleviate poverty, and facilitates fairer pro-poor trade. INBAR connects a global network of partners from the government, private, and not-for-profit sectors in over 50 countries to define and implement a global agenda for sustainable development through bamboo and rattan.



The Common Fund for Commodities is an intergovernmental financial institution established within the framework of the United Nations. The Fund operates under the novel approach of commodity focus instead of the traditional country focus. Member countries benefit from projects financed by the Fund, whose basic rationale is to enhance socio-economic development of commodity producers; and to contribute to the development of the society as a whole. The Fund finances projects for smallholder farmers, as well as small and medium sized enterprises involved in commodity production, processing and trade in developing and least developed countries.



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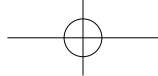


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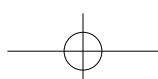
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International Network for Bamboo and Rattan
&
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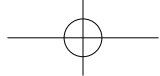
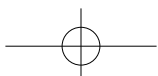
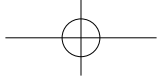
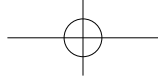


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Foreword

Over the last 20 years, consumer and retailer-driven certification has entered onto the global commodity scene and is now part of the daily business operations of millions of commodity producers, processors and sellers. As well as having to contend with certification driven by health and quality concerns, the growing consumer interest in 'fair' and 'green' concerns, demonstrated by the rise of the Fairtrade and organic movements, has brought in a new set of opportunities and challenges for producers. As markets for 'fair' and 'green' certified produce grow, being able to cope with certification and certification costs becomes a real issue for producers. The success of a certification scheme will be determined by whether it is profitable for producers and whether a gap- a 'non-tariff barrier'- is created between those who can afford the costs and those who can't, often the rural poor.

The 'International CFC-ICB Workshop on the Opportunities and Challenges of Certification for Commodities Harvested/extracted by the Rural Poor' was convened in April 2009 by the Common Fund for Commodities and its associated International Commodity Bodies (ICBs) at the premises of the International Network for Bamboo and Rattan (INBAR) in Beijing China, to discuss the experiences that major commodity groups have had with certification, and the potential role of the CFC ICBs in shaping commodity certification in the future. The event provided important insights into the effect of certification felt across the range of commodities represented, as well as expected trends and new initiatives which aim to balance the range of consumer and producer issues which are covered under the certification umbrella. The main outcomes and recommendations from the workshop were for ICB's to push for the further harmonisation and alignment of standards, and help provide financial and technical capacity to smallholders so that they are better informed about standards, and can comply with the criteria and demands at minimal cost.

We hope that the recommendations which emerged from the workshop will provide useful signposts for the successful introduction of 'fair' and 'green' certification in commodities and will in particular support the ICBs and other stakeholders to facilitate the full participation of smallholders so as to ensure a more equitable playing field for the rural poor in commodity production and trading in the future.

Ambassador Mchumo
Managing Director
Common Fund for Commodities

Coosje Hoogendoorn
Director General
International Network for Bamboo and Rattan



Summary of the International CFC-ICB Workshop on the Opportunities and Challenges of Certification for Commodities Harvested/Extracted by the Rural Poor

Kathleen Buckingham, Oxford University Centre for the Environment

Introduction

The CFC-ICB Policy Workshop on *Opportunities and Challenges of Certification for Commodities Harvested/Extracted by the Rural Poor*¹ was convened due to the recognition that certification is an increasingly important issue, set to change global conventional approaches to trade. In the opening speeches, the Managing Director of the CFC, Ambassador Ali Mchumo, pronounced the need to 'sharpen our thinking' regarding the potential opportunities and challenges the mechanism brings to commodities. Moreover, there is a need to ascertain the role of the ICBs in facilitating access to information and capacity building regarding certification.

Likewise the Director General of the International Network for Bamboo and Rattan (INBAR), Dr Coosje Hoogendoorn, stated that commodities play an important role in world trade. Consumers require trust in a product regarding both 'hard' and 'soft' characteristics. The 'hard' elements include aspects of quality and safety whereas the 'soft' characteristics refer to corporate social accountability measures and environmental standards. These 'soft' characteristics formed the basis of the workshop, specifically regarding smallholders. Certification for commodities has primarily been developed by and for large businesses, therefore the tangible benefits of certification for smallholders requires particular attention, weighed against the costs of adoption so that the benefits can be realised.

The workshop was divided into three main sessions. The first session focused on major certification systems, and the second session considered ICB experiences of commodities with certification systems. In order to summarise the workshop and provide an opportunity for open debate, two roundtable discussion panels followed the presentations. The first session focused on the effects of certification on small farmers /extractors of commodities as well as the advantages and disadvantages of certification systems, whilst the second session focused on the potential role of ICBs and the CFC in certification of commodities and the ways forward.

Session 1: Major certification systems

Fairtrade

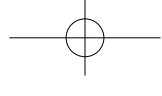
Steve Knapp of Fairtrade explained the three principle benefits associated with the Fairtrade certificate. Firstly the label enables connectivity between producers and consumers, providing information flow throughout the value chain. Secondly, smallholders have the benefits from economies of scale by the formation of groups within the marketplace and finally consumers themselves are increasingly displaying greater interest in accountability throughout the value chain, therefore the Fairtrade label plays an important role in providing recognition of adherence to standards.

The benefits are not confined to smallholders however as the movement is supported by the involvement of many major brands which are experiencing many knock on benefits from the Fairtrade association. For example Tate & Lyle have reported more employee satisfaction due to having the whole company confirmed as Fairtrade certified.

The major challenge faced by the Fairtrade label regarding smallholders is their promise to 'deliver on scale but ensure integrity'. The organisation needs to continue to have demonstrable impact whilst addressing scepticism regarding

¹ The conference was previously entitled 'Advantages and Disadvantages of Certification for Commodities Harvested/ Extracted by the Rural Poor' and some of the discussion and submitted papers refer to this previous terminology





scale. The strong roots need to be maintained whilst recognising competition from a proliferation of other schemes. It is recognised that large brands benefit hugely from the label however issues arise regarding capturing the value throughout the supply chain since only 12-20% of the price premium is given to farmers.

The International Federation of Organic Agriculture Movements (IFOAM)

Fairtrade was followed in the proceedings by Zhou Zejiang, a representative of the organic movement. The International Federation of Organic Agriculture Movements (IFOAM) is the worldwide umbrella organisation for all institutes, associations, institutions, federations, cooperatives and companies active in Organic Agriculture. IFOAM represents organic certification, not as a certification body but as an NGO. IFOAM have been the proponents of Organic Agriculture, based on four key principles: health, ecology, fairness and care for over 30 years. The scheme receives significant support globally; in 2007 approximately 32.2 million ha of agricultural land was certified and used by more than 1.2 million producers. A large proportion of organic produce comes from developing countries; 43.5% world's organic producers are in Africa and 80% are in developing countries.

Zhou highlighted the challenges of certification. The harmonisation of standards is a key issue since there are currently 481 standards in the world which cause a myriad of problems including reducing the quality of standards. The certification premium is paid directly to the companies; therefore the farmers themselves have to shoulder the burden of standards without adequate financial compensation. Apart from the cost of certification, farmers often have difficulty following the auditing system. As a non state market driven mechanism, organic certification relies on market demand, and is vulnerable to fluctuating demand. An UNCTAD-FAO-IFOAM International Task Force on the harmonisation and equivalence in organic agriculture (ITF) has worked since 2003 to reduce technical barriers to trade in organic agricultural products.

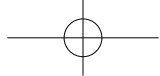
The Forest Stewardship Council (FSC)

Yang Xiangjun presented on behalf of the Forest Stewardship Council (FSC). The FSC is an independent, non-governmental, not for profit organisation guided by its multi-stakeholder membership. Since 1993 FSC has promoted environmentally appropriate, socially beneficial, and economically viable management of the world's forests, setting standards that reflect agreed principles for responsible forest management, based on consensus oriented and democratic decision-making. There are more than 100 million hectares of certified forests in 81 countries with national representation in over 50 countries, including more than 12,000 FSC certificate holders in the supply chain in 92 countries. In fact 7% of the world's productive forests are FSC certified. The global market for FSC products tops US \$20 billion and shows continued signs of growth.

FSC comprises of forest management unit (FMU) certification and Chain of Custody (CoC) certification. CoC describes an information trail and process of tracing wood or fibre from a certified forest through to a labelled product. Forests remain areas of social conflict as a result of land use changes, indigenous people's rights, work place and community relations, therefore there is a wealth of benefits to be realised through environmental, social and economic standards. However the key challenges faced by farmers are the development of responsible management systems along with the associated costs for forest managers. Although there is a Small and Low Intensively Managed (SLIMF) scheme, there is still the need for significant capacity building regarding smallholders.

Liz Muller: Certification consultant

Liz Muller, an expert on new initiatives and roundtables arising from equity issues abundant in conventional certification mechanisms, highlighted the difference between products and commodities, the former being the processed end product and the commodity representing the unprocessed form. The implications for certification are very different depending on the level of processing and the complexity of the value chain. Certification programmes can play an important role in the advancement of sustainable agriculture. However, few, if any, certification programmes have reached any significant scale. The less restrictive and resource intensive programmes may present an opportunity for initial engagement by farmers who would otherwise avoid changing their behaviour.



Successful certification programmes should be designed for mainstream scale and effectively address root causes of social issues through considering the gains that are to be attained at the local level for smallholders. Achieving mainstream scale requires support from local producer organisations and engagement by the industry as a whole. This demands genuine engagement by all key stakeholders early in the programme design and throughout its implementation. Understanding the different systems and local context is a very important first step. Moreover there needs to be adequate cost benefit analysis and a move towards measureable outcomes through certification processes.

Session 2: ICB Experiences of commodities with certification systems

The International Cotton Advisory Committee (ICAC)

Terry Townsend (International Cotton Advisory Committee) explained that although the consumption of cotton is increasing in absolute terms, the cotton share of the market is decreasing when compared to competitors such as polyester. The organic cotton industry, however, is rising, with clear benefits to smallholders through the decreasing use of chemicals; 8% of world pesticide and 17% of all insecticide use is consumed within the cotton industry.

Organic labelling is the most popular certification scheme for cotton at 147,000 tons, followed by fair trade cotton at more than 10,000 tons. It is often assumed that organic produce is easier to manage than conventional practices however this is not the case; organic cotton requires complex management. For example, in order to use green manure, a complex nutrient balance is required, alongside intercropping to limit disease, which also amounts to high costs for smallholders.

Both Fairtrade and organic certification have provided an important first step by creating standards; what is now required are simple pragmatic regulations for farmers and small producers. A potential solution to the challenges faced by organic cotton is the Better Cotton Initiative (BCI) which works within the existing channels. BCI's premise is that there is a need for greater monitoring and evaluation of the benefits through the collection of baseline data, to monitor progress and ensure better cotton processes through specific measureable indicators. BCI enables collaboration from "dirt-to-shirt." The focus is on empowering farmers, research, extension and input provision. Initiatives should focus at the farm level, where most chemical use happens, 70% of water use is consumed and child labour is prevalent.

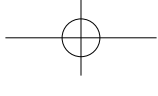
The International Tropical Timber Organisation (ITTO)

The International Tropical Timber Organisation (ITTO), represented by Mr Ahadome, promotes best practice in forest management and is among the pioneers to address the issue of forest and timber certification as a voluntary market-based mechanism for the promotion of trade in tropical timber from sustainably managed and legally harvested forests. From a relatively slow start in the early 1990s, there has been some progress in forests and timber certification; now at least 5 different schemes are active which have been driven by the demand for certified timber in some key European import markets. Although the market is increasing, developing countries continue to lag behind developed countries in achieving forest certification.

Timber certification has had a considerable impact on sustainable forest management and its future appears to be promising, yet very challenging. The global demand for certified timber is growing with many buyers and consumers willing to give preference to sustainably produced timber. Despite inevitable competition, the many similarities between certification schemes offer a basis for cooperation. Certification standards should not be considered as cast-iron measures of sustainability, but as evolving tools in an adaptive management system; the ultimate aim of which is sustainability. Steps continue to be made to make certification an enabling instrument for smallholders, however challenges remain regarding the harmonisation of standards; smallholder and developing country focused approaches remain at the core of the needs for development.

The Olive Council (OC)

The Olive Council, represented by Mohammed Sbitri, noted the high demand for technical certification in order to



differentiate products in the marketplace for both olives and olive oil. It is an important time for growers regarding certification, requiring the need to share ideas and experiences in order to maintain competitive advantage and maintain livelihoods for smallholders. There are three main reasons for implementing certification: for guarantying plant health, providing assurance of the quality of plant material and also for ensuring ecosystem health regarding environmentally friendly techniques. Small scale farmers have much to gain from healthy nursery stock. There are 800 varieties of olives; it is important to protect the diversity through international gene banks and through standardisation of plant material. The OC believe that involvement in the world of certification is essential for new standardisation approaches, to protect the diversity and quality of the species, as well as create sustainable livelihoods for smallholders.

The International Sugar Organisation (ISO)

The International Sugar Organisation has taken the initiative to create a measurable system for environmental and social issues regarding sugar. Dr Peter Baron explained that there are two key concerns regarding sugar: sugar as a bio fuel (ethanol) and as sugar for consumption. Large industrial consumers of sugar are increasingly being required to adhere to sustainable practices through certification mechanisms. This is most pronounced regarding bio fuels, whereby many countries require imported ethanol to be sustainably produced.

The Better Sugarcane Initiative (BSI) is a collaboration of sugar retailers, investors, traders, producers and NGOs who are committed to sustainable sugar production by establishing principles and criteria that can be applied in the sugarcane growing regions of the world. Its members include consumer companies, commodity traders, NGOs, national sugar cane producers and oil companies. The criteria cover the three areas of (1) social and labour issues (2) processing/mill issues and (3) agronomic practices. The BSI standards provide an arena for self assessment of performance, enable benchmarking against others and should ensure price premiums. A major concern expressed by producers is that reporting and measurement requirements consume significant manpower, time and money. Tangible benefits for producers must be clearly seen before wide scale adoption. BSI expects that conforming to such standards will save money over the longer term, as inputs such as energy and raw material are used more efficiently, losses and wastage are minimised and manpower is used more productively.

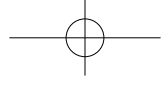
The International Cocoa Organisation (ICO)

Dr Jean Marc Anga described two parallel systems regarding cocoa certification on behalf of the International Cocoa Organisation: the mainstream and niche markets. The mainstream represents the bulk of the cocoa market at 94% of the world market share, whereas the niche market represents 6% of the global cocoa trade (Fine/flavour cocoa: 5%; organic & Fairtrade cocoas: 0.6%).

While current certification initiatives started as niche, most aim to gradually gather critical mass to cover mainstream cocoa. Currently there are no ICO-sanctioned certification schemes although there are many schemes available such as Fairtrade, Rainforest Alliance, Organic and UTZ Certified, as well as individual companies' initiatives. The proliferation of initiatives causes confusion, requiring capacity building in producer countries to organise farmers into cooperatives to facilitate transfer of knowledge. Producers have registered concerns that the priority should be to address developmental and poverty alleviation issues since there is currently inadequate cost benefit analysis to ascertain the cost of certification weighed against the alleged premium that is paid for certified goods.

The International Jute Study Group (IJSG)

The jute presentation provided a lively contribution to the understanding of the challenges currently faced in the jute industry. Subripta Roy, of the International Jute Study Group (IJSG) highlighted that currently 60% of jute is produced in India, although quality jute comes largely from Bangladesh. For both countries, seeds predominantly come from India (Mumbai). Seeds face many technical certification controls (DUS - Distinctiveness, Uniformity and Stability Tests) in Bangladesh. There are systems for fertilizers, plant protection certification for pesticides, fibre quality and phytosanitary certification.



Jute is disadvantaged by international regulations from sanitary guidelines for international packaging. Due to jute being a plant based product, jute has to adhere to specific plant protection council regulations, whereas plastics are not subject to such stringent control, although jute is a biodegradable material unlike plastics. Currently within the jute value chain there are complicated issues concerning child labour, machinery within the factories and excess dust. If child labour were to be controlled, it would exacerbate an already difficult situation, making poor people poorer. The jute factories currently impair hearing and lead to allergies and lung diseases due to the high concentration of dust. Principally there needs to be a reduction in the cost of certification, improved transparency and harmony throughout the value chain, as well as a reduction in the amount of mandatory certificates required for certification to become a feasible instrument within the jute industry.

The International Network for Bamboo and Rattan (INBAR)

Coosje Hoogendoorn (International Network for Bamboo and Rattan) presented on bamboo forest certification in Latin America, India and China. There are a number of recurring themes that limit the efficacy of FSC certification in the bamboo context. There is potential for creating avenues for learning through promoting good governance, creating greater market transparency and raising awareness of environmental sustainability. However there are a number of challenges that need to be addressed regarding finance, administration, the suitability of the instrument categorisation for bamboo, the contemporary vision of sustainability as well as the question of whether certification creates a stronger case for market access or becomes a market barrier.

Session 3: Roundtable discussion

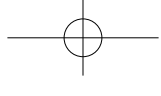
The advantages and disadvantages of certification for commodities

There were many advantages that arose out of the discussions about the effect of certification, however when considering smallholders many of the advantages in terms of economies of scale were diminished. The major advantages were deemed as product differentiation through the creation of niche markets, capacity building benefits as well as health and environmental benefits through greater regulation. Certification prompts cooperatives and enhances record keeping and stewardship.

A number of challenges were identified including high transaction costs, the multiplicity and proliferation of standards, issues of economies of scale and the issue of who will pay. Standards are also becoming non-tariff trade barriers, which particularly disadvantages smallholders. Reaching standards was considered not necessarily to be the key issue but rather the financing of the standards. Whether certification leads to price premiums is an area that is contested, however the general consensus agreed that smallholders receive inadequate premiums, if at all and are unable to benefit sufficiently from economies of scale. The premium needs to be reassessed in light of the current lack of adequate added value to the product to make a significant difference in terms of cost benefit analysis. The outcome of the discussion was that there needs to be significant cost benefit analysis and development of systems to provide more equitable conditions for smallholders. More measurable indicators should be at the core of future systems.

The potential role of ICBs and CFC in certification of commodities

The ICBs and CFC could potentially act as facilitators to certification implementation in the future. They could create an arena for smallholders to adhere to standards by providing capacity building. The role should not however involve acting as certifying bodies or developing new schemes. A value chain approach should be taken as it concerns the integration of smallholders into the global system. ICBs should link their experiences and could provide a set of rules and lessons learned that could be useful to all commodities, both for developing schemes for those commodities that don't have certification as yet, and for updating and harmonising existing schemes. As the cost of certification remains the most sensitive issue, it was suggested to create a fund that could support members of ICBs to finance certification and fund capacity building projects. The CFC could act as a networking body between the ICBs.

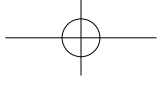


Ways forward for certification of commodities

Although technical certification differs through all commodities, environmental, health and social standards can be harmonised. Since many farmers are producing more than one commodity, there is a need to develop a farm-based system (e.g. like the organic certification systems). The main challenges that remain are how to finance smallholders, how to enable smallholders to meet the requirements and how farmers' capacity can be built. Finally, it was agreed to focus on the opportunities and challenges of certification systems rather than the advantages and disadvantages to further reconceptualise what lies ahead, as challenges to overcome and opportunities to embrace.

Recommendations

1. **Standard alignment:** It is recognised that adherence to standards offers many environmental, health and social benefits to smallholders. Although there are challenges with the market mechanism, significant benefits can ensue from alignment with standards.
2. **Build financial capacity and develop solutions:** Financial capacity to adhere to certification has been highlighted as the greatest challenge facing smallholders, who often cannot benefit from economies of scale, even with group schemes. ICBs should work towards developing more equitable grounds for certification for smallholders and recognise that without economic incentives, the market mechanism is not feasible. It was suggested that ICBs should set up a fund to provide finance to make certification for smallholders possible, however sufficient cost benefit analysis should be conducted before adhering to any scheme.
3. **Standard harmonisation:** The proliferation of standards makes adherence to standards complicated for smallholders. ICBs should work towards providing enabling environments and streamlining the information flow on standards for smallholders. ICBs should work towards the promotion of recognised standards within the market place and standard harmonisation.
4. **ICBs as facilitators and capacity builders:** ICB can work to build the capacity of smallholders to reach audit requirements and understand the tangible benefits to be gained from adhering to standards.
5. **Investigate roundtable options:** Roundtables that already exist should be developed and streamlined through harmonisation of standards. Adequate cost benefit analysis should be conducted before any roundtable is developed.



Fairtrade Certification at the Centre of Development for Disadvantaged Rural Commodity Producers

Steve Knapp

Fair Trade Association of Australia and New Zealand

Introduction

Trade is one of the most powerful factors linking our lives and the source of unprecedented wealth creation, but there is a paradox with international trade, as the prosperity created coexists with the incidence of mass and deepening poverty and inequality. The rules that govern international trade are not currently structured in a way that respects the needs and interests of the poor. Rather, these rules are largely determined by, and in order to protect the interests of, the wealthy and powerful players in the market. However it is increasingly being recognised that trade, if structured differently, could have the potential to dramatically reduce world poverty.

In view of these challenges, the goal of this paper is to identify the multiple levels at which the Fairtrade Certification system supports goals of rural income generation, poverty reduction and social development, via creation of a fair system of international trade which places goals of empowerment, poverty reduction and democratic decision making at the heart of its trading system. The opportunities opened up to poor producers via their participation in this system are contrasted to the barriers to development that many marginalised producers face as a result of their integration within the wider system of international trade, in which goals of trade liberalisation and goals of development all too often operate at cross purposes.

1. The failings of the conventional trade system

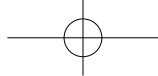
Despite the potential of international trade to confront problems of global poverty, the framework of the current economic model through which global economic interconnections have been promoted has tended to create exclusive and not inclusive capitalism and economic growth. The advance of globalisation has created a range of new opportunities, fostering increased inter-linkages among countries, expanded trade, increased financial and information flows, and the rapid development of new technologies, markets, managerial know-how, and financial investment capacity. However, some aspects of globalisation – such as the organisation of the current international trading regime – have compounded associated problems of global poverty and disenfranchisement, meaning that globalisation as a whole is failing to achieve the promised benefits to the poor. Instead many marginalised people are experiencing increased insecurity and threatened livelihoods.

The obstacles confronting rural producers within contemporary processes of globalisation exist at a number of levels, resulting from features of the local development environment (in producing countries and regions themselves), the international trading system, and international aid and development policy.

At the local level, shortages of skills and capital experienced by many producers together with a lack of opportunities to diversify production are major problems. As a result, many domestic, particularly rural producers, in developing countries are unable to compete in the short term in the globalised market place. Lack of investment capital, business skills and access to markets means they are immediately disadvantaged. The factors of production that marginalised producers depend on are generally non-transferable and have often been the source of livelihoods for generations. The prospects for redirecting their productive resources to more efficient economic activities do not generally exist and in many areas of the world this has resulted in rural farmers losing their land assets and forced migration to urban areas.

Producers also face a number of barriers within the international trading system. One important problem is instability





and price fluctuations in global markets, together with a downward secular trend in world prices. While all producers of commodity products are exposed to price risk from fluctuations and volatile markets, those in developing countries are more vulnerable, particularly where commodity prices have fallen below their cost of production. Faced with fluctuating and falling world prices they become ensnared in a cycle of debt, poverty and deteriorating livelihood opportunities. The lack of small farmer producers' access to both markets and to market information further intensifies these difficulties.

Even in a climate of higher and rising commodity prices, small farmer producers do not necessarily receive the benefits of higher price levels. Due to a lack of access to market and price information, they remain at a disadvantage in price negotiations. The increase in availability of small farmers' produce during harvest periods means that farm gate prices tend to remain low. Because farmers lack the capital and market information to take advantage of price movements, it is the traders and middlemen in the supply chain, rather than the farmers themselves, who generally capture the profits from price speculation during these periods of high or rising agricultural commodity prices.

As a result of these challenges, poor agricultural producers continue to occupy a highly vulnerable position within the existing system of international trade. These features of the international trading system therefore compound the significant developmental barriers many such producers already face at the local and national levels.

Intensifying such problems still further is the existing lack of policy coherence between those policies and institutions that govern the international trading system and those that operate in the sphere of international development. Policies designed to further goals of poverty reduction and social development promoted by aid and development agencies are in many ways still being undermined by the application of rules that often distort patterns of international production, trade and pricing to the advantage of large trans-national companies and to the disadvantage of marginalised producers and workers in the south.

At the same time as international trading rules create multiple barriers to development, the system of international development aid is charged with promoting goals of poverty reduction, capacity building and export promotion. While the development aid system makes some contributions to promoting these goals, its efforts are significantly weakened by its lack of commitment both to the agricultural sector and to goals of producer control and empowerment. Its efforts are also undermined in many cases by the fact that the efforts of development agencies are often undercut by the operation of the international trading system.

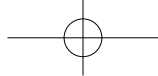
The current structures governing international trade are not benefiting the poor and the international development aid is not solving the problem either. Investing more in the rural poor is necessary, but understanding how to do it better is now crucial. Fostering a greater understanding among the public in northern countries, in whose names these trade and development policies are being pursued by their elected governments is also of paramount importance.

2. The Fairtrade response

In response to these failings, the fair trade movement has grown and the Fairtrade Labelling and Certification system has emerged as an important means of confronting many of these failings within wider systems of international trade and development.

The Fairtrade system has grown from the successes and failures of the past – mainly development aid, subsidies, governmental support and NGO-based solutions – and a realisation that even though these are all important elements and have a relevant role to play, it is time to support private entrepreneurship and trade as the main path to eradicate poverty. The importance of entrepreneurship and trade to economic development cannot be overemphasised, but not in the form of the free-trade free for all, but by building entrepreneurial skills and trade links that directly benefit the poor.

Fairtrade offers just such a mechanism of trade linkages and capacity building directed at the poor and disadvantaged people that produce the commodity products that rich countries consume and use every day. Fairtrade promotes a



market-based model of international trade which ensures the payment of a fair price as well as social and environmental standards and investment in local communities. Fairtrade Certification uses standard setting, supply chain certification, product labelling and consumer awareness raising to deliver development objectives at the producer level. The certification system focuses on agricultural commodity product exports from developing countries to developed countries, most notably coffee, cocoa, tea, bananas, honey, cotton, wine and fresh fruit, among others.

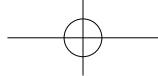
Fairtrade's strategic intent is to deliberately work with producers that are disadvantaged and marginalised by conventional trade, including smallholder farmers and workers, in order to enable them to move from a position of vulnerability to security and economic self-sufficiency. It also aims at empowering them to become stakeholders in their own organisations and for them actively to play a wider role in the global arena. Via these means, the overarching goal is to achieve greater equity in international trade and thus growth and stability for both individual workers and producers and their communities. Within this framework Fairtrade facilitates change in the local political structure by supporting people to get organised and thus providing more voice to the poor.

While the fair trade movement as a whole encompasses a range of different actors, organisations and strategies the focus of this paper is on the certification and labelling dimensions of the fair trade movement. Fairtrade Labelling Organisations (FLO e.V), the associated Labelling Initiatives and the independent certifier of Fairtrade, FLO-Cert are the principal organisations that carry out this work. (FLO) is the product labelling and certification system that guarantees production and trade complies with international Fairtrade standards.

FLO consists of 20 Labeling Initiatives that license the international FAIRTRADE Label, or its equivalent, across 21 consuming markets. At the end of 2008 there were more than 870 certified producer organisations that assemble into three regional producer networks representing Latin American, African and Asian producers. FLO e.V is the umbrella organisation based in Bonn in Germany that establishes the Fairtrade standards in consultation with producers and other stakeholders. The FLO Fairtrade standards consist of two parts; the generic standards that apply to the small farmer, hired labour or contract production situations and the product specific standard that includes the minimum price and Fairtrade investment premium levels for each product. FLO-Cert is a wholly owned subsidiary of FLO e.V and an independent certification body accredited to ISO65 that certifies producers and compliance with the Fairtrade standards through the supply chain. This provides an independent third party certification and guarantee to consumers that any product that carries the FAIRTRADE Label has been produced and traded to international Fairtrade standards. The FAIRTRADE Label has enabled fair trade products to move out of specialist retail outlets and into the mainstream. It means that mainstream retailers, supermarkets and food manufacturers can market and sell Fairtrade Certified product lines alongside conventional products and give consumers the choice to support Fairtrade at their normal point of purchase. This mainstreaming has driven a huge growth in the sales of Fairtrade Certified products worldwide. In 2008, Fairtrade Certified sales exceeded EUR 3.2 billion worldwide, reflecting a 47% year-on-year increase. While this represents less than one hundredth of a percentage point of world trade in physical merchandise, Fairtrade products generally account for 0.5-5% of all sales in individual product categories in Europe and North America. In 2008, over 2 million disadvantaged producers worldwide were directly benefiting from fair trade while an additional 7.5 million benefited from infrastructure and community development projects funded through Fairtrade premiums¹.

The following discussion examines in turn the various ways in which the Fairtrade Labelling system tackles the obstacles to poverty reduction and social development faced by marginalised producers and workers. The activities of Fairtrade are shown to bring about positive change at several levels: by promoting social development and the strengthening of skills and institutions within producer communities; by building international trading relationships based on fairer and more supportive terms of exchange that respect principles of producer empowerment and control. At each of these levels, the Fairtrade system therefore promotes more developmental patterns of production and trade, which at the same time gives producers greater control over the processes of institutional decision making that impact so importantly on their basic livelihoods.

¹ FLO. 2008. Annual Report. FLO. Bonn, Germany



Fairtrade strategies at the local level

The barriers to development encountered by marginalised producers in the Asia Pacific region reflect closely the kinds of challenges and obstacles outlined above. As in many other locations of agricultural production in which the Fairtrade system operates, most of the rural poor targeted by the Fairtrade system in this context lack basic amenities such as piped water supply, sanitation and electricity. Their access to credit, inputs and technology is severely limited. Constraints – including lack of information about markets, lack of business and negotiating experience, and lack of a collective organisation – deprive them of the power needed to interact on equal terms with the other, generally larger and stronger market players. Such barriers can also undermine their capacity to diversify production. Cultural and social distance and discrimination are other factors that may also, at least partly, exclude poor farmers from markets. Low levels of social and physical infrastructure also increase vulnerability to famine and disease, especially in the mountainous and most remote areas of the region.

Despite these obstacles there are a number of Fairtrade Certified Producers operating in the Asia Pacific region and these provide some good examples of the specific challenges facing producers in South East Asia and Oceania.

In terms of physical remoteness, The Crater Mountain Cooperative in the Mount Hagen conservation area in Papua New Guinea faces extreme challenges. The cooperative consists of some 2000 coffee farmers and obtained initial Fairtrade certification in 2003. They are extremely remote and isolated; the only way to visit, or to get their coffee to market is by air at an additional cost of approximately 50 cents/lb. By these means it takes the cooperative up to two months to get sufficient coffee transported out of the area to fill a single container for export. As a result of these challenges the group have been unable to secure sufficient Fairtrade orders to cover their certification costs and have not renewed their certification.

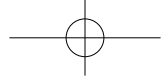
Highlands Organic Agricultural Cooperative (HOAC), also in PNG, obtained Fairtrade certification in 2004. There are currently 2600 village farmers registered and living amongst the 32 village communities spread over 500 km² in the Purosa valley region. These growers support about 12,000 family members and, as interest grows, it is expected that a further 2,000 growers will sign up with HOAC over the next two years. The HOAC/Fairtrade members are all village growers who tend their small plots of coffee and individually process it following organic and sustainable agricultural practices. Central processing facilities for cherry coffee have not evolved because of the long distance that needs to be travelled.

The cooperative has recently invested some of its Fairtrade premium to acquire a piece of land in Okapa that may be destined to central collection and processing of cherry coffee; however the effectiveness of this facility will depend on business development training support combined with infrastructure and road improvements. Road access from Goroka, the main Highlands coffee processing centre to Okapa junction is normally open, but the smaller feeder roads can only be serviced by tractor and trailer or by people carrying small quantities of parchment coffee on their back for one or two days. These constraints limit the development potential of the area.

Fairtrade certification has brought the growers together in a common cause of development through self-help. As such, they are making their best efforts to introduce community responsibility for minor road maintenance across different clan areas.

Additionally, until their Fairtrade certification, coffee was the only cash crop for these farmers, but the Fairtrade premium has been utilised to diversify away from their reliance on coffee and broaden livelihood options provided by other Fairtrade and organic certifiable crops such as spices and honey for export. HOAC recently applied for Fairtrade certification for honey².

² FTAANZ *Fairtrade Feasibility Study in PNG*. FTAANZ 2008.



Mountain Fruits (Pvt.) Ltd, a Fairtrade Certified Producer of dried apricots in the mountainous Northern Areas of Pakistan, processes packs and exports on behalf of a group of 2000 physically, economically and politically isolated farming families in the Karakoram Mountains. The Northern Areas, since the partition in 1948, have been administered by Pakistan as part of the disputed territories of Jammu and Kashmir. This complex political situation means they have no official constitutional status or political representation and the population does not enjoy the fundamental legal, political and civil rights of other citizens.

Due to lack of government investment and infrastructure, this remains one of the most disadvantaged and neglected areas of Pakistan. The farming communities are extremely poor, however the high altitude, harsh environmental conditions of extremely cold winters and short intensely hot summers, combined with irrigation from glacial melt waters produce beautifully flavoured fruits. Unfortunately due to the lack of infrastructure most fruit perishes or is sold cheaply in local markets.

Mountain Fruits have provided training and introduced simple technological improvements to the drying and harvesting processes to meet internationally accepted standards. This has enabled the group to secure export contracts and Fairtrade premium markets and in turn to invest in continuing to improve the quality of their products and to diversify into markets for other dried fruits and nuts. In 2005 the Mountain Areas Fruit Farmers' Association received their first Fairtrade premiums and came together to decide how they would invest in projects that benefit the farmers, their families and communities³.

Women In Business Development Inc. (WIBDI) in Samoa has been active in organising small farmers in the islands to obtain organic certification and form a collective association. WIBDI is seeking Fairtrade certification to cover the farmers' production of bananas, coconut oil and cocoa, with the potential for diversification into further products including fresh fruits and juices. Small Pacific islands have the added challenges of extreme distance from consuming export markets and in obtaining any production economies of scale. Even with a simple and cost effective extension of Fairtrade standards, pricing and certification to cover these products, the risk remains that these challenges will continue to marginalise these farmers even within the Fairtrade system itself as any agricultural product from the Pacific islands can be produced at lower cost in other parts of the developing world. In order for Fairtrade to be effective, the origin story and social marketing of Pacific island products will be paramount in obtaining niche and premium prices that cover the cost of production, transportation and producer development needs. The Fairtrade certification framework will then ensure that the benefits are applied in an effective way in order for producers to work towards defining and meeting their own development needs⁴.

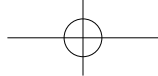
Because of the multiple forms of developmental obstacles confronted by such producers at the local level, Fairtrade promotes local developmental processes via a range of strategies and mechanisms. These share in common their goal of enhancing the access for disadvantaged producers to international markets, and assisting them to improve their productivity.

Some specific ways in which these goals are promoted include the development of local entrepreneurial skills and organisational capabilities, via supporting processes of skill development, organisational capacity building, diversification and democratic governance at the local level. Not only do such strategies directly target poverty, they therefore also facilitate investment in wider social development processes, and the ongoing strengthening of both production capacity and quality and market access among marginalised producers.

These are the kind of initiatives that aid should be supporting, the sustainable development of village based economic activity combined with strategic, higher level investment in institutions and infrastructure that create an enabling environment for enterprise to flourish. Small-scale savings and loans schemes combined with income generating

³ http://www.fairtrade.org.uk/producers/dried_fruit/mountain_fruits_pakistan

⁴ <http://www.womeninbusiness.ws>



activities introduce the monetary economy to the villages and encourage savings and investment. Enterprise loan schemes and business support services can encourage small enterprise and increase economic activity.

Small savings and loans schemes are a common feature of Fairtrade Certified Producers, particularly in relation to empowering women's financial position within the community. Mountain Fruits in Pakistan manages a women's micro-credit scheme. WIBDI in Samoa began in 2001 with an income generation and micro finance project linked to traditional fine mat weaving projects giving the women the opportunity to learn new skills, particularly business and financial skills that have in turn supported the development of a local industry.

Liberation Nut is a Fair Trade Organisation based in the UK with a business model that further enhances producer ownership and empowerment along the value chain. 22,000 smallholder producers in Latin America, Asia and Africa own a collective share of 42% of the company. Liberation takes the Fairtrade model to the next stage by bringing producer ownership right up the supply chain to the importer and a farmer-owned retail brand. Smallholder producers are empowered and involved at board level, ensuring that their interests are represented and their profits are maximised. Through Liberation's supply chain, farmers in effect sell directly to the retailers in Europe⁵.

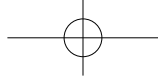
The Fair Trade Alliance in Kerala (FTAK) in India is a Fairtrade Certified Producer of cashew nuts and a part owner of Liberation Nut; one of their farmer members has a seat on Liberation's board of directors. Development gains in the state of Kerala are threatened by the fall in recent years in the prices of agricultural commodities, especially of the cash crops on which a majority of the Kerala farmers depend. FTAK has secured export markets through Liberation under Fairtrade terms and reports that with the sense of ownership of the Liberation brand, farmers have an increased commitment to the quality of their product as they are now in effect selling to themselves. FTAK has also been able to promote farmer diversification into a range of spices that also covered by their Fairtrade certification.

With the organisation of the Highlands Organic Agriculture Cooperative (HOAC) in PNG, farmers in this very remote area of the Eastern Highlands province of Papua New Guinea are seeking political representation as they nominated their Chairperson to run for the Okapa seat at the 2007 national parliamentary elections. Even though their candidate did not win the elections, the fact that he became a candidate was considered a success by the local community: it was the result of the cooperative's organisation and commitment to bring their problems to the attention of the government.

Furthermore, Fairtrade promotes such processes of social development via institutional channels that take seriously the goal of empowering producers to control the processes of decision making that impact on their lives. Another example of such processes of democratic institution building at the local level is the Small Organic Farmers' Association (SOFA) in Sri Lanka, which was founded with 183 individual tea growers in 1997. These farmers were not individually able to cover their cost of production with the price they were paid for their tea before getting organised into a cooperative. SOFA has since grown to a membership of over 2000 families and some 30,000 dependants in the production chain and is nowadays a fully independent farmer organisation managed by its own Board, elected from the cooperative members (a requirement for Fairtrade certification). Getting organised in a democratic structure and becoming members of the Fairtrade system has helped the farmers within SOFA negotiate collectively sustainable, fair and long-term contracts.

Building of farmers' organisation into democratic structures, encouragement of effective participation in community forums, promotion of measures to curb bad agricultural practices, high environmental standards, fair and stable prices for their products, and support of local community development projects hold the key to the sustained reduction of rural poverty, provided the benefits of this growth are broad based. By supporting and encouraging these multiple strategies at the local level, the Fairtrade system helps promote the empowerment of marginalised producers in developing countries, thereby directly supporting processes of poverty reduction and social development, and also often spurring growth in the rural non-farm sector through the multiplier effects of local economic development.

⁵ http://www.chooseliberation.com/about_us



The application of a robust certification system to ensure that these strategies are being applied effectively at the local level maintains the transparency and integrity of the Fairtrade system. Certification combats corruption by necessitating the maintenance of transparency in financial flows down through the supply chain from consumer to farmer and the maintenance of product traceability in the opposite direction. At the local level certification ensures the broad distribution of the benefits of Fairtrade to farmers and workers disadvantaged in conventional trade arrangements.

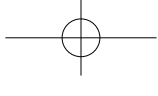
Conclusions

Fairtrade system attempts to support and promote the development prospects of marginalised producers by building a multi-level strategic approach that is capable of tackling the roots of development obstacles at each of these levels. The contribution of the Fairtrade system to *local* processes of capacity building were illustrated with reference to a number of examples from the Asia Pacific region, in which both enhanced market access and the provision of Fairtrade premiums has enabled producers to invest in infrastructure and training activities to increase their productivity; develop local entrepreneurial skills and organisational capabilities; and strengthen democratic governance at the local level.

Such local development processes were shown to be embedded at the *international* level within an overarching structure of Fairtrade markets, supply chains and governance institutions that are themselves based around principles of fairness and producer empowerment. These serve to build awareness and support for Fairtrade products and broader agendas of trade justice among consumers and a broader public; strengthen support for and participation in Fairtrade markets among supply chain businesses such as importers and retailers; and strengthen regional linkages between producers that can in turn feed positively into both producer development and market linkage activities in the Asia Pacific region.

At all these levels, the Fairtrade system works to develop a 'joined-up' strategy for promoting development: through, rather than in spite of, the international trading system. Forging such an approach often demands a delicate balancing act, not least because the Fairtrade system faces multiple constraints from features of the global political economy that are beyond its reach, such as competitive pressures in global markets and policies of protectionism in many countries that import the products of developing country farmers. Therefore, while on the one hand the Fairtrade system can seek to circumvent or substitute for the failings in the 'mainstream' trading system, there are also some ways in which it is forced to operate within the constraints imposed by this wider environment.

It is within the context of this overarching challenge that it is possible to best understand the central logic of Fairtrade's strategic approach: the development of a joined up approach to development and trade justice which attempts to embed goals of poverty reduction, social development and democratic governance at the centre of the international trading system, and thereby to help realise the full potential of the international trading system to promote agendas of both economic development and positive social change.



IFOAM and Organic Certification in the World

This article cites data from the IFOAM/FiBL edited Yearbook: "The World of Organic Agriculture - Statistics and Emerging Trends 2009"

Presented by ZEJIANG ZHOU¹

(IFOAM Representative to China, 8 Jiang-Wang-Miao Street, Nanjing 210042, China)

Organic food, considered to be high quality food with reduced chemical inputs, and health benefits is gaining popularity within developed countries and is also entering developing country markets such as China and India. The demand for organic produce such as organic food, textiles and cosmetics is growing rapidly. In order to guarantee the quality and organic integrity of the products, third party certification is important. Currently however there is a proliferation of certification schemes within the market; different countries are subject to various different regulations and restrictions, therefore depending on the destination country of the product, the organic produce may have to adhere to several certification schemes. The applicant therefore needs to pay more for the certification and the cost will be borne by the consumers. International organisations such as IFAOM, FAO and UNCTAD are working together to seek ways of harmonising global organic certification standards. Although organic certification is the dominant trend within the organic sector, the participatory guarantee system (PGS) is also promoted by international organisations. PGS does not require third party certification and is based on mutual trust between the involved parties within the value chain. The main benefit to be gained through PGS is the promotion of local organic produce which reduces the impact of 'food mileage'.

1. IFOAM and the Principles of Organic Agriculture

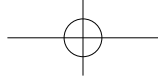
The International Federation of Organic Agriculture Movements (IFOAM) is the worldwide umbrella organisation for all institutes, associations, institutions, federations, cooperatives and companies active in Organic Agriculture. IFOAM currently represents over 849 member organisations in over 108 countries. IFOAM's mission is leading, uniting and assisting the organic movement in its full diversity.

- IFOAM's goal is the worldwide adoption of ecologically, socially and economically sound systems that are based on the following principles of Organic Agriculture.
- Principle of health -- Organic Agriculture should sustain and enhance the health of soil, plant, animal, human and planet as one and indivisible.
- Principle of ecology -- Organic Agriculture should be based on living ecological systems and cycles, work with them, emulate them and help sustain them.
- Principle of fairness -- Organic Agriculture should build on relationships that ensure fairness with regard to the common environment and life opportunities.
- Principle of care -- Organic Agriculture should be managed in a precautionary and responsible manner to protect the health and well-being of current and future generations and the environment.

IFOAM guides organic movements toward the six central goals stipulated in our Program 2011, which also provides a work plan for the four-year period. The core themes developed by the World Board for the current period are: Be the international authority and most effective voice on all organic matters; Increase the market share for organic products and access to them at the local, regional and international levels; Enhance the capacity of the organic sector to sustain growth and development; Create "think spaces" to cultivate an organic future; Ensure an effectively managed organisation with sufficient and sustainable resources.

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2. Global Recent Organic Statistics (Edited by Helga Willer²)

2.1 Organically Managed Land

Organic agriculture is developing rapidly. Its share of agricultural land and farms continues to grow in many countries. The main results of a global survey including 141 countries participating in certified organic farming show:

- 32.2 million hectares of agricultural land are managed organically by more than 1.2 million producers, including smallholders. In addition to the agricultural land, there are 0.4 million hectares of certified organic aquaculture.
- The regions with the largest areas of organically managed agricultural land (The term 'organically managed land' includes both the organically farmed areas in the process of being certified as well as fully certified areas) are Oceania, Europe and Latin America. Australia, Argentina and Brazil are the countries with the largest organically managed land areas. (The figure provided by China does not include the acreages of land certified by foreign certifiers in China which may have at least 0.4 million ha, so that if this is also included, the acreage of China should be the 3rd in the world instead of the 5th)
- The highest shares of organically managed land are in Europe: Liechtenstein, Austria and Switzerland.
- The countries with the highest numbers of producers are Uganda, India and Ethiopia. Almost half of the world's organic producers are in Africa
- About one third of the world's organically managed land – almost 11 million hectares - is located in developing countries. Most of this land is in Latin American countries, with Asia and Africa in second and third place. Countries with the largest area under organic management are Argentina, Brazil, China, India and Uruguay.
- Almost 31 million hectares are organic wild collection areas or used for bee keeping. The majority of this land is in developing countries – quite the opposite of agricultural land, of which two thirds is in developed countries.
- Almost two thirds of the land under organic management is grassland (20 million hectares). The cropped area (arable land and permanent crops) constitutes 7.8 million hectares a quarter of the organically managed land. Compared with the previous survey, there is a clear trend for cropland to increase. Relatively high shares for some crops have been achieved; organically managed coffee and olive areas, account for more than five percent of the total harvested areas, and in some countries the shares are even higher – 30 percent of Mexico's coffee is organic.
- On a global level, the organic land area increased by almost 1.5 million hectares compared to the data from 2006. Twenty-eight percent (or 1.4 million hectares) more land under organic management was reported for Latin America (including 0.9 million hectares of in-conversion land in Brazil for which no data had been available previously). In Europe, organically managed land increased by 0.33 million hectares (+ 4 percent) and by 0.18 million hectares (+27 percent) in Africa.

² Dr. Helga Willer, Research Institute of Organic Agriculture (FiBL), Ackerstrasse, 5070 Frick, helga.willer@fibl.org

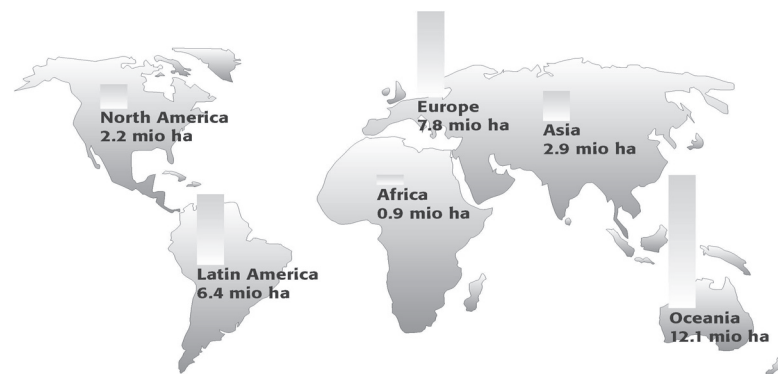
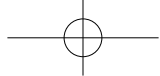


Fig.1: Land under organic management by region 2007

Source: FiBL/IFOAM

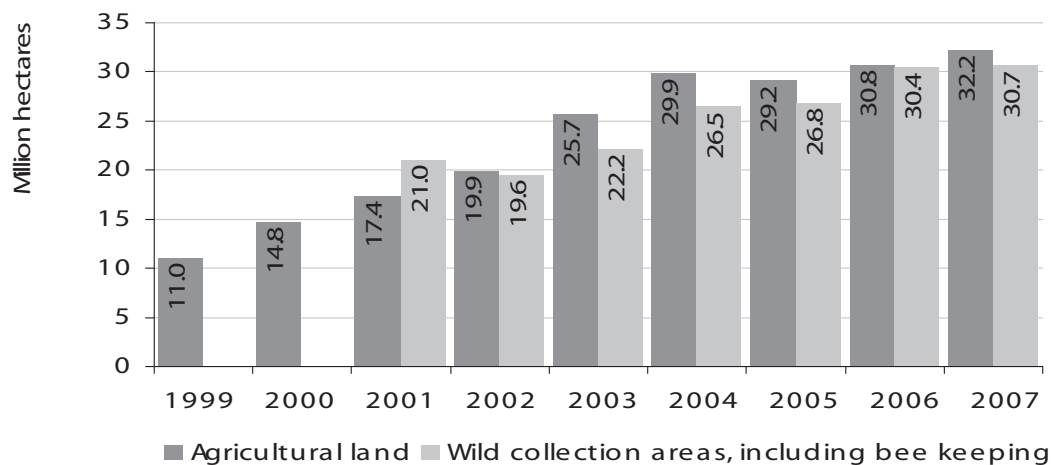
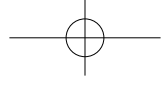


Figure 2: Development of organic agricultural land and wild collection areas/bee keeping 1999-2007

2.2 The Organic Market

Global demand for organic products remains robust, with sales increasing by over five billion US Dollars a year, with international sales reaching 46.1 billion US Dollars in 2007 according to estimates by Organic Monitor. Consumer demand for organic products is concentrated in North America and Europe; according to Organic Monitor these two regions comprise 97 percent of global revenues. Asia, Latin America and Australasia are important producers and exporters of organic foods. Exceptionally high growth rates have led supply to tighten in almost every sector of the organic food industry: fruits, vegetables, beverages, cereals, grains, seeds, herbs and spices. With the financial crisis, Organic Monitor expects positive market growth rates to continue, albeit at lower rates than previous years.



2.3 Regional Development

2.3.1 Africa

In Africa, there are almost 900,000 hectares of certified organic agricultural land and 530,000 producers. Africa constitutes about three percent of the world's organic agricultural land. The countries with the most organic land are Uganda (296,203), Tunisia (154,793 Hectares), and Ethiopia (140,308 hectares). The highest shares of organic land are in Sao Tome and Prince (5 percent), Uganda (2.3 percent) and Tunisia (1.6 percent). The majority of certified organic produce is destined for export markets, with the large majority being exported to the European Union, which is Africa's largest market for agricultural produce. The African market for organic products is still small. Three countries have an organic regulation and seven are in the process of drafting one. The first African Organic Conference, to be held in Kampala, Uganda, from May 19-22, 2009 will provide a good opportunity to mobilise support for organic agriculture (see articles by Hervé Bouagnimbeck).

2.3.2 Asia

The total organic area in Asia is nearly 2.9 million hectares. This constitutes nine percent of the world's organic agricultural land, with 230,000 producers reported. The leading countries are China (1.6 million hectares) and India (1 million hectares). The highest shares of organic agricultural land are in Timor Leste (7%). Organic wild collection areas play a major role in India and China.

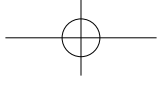
Production of final processed products is growing, although the majority of production is still fresh produce and field crops with low value-added processing, such as dry or processed raw ingredients. Aquaculture (shrimp and fish) on the other hand, is emerging in China, Indonesia, Vietnam, Thailand, Malaysia and Myanmar. Textiles are another important trend. Sector growth is now also driven by imports, and local markets have taken off in many of the big cities in the South and Eastern part of the region besides countries or regions such as Japan, South Korea, Taiwan and Singapore. Kuala Lumpur, Manila, Bangkok, Beijing, Shanghai, Jakarta, Delhi, Bangalore and other cities are increasing internal consumption of organic products. Nine organic regulations are in place. In seven countries, work on national standards and regulations is in progress (see article by Ong Kung Wai).

Promising moves for more regional collaboration were made during the conference 'Organic Asia – the way forward' Key players from the movement as well as government representatives put their heads together at the end of October 2008 in Sarawak, Malaysia, to promote innovation, address challenges and enhance collaboration in the future. One important outcome was the setting of regional collaboration goals for the coming Organic World Congress in 2011 due to be held in South Korea. South-East Asia is poised to develop the world's fourth regional organic standard. (See article by Louise Luttikholt)

2.3.3 Europe

At the end of 2007, 7.8 million hectares of land was managed organically by more than 200,000 farms in Europe. In the European Union, 7.2 million hectares were under organic management, with more than 180,000 organic farms. 1.9 percent of the European agricultural area and 4 percent of the agricultural area in the European Union is organic. Twenty-four percent of the world's organic land is in Europe. The countries with the largest organic area are Italy (1,150,253 hectares), Spain (988,323 hectares) and Germany (865,336 hectares). The highest percentages are in Liechtenstein (29 percent), Austria (13 percent) and Switzerland (11 percent). Compared to 2006, organic land increased by more than 0.3 million hectares. Sales of organic products were approximately 16 billion Euros in 2007. The largest market for organic products in 2007 was Germany with a turnover of 5.3 billion Euros (2008: 5.8 billion Euros), followed by the UK (2.6 billion Euros), France and Italy (both 1.9 billion Euros). As a portion of the total market share, the highest levels have been reached in Austria, Denmark and Switzerland, with around five percent of organic products. The highest per capita spending is also in these countries.

There is significant support available to support organic farming in the European Union and neighbouring countries.



This support constitutes a variety of grants for rural development programs, legal protection, as well as European and national action plans. One of the key instruments of the European Action Plan on organic food and farming is an information campaign launched during 2008, with the aim of increasing awareness of organic farming throughout the European Union.

2.3.4 Latin America

In Latin America, 220,000 producers managed 6.4 million hectares of agricultural land organically in 2007. This constitutes 20 percent of the world's organic land. The leading countries are Argentina (2,777,959 hectares), Brazil (1,765,793 hectares) and Uruguay (930,965 hectares). The highest shares of organic agricultural land are in the Dominican Republic and Uruguay with more than 6 percent and in Mexico and Argentina with more than 2 percent. Most organic production in Latin America is for export. Important crops are tropical fruits, grains and cereals, coffee and cocoa, sugar and meats. Most organic food is sold in major cities, such as Buenos Aires and São Paulo.

Fifteen countries have legislation on organic farming, and four additional countries are currently developing organic regulations. Costa Rica and Argentina have both attained third country status according to the EU regulation on organic farming, which allows food labelled as 'organic' originating from these countries to be sold on European markets.

In recognition of the growing importance of the organic sector to Latin America's agricultural economy, governmental institutions have begun to take steps towards increasing involvement and are beginning to play a central role in the promotion of organic agriculture. The types of support in Latin American countries range from organic agriculture promotion programs to market access support by export agencies. In a few countries, limited financial support is being given to pay certification costs during the conversion period. An important process underway in many Latin America countries is the establishment of regulations and standards for the organic sector (see article by Salvador Garibay, *The World of Organic Agriculture Statistics and Emerging Trends* 2009).

2.3.5 North America

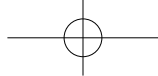
In North America, almost 2.2 million hectares are managed organically, representing approximately a 0.6 percent share of the total agricultural area. Currently there are 12,064 farms. The majority of organic land is in the US (1.6 million hectares in 2005). Seven percent of the world's organic agricultural land is in North America.

Valued at more than 20 billion US Dollars in 2007 (Organic Monitor), the North American market accounted for 45 percent of global revenues. Growing consumer demand for healthy & nutritious foods and increasing distribution in conventional grocery channels are the major drivers of market growth (see article by Barbara Haumann). The U.S. organic industry grew 21 percent in sales in 2006, and was forecast to experience 18 percent sales growth each year on average from 2007 through 2010. Whether this rate will actually be realised is uncertain due to the economic downturn and reduction in consumer spending in the last quarter of 2008. Likewise, a downturn is expected in Canada, even though the market growth in Canada, paired with the introduction of the new organic regulations, should provide a good outlook over the coming years.

In the United States, the National Organic Program has been in force since 2002. Canada has had a strong organic standard since 1999; this had been, however, voluntary and not supported by regulation. Canada's Organic Product Regulation will be fully implemented on June 30, 2009.

2.3.6 Oceania

This region includes Australia, New Zealand, and island states like Fiji, Papua New Guinea, Tonga and Vanuatu. Altogether, there are 7,222 producers, managing almost 12.1 million hectares. This constitutes 2.6 percent of the agricultural land in the area and 38 percent of the world's organic land. Ninety nine percent of the organically managed land in the region is in Australia (12 million hectares, 97 percent extensive grazing land), followed by New Zealand (65,000 hectares) and Vanuatu (8,996 hectares). The highest shares of all agricultural land are in Vanuatu (6.1 percent),



Samoa (5.5 percent) and the Solomon Islands (3.1 percent). Growth in the organic industry in Australia, New Zealand and the Pacific Islands has been strongly influenced by rapidly growing overseas demand; domestic markets are, however, growing. In New Zealand, a key issue is the supply and demand deficit.

Australia has had national standards for organic and biodynamic products in place since 1992, and like New Zealand, it is on the third country list of the European Union. It is expected that the Australian Standard, based on the National Standard employed since the early 1990s for the export market, will be adopted in 2009. In New Zealand, a National Organic Standard was launched in 2003. (See article by Els Wynen and Seager Mason, *The World of Organic Agriculture Statistics and Emerging Trends 2009*)

In the Pacific Islands, work on a regional strategy and national plans to lay the foundation of sustainable organic agriculture development in the region is in progress. (See article by Karen Mapusua, *The World of Organic Agriculture Statistics and Emerging Trends 2009*).

3. International Organic Standards & Regulations

Currently, 71 countries have implemented regulations on organic farming, and 21 countries are in the process of drafting regulations (see articles by Beate Huber and Otto Schmid). 481 organisations worldwide offer organic certification services. Most certification bodies are in the European Union, the United States, Japan, South Korea, China, Canada, and Brazil (see articles by Gunnar Rundgren, *The World of Organic Agriculture Statistics and Emerging Trends 2009*).

The UNCTAD-FAO-IFOAM International Task Force on Harmonization and Equivalence in Organic Agriculture (ITF) has worked from 2003 to 2008 to reduce technical barriers to trade in organic agricultural products that result from the lack of harmonisation and interoperability of organic regulations, private standards and certification requirements. At a launch in Geneva in October 2008, two tools that were developed by the ITF were presented to the public: the Tool for Equivalence (EquiTool), an international guideline for determining equivalence of organic standards and the International Requirements for Organic Certification Bodies (IROCB). A 'Beyond ITF' project is envisaged to promote uptake of the ITF recommendations and tools and assist developing countries (see articles by Sophia Twarog and Asad Naqvi, *The World of Organic Agriculture Statistics and Emerging Trends 2009*).

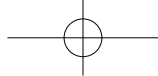
3.1 IFOAM Organic Guarantee System

The IFOAM Basic Standards define how organic products are grown, produced, processed and handled. They reflect the current state of organic production and processing methods. The IFOAM Basic Standards - together with the IFOAM Accreditation Criteria - constitute the IFOAM Norms, which provide a framework for certification bodies and standard-setting organisations worldwide to develop their own certification standards.

Based on the decision of the IFOAM General Assembly in September 2005, IFOAM has been revising the Organic Guarantee System (OGS) with the aim of creating more access to it. IFOAM decided that the OGS, while always upholding the integrity of organic agriculture, should aim to facilitate trade and be able to accommodate all serious organic certification bodies and their clients.

3.2 The Codex Alimentarius Guidelines

The need for clear and harmonised rules has not only been taken up by private bodies, IFOAM and state authorities, but also by United Nations Organizations, including the FAO, WHO and the UNCTAD. The FAO and WHO consider international guidelines on organically produced food products to be important instruments for consumer protection and to facilitate trade. They also provide assistance to governments wishing to develop regulations in this area, in particular in developing countries and countries in transition economies.



The Codex Alimentarius Commission was created in 1963 by the FAO and WHO to develop food standards, guidelines and related texts such as codes of practice under the Joint FAO/WHO Food Standards Program; it established the Guidelines for the Production, Processing, Labelling and Marketing of Organically Produced Foods. The Codex Commission approved plant production guidelines in June 1999 and animal production guidelines in July 2001. The requirements in these Codex Guidelines are in line with the IFOAM Basic Standards and the EU Regulation (EEC) 2092/91. There are, however, differences with regard to the details and some specific areas that are covered by the varying standards.

The trade guidelines on organic food take into account the current regulations in several countries, in particular the former EU Regulation 2092/91, private standards applied by producer organisations - especially those based on the IFOAM Basic Standards. These guidelines define the nature of organic food production and prevent claims that could mislead consumers about the quality of the product or the way it was produced.

From IFOAM's perspective, the Codex Guidelines are an important step towards the harmonisation of international rules that serve to build consumer trust. They will be important for equivalence judgments under the rules of WTO. In terms of developing the market for organically produced food, these Codex Guidelines provide guidance to governments in developing national regulations for organic food.

3.3 Import requirements of major economies

The most important import markets for organic products are the EU, US and Japan. All have strict regimes for the importation of organic products. In the EU, US and Japan, products may only be imported if the certifying agency has been approved by the respective competent authority.

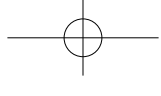
Approval of certification bodies requires compliance or equivalency with the requirements of the importing countries, which can be achieved by the following options: a) Bilateral agreements between the exporting and the target import country and b) direct acceptance of the certifying agency by the target import country.

3.4 Bilateral agreements between the exporting and the target import country:

Most importing countries - including US, EU and Japan - have options for bilateral recognition. A country may confirm that another country's control system and the standards are in line with the national requirements, and that the products certified in those countries can be sold on the national market. The EU currently recognises seven countries. The bilateral agreements are largely political agreements that depend on the will and political negotiations of the governments, rather than the results of technical assessments.

So far, the US has accepted few foreign governments' accreditation procedures. Certification bodies accredited according to the US requirements by Denmark, UK, India, Israel, New Zealand and Quebec are accepted by the USDA for certifying according to the US National Organic Program (NOP) without being directly accredited by United States Department of Agriculture (USDA). This is just recognition of the accreditation procedures; the respective certification bodies still have to meet the requirements of NOP to issue certificates accepted by the US.

In addition, the US is negotiating equivalency agreements with Australia, the European Union, India and Japan. This means that USDA would determine that their technical requirements and conformity assessment system adequately fulfil the objectives of the NOP, and double certification would not be necessary for imports. The US announced that equivalency determinations are very complex and time consuming, and for the time being, negotiations with the EU are on hold, especially for animal production.



3.5 Acceptance of the certifying agency by the target import country

The US, EU and Japan have options for recognising certification bodies operating outside the country. The technical requirements for achieving such recognition are difficult to meet, and the associated fees are high. Maintaining recognition and/or the necessary accreditation requires substantial financial capacity and personnel from the certification agency.

The US NOP requires all produce labelled as organic in the US to meet the US standards, including imported products. The US system provides for the approval of certification bodies as agents to operate a US certification program. Retroactive certification is not possible. Inspections have to be conducted by inspectors trained in NOP requirements using NOP questionnaires, and only certificates issued by certification bodies accredited by the US Department of Agriculture USDA are accepted. It is not relevant whether the certification body is based in the US or elsewhere. So far, almost 100 certification bodies have been accredited according to NOP by the USDA, and only produce certified by these certification bodies may be exported to the US.

4. Certification Bodies (by Gunnar Rundgren³)

The Organic Certification Directory 2008 lists 481 organic certification bodies with contact information and further data (The Organic Standard 2008). The main results are:

4.1 Current numbers by country and region

Most certification bodies are in the European Union, the United States, Japan, South Korea, China, Canada, and Brazil.

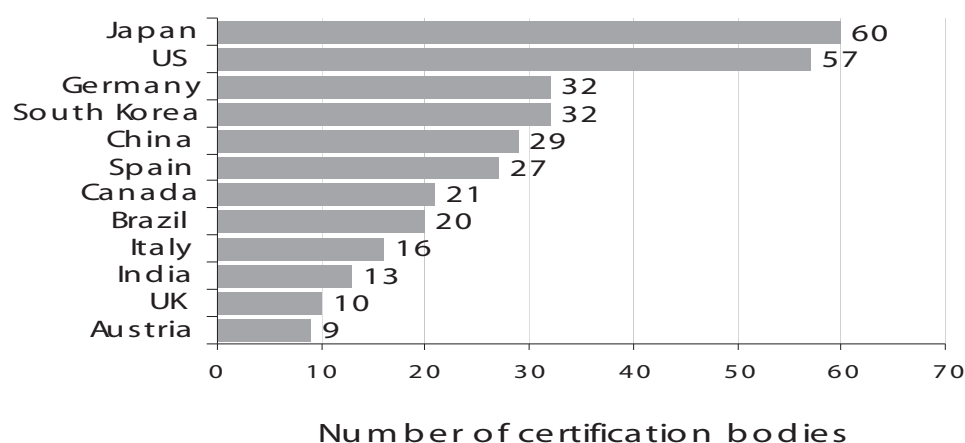
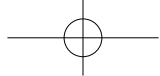


Figure 3: Certification bodies: The countries with the most certification bodies 2008

Source: GroLink, the Organic Certification Directory 2008

Many of the listed certification organisations also operate outside their home country. Most of them are based in a developed country and offer their certification services in developing countries. Very few operate in several developed countries; there is not a single EU-based certification body offering its services in the United States, even though they

³ Gunnar Rundgren, GroLink AB, E-mail office@organicstandard.com, www.organicstandard.com



have the required NOP accreditation. A handful of certification bodies work on several or all the continents.

Seventy-eight countries have a home-based certification organisation. Most of Africa and large parts of Asia still lack local service providers. There are only 10 certification bodies in Africa (in South Africa, Senegal, Kenya, Uganda, Tanzania and Egypt).

4.2 Certified Operators

Certification bodies were asked for information about the number of operators they certify. Two hundred and twenty-five responded, giving a total of 183,450 operators. One hundred and eighty-nine certification bodies gave an answer regarding the number of farmers. They certified 969,393 farms, with BCS claiming to certify 350,000 farms. IMO's head office alone reports more than 120,000, and its office in Latin America 36,000. OneCert India certifies 55,000 farms and the Uttaranchal State Organic Certification Agency 29,156. Naturland reports 45,656 farms, and Certimex 29,650 farms. It should be noted that the same farm can be certified twice. To represent this point, many Naturland-certified farmers are also IMO-certified; the two organisations cooperate closely. Nevertheless, the number of certified farms is likely to be more than one million, as data are lacking from many important countries and certification bodies.

4.3 Approval Status of Certification Bodies

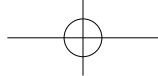
There has been little movement in the approval status of organisations since 2007. Despite ISO 65 being claimed by some to be the universal standard for organic certification bodies, less than a third (157) have ISO 65 accreditation. There is a marked increase from 2007 however. The number of organisations approved in Japan has increased substantially.

The European Union has 179 approved bodies, with 32 non-EU-based bodies recognised within its system. The U.S. system has 124 approved bodies, of which 68 are outside the United States. Only eight organisations, four Italian and two each from Argentina and Australia reported all five approvals. Table 1 shows the amount of approved certification bodies per region.

Table 1: Amount of Approved Certification Bodies per Region

Region	Total	IFOAM	Japan	ISO 65	EU	USA
Africa	10	2	0	4	0	0
Asia	157	6	61	19	14	13
Europe	177	14	14	87	152	32
Latin America & Caribbean	48	5	4	17	6	10
North America	78	6	13	26	0	64
Oceania	11	4	6	4	7	5
Sum 2008	481	37	98	157	179	124

Source: Grolink, The Organic Certification Directory 2008



5. Overview of group certification (by Joelle Katto-Andrighetto⁴)

5.1 History, Objectives and Prevalence of Group Certification

Smallholder grower groups have been certified since the mid 1980s, which is even before public regulations for organic agriculture were developed. Private certification bodies developed group certification systems in order to facilitate the certification of smallholder farmers in developing countries.

Setting up Internal Control Systems (ICS) allows producer groups to apply for certification of the group as a whole, instead of individual certification of each of its members. An internal control system is part of a documented quality assurance system that allows an external certification body to delegate the periodic inspection of individual group members to an identified body or unit within the group. This means that the third party certification bodies only have to inspect the functioning of the system, as well as to perform spot-check re-inspections of individual smallholders. Benefits of the group certification system include improved product quality, provisions for technical advice, feedback and stimulation of local development. Such systems enable all producers to participate in the global organic market, implement environmentally safe and sustainable production and develop good management practices.

Since 1994, IFOAM has promulgated guidelines and accreditation criteria for group certification to bring consistency to the requirements by which certification bodies review smallholder groups seeking organic certification. Under the auspices of IFOAM, and with representatives of the fair trade sector, workshops were organised in February 2001, 2002 and 2003 on the topic of smallholder group certification. The consensus positions from these workshops have been used to revise IFOAM guidance and criteria and to develop a training kit for group certification. The guidance and criteria provided by IFOAM has been adopted by certification bodies and incorporated into government guidance documents. The criteria for certifying, auditing and inspecting group certification follows established international standards, such as ISO/IEC Guide 62: Annex 3 and ISO/IEC Guide 17021.

In 2001, there were about 350 different grower groups existing in developing countries, comprising close to 150,000 smallholders whose organic products are exported. Recent statistics are not available, but given the expansion of market demand for organic products such as coffee and tea, and ingredients such as cocoa, sugar and spices, one can assume that these numbers have increased. In a recent survey of certification bodies undertaken by IFOAM, 67 percent of certified organic grower groups had less than 100 members; 18 percent under 500 members; and 0.5 percent from 3,000 to 15,000 members.

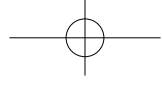
5.2 Acceptance of Group Certification by Governments

Although there is a proliferation of government regulated organic standards around the world, only the organic regulations in Argentina do not permit certification of grower groups. Other national organic standards do not specifically address the topic of group certification. At the request of certification bodies, producers or non-governmental organisations, the United States, European Union and Japan have issued statements or guidance documents on this topic.

IFOAM will continue, as much as possible, to take a leading role in assuring private sector input into the design of the final requirements.

In 2008, the International Task Force on Harmonization and Equivalence in Organic Agriculture (ITF), an initiative lead by IFOAM, UNCTAD and the FAO, with the involvement of government representatives, published an international tool for recognising organic certification bodies. This tool, named *International Requirements for Organic Certification Bodies*

⁴ Joelle Katto-Andrighetto, Organic Guarantee System Coordinator, International Federation of Organic Agriculture Movements.
headoffice@ifoam.org, www.ifoam.org



(IROCB), recognises group certification as an option available to certification bodies under certain requirements. The IROCB does not limit the scope of group certification to smallholders, but instead leaves it potentially open to all kinds of operations.

5.3 Three Group Certification Principles in Major Guidelines and Governing Norms

A review of the guidelines available on certification of grower groups – IFOAM, NOSB, and the European Union – shows there is significant agreement and similarities in these documents on the scope, principles and criteria for group certification. The scope of these documents is to address group certification of operations with similar production systems and centralised marketing, which are organised as a single legal business entity with an internal quality system (also called internal control system) that assures compliance of each farm plot within the group to organic standards in an objective and transparent manner.

The principle, consistent in these guidance documents, upon which group certification is based, is a managed and documented internal quality assurance system responsible for all production units, facilities and sites in the group. The group's quality assurance system is verified at least annually by the certification body through audits and on-site inspections. Individual inspections of farm plots are conducted primarily to validate the functioning of the quality system.

The role of the certification body is to evaluate the effectiveness of the internal control system (quality system) in enforcing compliance with organic standards on the farm plots of the group. The guidance documents, to a greater or lesser extent, provide specific protocols for the effective implementation of on-site inspections of a certified group operation. These protocols include a thorough audit of the quality system through document review, interviews with managers, producers, and field agents responsible for various aspects of the organic system plan, and at least an annual on-site inspection of the offices, facilities and production units, as well as a sampling of the farm plots in the group.

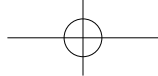
6. Advantages and Disadvantages of Organic Certification

6.1 Advantages of Organic Certification

- By organic certification the value of farmers' products could be increased. Usually the premium received for organic products is between 20% to 100% of the price of the product, in some cases the price of some organic products could even be 5 times higher than that of the conventional ones.
- Organic certification may guarantee the safety and integrity of organic products, therefore the trust between the producers, traders and consumers may be increased
- Organic certification may enable farmer's products to access local and international markets.
- Organic certification may regulate the organic markets. An alternative is the Participatory Guarantee System (PGS) which does not require certification, whereby PGS is based on mutual trust between the stakeholders and is mostly appropriate for local situations. For cross-provincial, national or international marketing, organic certification is still necessary.

6.2 Advantages of Group Organic Certification

- With the group, the individual smallholders benefit from economies of scale through reduced certification costs.
- The internal control system (ICS) of the group may well organise farmers to meet organic standards – it is almost impossible for individual smallholders to do everything organically by themselves.
- As a group, the products of smallholders may have easier access to domestic and international markets. With a



more efficient value chain, the smallholders may receive higher premiums.

- As organic agriculture involves specialist technologies, a group dynamic often facilitates easier access to expertise and technical support.
- The formation of organic smallholder groups facilitates accountability within the supply chain and creates a network which increases the collective opportunities of the farmers, enabling capacity building and training opportunities.

6.3 Disadvantages of Organic Certification

- Certification adds a financial load onto farmers. Although organic certification fees may be paid by the applicant company or directly paid by the farmers or farmers' associations, there are many associated implementation costs through the change in management, apart from the fees associated with certification.
- Farmers often have difficulty regarding the auditing record system since farmers are not used to making records of their farming activities. Farmers require technical assistance and capacity building in order to adequately fulfil the recording and auditing requirements.
- A major drawback of organic certification is that the farmers are usually not the certificate holder. Farmers often have contractual agreements with companies whereby they forego their right to sell their own products directly. Organic labelling makes no claims about fair trade status.
- Organic markets often rely on overseas trade therefore they are subject to market variability in price and demand.
- Since there is a proliferation of schemes and different countries adhere to different regulatory requirements, some products must meet several certification standards in order to be accepted within the target market.
- There are 481 organic certification bodies in the world. In some countries such as USA, Japan, Korea, Spain, Germany, Canada and China, each has more than 20 organic certification bodies. Due to competition amongst certification bodies, the stringency of standards cannot always be guaranteed.
- Many large certification bodies are involved in many certification programs such as Organic, FLO, GAP, HACCP, ISO 9000, ISO 14000, GMP). In order for certification bodies to satisfy clients, certification packages are provided. If an operator conforms to other certification standards but not organic, a certificate may be issued as part of the package agreement. This could lead to devaluing the label for those that adhere to the required standards.
- Certified organic products are sold principally within international markets, requiring significant 'food mileage' which is resource intensive and not complimentary to organic agriculture's aims to protect the environment.

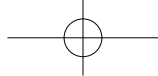
7. Achievements Made and Challenges Ahead (by Louise Luttkolt⁵)

Each year the new edition of 'The World of Organic Agriculture' shows higher figures, growth rates and overall increase of the global organic industry. In the organic sector we almost take these positive messages for granted, it seems. However, there is no reason to take a relaxed attitude, neither for business nor for the movement in general. Growing comes with challenges, like credibility and more competition.

IFOAM has focused its advocacy mainly on the informal organic agricultural sector, that is, production systems that are not (yet) third party certified. Informal organic producers make up an important sector for further development of the overall organic movement. Many of the informal organic initiatives were presented as an example in international debate, showing how 'business unusual' helps in attaining food security.

Organic standards, whether private or public, are increasingly recognised for their contribution to achieving public policy objectives. ISEAL (International Social and Environmental Accreditation and Labelling Alliance) partners come from all sectors; share the vision of creating a more sustainable world through social and environmental certification schemes. Thus, they can learn lessons from IFOAM and the broader organic agriculture movement on relationships with governments and private voluntary standards.

⁵ Louise W. M. Luttkholt, Strategic Relations Manager, International Federation of Organic Agriculture Movements IFOAM, l.luttkholt@ifoam.org (Louise Luttkholt moved to Fair Trade Labelling Organization (FLO) in April 2009)



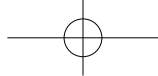
IFOAM continues its work to ensure that group certification is accepted. Recognising group certification has benefits on both sides of trade, for producers and purchasers. It has the potential not only to secure the livelihoods of a considerable number of smallholders in developing countries by helping them to be certified and sell their organic products with higher premiums, but also to generate business for processors and traders who are dependent on the organic products produced by the grower groups.

Additional work on the facilitation of trade has been carried out by the International Task Force on Harmonization and Equivalence in Organic Agriculture, which developed tools for determining equivalence. The International Requirements for Organic Certification Bodies (IROCB), for example, facilitate the recognition of certification bodies' services in the course of international trade. EquiTool offers procedures and criteria for assessing equivalency of two or more organic standards. They will grow together, global, harmonised and, at the same time, diverse.

Looking ahead while learning from the past that organic farming was more tolerant of extreme weather conditions or other natural disasters, it seems that the organic production systems show great resilience, needed in times of climate change and other disasters. Likewise, a diversified organic industry, with many diverse verification and marketing systems, is the best guarantee for balanced growth.

8. Conclusion

- The world organic sector is maintaining its trend of increased uptake despite the global economic depression
- The demand for organic food and other organic products is increasing steadily, principally from within the EU and North America. Meanwhile, the organic market in some developing countries has grown significantly in recent years.
- There is a high demand from developed countries for imported organic food from developing countries
- Smallholders play a significant role in providing organic produce. Organic agriculture is beneficial to smallholders especially to the farmers in developing countries striving against poverty. The organisation and management of smallholder groups however has significant challenges.
- In order to guarantee the integrity of organic products, certification is needed in the majority of cases.
- The proliferation of standards and the myriad of regulations required to export organic produce is not conducive to providing enabling environments for farmers. Although harmonisation programmes are currently underway, more work needs to be conducted in this area.
- Capacity building is needed in order to facilitate the successful monitoring and regulation of standards.
- The Participatory Guarantee System (PGS) should be promoted to support the uptake of organic practices and reduce food mileage.



Beyond Certification: Next Generation of Sustainable Agriculture Initiatives

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Abstract

This paper shares insight into commodity supply chains, complexity of social and environmental issues and other findings from emerging sustainable agriculture initiatives with the intention of spurring discussions amongst stakeholders interested in forging a path towards sustainable commodities that benefit smallholders.

Introduction

International agriculture is a massive and complex industry. The global agricultural sector employs half of the world's labour force with an estimated 1.3 billion workers active at the farm level¹. The majority of agricultural workers are found in developing countries as small-scale farmers.

Because commodities comprise the vast majority of agricultural products, efforts aimed at promoting sustainable commodities have the potential to significantly improve agriculture's environmental and social impacts. However, such efforts must effectively address complex issues with the support of the industry in order to grow beyond niche markets.

One of the many challenges of designing effective environmental and social initiatives is how to apply global strategies to a local context throughout the globe. This paper shares insight into commodity supply chains, complexity of social and environmental issues and other findings from emerging sustainable agriculture initiatives with the intention of spurring discussions amongst stakeholders interested in forging a path towards sustainable commodities that benefit smallholders.

Understanding Agricultural Supply Chains

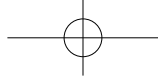
In order to promote sustainability in agricultural supply chains, one must first understand the basic distinctions between the two broad categories of agricultural crops – *products* and *commodities*.

Products (e.g. fruit and vegetables) are sold to consumers in the same basic form that they are produced on the farm and require only inspection and packaging in their short supply chain. Products are susceptible to spoilage during the time it takes to transport them from farm to store. This is an important factor in many regions where lack of infrastructure prohibits timely export to global markets.

Commodities (e.g. sugar, cotton, biofuels) are mixed and transformed when processed through a multi-stage supply chain. They do not spoil as quickly as *products* after initial processing.

¹ International Labor Organization, Occupational Safety and Health in Agriculture, Programme on Safety and Health at Work and the Environment (Safe Work), culled from <http://www.ilo.org/public/english/protection/safework/agriculture/intro.htm>, March 26, 2009





It is also important to understand the level of influence a buyer can have in each of these supply chains when designing sustainable agriculture programs. Buyers of *products* often have contracts with the inspector/packager who is one step away from the farm, or an agent/wholesaler who is just two steps from the farm. At times, end buyers may have more direct relationships with the producers. In either of these scenarios, buyers of products can have a high degree of *influence* on producers.

Buyers of *commodities* may not know where their products come from nor have any relationship with producers or even initial processors (e.g. sugar mills, cotton gin, etc.). These buyers would be more influential when working with the initial processors who purchase most of the *commodities* in that region. These processors may have strong business relationships with producers as they may provide inputs (e.g. seeds, fertilizer, etc.), credit, and, at times, training.

Marketing trends

As consumers become more socially and environmentally savvy, the way brands and industries communicate their corporate social responsibility (CSR) efforts will likely change. The increasing number of certifications, labels and socially responsible claims can be confusing to a consumer. However, consumers increasingly want to support responsible brands and make purchases that are aligned with their personal values. Many opportunities exist to connect consumers with communities in developing countries or contribute to measurable improvements to the environment without burdensome certifications. Brands can communicate their efforts through a variety of vehicles: websites, in-store brochures, responsibility reports or product labels.

Examples of programs that connect consumers with communities in need include Kiva², the world's first person-to-person micro-lending website, empowering individuals to lend directly to unique entrepreneurs in the developing world; and (RED)³, a partnership with iconic global brands through which a portion of profits from each (RED) product sold goes directly to the Global Fund to invest in African AIDS programs, with a focus on women and children.

Retailer's roles

Retailers' core business is creating, marketing and selling a product. Managing raw materials is usually a secondary priority at best. Many companies have made a strategic decision not to source raw materials directly from producers because it is a distraction from their core business and/or they cannot adequately manage the volatility of the raw material market. However, global brands are at the forefront of sustainability issues because of the potential damage to their most important assets – their brand image, their direct relationship with consumers and their potential influence on supply chains.

As with any cost incurred by a retailer, any additional costs associated with labour or sustainability programs and/or monitoring is often transferred to the consumer. These costs are typically more easily accepted by consumers for higher priced or specialty items, such as fresh fruits and vegetables, than for hidden ingredients such as sugar, oils or wheat. Based on a recent survey conducted for the International Labour Organization⁴ (ILO) and International Finance Corporation's⁵ *Better Work Programme*, food retailers tend to monitor labour conditions on as far back in the supply chain to when their brand name is affixed to the product⁶. Issues further down the supply chain (e.g. on the farm) pose

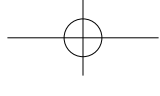
² For more information on Kiva, please visit www.kiva.org.

³ For more information on (RED), please visit www.joinred.com.

⁴ ILO is the tripartite United Nations agency that brings together governments, employers and workers from its member states in common action to promote decent working conditions throughout the world. ILO establishes international labour standards and seeks to ensure those standards are respected in practice as well as principle.

⁵ The International Finance Corporation is a member of the World Bank Group. IFC provides investments and advisory services to build the private sector in developing countries

⁶ Ergon Associates Limited, May 2008, Better Work – African Agribusiness, Draft Scoping Report.



less of a brand reputation risk and are more challenging to influence. Therefore, few retailers monitor these nodes of the supply chain.

Where global brands can play a role in promoting more sustainable farm-level programs is in convening stakeholders and supply chain actors to overcome operational challenges and pursue opportunities that benefit all stakeholders: employers, merchants, processors, trade associations, labour and social organisations, appropriate governmental ministries and consumers.

Understanding the complexity of social issues

When designing a sustainable agriculture program, environmental benefits can often be realised through the application of better management practices such as integrated pest management, no-till, and water conservation, to name a few. While mainstream adoption remains a challenge, environmental solutions are, in general, better understood than solutions for more complex social issues.

Farm workers and small-scale farmers are the backbone of agricultural production in much of the world. Yet, these people often work under demanding conditions and have limited opportunity to better their lives. Seventy-five percent of the world's poorest people live in rural communities, many of who depend on agriculture for their livelihood⁷.

Social issues in agricultural settings relate to both working conditions and socio-economic factors. Common issues throughout agriculture include child labour, migrant labour, forced/bonded labour, dangerous working conditions, discrimination, and lack of freedom of association. Some of these issues are subject to core labour standards established by the ILO that form the foundation for its Decent Work program.

Despite the fact that the ILO's standards have been recognised in a number of countries, many of these countries lack provisions to ensure compliance. Limited protection is not the only challenge facing farm workers. Economic factors keeping people in poverty include: high input prices, low yields or crop failure, delayed payment, unaffordable interest rates, product spoilage, and lack of access to a global market.

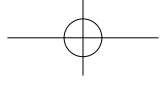
By looking at the root causes that create poor working conditions in both formal employment and small-scale settings, it is easy to recognise the correlation between economic standing and social well-being. For example, if a farmer's income increases he might be able to end a cycle of indebtedness. This may lessen his dependence on unfair employers or buyers, or allow him to send his children to school because he doesn't need them to work to earn additional income.

Capacity building programs are recognised as more suitable, scalable and sustainable solutions for these issues. However, it is highly likely that this is not enough. Initiatives should collaborate with local organisations and governments to ensure proper enforcement of labour laws, strengthening needed infrastructure, providing affordable schools, and marketing local products in a global supply chain.

Challenges of Certification Programs

Certification programs play an important role in the advancement of sustainable agriculture. They can promote better farming practices and business transactions, benefiting the environment and/or community. However, few, if any, certification programs have reached any significant scale.

⁷ Ayres W., McCalla, A., No date. *Rural Development, Agriculture, and Food Security*.



While successes exist, some disadvantages of certification programs include:

- Governments and/or industry associations may not support a certification program that infers that the rest of the subject crop is “less good.”
- Certification systems are resource intensive and often force businesses to work outside existing sourcing models.
- The cost to become certified can disadvantage small-scale producers.
- Supply chain actors are reluctant to support programs that require additional documentation and/or processing.
- Price premiums may become amplified as they get passed along throughout the supply chain.
- Farmers are often reluctant to undertake the risks associated with adopting what might be quite radical changes in some of their farming practices.
- Few certification systems have been able to demonstrate measurable improvements in key social or environmental indicators.

Emerging Sustainable Agriculture Initiatives

Recent efforts to promote sustainable agriculture aim to make positive changes on a mainstream scale. Many of the objectives focus on key environmental, social and economic impacts rather than strict prohibition of inputs or prescribed practices.

Complementary nature of certification and non-certification programs

Emerging sustainable agriculture initiatives will likely face similar challenges to certification systems but the less restrictive and resource intensive programs (e.g. certification requirements, etc.), may present an opportunity for initial engagement by farmers who would otherwise avoid changing their behaviour. These initiatives can thus have the potential to act as a stepping-stone for farmers interested in organic or Fairtrade production, but who are currently unwilling to take on the additional risk.

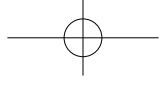
Fairtrade and organic programs can not only co-exist with other sustainable agriculture initiatives but also complement each other resulting in mutually beneficial impacts by reaching more farmers across the globe. These programs educate farmers on alternative and more sustainable farming practices and promote and/or facilitate improved livelihood (i.e. higher net income).

At the same time, all sustainable agriculture initiatives send complementary messages: safe farming practices and equitable access to the global market are possible and will result in improved livelihoods of the farmers and their communities.

It should be noted, however, that there are disadvantages of sustainable agriculture initiatives, including the cost, time and other resources that must be invested during the design and implementation phases. Additionally, most initiatives are for a single crop, limiting its applicability and scale. These two limitations together can create a large burden on companies that depend on multiple crops in their business.

Overview of some emerging sustainable agriculture initiatives

There are numerous initiatives aimed at improving environmental and/or social conditions in agriculture supply chains. This section shares highlights from four commodity roundtables that were the brainchild of WWF (formerly World Wildlife Fund): Roundtable for Responsible Palm Oil, Roundtable for Responsible Soy, Better Cotton Initiative, and Better Sugarcane Initiative.



- Most of the emerging sustainable agriculture initiatives focus on producing measurable improvements through application of principles and criteria.
- The roundtables are inclusive efforts that facilitate collaborative partnerships amongst all stakeholders groups to make commodity production more sustainable, efficient and profitable.
- They seek to make measurable improvements in key environmental and social impacts of agriculture production by promoting better growing practices across the industry.
- A few initiatives, such as Better Sugarcane Initiative and Roundtable for Sustainable Palm Oil, extend to processing.

Designing a mainstream agriculture program

When developing a mainstream agriculture program, there are three stages of development over 20-25 years: start up, expansion and normalisation.

Start up

This stage takes approximately five years and focuses mainly on activities in the pilot regions. Active participation and support of progressive and committed merchants and retailers as well as other supply chain actors is required. Financial contributions from the private sector (e.g. retailers) are needed to support farm level activities. It will be important to build credibility and collect data that contributes to a compelling business case for engagement of farmers, government involvement and support by other value chain actors.

Expansion

Additional regions and value chain members are engaged over the course of ten to fifteen years. Retailers and merchants still need to be proactive. Financial support from the private sector is still needed to support farm level activities. Government support will also be important. Data (e.g. impact indicators) and other business benefits will increasingly tell a convincing story for farmer participation and industry support.

Normalisation

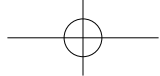
Further expansion to new regions takes five to ten years. Sustainable products will flow into already existing systems without much direct engagement from actors. While retailers' financial support is still needed, they can disengage from supply chain detail and rely on buying through normal specification and sourcing channels. Farmers' participation, industry and government support all expand as the program grows.

Additional findings from these roundtables include:

- Local stakeholders become engaged early in the design phase.
- It is important to understand supply chain members' incentives and obstacles for their participation.
- They provide a reasonable entry-level and promote continuous improvement over time.
- They capture baseline data in a credible and replicable manner.
- They facilitate producer engagement by providing capacity building and/or low-cost verification opportunities.

Creating supply chain systems to support sustainable agriculture

Programs should provide business benefits to various supply chain members. Improved working conditions, along with more efficient, transparent and fair supply chains, can lead to improved productivity that benefits farmers and their communities as well as global brands. Improving relationships and communication between key supply chain



participants can unearth opportunities to improve working conditions and build a more efficient and fair supply chain. While this requires major brands to take the lead to affect global supply chains, small- and medium-sized companies can also make significant contributions.

These initiatives use / intend to use one or more of three general supply chain systems: physical segregation, mass-balance, and book-and-claim. A description and requirements of each system is provided in Table 1.

Table 1		
System	Description	Requirements
Physical Segregation	Certified products are physically segregated from non-certified products at every facility along the supply chain.	Documentation must accompany the certified product at all times. Each facility is usually certified to manage certified products. Cleaning of equipment between the processing of non-certified and certified products.
Mass-Balance	The amount of certified products sourced and sold by each supply chain actor is tracked. However, the certified product and sustainable certificates (e.g. documentation that represents the sustainable attributes embedded in the certified product) does not need to be sold together. The certified product does not need to be segregated from non-certified products.	Sustainable certificates must match the quantities of the certified product that it represents (i.e. there should be a system to ensure proper accounting such that only qualified amounts of sustainable certificates are traded). It is advisable that all facilities trading sustainable certificates and/or products are audited.
Book-and-Claim	Certified products are completely decoupled from sustainability certificates. Certified products will flow through the supply chain just as a conventional product does. Sustainable certificates will be traded and by an independent Issuing Body.	Establishment of an independent Issuing Body is required. Auditing of the issuing body and/or any other traders of sustainable certificates are recommended.

Physical segregation

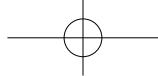
Physical segregation: certified products are physically segregated from non-certified products throughout the supply chain. Physical segregation can use two differing systems:

Full 'track-and-trace' systems. Track individual products (e.g. postal services or bananas) and focus on tracing products back to an individual farm or plantation.

Bulk-commodity approach. Physically segregate certified products from non-certified products (though it does not aim to provide traceability back to the origin of the product). The main goal here is to ensure that certified and non-certified products are not mixed in the supply chain.

Advantages

Physical segregation is preferred by many stakeholders because of its transparency and credibility.



Disadvantages

Additional investments need to be made in the logistical infrastructure. The financial viability of a physical segregation may only be economic at high volumes of certified produce.

Requires a significant investment but will also take considerable time to materialise.

Examples

The soybean market where genetically modified and non-genetically modified are kept physically separated throughout the supply chain.

Mass-balance

The mass-balance approach has a lot in common with a book-and-claim system although it is often perceived very differently by stakeholders. As in a book-and-claim system, there is no physical segregation of between sustainable and non-sustainable products throughout the supply chain. However, in a mass-balance system, each company keeps track of the amount of sustainable products it sources and the amount of sustainable products it sells — in which each company can never sell more sustainable products than it sourced. In other words, while there is no physical segregation of sustainable from non-sustainable products, there is administrative segregation of sustainable products from non-sustainable products in a mass-balance system.

Advantages of a mass-balance system

Because no physical segregation or cleaning of processing equipment is needed, the costs for a mass-balance system will be significantly lower than for a physical segregation system. However, each company in the chain does need to keep additional documentation on the incoming and outgoing amounts of a certified product.

No physical infrastructure investments are required.

Credibility of a mass-balance system is expected to be lower than that of a physical segregation approach but higher than a book-and-claim system.

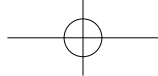
Note that in a mass-balance system there is no guarantee that the physical material that ends up in the product actually originates from a sustainable farm. The difference in credibility described here is, therefore, largely one of perception.

Disadvantages

From a credibility point of view it may be desirable that all parties in the supply chain participate in a mass-balance system. However, from the market players' perspective this may be more burdensome than a book-and-claim system. Because mass-balance does not involve physical segregation it may still be considered as lacking credibility by certain stakeholders.

Example

Forest Stewardship Council (FSC) credit system where a sawmill processes both FSC and non-FSC-wood. The sawdust resulting from the process can be sold as FSC-mixed using a mass-balance system.



Book-and-claim

The central characteristic of a book-and-claim system is that the trade in physical products is completely decoupled from the trade in sustainability certificates. For example, sustainable product certificates are traded between farms and retailers/others. The farm receives a unique certificate for each unit of sustainable product it adds to the market. The certificate holds information on the sustainability of the farm (e.g. that it is certified by a certain standard) and may also contain sustainability data. A centralised Issuing Body issues this certificate. The farm can sell this certificate to a retailer. When the retailer brings a certain amount of a sustainable product on the market and claims this originates from a sustainable farm, the retailer needs to submit the certificates to the Issuing Body. The certificates are said to be 'redeemed' and cannot be claimed again.

Advantages of a book-and-claim system

The trade of sustainability certificates does not distort the physical product. In other words, the trade in a physical sustainable product can continue unchanged which has clear benefits to market players.

An increase in demand for sustainability certificates leads to an increase in sustainable production. Thereby, a book-and-claim system serves the purpose of increasing sustainable production.

With sustainability certificates bought directly from growers and decoupled from the physical product, chances are better that the added extrinsic value of sustainable production actually ends up with the grower.

Disadvantages of a book-and-claim system

Suffers from the following credibility concerns with stakeholders:

There are no guarantees that the sustainable material used for products actually originates from a sustainable farm.

May lead to double counting: e.g. several parties make the same claim on a lot of sustainable products. Therefore, it must contain a rigorous control with unique certificates to prevent double counting.

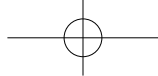
Because of the need for a comprehensive design with a credible Issuing Body, setting up a book-and-claim system will require both time and high start up costs. At small volumes it is not considered a very economic system.

Example

Used in the electricity sector for the trade in electricity from renewable energy (renewable energy certificates).

Conclusion

Alternatives to certifications exist in promoting better social and environmental conditions in agriculture. Successful programs should be designed for mainstream scale and effectively address root causes of social issues. Achieving mainstream scale requires support from local producer organisations and engagement by the industry as a whole. This demands genuine engagement by all key stakeholders early in the program design and throughout its implementation. Understanding the different systems and local context is a very important first step toward the important changes that we all want to see made.



Advantages and Disadvantages of Voluntary Certification for Tropical Cash Crops Harvested by the Rural Poor

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Abstract

The number of certification schemes used in the food markets of developed countries has increased markedly over the past 15 years. There is a wide range of schemes, each with its own objectives, scope and approach. From the perspective of the rural poor in developing countries, obtaining certification to a voluntary standard may yield a number of benefits such as improved farm management, lower production costs, access to premium markets and value adding. In particular, there is evidence that the organic agriculture and fair-trade certifications lead to higher prices for producers and exporters. Certification can also generate a range of public goods that benefit the local community and the national economy.

In spite of its advantages, certification poses a number of challenges for the rural poor in developing countries. In particular, it usually entails significant costs for producers, both in terms of investments to comply with the new standard and regular payments for registration and inspection by the certification body. While large-scale farms can accommodate these costs, they are a considerable constraint for the rural poor. Another problem raised by certification is the suitability of the standard to the local conditions of the rural poor in tropical countries. A frequently-heard criticism of private standards is that their development process is not transparent, inclusive and based on scientific evidence. The accountability of the private entities operating certification schemes remains an open issue. For these reasons, some developing countries view these schemes as a potential barrier to their exports. In order to fully benefit from certification, the rural poor need technical assistance, training and financial support from government and development agencies.

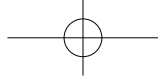
1. The rise of certification in international trade

A wide array of voluntary certification schemes have become available within the agricultural industry since the early 1990s. These schemes have been developed by a variety of organisations, from both the public and private sectors, at local, national or international level (FAO 2007a). Private sector schemes include standards developed by businesses (e.g. food manufacturers and retailers) and those created by not for profit NGOs. Certification schemes cover a wide range of issues such as food safety, food quality, environmental protection, labour rights, safety and health at work, social equity, animal welfare, geographical origin, traditions and the welfare of local communities. A growing number of agricultural producers and traders have sought to obtain certification against one or more of these standards for a variety of reasons. The main driving forces behind the rise of certification are the globalisation of trade, progress in information technology, concentration in the food processing and retail industries, changing consumer preferences and regulatory changes in major developed markets.

Firms increasingly source their raw materials, components and products from a large number of suppliers worldwide. In the past, backward integration through ownership was a favoured strategy to secure scarce supply and ensure product quality. For example, retailers would take over food processing companies while food processors would invest in agricultural production units. However, control through ownership is complex, costly and entails risks,

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especially for firms that are not experienced in the industry. The situation of surplus production that developed in the agricultural sector from the 1980s made it less important to secure access to supply. And progress in information and communication technology made it possible to control the supply chain through the use of standards. In a market situation of abundant supply, standards give a sufficient degree of control over product quality and do not require large investments and the involvement in the management of suppliers. Thus, backward integration through ownership has tended to be replaced by a lighter form of integration through standards. Such a trend has been observed in the banana industry, where multinational companies have sold some of their plantations and increasingly used standards since the 1990s (FAO 2009).

More importantly, retailers have used a similar approach. The retail sector has experienced unprecedented globalisation and concentration since the 1980s. One of the consequences of retailers' increasing bargaining power is that they can impose higher requirements onto their suppliers. These requirements not only include price and product specifications, but also apply to production, processing and transport. Some technical standards, such as those for bar coding, have been initiated by retailers to improve logistical processes. Many retailers have their own specifications that are communicated solely to their suppliers and of which the outer world has little knowledge. Yet, for certain categories of standards, notably those related to food safety, retailers and other buyers may implement standards as a group and require third party auditing and certificates.

Other requirements have been included to respond to new demands from consumers. Rising purchasing power, education level, urbanisation and evolving lifestyles combined with the decline of food prices relative to other goods have led to changes in consumption patterns. While in the past, price and visual aesthetics were the main purchase criteria, the *intrinsic quality* of food has become a much more important parameter. In addition to the physical quality of foods, consumers are increasingly demanding on the ethical dimension of food quality. This relates to the process of production and trade and its broad impacts on society and the environment. It includes a wide range of social, environmental or cultural issues such as the treatment of workers, a fair return for producers, environmental impacts and animal welfare. These concerns have developed partly as a reaction to the industrialisation of agriculture, the concentration of food production and trade and the resulting globalisation of food trade. They have been fuelled by non governmental organisations (NGOs) campaigning for social and environmental goals such as the preservation of rainforests, labour rights, and the abolition of child labour or fair trade. Some of these NGOs have developed voluntary standards that firms may choose to adopt to meet these concerns.

A third reason for the rise of certification has been a tightening regulatory environment, such as increased levels of liability for food companies in relation to food safety aspects. A series of food crises in the late 1990s and early 2000s had considerable media coverage and raised the awareness of governments, the food industry and consumers on the need for improving the monitoring of food production and distribution. Governments have tended to respond by adopting stricter legislation placing the liability for food contamination on the industry and retailers (e.g. the 'due diligence' requirements were first introduced into the United Kingdom and then adopted throughout the EU). In turn, retailers and food manufacturers have sought to make their suppliers liable for the safety of their products, notably through the development of standards for good agricultural practices and good manufacturing practices, traceability and the requirement that suppliers be certified. In some cases, firms have developed standards individually (e.g. Carrefour's "filière qualité"), while in others they have acted collectively (e.g. some European supermarket chains formed the Euro retailer Produce Group to develop the EurepGAP standard in the 1990s).

Finally, competition on quality provides another incentive to adopt "high" standards. Adopting a standard and publicising it is a strategy to improve the corporate image, differentiate products and add value.

This paper only deals with voluntary standards certification, which producers are free to adopt. Certification to mandatory governmental standards (officially named 'technical regulations') such as phytosanitary certification programmes that may be imposed by importing countries is beyond the scope of this paper.

2. Certification programmes frequently used for tropical cash crops

Certification has become widespread in industries exporting tropical products, in particular fruits and vegetables (fresh and dried), coffee, cocoa, tea, sugar, nuts and herbs. There is a correlation between the size of the companies and the adoption of certification. Usually the more concentrated the sector, the higher the share of certified products. Fair-trade certification is an exception to this trend, as it primarily targets small-scale producers.

Broadly speaking, the certification schemes used in the industry can be classified into two categories depending on the type of organisations that developed them (Table 1). The first category includes environmental and social standards developed by not for profit NGOs. It covers a wide range of issues such as environmental protection, labour rights, safety and health at work, social equity and the welfare of local communities. Among these standards the most common in the industry are organic agriculture, Rainforest Alliance, fair trade, SA 8000 and ISO 14001.¹ These schemes differ widely in terms of ownership, objectives, scope, requirements, criteria, indicators and monitoring procedures. All are privately owned standards, except for organic agriculture. The Rainforest Alliance standard, SA-8000 and ISO-14001 are single standards, each owned by a non governmental organisation, while there are several fair-trade standards. Similarly, there is a wide array of organic agriculture standards, some privately owned, some governmental, some intergovernmental².

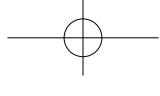
The second category includes standards prioritising food safety, quality, traceability and good agricultural practices, which have mainly been developed by large firms in major markets, notably food retailers and processors. Most of these certification programmes emerged in the late 1990s in the wake of a series of food crises. In many developed countries, changes in legislation putting the liability for food poisoning on distributors and retailers prompted industry groups to design certification programmes oriented towards their suppliers to ensure the safety and traceability of the products they purchase. Retailers and processors are increasingly demanding that their suppliers be certified to these standards as a condition for continuing the business relation. Among this category, the most common standards are GlobalGAP (formerly named EurepGAP, a standard for good agricultural practices developed by a group of European supermarket chains), ISO 22000, BRC (British Retail Consortium), SQF and IFS. Many large companies producing and trading tropical products have now obtained certification against at least one of these. In general, this decision is prompted by the demand of their clients (in particular supermarket chains).

Table 1 – Simplified typology of voluntary certification programmes

	Good production practices Food safety standards	Environmental & Ethical standards
Examples	GlobalGAP, BRC, SQF	Organic agriculture, fair trade, bird friendly, Rainforest Alliance
Type	Business to business	Business to consumer
Usually set by	Corporate buyers (retailers, processors)	NGOs (sometimes producer groups)
Freedom of choice	Limited (often demanded by client)	High
Benefits for producer	Helps maintain market access	May add value, raise sales
Price premium	Usually no	Usually yes
Cost borne by	Producer sometimes with exporter	Consumer sometimes with producer

¹ ISO-14001 is a standard of the International Organization for Standardization (ISO), an international body in which governmental and private standardising bodies are represented.

² For more details on voluntary standards and certification programmes see FAO (2007a)



3. Advantages of certification for farmers in developing countries

Improved farm management

Certification can benefit farmers and food producers in several ways. Traceability and better record keeping may improve the management of the farm or enterprise. They may help them rationalise production and cut input costs (for example through a more efficient use of agrochemicals). Complying with standards may improve market access through enhanced product quality and improvement in the image of the farm or company. Labour standards may reduce worker turnover, absenteeism and accident and sickness rates, thereby reducing costs and raising productivity. They may lead to better health conditions for farmers and farm workers.

Value adding

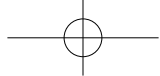
In addition to the above benefits, some certification schemes may have a direct value-adding effect by enabling producers to obtain higher sale prices. In developed countries, a substantial share of consumers are willing to pay a price premium for products that can offer guarantees that their environmental, health and social concerns with regard to food production are being addressed. However, consumers can seldom verify directly how their foods have been produced due to the large distances between them and the producers. Certification programmes that include labels to be affixed onto the products can provide a solution to this problem. Some of these certification schemes lead to a price premium. Farmers and exporters increasingly view them as a tool to add value to their products.

This is an important strategy for developing country exporters of tropical products for which there is a situation or risk of oversupply. Under the pressure of declining commodity prices at the end of the 1990s, many agricultural producers have sought to differentiate their products from those of their competitors by targeting premium market segments. Traditionally, product differentiation has been pursued through improving the physical attributes of the goods, be they observable (e.g. grade, shape, colour, physical integrity, variety, packaging) or not (e.g. taste, acidity, sugar content). In addition, in recent years, farmers and processors have increasingly differentiated their products on the basis of the production process. Certification of environmental and ethical standards offers an avenue for such differentiation.

Access to premium markets in expansion

By adopting a standard and obtaining certification, agricultural producers have been able to participate in the new international value chains for agricultural products. These new chains tend to be shorter than conventional food chains. They usually include a group of farmers, an exporter, an importer-distributor and a specialised retailer. In some cases, the chain is even shorter when the group of producers exports directly to a retailer. This type of short value chain is typical of the fair trade sector, where the declared goal is to reduce the number of middlemen to increase the profit margin at the farm-gate level. This integration, which has been facilitated by rapid progress in information and communication technology, leads to increased profit margins at both ends of the chain. A number of new value chains for certified products have been identified. The organic food market has proved extremely fertile in this respect due to its rapid and steady growth.

There is ample evidence that sales of certified foods have expanded rapidly since the late 1990s. However, there is a lack of official data on the volumes and values of sales, as national agricultural census data and official trade statistics usually do not distinguish between certified and non certified products. Sales of certified foods that do not bear a product label are virtually impossible to track and companies consider the data as confidential commercial information. Even for the GlobalGAP standard, which has become widespread in Northern Europe, it has been impossible to collect reliable sales data. The situation is slightly better for some of the certification programmes which target final consumers with a label, although it is still far from ideal. In the case of organic standards, a few market research firms and NGOs have



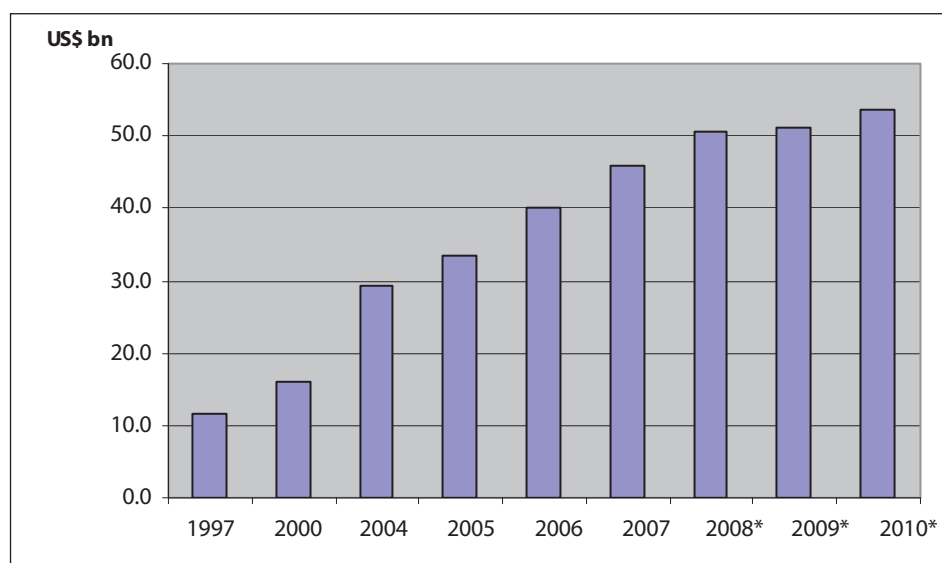
started publishing data. In the case of the Fairtrade standard, FLO and its member organisations monitor the marketed volumes and (to a lesser extent) the values. Data on total Rainforest Alliance (RA) product sales are not available, but this organisation provides some estimates for the volumes of specific commodities (e.g. coffee, bananas). In order to guide decision-making and policy formulation, more reliable data on the market for certified products is necessary.

Developed countries are the main markets for certified products with more than 95 percent of sales, but there is a rapid increase in some other countries such as Brazil, Argentina and China. Similarly, the EU member countries account for the bulk of the European market (more than 90 percent), but increases have occurred in Central Europe (Czech Republic, Slovenia, Slovakia and Hungary). Switzerland has a very high per capita consumption. There is a large variation in consumption per capita across the different EU countries, with Germany, the United Kingdom and France leading by volume as the most important markets. The following sections describe the markets for organic and fair-trade certified products, which are those for which more complete sales data are available.

Organic markets

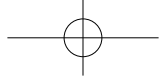
Based on estimates collected from various studies and industry sources,³ global retail sales of organic foods were estimated at some US\$40 billion in 2006. Few final figures are available for 2007 yet, but the UK market research firm Organic Monitor (2009) estimates that sales reached US\$46 billion. They have increased four-fold over a decade, growing from approximately US\$11 billion in 1997 (Figure 1). Growth has slowed since the second half of 2008 due to the economic crisis.

Figure 1 - World retail sales of certified organic products (past and projected)



*: forecast

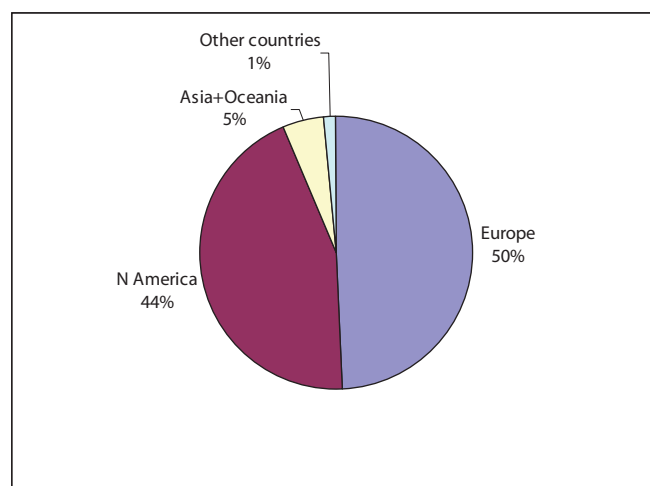
³ ITC, Eurofood, SÖL, Organic Monitor and other sources.



It is estimated that 98 percent of the sales of certified organic products take place in developed countries. North America and Europe account for the bulk of retail sales as illustrated in Figure 2. Other markets are Japan, Australia and New Zealand. Although developing countries presently account for only a fraction of sales, consumption is rising steadily in some of them, in particular in the emerging economies of East Asia (Singapore, Malaysia, China, Republic of Korea) and Latin America (Argentina, Brazil, Chile). In these countries organic sales are overwhelmingly concentrated in the large cities and purchasers originate from the upper classes.

It is important to bear in mind that the above figures refer to all organic-labelled foods, be they certified to private or public standards. Most developed countries have adopted a public standard for organic products. In these countries certification to the public standard is mandatory if the product is to be labelled as organic. As a result, the bulk of organic-labelled foods are certified to public standards. However, some of these foods are also certified according to a private organic standard in addition to the public standard of the country where they are sold. This may give them a market advantage where a certain private organic label is well regarded by consumers. The percentage of organic products certified by private standards is unknown.

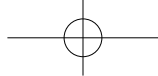
Figure 2 - Main markets for organic foods (in percentage of world retail sales in 2006)



Fair-trade markets

Global sales of Fairtrade certified foods reached nearly £2.4 billion (US\$3.5 billion) in 2007 according to the Fairtrade Labelling Organizations International (FLO, 2008)⁴. Sales increased by 47 percent (in Euros) over 2006 and further growth was recorded in 2008. Tropical products such as tea, cocoa, coffee and bananas enjoyed the fastest growth rates. On average, sales expanded by 40 percent annually over the period 1997-2007. By the end of 2007, 632 producer organisations in 58 developing countries in Africa, Asia, the Caribbean and Latin America were certified by FLO. FLO estimates that these organisations represent 1.5 million farmers and farm workers, and when counting their families and dependents, overall 7.5 million people benefit directly from fair trade. Since FLO was created in 1997, the number of certified producer organisations has trebled. FLO-labelled products are available in more than 60 countries. The main markets for fair trade products are the United States, the United Kingdom, France, Switzerland and Germany, accounting for nearly US\$2 billion in 2007 (82 percent of global sales of FLO labelled foods). Some NGOs that do not belong to the FLO system also sell fair trade labelled foods, but the quantities are very small compared to those of FLO labelled foods.

⁴ Since this figure only reflects sales of FLO-certified foods and does not include sales by alternative trade organisations, the total market value of fair trade food is slightly higher.



Provision of public goods

Certification to environmental standards may improve the management of natural resources on which the livelihoods of the rural poor depend. They may raise the economic opportunities of rural communities. Better management of toxic chemicals and waste can improve the health of local residents. Certification to social standards may lead to higher wages and access to services for workers, which is set to have a positive impact on the local economy. Although they are difficult to quantify in financial terms, these benefits may be significant. A number of case studies by the World Bank, UNCTAD and other organisations have highlighted the potential benefits of private standards⁵.

From a macroeconomic perspective, certification may help raise export earnings, generate employment, support small producers, improve food security and diversify the local economy. It may deliver national public goods such as preserving natural resources, rural landscape and amenities. Cases have been reported where it helps enforce national regulations in countries where the legal enforcement capacities are low (ISEAL 2008).

4. Challenges posed by certification

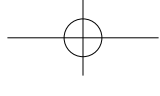
Higher costs

Obtaining and maintaining certification is costly, as suppliers have to pay registration and inspection costs. In addition to these direct costs, monitoring and record keeping systems have to be developed to meet the demands of auditors. Such systems usually entail substantial investments in time and money for producers. They require financial resources to upgrade the facility to the level required by the standard. They also require skills to understand the standard's requirements, set up the record-keeping system and fill in the many forms that have to be submitted to the certification body.

Case studies (e.g. Maertens and Swinnen 2007) show that although private certification entails extra costs, it remains affordable for large-scale farms and businesses in general. Much of the concern that has arisen over private certification programmes relates to the burden they place on small-scale producers and exporters, especially in developing countries. Complaints have focused on standards for good agricultural practices and food safety. The first public concern regarding EurepGAP at the SPS Committee was raised by Saint Vincent and the Grenadines, a country where the majority of farms are very small. Several developing countries have complained that although certification benefits the entire food chain, the costs of private food safety and GAP certification are almost always entirely borne by suppliers (farmers, processors and exporters). Food producers have to invest time and money in order to obtain certification but do not receive higher prices. As a result, small-scale farmers may be forced out of the export market. A case study on Kenya (Graffham et al. 2007) showed that between 2003 and 2006, 60% of these small vegetable farmers were dropped by the export company they were linked with in 2005 or withdrew from EurepGAP compliance schemes as they could not face the costs of EurepGAP. In some cases, technical assistance projects may reduce costs, but this is not a sustainable solution.

As seen above, some of the certification programmes that use product labelling targeted at consumers may lead to a price premium. In some cases, the premium more than offsets the costs of compliance and certification. This is generally the case for organic and fair-trade certification. However, even in these favourable cases, there is evidence that only a small share of the premium paid by consumers accrues to producers, as most of it is captured by downstream operators, in particular retailers. Case studies of certified banana exports from the Dominican Republic and Peru found that less than 20% of the premium accrued to the producing country (FAO 2009). The return to exporters was not higher for organic bananas than for conventional bananas. Retailers extracted the largest share of the retail price (40 to 50%), followed by importers. In a field study in the Dominican Republic, CIRAD (2008) found that grower organisations captured less than 12% of the retail value of certified bananas while retailers captured between 33 and 40%.

⁵ For a literature review of the impacts of private standards in agriculture see FAO (2003b) and FAO (2007a)



Reliability

Certification can be a useful instrument to access remote markets when the issue of trust arises. In countries where the effectiveness of regulation is perceived as low, or the developing country stereotype influences the perception of consumers in the importing markets, the use of external monitoring organisations may be a solution for establishing trust in the quality of exported products (FAO 2007b). In the agriculture export sector, the use of foreign control firms is common. Multinational certification companies, such as Bureau Veritas Quality International or Société Générale de Surveillance, perform thousands of quality controls of agricultural goods for export worldwide every year. Similarly, the use of foreign certification bodies is widespread for organic foods. One reason is that few developing countries have domestic organic certification bodies. Yet, the main cause is that consumers in importing countries are more likely to trust an organic product that bears the label of their own country's certification bodies. This is because they tend to trust the quality of the work of the latter in general. Also, they believe that these will be less vulnerable to possible pressures and conflicts of interest than the certification bodies of the producing country.

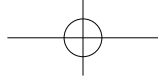
Nevertheless, it should be noted that certification does not automatically guarantee impartiality or absence of conflicts of interest. For example, the standard may have been set by any party, e.g. by the producer or by the buyer, in which case their interests are likely to be reflected in the standard. When a standard setting body certifies against its own standard, a conflict of interests may also arise. The standard setting body may want to see high implementation rates of its standard, or have a bias against certain types of producers or processors for ideological reasons, which may influence certification decisions. If the certifier is a for-profit company, it may have an interest in not interpreting the standard in too strict a manner, lest some clients switch to competitors who have a more flexible interpretation. Also, withdrawing certification in case of non-compliance means losing a customer. Even when the certifier is a not-for-profit non-governmental organisation (NGO), conflicts of interests are still possible. First, if the certifying NGO has set the standard itself, it may be tempted to interpret it flexibly so as to promote its adoption by a large number of producers. Therefore, ideally, the organisation that owns the standard should not carry out the certification operations itself. Rather, it should authorise competent independent certification bodies to do this work after checking their capabilities. Secondly, a certifying NGO, in a similar fashion as for-profit certifiers, may have an incentive to be flexible to avoid losing "clients" if it faces fierce competition from other certifiers.

Suitability of standards to the conditions of the rural poor

The usefulness of a private standard depends on the improvements in the quality of the product or process resulting from its adoption. Of course, this depends on the operator considered. The standard is meant to benefit the prescribing organisation. Whether it also benefits the farmer that must comply with it and society as a whole depends on its requirements ('criteria'). Generally, compliance entails investment of time and money from the producer if the standard is to lead to actual improvements, but these investments may be compensated by various benefits as seen in the previous section. Yet, if the criteria are irrelevant or not suited to the producer's situation, they may be a heavy burden. Here, it is important to make a distinction between prescriptive and result-based standards. Results-based standards state the results that have to be obtained, but let the implementing companies choose how to achieve these results. By contrast, prescriptive standards set precise requirements for how products should be produced. Such prescriptive requirements tend to pose more difficulties for producers in other production systems than those for which the standard was originally developed or with which the authors of the standard are familiar, as many of the criteria may be irrelevant. For example, the former EurepGAP standard was primarily designed for European farmers and some of its requirements were found both irrelevant and excessively costly for African smallholders. In this respect, result-based standards are preferable because producers can implement them in a way that is consistent with the local circumstances (FAO 2007a).

The standard setting process

The suitability of certification schemes depends to a large extent on the way they were designed. Critics of private standards have argued that their development process is neither participatory nor transparent. During recent meetings



of the SPS Committee, developing countries repeatedly pointed that private standards are not set in a transparent and inclusive manner. Many of them feel that they are excluded from the process. They view private standards as competing and eroding the multilateral efforts to reach consensus on standards and facilitate their international harmonisation. At a meeting of the SPS Committee in June 2005, the representative of Argentina stated that: "If the private sector was going to have unnecessarily restrictive standards affecting trade, and countries had no forum in which to advocate some rationalisation of these standards, twenty years of discussions in international fora would have been wasted." (WTO 2005)

Another frequent criticism of private standards is that they are defined in an arbitrary manner instead of being based on sound science. Setting international standards has proven to be very difficult due to the variety of circumstances that exist around the world. This is especially true for agricultural practices, which have to respond to differences in climate, soils and ecosystems, and are an integral part of cultural diversity. To address this diversity, international private standards should be normative standards, i.e. generic standards or guidelines to be used as a framework by local standard-setting or certification bodies to formulate more specific standards.

Several countries have recommended following the example of the Codex Alimentarius Commission, which they view as participatory, transparent and science-based. They have underscored the need for agreed guidelines for developing private standards. Some have argued that private standards should be addressed by the multilateral standard-setting bodies (Codex Alimentarius, CPM and OIE), as this would reduce costs, increase transparency and promote harmonisation.

Arguably, the requirements of standards would be more relevant if companies involved their suppliers and independent experts when developing a standard. This would make it less likely that complying with the standard is too costly or complicated for producers. The reluctance of companies to involve stakeholders in standard setting may be partly explained by the trade-off between effectiveness and participation. The involvement of all stakeholders is bound to slow the development of the standard due to the often conflicting goals of stakeholders. Conversely, if a developer wants to produce the standard in a short time span and presses ahead with a certain standard, it is likely to lose the support of some groups. In a case study on Costa Rica, Bendell (2001), shows that many stakeholders dropped out of the standard setting group as the standard was being elaborated and adapted to the operational constraints of production.

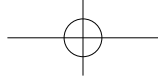
Accountability of standard setters and accreditors

In the case of governmental standards, it can be argued that there is a 'double accountability' guarantee. Governments are accountable to their citizens and to multilateral institutions (the SPS and TBT committees under the WTO system). There are multilateral rules governing standard setting, obligation of notification, provision of information and mechanisms for dispute settlement. Conversely, in the case of private standards, companies are only accountable to their shareholders (provided they comply with national laws). NGOs are only accountable to their members. The legitimacy of both groups in setting standards that may have impacts on the wider public interest (in particular human health) has been questioned⁶.

A barrier to market access for developing countries?

Most of the initiatives to adopt new private standards have occurred in developed countries. Yet, these standards apply to both domestic and imported products. From the perspective of developing countries whose economy relies on exports to major developed markets this is an alarming development. A large number of them feel that the rise of private standards threatens their market access and will reduce their export opportunities. In particular, some food safety and good agricultural practice (GAP) standards have come under close scrutiny because they tend to be imposed

⁶This issue is discussed in FAO (2003b).



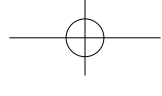
by large corporate buyers on their suppliers as a prerequisite for doing business. Although in theory they are voluntary in nature, they are increasingly viewed as de facto mandatory. The GlobalGAP standard has generated particular concern due to the rising number of large supermarket chains that require it. Trade envoys from developing countries have complained that developed country governments have transferred the monitoring of food safety to their private sector, in particular the retailers. Those in turn shift this responsibility to their suppliers through certification requirements. In the case of imported foods, this means that the burden and costs of food safety monitoring have shifted from importing countries to exporting countries.

Developing countries often lack the infrastructure, equipment and trained personnel to meet the additional requirements of private standards. They have invested substantial resources and made efforts to meet the technical regulations of developed countries and are reluctant to have to comply with additional requirements from the private sector, especially if these are defined in an arbitrary manner and not based on scientific evidence. For those developing economies that rely on exports, losing market access will translate into a loss of vital export earnings, which jeopardises economic and social development. Further, exclusion from international markets may shut them out from sources of expertise, inputs and technology.

Conclusion

A wide range of certification schemes is now available to farmers producing tropical cash crops in developing countries. From the perspective of the rural poor, the most interesting schemes are those that generate a price premium at farm level and public goods such as the conservation of natural resources. There is evidence that organic agriculture and fair-trade certification lead to higher prices for producers and exporters, although a large share of the extra price paid by consumers remains with downstream market operators, in particular retailers. The market for fair-trade and organic products has expanded considerably since the mid-1990s and these products are now commonly found in the supermarket chains of developed countries. Growth has slowed since 2008 due to the economic crisis, but sales are expected to continue rising as an increasing number of consumers adopt sustainable modes of consumption. Consumers increasingly expect that the foods they purchase address all the dimension of sustainability. Consequently, products having multiple certifications (e.g. food safety, organic and fair-trade) have the best market prospects. In order to guide decision-making and policy formulation, it will be necessary to establish systems for collecting data on the markets for certified products in a more systematic manner.

Obtaining certification usually entails significant costs for producers, both in terms of investments to comply with a new standard and regular payments for registration and inspection by the certification body. While large-scale farms can accommodate these costs, they present a considerable challenge for the rural poor. In order to contain these costs, small-scale farmers need to organise in groups, cooperatives and other forms of associations to set up collective quality assurance systems. Effective internal control systems will reduce the cost of certification for producers, ensure product quality and enhance the group's cohesion and management. Farmers and enterprises need to seek market information, technical advice and access to financial resources in order to select and adopt those standards that are of interest to their business. The rural poor seldom have the capacity to do this on their own and therefore need support from national governments and development agencies.



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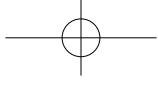
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ITTO and Certifying Tropical Timber

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Abstract

ITTO is among the pioneers to address the issue of forest and timber certification as a voluntary market-based mechanism for the promotion of trade in tropical timber from sustainably managed and legally harvested forests. ITTO's pioneering role includes work on the development of a definition of sustainable forest management and a set of criteria for measuring sustainable forest management which was initiated at the early stage of its establishment (1991). From a relatively slow start in the early 1990s, there has been some progress in forests and timber certification which has been driven by the demand for certified timber in some key European import markets. However, developing countries continue to lag behind developed countries in achieving forest certification. Five certification systems operate in tropical timber producing countries (FSC, PEFC, CERFLOR, LEI and MTCC) with the same general goal of promoting sustainable (or responsible) forest management. Although ITTO has provided financial support to individual Forestry Management Units (FMUs) as pilot cases in the achievement of certification, ITTO's support has been subject to debate because some members have been concerned that it could be interpreted as an endorsement of particular certification schemes.

Introduction

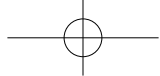
Since 1994, the International Tropical Timber Organization (ITTO) has been monitoring the progress of forest certification and its implications for tropical timber-producing countries. By definition, timber certification covers the certification of forest management and labelling of forest products. Certification of forest management involves a written assurance that the quality of forest management being practiced conforms to specified standards (Bass 2001). After a relatively slow start in the 1990s, when there was only one international certification system for verifying forest management and the chain of custody (CoC) of certified timber and timber products, certification has become a mainstream activity in the forest sectors of many countries. Progress in most tropical timber-producing countries, however, has continued to be slow.

For the trade and industry, certification continues to be mainly a marketing and communication tool to ensure access to environmentally sensitive markets and to mitigate risks related to stakeholder concerns on the origin of timber products. From the perspective of the forest industry and trade, it is important that certification does not become a non-tariff barrier to trade and that its benefits are commensurate with its costs.

For stakeholders like environmental non-governmental organisations (NGOs), community-based organisations, indigenous groups, forest workers and others, certification offers a way to influence *large-scale* forest management through participation in the standard-setting process and during the certification process. For these groups, certification can help protect their rights and promote well-being. On the other hand, many small-scale operators, including indigenous groups, are suspicious of certification, partly because of the difficulty of obtaining it for their operations and the costs associated with it.

Forest certification continues to be one of the most contentious issues in international forest policy because it is a trade-related instrument that can influence the competitiveness of tropical timber-producing countries and their access to markets. In particular, producers are concerned about difficulties in achieving certification and the associated increase in production costs, while market benefits are uncertain.

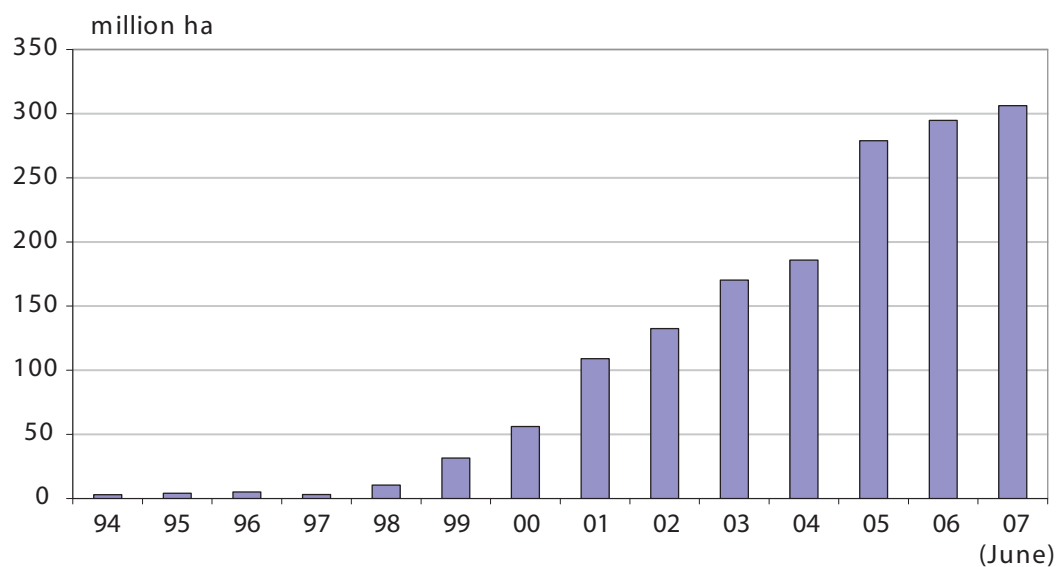




Overview of Implementation of Forest Certification

In June 2007, certified forests covered 306.3 million hectares globally (Figure 1). However, the growth rate has slowed since 2005.

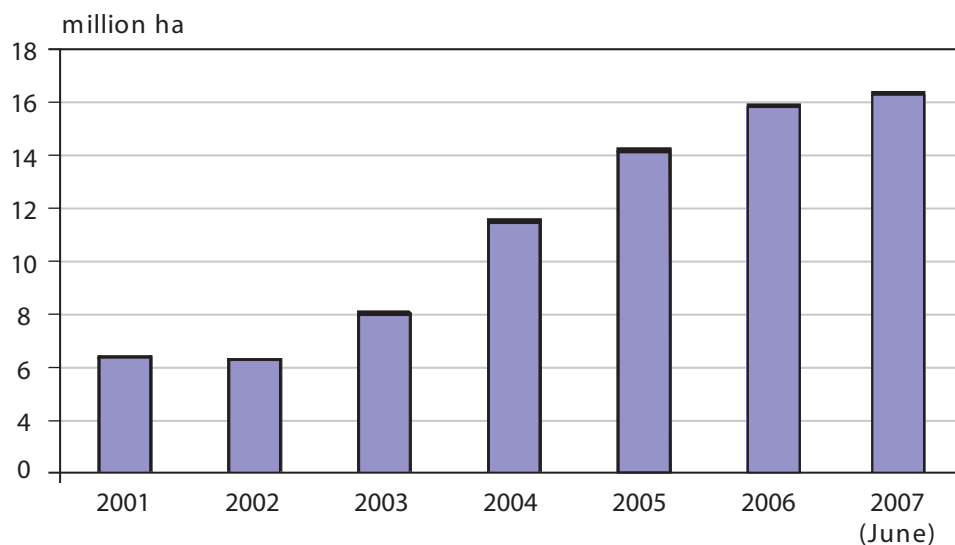
Figure 1 Global certified forests, 1994–2007



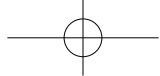
Source: ITTO 2008

In 2007, the certified forest area in ITTO producer countries was 16.3 million hectares (Figure 2). ITTO's 2005 assessment of sustainable management of tropical forests (ITTO 2006) used independent certification (or progress towards it) as one of four criteria of sustainability. The total area of sustainably managed production forest was estimated to be 26.9 million hectares, of which 39% (10.4 million hectares) was certified.

Figure 2 Certified Areas in ITTO producer countries, 2001–07



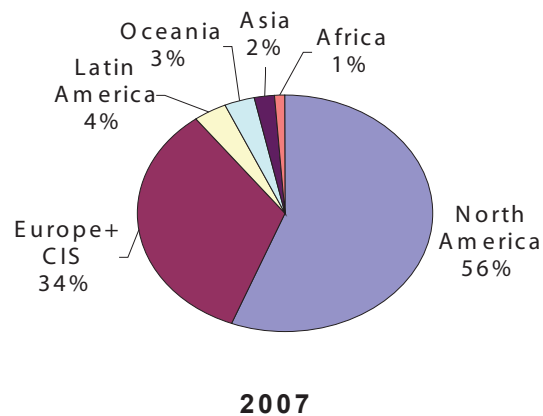
Source: ITTO 2008



Most (84%) of the world's certified forests are located in North America and Europe. Developing countries account for 7% of the world total and this varies between tropical regions, from 0.6% of forests in Africa, to 1.2% in Latin America, to 1.4% in Asia (Figure 3). ITTO producer countries account for no more than 5% of the world total (Figure 4).

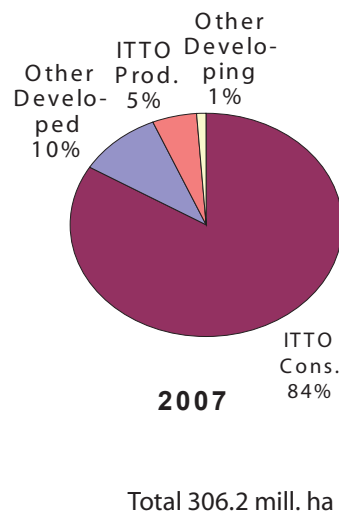
The main reasons for the slow progress in certification in tropical countries are a lack of skills and adequate management systems in forest management units (FMUs), barriers in accessing certification services, limited awareness of the importance of certification, and a lack of certifiable forests (Lescuyer 2006).

Figure 3: Certified forests by region (2007)

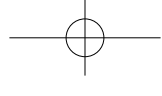


Source: ITTO 2008

Figure 4: Certified forests in ITTO member countries (2007)



Source: ITTO 2008



ITTO's Policy Work Related to Forest Certification

ITTO's work on timber certification began at a relatively early stage with the commissioning of a report on "The Economic Linkages Between International Trade in Tropical Timber and Sustainable Management of Tropical Forests" leading to the convening of the Working Party and "Report on Certification and Labelling of All Timber and Timber Products" in Cartagena, Colombia in 1994. This was followed by a detailed study on "Market and Market Segments for Certified Timbers" in 1995, a comprehensive "Study on the Development in the Formulation and Implementation of Certification Schemes for All Internationally Traded Timber and Timber Products" in 1996 and the "Study on Timber Certification: Progress and Issues" in 1998.

ITTO has made significant contributions to forest certification in its policy work including work on the development of a definition of sustainable forest management and a set of criteria for measuring sustainable forest management which was also initiated at the early stage of ITTO's establishment (1991), well before the launching of the Helsinki and Montreal processes for non-tropical forests after UNCED, 1992. Since then, a revised version of the ITTO Criteria and Indicators was published in May, 1998 followed by the adoption of the Manual for the Application of Criteria and Indicators for Sustainable Management of Natural Tropical Forests in May, 1999. ITTO's Criteria and Indicators (including the harmonised ATO/ITTO PCI) can now be used as a basis for timber certification as these are among the most updated presently and are comparable with those associated with other leading initiatives. ITTO's relevant normative work also includes the development of guidelines on: the sustainable management of natural tropical forests; the establishment and sustainable management of planted tropical forests; the conservation of biological diversity in tropical production forests (a revised version was approved by the Council in November 2008 and has just been published); fire management in tropical forests; and the restoration, management and rehabilitation of degraded and secondary tropical forests.

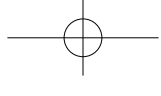
Although ITTO has yet to be assigned with a more proactive role in the actual development and practice of timber certification, including the accreditation of timber certification bodies, it has nevertheless commissioned relevant studies on the subject besides providing support to individual member countries in the formulation, implementation, and evaluation of projects related to timber certification.

The compatibility and linkages between the ITTO C&I and guidelines and the certification standards were identified in a PEFC-commissioned study, which concluded that the basic PEFC reference document for the national certification standard (PEOLG) is fully compatible with the ITTO C&I and the ITTO Guidelines for Sustainable Management of Natural Tropical Forests (Savcor Indufor 2006). This development has significantly added value to the ITTO normative documents and has built a practical link between the work on C&I and forest certification.

Another significant policy role played by ITTO is in the comparability and equivalence of certification schemes. Since 1994, ITTO has made significant efforts to promote the comparability of certification schemes through studies and international workshops. Harmonisation in certification standards has been advanced as a means to avoid confusion while at the same time facilitating trade and efficiency. However, such a proposal has received mixed reaction. 'Equivalency' and 'comparability' have been advanced as alternatives and there remain an urgent need to promote the convergence of initiatives and schemes at a level of standards that can be widely accepted. Lately, 'mutual recognition' has gained momentum as a practical way forward to facilitate such a convergence and acceptance.

Also in 2003–05, ITTO invested significant efforts through analytical work and extensive stakeholder consultations to promote phased approaches to certification (ITTO 2005). This was deemed necessary because of the long process that is often required in tropical FMUs before they can become fully certifiable. After some hesitation, forest certification systems have started to implement the idea.

Recognising the challenges that developing countries have in meeting its P&C requirements, the FSC has approved a policy on modular ('phased', 'stepwise') approaches to certification (Modular Implementation and Verification approach (MIV), seeking ways to actively promote and support such approaches (FSC 2005). A roundtable with various



parties (certification bodies, WWF, GFTN, etc) was convened in 2005 to identify implementation options and a process is under way to develop a framework for the FSC Modular Approach program.

The PEFC issued a position paper on phased approaches which concluded that such an approach within the PEFC system should be in compliance with their requirements for credibility, including a national standard, forest certification process, chain of custody, minimal confusion for customers in communication, different performance levels, including a timeline prescribed in a multi-stakeholder agreed standard, and the verification of compliance. The PEFC Council also indicated its willingness to work with ITTO and others to deliver technical and politically acceptable solutions once demand, market, and political support could be demonstrated (PEFC 2006).

LEI's operational system for phased approaches was approved in 2007. According to the LEI Guideline Series 77, the first phase of the LEI phased approach certification program is the legality of timber, which means that the operation has to comply with the national standard for legality. Several other actors, such as GFTN, and the Tropical Forest Trust are implementing phased approaches in various ways, and a number of private certification bodies are offering related services (e.g. WWF 2006). ITTO's policy work has contributed substantially to these developments.

Certification Systems in ITTO Producer Countries

Five certification systems operate in tropical timber producing countries (FSC, PEFC, CERFLOR, LEI and MTCC). All five schemes have the same general goal of promoting sustainable (or responsible) forest management. Most of the certified forests in the tropics are FSC-certified. Nineteen ITTO producer countries have FSC national initiatives and four have national standards. Nine of the initiatives are in Africa but none of these has produced a standard, while four of the seven initiatives in Latin America have accredited standards (ITTO, 2008). It must, however, be noted that these schemes are not equally recognised within the marketplace. For example B&Q will only recognise FSC certificates.

With the exception of CERFLOR, national schemes in the tropical timber-producing countries have made little progress in obtaining endorsement or market acceptance and their resources for market promotion are generally very limited although LEI and MTCC have both made progress in certifying significant areas of large FMUs in their respective countries.

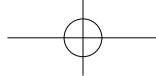
Several other developing countries, including Cameroon, Gabon, and Ghana are in the process of developing national systems.

Figure 5 Logos of Certification Systems in ITTO Producer Countries



Regarding forest management standards, different approaches have been applied. The FSC draws on its own principles and criteria (P&C), while the other systems use internationally agreed, regional-level criteria and indicators (C&I) for sustainable forest management, including the guidelines and C&I developed by ITTO, as a framework for their standards.

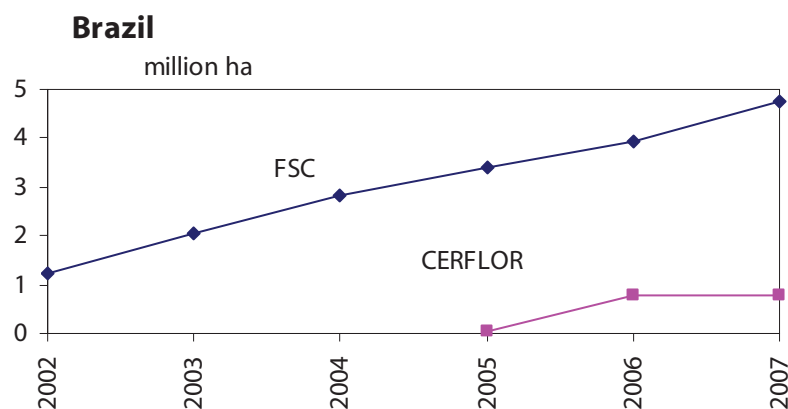
The certification criteria of PEFC-endorsed national systems cover all relevant aspects of SFM. The base documents are the criteria of the regional and international C&I processes. The current Pan-European Operational Level Guidelines (PEOLG) forms the reference for national or sub-national certification criteria in Europe. In the case of Africa, the African Timber Organization (ATO)/ITTO Principles, Criteria and Indicators (PCI) form the reference basis. In other tropical



countries, the forest certification criteria of natural forest management must be compatible with the ITTO Guidelines for Sustainable Management of Natural Tropical Forests (ITTO 1992) and ITTO Guidelines for the Conservation of Biological Diversity in Tropical Production Forests (ITTO 1993a). In the case of plantations, the reference document is the ITTO Guidelines for the Establishment and Sustainable Management of Planted Tropical Forests (ITTO 1993b).

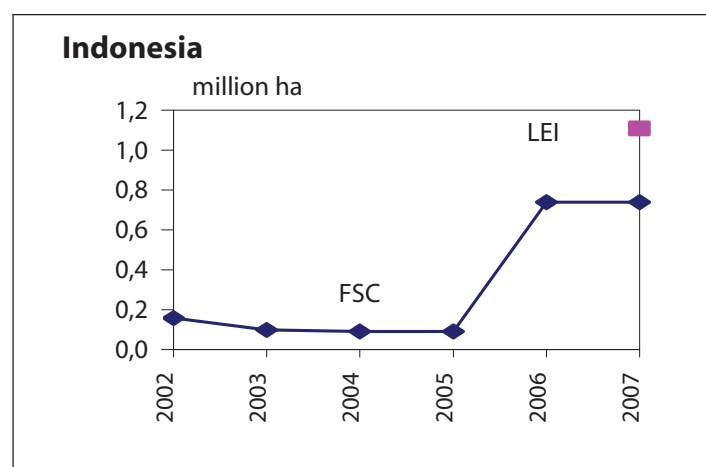
Certification standards should not be considered as cast-iron measures of sustainability but as evolving tools in an adaptive management system, the ultimate aim of which is sustainability. Regardless of the differences between individual standards, it can be safely assumed that the achievement of certification standards has had a positive impact on forest management.

Figure 6: Area of certified forest in Brazil, by system (2002–2007)



Source: ITTO 2008

Figure 7: Area of certified forest in Indonesia, by system (2002–07)



Source: ITTO 2008

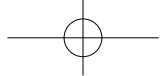
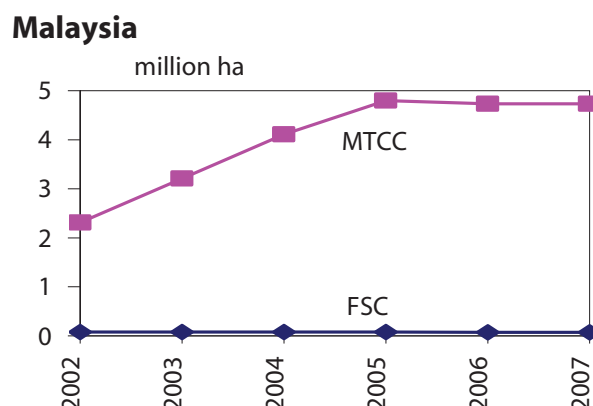


Figure 8: Area of certified forest in Malaysia by system (2002–07)



Source: ITTO 2008

Tropical Timber Market Situation

The demand for certified timber is growing and, at least in some key European imports markets, tropical timber is apparently under-represented in this market segment, mainly due to limited supply. The impact of restrictions on access to these markets is, in relative terms, strongest in Africa, which of the three tropical regions depends mostly upon Europe. This is why African producers have made important commitments to achieving certification (Bourguignon 2007). Brazil, Malaysia and Indonesia are also affected by market demands in Europe, but to a lesser extent (Simula 2006).

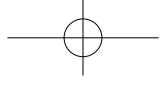
In several countries, government procurement agencies have made commitments to buy legally produced and certified products. In recent years, public timber procurement policies have become a major driving market force. Public procurement generally accounts for about 15–20% of the demand for timber products, but the indirect impact of respective policies is significantly higher (Simula 2006). In Denmark, for example, the public sector plays a much stronger role (15–27%), due to the demand for tropical species in marine construction and public works (Rambøll Management 2006). In France, the share of public procurement in tropical timber has been estimated at 25% because of the importance of building construction and public works (CIRAD 2004).

The proliferation of public procurement requirements for certification systems is a cause of concern for tropical timber producers due to the differences between them. The extent to which such policies are justified to ensure credible certification merits careful consideration by decision-makers and stakeholders to avoid creating an unnecessary obstacle to trade. Convergence in the acceptability criteria of various certification schemes would eliminate the need for producers to use different certification strategies in different export markets.

The verification of legality and SFM certification will increase the cost of timber production in exporting countries, creating pressure for price increases. In general, however, buyers in importing countries have refused to pay a premium for certified products, except for some products and market segments for which demand exceeds supply.

ITTO Projects and Activities Related to Certification

A number of ITTO projects have directly or indirectly aimed to build local capacity for implementing SFM and forest certification. ITTO has also provided financial support to individual FMUs as pilot cases in the achievement of certification. On the whole, however, the financial support received by producers has been limited compared with



the vast needs of the tropical timber-producing countries. However, ITTO's support for certification in tropical timber-producing countries has been subject to debate because some members have been concerned that it could be interpreted as an endorsement of particular certification schemes.

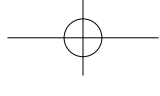
Table 1 ITTO's Project Work Related to Forest Certification

Code	Title	Scope	Implementation period
PD1/95 Rev.4(M)	Training Development on Certification of Sustainable Forest Management in Indonesia	Assessor training for LEI, production of training materials	1997-1999
PD3/97 Rev.1(M)	Development of an Export Intelligence Monitoring System in Fiji	Information system and marketing strategies	1997-2000
PD80/01 Rev.6(M)	Consolidating Sustainable Forest Management in Indonesia	Awareness raising, training system, assessor training, institution building	2003-2006
PD124/01 Rev.2(M)	Promotion of Sustainable Management of African Forests	Capacity building for implementation of ATO/ITTO PCI and regional cooperation	2003-2005 2003-2007
PD140/02 Rev.2(M)	Development of Criteria and Indicators for Sustainable Management Appropriated to Brazilian Tropical Forests	Development of C&I for forest certification standard for natural forest, training materials and training	2003-2005
PD338/05 Rev1 (M,I)	Promotion of Guatemalan Certified Timber and Timber Products Trade	Institutional strengthening for marketing support organisation and promotion of the production and utilisation of LKS	2007-2009
PD391/06 Rev.2(M)	Promotion and Creating Market Demand for Certified Tropical Wood and Verified Legal Tropical Wood in Japan	Establishment of a market promotion centre, market research, trade facilitation, awareness raising	2007-2009

Source: ITTO 2008

In 2005, under its Biennial Work Programme, ITTO committed itself to catalyze, facilitate, and support partnerships among Civil Society organisations and tropical timber producers with a view to promoting progress towards sustainable forest management and certification and concluded the following four partnerships in 2007:

- Partnership between the Tropical Forest Trust (TFT) and PT Hutanindo Lestari Raya Timber (HLT), Indonesia. This partnership started on the 1st January 2005 and covered an area of 98,000 ha.
- Partnership between Foundation for People and Community Development (FPCD) and Madang Forest Resource Owners Development (MFROA), Papua New Guinea made up of indigenous resource owners. The FPCD transferred skills and technology to members of MFROA. In May 2007, FPCD was issued an FSC group certificate by FSC third party accredited certifier, SCS.
- Partnership between forest company IngF/SCIFO and the village communities living around a forest concession area in Cameroon. The objective of the partnership was to improve the relationship between the company and local communities living near tropical production forests. The partnership covered an area of 80,000 ha in the Eastern Province of Cameroon and involved training and awareness-raising of communities on ATO/ITTO Sustainable Forest Management Principles, Criteria and Indicators and on forest law.



- The partnership was between the Brazilian Association for Mechanically Processed Timber – ABIMCI and the Industria de Madeiras MANOA Ltda, a company located in the Rondonia State of Brazil. ABIMCI provided training and technical assistance to MANOA on basic aspects related to forest management and on auditing procedures. As a result of the partnership MANOA became the first tropical forestry company in the world to be certified under the CERFLOR scheme.

ITTO's Thematic Programme on Forest Law Enforcement, Governance and Trade

ITTO has recently approved the implementation of a US\$ 15 million thematic programme on forest law enforcement, governance and trade. The programme will complement ITTO's work on policy and transparency by intensifying its work with government, private-sector and civil-society actors. It will also encourage and facilitate partnerships between government agencies, civil-society organisations, and private companies to, on the one hand, increase the involvement of local communities in forest management, production and benefit-sharing and, on the other, improve market access for forest products.

Conclusion

ITTO policy work has been used widely as a framework reference for several certification standards (PEFC, CERFLOR, LEI and the MTCC), The ITTO guidelines and C&I have provided an avenue by which certification schemes can link with an internationally agreed framework on the principles, criteria and indicators of SFM and, for national certification systems, by which they can achieve international recognition.

ITTO has also made significant efforts, through studies and international workshops, to promote comparability between certification schemes. This work has contributed to greater awareness among the certification schemes and tropical timber producers. In addition, ITTO's policy work has contributed, at least indirectly, to the development of the procedures of individual schemes and the requirements for recognised or acceptable certification schemes.

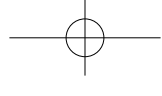
Timber certification has had a considerable impact on sustainable forest management and its future appears to be promising, yet very challenging. The global demand for certified timber is growing. Many buyers and consumers appear willing to give preference to sustainably produced timber in their purchases. Despite inevitable competition, the many similarities between certification schemes offer a basis for cooperation. Convergence in the acceptability criteria of various certification schemes would eliminate the need for producers to use different certification strategies in different export markets. The certification of small-scale forest owners has also proved to be particularly difficult, even though their forest management could often meet requirements for certification. Small landowners in tropical timber-producing countries rarely have formal management systems and the market benefits of introducing them have been nil or marginal at best. Increasing the benefits of certification for these forest owners would help boost their interest in it.

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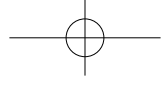
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Certification Systems in the Jute Commodity Chain and Related Issues

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Introduction

The word 'Certification' refers to the confirmation of certain characteristics of an object, person, or organisation. This confirmation is often, but not always, provided by some form of external review, education, or assessment.

One of the most common types of certification in modern society is the adherence to performance standards or quality requirements by a product or commodity. This refers to the processes intended to determine if a material or product meets minimum standards, similar to quality assurance. The topic of the discussion is confined to this kind of certification involved in the jute commodity chain.

Certification is seen as an instrument that can encourage sustainable production of commodities. It is also a prerequisite for consumers which acts as a guarantee that certain quality, health and environmental assurances have been met.

Product certification is the process of certifying that a certain product material has passed performance and quality assurance tests or qualification requirements stipulated in regulations such as nationally accredited test standards, or that it complies with a set of regulations governing quality and minimum performance requirements. Certification of products/materials may indicate their established suitability for a specified purpose. Products, once certified, may be endorsed with a quality mark or be eligible to display a certification mark.

The certification system needs accreditation of the following by a national authority:

- national standards
- standards writing organisations
- certification organisations
- auditing organisations

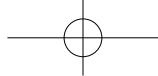
Some organisations are accredited nationally both for auditing and for accreditation. Test reports that are only based on testing and not on certification, are done on demand or the interests of the members of the value chain, but are not necessarily used to comply strictly with code requirements, whereas earning a certification label involves an entirely different regime. Some certification schemes are mandatory and some are voluntary.

Global sourcing has made quality management a more challenging task. While most foreign suppliers voluntarily certify their products, some stricter provisions for mandatory certification are also being proposed by consumer organisations. There are countries and products which are exempted from mandatory certification. The UK is a unique example among the western industrialised nations, where product certification is entirely optional.

Where product certification is optional, one must rely on the ethics of the manufacturer that the item being sold is identical to the item that was tested, and that the item tested was in fact made the way the test report says.

In the jute commodity chain a number of certification systems, mandatory or voluntary, including compliances





are in force. Different groups are involved in the development of the certification schemes in the jute sector, like in other commodities and products through national governments, private companies, agencies, non-governmental organisations, international organisations and other institutions.

1. Jute Seed Certification

It is a well established fact that ensuring good quality seed alone can significantly increase the productivity of any agricultural commodity including jute, though agricultural productivity is the net result of the combined efforts of various production inputs. Thus, an efficient seed certification system, a regulated process designed to secure, maintain and make available good quality seeds of prescribed standards of superior crop plant varieties, is absolutely essential.

Seed certification systems exist in all jute producing countries but may differ widely from country to country. Well defined certification systems are in operation in some countries while it is not so well established elsewhere. As for example in Bangladesh there is a Seed Certification Agency under the Ministry of Agriculture to administer its activities through a DUST (Distinctiveness, Uniformity and Stability Tests) protocol. In India, the parliament passed the Seeds Act in 2002 where all seeds including jute seeds are certified by the Central Seed Certification Board.

2. Licensing/ Certification of Fertilizers

Jute growing countries like Bangladesh and India follow policies that result in better availability and judicious applications /uses of fertilizers in the country. As the land availability for farming is strictly limited, emphasis is given to balanced and prudent use of fertilizers along with new farming practices, better water management, and improved technologies for increased production. There are some government bodies to administer licenses and certificates for proper trading and distribution of fertilizers.

3. Plant Protection Certification for Pesticides

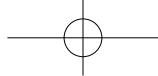
Import, manufacturing, sale, transportation, distribution and use of pesticides are also being regulated by concerned government bodies and agencies. The rules make the registration of pesticides at the central level mandatory. This needs to be in compliance with the International Plant Protection Convention (IPPC).

4. Fibre Quality Certification

Quality standards for agricultural commodities are framed based on their intrinsic features and value. Standards are being harmonised with international standards keeping in mind the requirements of the WTO. Certification of agricultural commodities is carried out both for the benefit of the producer or manufacturer as well as for the consumer.

Raw jute in its journey from field to local mills and to export points pass through four different marketing tiers: i) Village/doorstep, ii) Primary market, iii) Secondary market and iv) Terminal market i.e. port of shipment/export etc.

Thus raw jute is graded in different stages of marketing, first, by the farmers for selling their produce at their doorsteps or in the primary markets. The jute is again sorted and graded by the jute traders in the grading and baling centres called 'Mokams' and by jute mill agents in their mills for using particular quality/grades of fibres for specific purposes. In compliance with the national standards the authorised or experienced jute graders assort and classify raw jute in different grades /quality. In Bangladesh both White(*Corchorus capsularis*) and Tossa (*Corchorus olitorius*) jute fibre are categorised in six grades. Special, A, B, C, D and E in descending order of fibre quality. 'Special' being the best and 'E' being the most inferior quality. Fibre inferior to 'E' again is graded as 'Rejection', 'Cuttings' and 'Habijabi'. There is a



price differential for various grades of jute fibres mainly for Secondary and Tertiary /export markets where fibre quality certification plays an important role.

The raw jute quality certificates provided by the Pre-Shipment Inspection Agencies - as per methodologies and inspection procedures in compliance with current international standards and norms e.g. ASTM, etc., as and where required, are generally pre-requisites in the raw jute export acceptable to the raw jute importers all over the world.

For import of raw Jute from Bangladesh into India the Government of Bangladesh issues the SAFTA certificate. A pre-shipment inspection and weight certificate is issued by private agencies, though not required in all cases. In India, under the Jute Corporation of India (JCI), the Departmental Purchase Centers located in the Primary markets all over the jute growing areas procure jute at Minimum Support Price from the growers directly. This ensures the growers, the rural poor, get an adequate price for their produce of the right quality. This adds incentives for the growers to produce higher quality fibres at higher premium prices in return. Thus fibre quality certification is an important element in raw jute trading.

5. Phytosanitary Certification

Phytosanitary certificates are issued by authorised certification officials to indicate that consignments of plants, plant products or other regulated articles meet specified phytosanitary import requirements and are in conformity with the certifying statement of the appropriate model certificate.

Phytosanitary certificates are mandatory to export plants and plant products from countries like Bangladesh and India. These are not mandatory for all countries however. In other countries these are only issued to assist exporters in meeting the plant quarantine requirements of the importing countries, for a number of reasons, namely:

- 1) Phytosanitary certificates are required by importing countries for plants – living plants and parts thereof, including seeds and germplasm [FAO, 1990; revised IPPC, 1997], for or capable of propagation.
- 2) Plant products – un-manufactured material of plant origin and those manufactured products that, because of their nature or of their processing, may present risks from their introduction through the spread of pests [FAO, 1990; revised IPPC, 1997; formerly plant product]

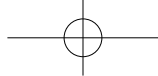
6. Food Grade Jute Bag Certification

In response to the perceived need to provide for a universally acceptable specifications relating to the manufacture of jute bags used in the packing of food materials with particular reference to Cocoa beans, coffee beans and shelled nuts a standard was established by the then IJO with specific criteria called IJO Standard 98/01 (Revised 2005). The criteria are intended to facilitate the minimisation of mineral hydrocarbon contamination arising from the use of jute bags.

The concerned Governments (India and Bangladesh) authorised specified agencies for testing. The certificates are issued by the approved certifying authorities on the basis of the test reports of the designated testing agencies in compliance with the specifications of the IJO Standard 98/01. In India the central and local governments procure B. Twill jute bags for packing food grains and sugar under the Mandatory Packaging Act. In all such procurements, pre-dispatch inspection certificates issued by the Bureau of Indian Standards (BIS) are required.

7. Export Certificates for Jute Products

There are a number of procedural requirements for exporting a standardised cargo of goods by ocean or air. This official procedure starts from the contractual agreement between the parties. The exporters having trade licenses



need to obtain Export Registration Certificates (ERC) from the concerned agency of the Government. Though there are some incentive packages for the jute exporters, this export sector is not free from control and monitoring. In order to establish necessary control over the export trade, some certificates are mandatory like the ECR, certificate of origin, certificates for exporting to specific countries/ regions, pre-shipment inspection certificates along with some optional certificates according to the specific requirement of the goods/consignments and the buyers' demand.

The following certificates are required for the export of jute goods:

- GSP / SAFTA / SAPTA / BIMSTEC etc. (Specific to export destination) certificate - issued by nominated government agency / department
- Phytosanitary certificate - issued by government agency
- Certificate of Origin - issued by Chambers of Commerce
- Pre- shipment inspection certificate - issued by private agencies
- ISPM 15 certificate where goods are exported with wooden pallets
- issued by private agencies or a nominated government agency

i) Compliance/ Conformity verification

Providing a declaration of standards i.e. conformity verification on the basis of proof or with participation of a third party, can appear in many cases a less expensive form compared to obligatory certification. Thus the exporter can use this declaration form only when it has a registered representation. If such a law is enforced only partial replacement of obligatory certification by declaration of conformity may be anticipated.

Labour standards

Sustainable commodity production initiatives are growing to encompass a series of principles and criteria to ensure both the social and environmental sustainability of crop production. It is increasingly understood that any definition of the sustainability of the commodities must also include the livelihood and the living and working conditions of those who produce them.

To address and remediate labour rights and breaches in industrial production systems, different problems have been confronted for mainly the rural poor involved in the jute commodity supply chain.

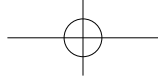
The Jute commodity chain starts from agriculture, and is characterised by smallholder production systems with family based labour inputs within transportation, processing, product manufacturing and entails the risk of unacceptable forms of child labour. Over representation of women in low-paid manual roles, casual / seasonal / migrant labour prevalence, informal employment relations, lack of statutory protections are the complexities which sometimes require compliances.

Health Hazard free mill/industry environment

An initiative to address and improve living and working conditions is likely to be a combination of social issues like health and safety.

Effluent Treatment Plant (ETP)

All industries including jute mills need to install Effluent Treatment Plants in compliance with the requirements of the national environment departments/ bodies.



ii) Fairtrade

There are some other programmes that do seek to implement standards and certify compliance with these standards. Such programmes commonly seek to provide market incentives and, in the case of Fairtrade-based schemes, an incremental increase in the farm gate prices –through payment of commodity and social premium undertakings.

There are severe challenges to schemes like Fairtrade, which seek to support producers in improving working and living conditions by assuring prices resulting from premiums paid by consumers. Fairtrade standards focus on a number of criteria which consider transparency & accountability, capacity building, payment of a fair price, gender equity, healthy working conditions, bans on the use of child labour and environmental protection, amongst others. They often face competition from other commercial approaches and thus sometimes have to compromise the profit of the company/ manufacturer.

Fairtrade and premium-price approaches present a number of challenges. The ability of the producer to comply is often inadequate therefore they are unable to meet the performance criteria.

Organic Products/ Commodity

Products/commodities have to comply with all requirements to protect the environment in other words to meet environmental objectives. The basic principles of organic products are to protect our planet and its resources without harming the global ecosystem. Jute, being a natural, biodegradable fibre does not pose any threat to the environment; rather it plays an important role in the conservation of the environment.

Future Thrusts

The purpose of the grading and certification programme is to facilitate marketing through the application of uniform grade and quality standards.

All the jute growing countries Bangladesh, India, Nepal, and Myanmar etc. have their own grading and classification systems, however they are not uniform and vary widely. It has been an important concern mainly for the raw jute importing and consuming countries for uniform grading systems for raw jute.

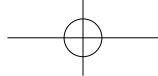
Therefore, harmonisation of the certification systems in all jute producing/ consuming countries may be an important area where future attention should be given.

With the growing interest in kenaf (another bast fibre similar to jute though it belongs to a different family) production and its potential industrial applications, a uniform grading system of kenaf fibre is a pressing issue.

Conclusions

The three most important issues emerging from different commodity certification systems are:

- Analysing the benefits and drawbacks of certification schemes
- Considering the implications for developing countries
- Identifying possible ramifications of certification in the context of the WTO



Benefits and Drawbacks

Making certification mandatory is sometimes an excellent way to make the concerned commodity or product and its industry more competitive. Some stakeholders view mandatory certification as becoming a necessary part of the process in the future.

Conformity to product standards satisfies all parties about the performance or quality of the products which ultimately encourage marketing of the products. Thus some sort of certification helps the manufacturers and producers earn consumer confidence.

In the case of engineering and technical products, certification from competent authorities are mandatory. Jute-based technical textiles like jute geotextiles (JGT) have mandatory certification for road constructions and civil engineering sites. It is felt that appropriate certification will help ensure the bulk use of jute, facilitate the increase of the market share of JGT globally, increase employment in the agricultural and industrial sectors and improve the economy of jute producing countries.

World trade in agricultural commodities has been far less buoyant over the last few decades than was previously predicted. One important factor has been the growing role of different types of national and international regulation – and associated requirements for certification and labelling – in governing agricultural trade generally. Such regulatory regimes attempt to balance the health, safety and preference needs of consumers with the requirements of producers. However, the balance is not an easy one, and all too often the ones who are worst affected are small holding cultivators of developing countries i.e. the rural poor, who find that they are either unable to afford or lack the technical expertise to undertake and fulfil, the complex requirements of certification. These issues are becoming especially important for jute agriculture, which is subject to growing competition from other more important crops like food grains, cereals etc. Many commodities remained relatively stagnant in terms of exports. It is also evident that various types of regulatory measures that proliferate in agricultural trades are not only complex and manifold, but also tend to vary a great deal between countries. There are many examples of how regulation in other countries affected the ability of exporters to access foreign markets.

Certification raises a number of concerns related to the kind of criteria included in the schemes, the proliferation of parallel programs, and their compatibility with multilaterally agreed trade rules, the cost of certification, and developing country ability to participate in standard development process.

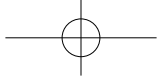
From the analysis of the economic consequences of mandatory and voluntary certification, it is demonstrated that mandatory certification may sometimes discourage efficient suppliers from improving product quality, thereby leading to potential supply chain inefficiency and welfare loss.

Voluntary certification may mitigate the problem, but poor quality products, albeit sold at low prices, may still be made available to consumers. Surprisingly it has been found that it can be optimal to subsidise inefficient suppliers to enable them to achieve voluntary certification in order to alleviate the under-investment problem under mandatory certification.

Recommendations

To earn consumers' confidence and also fetch premium prices, a system of certification either mandatory or voluntary is a prerequisite especially in the present competitive market.

The following measures could be helpful to ensure that certification is indeed conducive to the sustainable development of the jute commodity sector.



A credible and efficient inspection/certification system earns global recognition for certifying quality.

- To create an export inspection and certification infrastructure in compliance with WTO requirements.
- To instil confidence in importers about quality and safety of exports.
- To provide accredited state-of-the-art testing facilities in required areas.
- To enhance capability of manpower through training to meet international requirements.
- To obtain recognition for export certification systems from major trading agencies.
- To be up to date with the latest technological advancements for capacity building.

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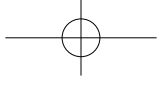
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An Overview of Certification Schemes for Coffee: Main Initiatives, Current Market Structure and Issues Involved in Certification

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Abstract

The first certified coffee was traded in 1967, but it remained a marginal product until the advent of the coffee crisis of 2000 to 2004, after which time volume grew rapidly. Since then, certification initiatives have gathered momentum so that exports of coffee with special characteristics are currently estimated at around 4.5 million 60-kg bags a year, which is still less than 5% of the total. The main certification schemes for coffee can be classified under the categories of quality, organic and sustainability, with sustainability comprising the largest number of schemes. Although certification and verification are considered important tools for access to a fast-growing market niche, a number of issues must be considered when evaluating their impact. Among those of particular relevance are the costs of compliance, in particular for smallholders; confusion about the multiplicity of certification bodies and their associated costs; and the long-term strength of demand for certified coffees.

Coffee is different from most agricultural products, which are sold directly to the end-consumer, i.e. are not transformed, and for which certification in fact ensures market access. In the case of coffee, growers usually provide green coffee to overseas roasters who in turn produce and retail the finished product, in the form of a blend comprising of coffee from a variety of different origins. Therefore, in most instances the identity of the producing countries, let alone the individual producer, is not known to the end-user. Consequently, there is much less consumer awareness of the production process, and the degree to which certification by itself enhances a coffee's marketability remains therefore a pertinent question.

Key Words

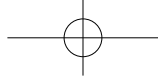
Certified coffee; quality; organic; sustainability; market niche; compliance costs.

1. Background

Coffee is the leading agricultural sector in terms of certification regarding the number and frequency of use of labels and standards, being especially attractive because it is grown only in tropical (i.e. developing) countries and cultivation is conducted mainly by smallholders. New sensorial and aesthetic sensibilities emerged in the late 1980s, awakening a desire to consume sophisticated "unique" products, in a progressive move away from coffee as an undifferentiated commodity. Simultaneously, consumer awareness of the conditions in which coffee is produced, both from an environmental and social perspective, often promoted by civil society organisations, has turned into a major force. As a result, developed first world markets have increasingly demanded codes of conduct guaranteeing a minimum set of standards for the goods they import from less developed ones, focusing primarily on the production side of the global value chain.

However, coffee is different from most agricultural products, which are sold directly to the end-consumer, i.e. are not transformed, and for which certification in fact ensures market access. In the case of coffee, growers usually sell green





coffee to overseas roasters who in turn produce and retail the finished product, in the form of a blend comprising of coffee from a variety of different origins. Therefore, in most instances the identity of the producing countries, let alone the individual producer, is not known to the end-user. Consequently, there is much less consumer awareness of the production process and the degree to which certification by itself enhances a coffee's marketability remains therefore a pertinent question.

A coffee certification scheme typically consists of the following elements:

- A set of process and performance standards, often set out as a code of conduct, covering different aspects of coffee production such as environmental impact, health and safety considerations, relations with the local community and worker rights.
- Independent verification of compliance or performance with these standards by an independent organisation, usually distinct from the standard-setting body. Initial verification is followed up by periodic audits.
- A system for accrediting certifying organisations that provide the evaluation service.
- A product label to enable producers to communicate to buyers/consumers that the product meets the standards of the certification scheme. In theory, this allows coffee producers to benefit from the willingness of consumers to pay a higher price for products meeting high environmental and/or social standards as demonstrated by the label.
- Chain of custody certification for those handling the product – traders, roasters – to provide assurance that the labelled product in the retail outlet has come from a certified source and has not been falsely labelled or mixed with non-certified products.

2. Main certification schemes for coffee

The list below presents the main certification schemes active in the coffee market:

Ø Quality

- o Coffee Quality Institute (CQI)

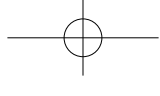
Ø Organic

- o International Federation of Organic Agriculture Movements (IFOAM)

Ø Sustainability

- o Fairtrade
- o Utz Certified
- o Rainforest Alliance
- o Private sector initiatives (e.g. Starbucks CAFÉ, Nestlé AAA)

Mention should also be made of the Common Code for the Coffee Community (4Cs), which is a verification scheme, i.e. a mainstream market tool that offers market access rather than premiums. As such, it ensures that certain agreed criteria and practices are met, but does not use certificates or on-pack claims to market this to the end-user. In addition to these programs, other initiatives for the promotion of differentiated coffee also exist, such as geographical indications and trademarks.



3. Market share

The share of coffee with special characteristics within the world market is still relatively small, but it is the fastest growing segment of the market in consuming markets in developed countries (Western Europe, North America and Japan). No systematic reporting of data on the production, trade and consumption of certified coffee exists. In estimating the volume of certified coffee, special care must be taken to avoid double-counting, since a significant amount is certified by more than one certification/verification scheme. A simple sum of the volumes reported by each certification program is likely to result in an overestimation of the total size of the market.

Exports of coffee with special characteristics are estimated by private sources at around 4.5 million 60-kg bags/year (less than 5% of total world trade). The ICO is introducing modifications in its system of statistical reporting with the objective of achieving a more accurate evaluation of the size of this market.

4. Issues involved in certification

Certification and verification schemes can be powerful tools for value addition, access to a fast-growing market segment and the dissemination of good agricultural, environmental and social practices. However, reservations have been expressed about several aspects of their functioning, including:

a) Common denominator approach

Questions have been raised as to the homogenising “common denominator” approach that is built into the checklist-based compliance methodology of the different certifications, which fails to take into account differences in local conditions.

b) Industry structure and social equity

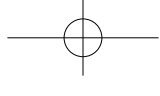
Many producing countries are concerned that the costs of compliance with certification schemes are beyond the means of smallholders and compatible only with larger and comparatively well-organised producers. This concern is especially acute in regard to verification schemes, such as the 4Cs, which are designed for the mainstream market and might become a barrier to market access for those unable or unwilling to comply.

c) Cost vs. benefits

In addition to the direct benefits in terms of improved market access, especially price premiums, participation in certification schemes is thought to improve performance in a variety of social, economic and environmental indicators. However, these benefits have associated costs: apart from those related to the actual certification/verification procedures, compliance with standards may require considerable investments and also entail reduced yields. The evaluation of overall costs and benefits is complicated by factors that are specific to a certain site and the time lags involved. As a result, a high degree of uncertainty still exists as to whether the benefits of participation in a specific scheme outweigh the costs. Further research in the field is required.

d) Multiplicity of certification bodies

The large number of different bodies, each with its own differing standards, involved in the certification of coffee may lead to confusion in the mind of consumers. Furthermore, limited space exists on packaging for certification logos and other information not directly related to the brand in question. The need to comply with more than one certification scheme also raises costs for producers. For this reason, some certification schemes have been discussing ways in which to achieve multiple certifications in order to achieve economies of scale and cost savings. Questions have been raised as to the long-term viability of the wide range of existing certification schemes.



e) Supply and demand balance

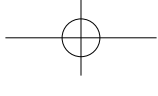
Consumer interest in making ethical purchasing decisions of coffee has grown in recent years. However, a willingness to buy ethical products may not translate into actual purchases. For the majority of end-users, price and intrinsic quality are more important than certified compliance with a code of conduct or standard. Therefore, the potential size of the market for certified coffees is restricted. At the same time, the supply of such coffees is not necessarily always demand driven and may result in oversupply. Therefore, while certification definitely adds to a coffee's image and may enhance its value, certification by itself is not a guarantee of premium prices in the longer term. Producers must also bear in mind that the overall levels of premiums are likely to decrease as availability grows.

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4. Utz Certified: <http://www.utzcertified.org/>
5. Rainforest Alliance: <http://www.rainforest-alliance.org/>
6. Common Code for the Coffee Community (4C): <http://www.4c-coffeeassociation.org/>
7. Starbucks CAFÉ: <http://www.scs-certified.com/csr/starbucks.html>
8. Nestlé AAA: <http://www.nespresso.com/aaa-program/en/>



Presentation on Green Lead

Curtis Mark Stewart,
International Lead and Zinc Study Group

The certification of mineral commodities has not been a common practice. Markets for metals such as the London Metal Exchange (LME) have classified metals by grade based on purity. Typically, no regard has been given to the origin of the material. In part this is due to the metals being recycled and metals originating from different sources can easily be mixed. Perhaps the most widely publicised case of certification by origin has occurred for mineral commodities such as for diamonds, where international action was taken to end the trade in 'blood diamonds'. The international agreement known as the "Kimberly Process" created a program to certify diamonds by place of origin in an effort to stop the flow of money from illicit diamond mining to the various rebel groups and armies in Africa.

The Green Lead certification program is another program which is applicable to a mineral commodity in which the origin and handling of the mineral is taken into consideration.

What is it?

Green Lead is a certification program for lead products throughout the lead life cycle chain, including mines, smelters, manufacturers and recyclers. Products meeting the requirements of the program can display the green lead logo.

Why?

There is a need to handle lead properly since lead can be toxic.

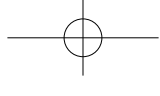
Today, lead is mainly used in lead acid batteries, the kind found in automobiles. About 80 percent of lead production is now used to make batteries. Lead has been phased out of use in paints and as a gasoline additive. Lead is a highly recycled metal. In some developed countries, more than 97 percent of lead acid batteries are recycled. Overall, about 60 percent of the lead used for manufacturing batteries comes from recycled material. The industry and industry associations such as the International Lead Association and the International Lead Management Center, view used car batteries as 'an above ground mine' for the supply of lead.

Given the toxic nature of lead, proper production and recycling are essential for the sustainable use of this metal. Changing government regulations have been one of the drivers for changes in the way lead is handled. In recent decades the regulatory framework relating to lead has become much more restrictive in North America, Europe and Japan, as well as in other countries.

Who initiated the idea?

Private companies and industry associations took the first steps to set up the Green Lead program. Among the early participants were BHP-Billiton, Xstrata, WWF Australia, the International Lead and Zinc Research Association and the International Lead Management Center (ILMC). The International Lead and Zinc Study Group were successful in getting funding from the CFC for a workshop to advance the process.





How was progress made?

A working group composed of interested companies and organisations was set up and periodic teleconferences were held, usually every six weeks. Minutes of the teleconferences were circulated by email.

Status

It is hoped that the first certifications will be issued later in 2009.

The Green Lead project has developed a self-assessment tool, which can be used by any group interested in obtaining certification. This tool is available on the website and can be downloaded for use. The group using it can go through, step by step, to assess how they stand relative to the certification standards. Once an organisation is ready, they may request a formal certification process, which is done by an independent, third party. Once successfully completed, the organisation may use the Green Lead symbol.

Efforts were made to keep the cost of implementation low.

Core Principals

The three core principals of the Green Lead program are:

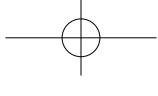
1. The process must be open, honest and transparent. All relevant information, data and audit reports must be available in the public domain for inspection.
2. Independent third party verification must be used to guarantee the credibility of Green Lead Certification.
3. Collaboration and cooperation between the lead industry, governments, NGOs and community groups throughout the product chain is critical to ensure that all Green Lead projects are multi-stakeholder joint ventures.

Advantages and Disadvantages

Among the advantages are better health for workers and consumers, a better image for companies in the lead industry, sustainability, adherence to Corporate Social Responsibility concepts, and technology transfer as companies adopt the best available standards.

Among the disadvantages are, concern that this program is 'just one more certificate', concern that this program duplicates existing legislation and regulations, concern that it is identified with particular companies, as well as concerns about cost.

Further information can be obtained from Curtis Stewart ILZSG, curtis_stewart@ilzsg.org



Certification: Experience from the Olive Sector

Speech given by Mohammed Ouhmad SBITRI,
Executive Director of International Olive Council

Managing Director of the Common Fund for Commodities,
ICB representatives,
Ladies and Gentlemen,

It is a great pleasure for me to represent the International Olive Council here today at this workshop on a theme of such topical concern to commodities at large. These annual gatherings of international commodity bodies are a prime opportunity for us to network and pool ideas and to outline the experience of our respective commodities.

Keeping to a logical sequence, I will begin outlining our experience of certification by focusing on the olive tree. The fact is that demand for certified plant material has increased considerably in recent years, particularly within the international marketplace. The reason for this demand from farmers is that the varieties they choose to grow – and they have many to choose from – represent the biggest contributing factor in improving quality and in obtaining a typical, distinctive product.

The IOC has therefore dedicated much time and energy to characterising and learning more about the numerous varieties that make up the vast and varied range of world olive resources. Its attention has focused not only on the varieties found most extensively but also on local varieties which, owing to their adaptability and resistance in certain environments, guarantee the mark of distinctiveness that is so highly appreciated nowadays.

Varietal identification has been the first step in this task of varietal recovery because the specific variability of the olive has resulted in the use of many homonyms and synonyms when establishing varietal denominations.

This is a great problem from the taxonomic point of view as well as for the certification of nursery propagation stock. At the IOC we believe that the olive growing of the future has to supply old-fashioned and modern-thinking farmers alike with quality plant stock. How this is done is through controlled production protocols that ensure the cultivation and distribution of certified plants and which afford guarantees as to the denomination and healthiness of the variety. In short, it is a question of implementing 'certification'.

Certification guarantees that farmers receive a quality product in terms of plant health and filiation-derived genetic correspondence. It provides full assurances that the plant material is healthy and reliable. It also helps to manage cropping as an agricultural ecosystem and to implement preventive, more environmentally friendly agricultural techniques.

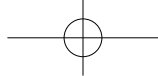
Domestic and international trade in plant stock has been growing in recent years. This is why the IOC thought it advisable to design a scheme covering all the technical and legislative aspects that guarantee the 'quality' of plant material used.

The first step was to set up a working group to design a certification scheme applicable to plants intended for both the export and domestic markets.

When the scheme had been prepared, the details were sent to the member countries which made helpful suggestions and proposals for insertion. This collaborative effort produced a final scheme that is a useful guidance tool for olive plant certification.

In today's global market, where not all the plant stock available is good quality, it is very important to define plant production standards and agricultural quality.





This is essential to facilitate the commercial classification of olive plants, and not just for 'big' farmers. Small-scale farmers have much to gain financially from using top-quality plant stock.

Healthy nursery stock belonging to guaranteed varieties brought on to the optimal stage for planting out will grow quickly and soon start to bear crops. This has clear financial advantages for olive growers and ensures they are supplied with a product that has been certified from start to finish.

Genetic and health certification allows olive growers to make their olive orchards more rational, more uniform and more reliable. This yields benefits at all levels. For small farmers, any input aimed at improving crop production in terms of volume and quality generates significantly better economic conditions, thus encouraging farmers to stay in the countryside.

This is also the reason why the IOC places top priority on developing a project to guarantee the quality of the plant material used by farmers. The same reasoning emerged in the conclusions of the international genetic resources seminar held in Marrakech in December 2008 which included a recommendation to implement a project for the creation of multifunctional pilot olive nurseries in the member countries.

As I have already said, obtaining and using top quality olive plants has undeniable advantages for farmers, not only in terms of their economic wellbeing but also in terms of olive growing's interaction with the environment.

The core objectives of the scheme are:

1. To provide the international olive plant trade with a varietal and health certification scheme facilitating the inter-country exchange of quality plant material.
2. To provide the member countries with a model for drawing up their own national certification standards.
3. To oversee and promote such initiatives.
4. To identify mechanisms to enable the competent bodies at all times to check that the certification process is applied in accordance with the specified requirements.

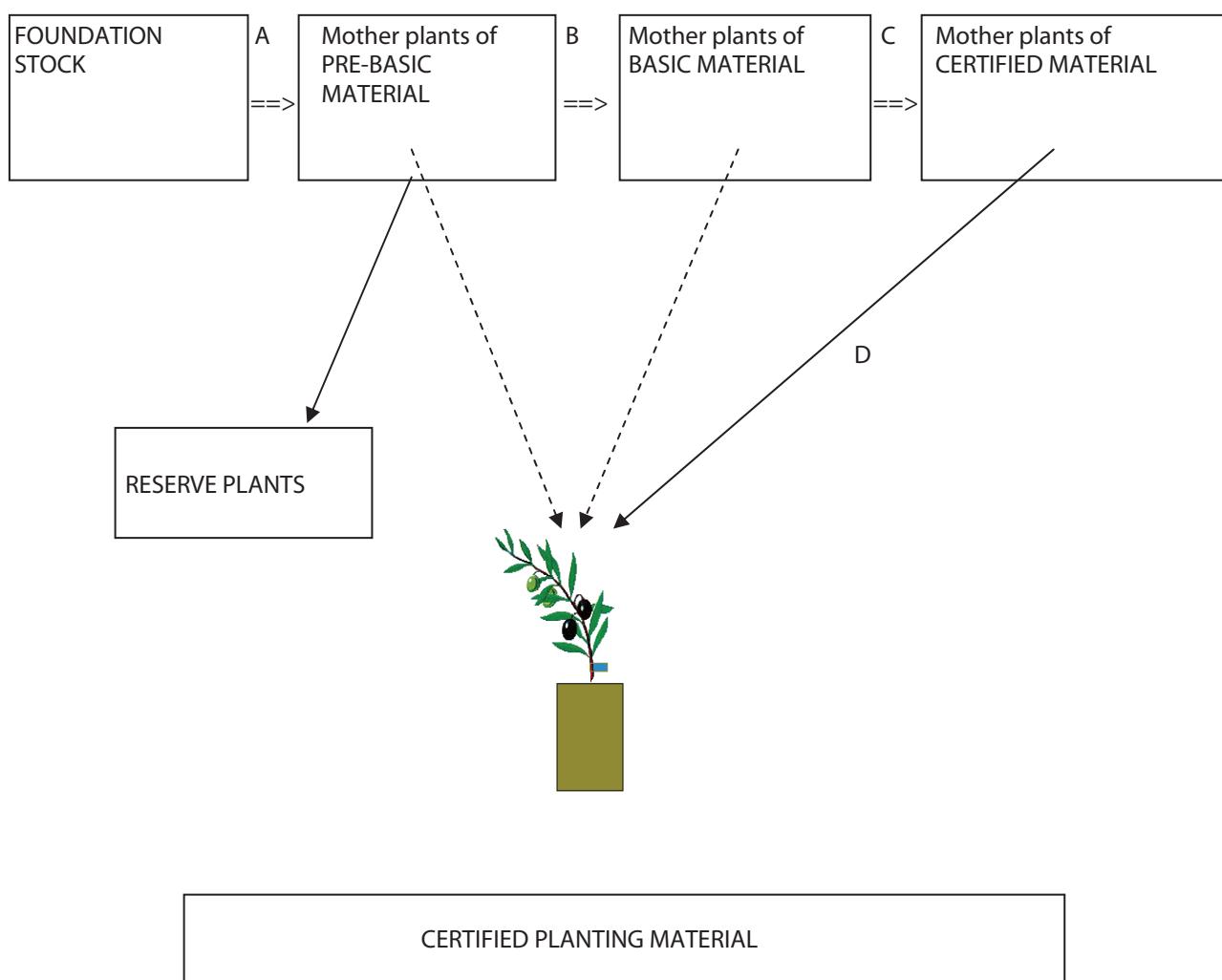
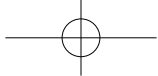
The scheme sets out to encourage the use of superior-quality plants. IOC member countries are free to participate; if they do, they must ensure that the scheme is strictly enforced.

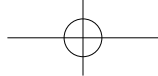
The scheme has several underlying principles:

- Varieties must be officially recognised as being distinct and must be described. The names of the varieties will then be published in an official IOC catalogue.
- The number of propagations from the foundation stock must be limited and plant production must be officially inspected or supervised to ensure the quality and trueness-to-type of the olive plants.
- Plants must be free from a number of specific pathogenic organisms to gain entitlement to certification.
- Varietal and health inspections must be conducted to check the scheme is working properly. If producers fail to market plants of the required quality, measures may be taken, including withdrawal of the authorisation to produce plants under the IOC scheme. The role of the IOC is to oversee and the proper application of the scheme and procedures.
- IOC plant certification is based on 'affiliation' and 'traceability'.
Affiliation indicates the origin of the plant and hence identifies the foundation stock while traceability enables reconstruction of its history and location.

Three categories of propagating material are established:

- Pre-basic material
- Basic material
- Certified material





Specific controls are in place as the plant material moves up a category. These controls are implemented through clearly defined procedures that assure that the entire certification process complies with quality criteria.

This is a very brief outline of the scheme, but our Executive Secretariat will be delighted to supply full details to anyone interested.

Having looked at the certification scheme we have in place for the olive tree, now let me move on to what we do for olive oil and table olives.

Rather than certification in the strict sense of the word here I should talk of standardisation. In fact, one of the most significant regulatory tasks of the IOC is to develop the definitions and analytical characteristics of all the grades of olive oils and table olives included in the trade standards adopted by Members for compulsory application in international trade.

For the IOC, the priority is to improve product quality, to ensure regular international trading in olive products and to protect consumer rights. In partnership with specialist organisations, it is responsible for examining any matters relating to physico-chemical and sensory standards applicable to olive products aimed at gaining a better insight into their compositional and quality characteristics and at establishing the permissible limits for each analytical parameter. The ultimate goal is to ensure product authenticity and quality in step with production realities.

The standards drawn up by the IOC are trade standards. They are adopted by consensus of the Members, which pledge to incorporate them into their legislation for application. IOC standards are revised in the light of scientific advances and technological and commercial developments. They aim to enhance and control quality in order to ensure transparency on the international market for olive oils, olive-pomace oils and table olives and so promote their consumption.

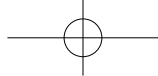
Another prime objective of the IOC is to monitor and harmonise legislation, regulations and international standards on olive oils, olive-pomace oils and table olives and methods of analysis to ensure the application of a single unified method for laboratory accreditation purposes and to facilitate intercomparison of multi-country results.

Ever since it first started to be involved in the standardisation of olive products, the IOC has cultivated a solid cooperative relationship with different international organisations including the Codex Alimentarius, the World Customs Organisation and the European Union. Its aim in doing so is to define the minimum compositional, quality and purity requirements of olive oils and to harmonise the methods of analysis in use.

In recent years, efforts have been made to achieve maximum acceptable harmonisation between the different standards drawn up for olive oils and table olives, chiefly by the IOC and Codex Alimentarius, while also bearing in mind the standards of bodies such as the European Union and other producing countries or regions like the United States, Australia, New Zealand, North Africa, the Middle East, South Africa and Latin America.

The Codex Alimentarius Commission is responsible for the joint FAO-WHO programme for the development of food standards with an eye to consumer health protection and fair trading. The World Trade Organization (WTO) takes into account the standards and recommendations of the Codex Alimentarius Commission in the application of the WTO Agreements on Sanitary and Phytosanitary Measures (SPS Agreement) and Technical Barriers to Trade (TBT Agreement). The Codex standards for olive oils and table olives are currently under revision to bring them into line with the IOC trade standards.

The IOC has a long-standing collaborative relationship with ISO, albeit as a liaison body until recently; however, at the TC34/SC11 meeting in Buenos Aires in April 2007, Resolution 408/07 was passed to take the first steps for the IOC to participate fully in subcommittee SC11. At the later meeting in May 2008, this intensification of cooperation materialised in the proposal of the first three COI-referenced testing methods for ISO adoption. These methods are specific to olive oil and are included in the IOC trade standard. They will go through the fast-track procedure for comment by ISO



Members and are expected to be adopted this year. Other COI-referenced methods will be put forward after this first batch is adopted.

Every year the IOC assembles groups of expert chemists and sensory analysts from a range of countries to study and revise the testing methods to determine the quality and control the purity of olive oils and olive-pomace oils. Methods are constantly improved to adapt them to industry needs and technological developments. This review process generates a large body of knowledge which the IOC can relay to the committees in which the certification and standardisation bodies of different countries participate.

The IOC believes that full involvement in the work of certification and standards-related international institutions is of crucial importance because it is a way both of introducing specific methods for olive oil and of participating in the design and development of new standardised methods that include olive oils among the substances evaluated.

This brings me to another aspect of IOC work that could be viewed loosely as certification. The IOC operates a recognition scheme for olive oil testing laboratories, which is designed to increase mutual confidence among laboratories and to make olive oil business professionals feel secure about laboratory proficiency.

IOC recognition is reviewed on a yearly basis and is issued to chemical and sensory testing laboratories that comply with a string of conditions specified in two IOC Resolutions:

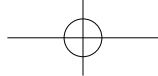
An IOC Resolution of 2004 on the recognition of virgin olive oil tasting panels according to which panels must prove they are proficient in applying the IOC method for the organoleptic assessment of virgin olive oil by passing the two annual check tests run by the Executive Secretariat.

An IOC Resolution of 4 June 1998 on the recognition of laboratories undertaking the sensory analysis of olive oils. Sensory testing laboratories must be accredited beforehand by a national accreditation body and must prove they are competent in applying IOC methods for the analysis of the purity and quality of olive oils and olive-pomace oils in a yearly check test, again organised by the Executive Secretariat.

As part of an agreement with the European Cooperation for Accreditation body or EA as it is known, a joint EA/IOC working group laid down the joint rules for the accreditation of chemical and sensory olive oil testing laboratories by national accreditation bodies.

I hope this outline will have given you an idea of the experience of the olive sector as regards certification, understood in the broad sense of the word, and of the role the IOC has marked out for itself in this sphere.

Thank you for your attention.



How Can Bamboo Certification Contribute to Sustainable Bamboo Management?

Buckingham, K.C, Lou, Y.P, and Hoogendoorn, J.

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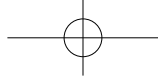
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Abstract

Global bamboo trade is estimated to be between US \$ 1.5 to 2.5 billion (INBAR 2007). Bamboo is a group of plants which has been well labelled for its naturally sustainable nature in terms of its biological features and management characteristics. Bamboos relatively shallow roots and rhizomes create an opportunity for improving marginalised lands no longer suitable for agriculture, yet present challenges regarding the intensification of bamboo management, if managed in the form of monocultures which lack complementary diverse vegetation and ecosystems. Bamboo is a versatile material which poses a variety of challenges when considering environmental or social certification.

There are a number of recurring themes that limit the efficacy of forest certification schemes in the bamboo context throughout the trials and studies in India, Latin America and China. There is potential for creating avenues for learning through promoting good governance, creating greater market transparency and raising awareness of environmental sustainability. However there are a number of challenges that need to be addressed regarding finance, administration, the suitability of the instrument categorisation for bamboo, the contemporary vision of sustainability as well as the question of whether certification creates a stronger case for market access or becomes a market barrier. Among those issues and questions, a key question to be addressed by future studies is to what extent certification can contribute to the sustainability of bamboo forest management. There are a number of assumptions and recommendations that result from this study in order to realise how bamboo can contribute to sustainable bamboo management: there is a need to advocate preparedness for certification, lobby certification bodies for equitable grounds for standards, research standards and their efficacy for bamboo as well as facilitate adaptation to climate change and resilience thinking through standard setting bodies.





Introduction

Global bamboo trade is estimated to be between US \$ 1.5 to 2.5 billion (INBAR 2007). Bamboo is a versatile material which poses a variety of challenges when considering environmental or social certification. Bamboo has been coined 'the grass of hope' (PIA 2008) and 'Green Gold'. There are a number of labels that can be attributed to bamboos many product categories, namely organic, fair trade and sustainable forestry certification. It is a potential replacement resource for two essential natural resources: timber and plant based fibres, with over 1500 recorded uses (Ranjan 2001). In studies conducted on the UK market, two distinct product certification markets were identified: bamboo as an alternative to wood, whereby businesses within the sustainable timber market pursue bamboo forest certification, and bamboo fibre; competing within the sustainable plant fibre market whereby businesses require organic certification. Bamboosa Bamboo Fiber [sic], a leading bamboo clothing manufacturer in the USA has secured IFOAM accredited organically grown bamboo in Yunnan, China. They have a commitment to further investigate fibre processing standards and are seeking further certification at the factory level (Bamboosa 2009). Organic products also traditionally have associations within the food market. Many studies have been conducted regarding the suitability of large scale bamboo shoot production principally for export markets (Sun and Yan 2004). Asian Bamboo AG, a world leader for organic bamboo shoots (Financial.de 2009) estimated organic shoots sales at US \$33 billion in 2005 (AG 2009). The company operates in Fujian, China, with the export market largely residing in Japan (Financial.de 2009).

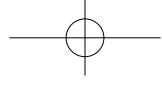
Fair trade has a growing plethora of labels. Currently there are many fair trade bamboo handicrafts on the market principally from Laos, Thailand, Vietnam and Indonesia. Although many fair trade labels are housed under larger organisations, or affiliated with, or accredited by more globally recognised fair trade labels, the proliferation of schemes makes it difficult to understand the terms of trade. As a side effect of this proliferation of schemes some bamboo handicrafts have unsubstantiated fair trade labelling claims leading to confusion of their validity in the market place. There are two widely recognised fair trade labels: Fairtrade Labelling Organisation (FLO), which deals principally with raw products, and IFAT which certifies organisations to sell to certain suppliers, therefore both have limitations within their scope to help alleviate poverty.

Although bamboo handicrafts, fibre and shoots constitute important markets, in light of significant global timber deficits, bamboo as a timber substitute is a particularly important area for study. China currently has the largest timber deficits in the world, expected to be exceeded by India by 2050¹. Moreover in order to address the question of how bamboo certification can contribute to sustainable bamboo management, sustainable forest management certification is a key instrument to consider.

Bamboo certification has been attempted as a Non Timber Forest Product (NTFP) in both Columbia and India, however both encountered efficacy issues. The International Network for Bamboo and Rattan (INBAR) completed a feasibility study on bamboo certification funded by the Ford Foundation in 2007 (Lou et al.2008) and INBAR is currently developing bamboo certification standards in response to intensive bamboo management practices working with Chinese partners. This paper will concentrate on how bamboo forest management certification can contribute to sustainable bamboo management.

Bamboo's relatively shallow roots and rhizome system creates an opportunity to reclaim marginalised lands no longer suitable for agriculture, yet present challenges regarding the *intensification* of bamboo management, if managed in the form of monocultures which lack complementary diverse vegetation and ecosystems without deep root systems provided by mixed forestry, there is the potential for soil erosion through run off. Due to the increasing popularity of bamboo, current challenges facing sustainable bamboo management in China are an increase of intensive harvesting, more monocultures with associated biodiversity loss, excessive tillage, and the unbalanced use of agro-chemicals (Fu and Lou 2002), as well as erosion and depletion of soil nutrients (Saxena, Rao et al. 2002; Zhou, Xu et al. 2006; Xu, Jiang et al. 2008). As China is the model of bamboo development (FAO 2008), this is a trend that is likely to be followed

¹ WWF India representative (2009, Pers.comm)



elsewhere as bamboo producing areas become more developed, and therefore needs to be addressed as soon as possible.

In India the major constraints are the lack of planting materials due to gregarious and sporadic flowering and historical over exploitation of resources. In India in the 1950s, over estimations of available resources by the pulp and paper industries led to huge resource deficits leading to the use of substitute resources. Currently the Indian bamboo based pulp and paper industry is working at 41% capacity, due to lack of investment in raising new plantations. Current annual demand for bamboo in India is 26.69 million tonnes; the current supply is 13.47 million tonnes (Savur 2003). There is currently a national drive for the commercialisation of bamboo within India to convert natural stands into commercial ventures with standardised quality control (FAO 2008).

1. Forest certification

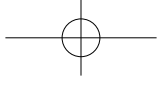
Forest certification is a non-state market driven (NSMD) governance mechanism using the market to ameliorate environmental and social problems (Bernstein and Cashore 2007). The Forest Stewardship Council (FSC) was the first forest certification scheme developed, which arose out of the inability to create global binding multilateral tropical forest agreements (Gulbrandsen 2004; Howlett and Rayner 2006; Cashore 2007), spearheaded by WWF in 1993. Since then, forest certification has become a form of “global public policy” (Counsell and Loraas 2002) supported by a variety of global actors (Klooster 2005). Although forest certification emerged as a response to unsustainable tropical forest management the most significant support for forest certification occurs in North America and Europe. In contrast, forest certification has had limited uptake in most developing countries (Cashore et al. 2007).

The initial aim of forest certification was that price premiums would guarantee the marketplace (Cashore 2007). In Europe, however, certification has not produced the price premiums initially expected (Bass 2001; Rametsteiner and Simula 2003; Fischer 2005; Cashore 2007). This is particularly problematic since the costs of forest certification are borne by the producer, comprising of direct and indirect costs of preparation, auditing, compliance and maintenance of the certificate (Fischer et al. 2005). In recent years the market for certification is increasingly becoming a requirement for market access (Klooster 2005) exacerbating demands on small holders.

Substantial financial and organisational capacity is required for certification (MacQueen et al. 2006; Cashore et al. 2007). Large organisations benefit from economies of scale, whereas Small Forest Enterprises (SFE) particularly in the South often find the expense of certification too high. The FSC have tried to combat this by creating the Small and Low Insensitively Managed Forests (SLIMF) scheme, aiming to combat the challenges for SFEs, by spreading the cost across a greater area, allowing the formation of group schemes whereby each member benefits from economies of scale (Nussbaum 2002). Countless studies have found certification not to be economically sustainable at the local community level due to small communities having to rely on top-down, donor led initiatives.

Some researchers even believe certification is potentially evolving into another form of North–South inequality; producers are facing increasing production costs and the need to reorganise their cooperatives, without guarantees of increased income (Mutersbaugh et al. 2005). Moreover standards operate within vastly different political, biophysical, sociocultural and socioeconomic settings, not taken into account under the umbrella scheme (Gulbrandsen 2004). Corrective Action Requests (CARs) (areas of non compliance raised by the third party auditors within the FSC system) can be principally administrative tasks rather than specifically forest management; therefore standards can be seen as overly prescriptive in terms of recording (Bass et al. 2001). Certified products principally target overseas markets, meaning a shift away from local markets and trade with local communities (Bass and Simula 1999).

Administrative and governance issues aside, certification criteria can be used by producers and harvesters everywhere as a model for best practice (Mallet and Karmann 2001). Many positive aspects of forest certification are recognised, including increased market transparency, employment, wages and investment, forest planning, inventorying and a greater awareness of the multifunctional functions of the forest (Cashore et al. 2007).



2. Branding bamboo: Global bamboo certification?

2.1 India

In India plans for bamboo (*Bambusa affinis*) certification began in the late 1990s. The initial driver came from representatives at international handicraft industry fairs requesting social and environmental standardisation compliance. In 2003 the first certification workshop was held in India, however to date there is only one certified teak plantation in India. The trial bamboo certification site has reached the required standards for sustainable management; however there were barriers to actually receiving certification. Different experts have identified various reasons why the bamboo certification scheme in India has not achieved certification:

1. *Finance*: Some experts believe that lack of financial support led to the failure of the certification scheme; a community bamboo plantation did not receive government funding as anticipated.
2. *Land Ownership*: In India 94% of the forests are owned by the government. The owner not the user of the forest must apply for Forest Management Unit (FMU) certification; it is therefore not possible for the user to certify without the government application, although the farmer can apply for Chain of Custody (COC) certification. Currently the national emphasis focuses on environmental and social sustainability not commercialisation, which seems to be the cause of the lack of drive from the national government to apply for certification, although local state governments have shown interest.
3. *Corrective Action Requests*: It has been suggested that bamboo certification was not successfully completed because of CARs, although forest users do still plan to complete relevant administrative elements².
4. *Lack of motivation*: Many farmers are satisfied with current market returns. The farmers feel that standards are complicated and the practice of becoming certified is a potential trade barrier.

2.1.1 Is there a future for bamboo certification in India?

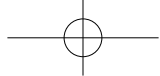
The two key industries currently involved in bamboo certification in India are pulp and paper and handicrafts. Handicrafts support local livelihoods, whereas the pulp and paper industry is an industrial venture. Experts in Northeast India believe bamboo certification would be a useful instrument if it could be adapted to accommodate natural flowering cycles. The Cane and Bamboo Technology Centre (CBTC) in Assam have created an independent national certification system for nurseries, which was accepted nationwide in 2007. The certification system ensures sustainable management of the nurseries and documentation to date predicted flowering cycles. The aim is to supply quality planting materials and try to ensure preparedness regarding predicted flowering dates.³

According to one certification body⁴, the pulp and paper industry is coming under increasing pressure to certify; there are currently 5 certification contracts being processed due to come into force by 2010. Domestically however there is currently a lack of demand for certification, although there is growing awareness surrounding green buildings standards. IKEA is entering India, constituting a premium market for handicrafts and an important market for imported certified materials. Momentum is gaining with certification; within three years the market for Global Gap agricultural certification has increased significantly. Global Gap is a private sector body that sets voluntary standards as a practical manual for global Good Agricultural Practice (G.A.P.) (Global Gap 2009). According to a leading certification body, the Global Gap certification fee is viewed as an investment due to certification being required for market access. This shift in attitudes is anticipated to arise also in the bamboo sector. Salam (2009 Pers.Comm) suggested however that bamboo certification needs to be funded through government channels in order to be economically sustainable. Some experts believe that to upscale bamboo management to forest or CoC certification standards in India is difficult because of

² India (2009, pers.comm) for commercial reasons the certification body has asked to remain anonymous

³ Pongden, Salam (2009, Pers.comm.)

⁴ India (2009, pers.comm) for commercial reasons the certification body has asked to remain anonymous



political 'volatility' in the major production regions in the North-East, in contrast to the stability and high level of state control common in China, where it therefore may be easier.

In India there are 600 forest divisions within 28 estates. The forest divisions act as forest management units within the certification system. Currently there are 6 estates and 14 forest divisions piloting sustainable management. A committee is being created in order to upscale sustainable forest management (including bamboo within the confines of the forest) across the whole of India. The primary objective of the government is to meet the criteria of sustainable forest management and secondly to apply for certification.

The categorisation of bamboo is a contentious issue within forest management. In 1928 bamboo was classified as a timber within the Indian National Forest Act. In 1988 the forestry act was updated but bamboo categorisation was not changed. The difference is significant from an operational point of view. In some places bamboo is a Non Timber Forest Product (NTFP) whereas in some estates it is classified as timber. Regarding certification, NTFPs are a difficult issue. The FSC certification guidelines regarding bamboo are unclear, because in some cases timber plantations cannot be certified, but NTFPs can be certified (FSC 2004).

2.2 Latin America

In Latin America it was recognised that bamboo does not fit neatly into the NTFP category. Bamboo often forms the dominant component of the forest; it is not an extractive resource, being often sold in terms of diameter and volume similar to timber. In 2005 at the FSC General Assembly in Manaus, Brazil, a motion was passed overwhelmingly by a representative body for global FSC standards in Latin America to have a separate category for bamboo and rattan, however since that time no further action has been taken (Stern 2007, pers. Comm.; FSC 2005).

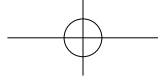
The first bamboo (*Guadua angustifolia*) certification scheme was established in Columbia funded by GTZ. In 2006 the organisation funded 34 producers to adopt an FSC SLIMF programme. The scheme was not sustainable for a number of reasons, primarily due to a lack of capacity building. The major challenges are outlined below:

1. *Understanding certification:* In Columbia the farmers themselves did not understand the motives behind the scheme; not enough attention was paid to capacity building, training and to helping farmers understand certification.
2. *European and American based certification bodies:* To make the system work a large amount of money had to be spent acquiring technical assistance from Northern based certification bodies.
3. *Finance:* Apart from the costs of acquiring technical assistance, the certification itself was found to be too costly; this could not be ameliorated by group certification because the costs were still found to be very high. Furthermore funding was received through a top-down approach which created economic dependence for small holders.
4. *Compliance and competition:* SLIMF was found to be impractical and complicated; small organisations are still disadvantaged in comparison with big businesses who can comply much more easily with standards, simply because smaller organisations have low capacity, even when brought together in a group system.

2.2.1 Is there a future for bamboo certification in Latin America?

In Latin America there is a lack of interaction between countries. The Colombian national bamboo standards however have acted as a guide for certification throughout Latin America and beyond. Although in many countries there are adequate provisions and laws for sustainable forest management in place, Latin American forest laws are not always implemented, and therefore standards work as non state driven market mechanisms. Peru and Bolivia are considered too volatile for certification. In general, adequate technical capacity exists for sustainable bamboo management, but what is lacking is specific knowledge of certification. ⁵The standards and indicators developed for Columbia are

⁵ Cabrera (2007, Pers.comm); Salam (2009, Pers.comm).



a useful guideline for sustainable management which could be utilised and adapted accordingly by local initiatives requiring standards for sustainable management. It was not the standards per se which made the project unsuccessful; it was more likely the top-down mechanism which led to inadequate capacity building which then caused the fundamental lack of efficacy. China has been using the FSC *Guadua angustifolia* bamboo standards as a guideline for the development of their own standards which are focussing on the widely commercially used *Phyllostachys pubescens*.

In addition there is an increasing drive for technical certification from the buildings and construction industry leading to two types of bamboo certification in Latin America in Columbia and Ecuador. The Columbian certification site finally became certified for SFM, and is currently the only certified natural bamboo stand in the world. The process was complex, with many certified producers giving up afterwards due to a lack of response from the market regarding their certified bamboo. In the Ecuadorian case, the Wong Group has certified a whole natural forest (including bamboo).

In Ecuador, bamboo is used for housing and is in relatively high demand. From 2004-2006 an NGO supported a project to build 50,000 bamboo houses. The main buyer agreed to buy bamboo from sustainably managed bamboo forests, although without a certification scheme. The local government in Ecuador is implementing a six year reforestation plan until 2012, with the aim to plant 50,000 hectares of bamboo. Currently a *guadua* producer cooperative including more than 1000 families aims to certify bamboo natural stands in order to receive greater market access.⁶

2.3 China

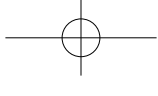
In September 2008, the first meeting for bamboo certification standards of *Phyllostachys pubescens* was held in China, at which time the required economic, social and environmental chambers of FSC were created and actions are underway to create standards. The drivers for certification were primarily to find a mechanism for biodiversity conservation and sustainable management and secondly to assure China is keeping up to date with standards set in Columbia and India.

Bamboo certification feasibility studies have been conducted in Hunan, Sichuan and Yunnan, funded by the Ford Foundation in 2006 and then by the EU-China Biodiversity Conservation Programme in 2007, the latter coordinated by the International Network for Bamboo and Rattan (INBAR). The areas were chosen to represent different stages of bamboo management: Changning County in Sichuan province represents a highly developed bamboo area; Yanling County in Hunan province represents a medium developed area whilst the site in Yinji, Yunnan represents an underutilised area and underdeveloped area and a non *Phyllostachys pubescens* area. Provincial, county and local government officials and factory managers as well as bamboo farmers were interviewed. A brief visit to Anji bamboo forests in Zhejiang province was also conducted during the certification standards workshop to ascertain feasibility for certification of a highly developed and intensively managed area. Key informant interviews were used alongside mixed qualitative and quantitative questionnaires.

The major challenges to certification found in the study are summarised as follows:

1. *Lack of market drivers:* Currently there is a limited market for certified bamboo therefore there is a lack of motivation at the local level to seek certification due to concerns regarding creating market barriers. A large amount of bamboo is used for low cost products domestically, whereby price is the primary consideration. In some areas bamboo farmers add value to their products with processing, therefore are part of captive value chains whereby they have definite routes of supply to factories and subsequent customers. These markets are primarily based on domestic supply; certification intervention in such areas would not be possible without significant reorganisation within the supply chain which would focus on unprocessed culms for predominantly overseas markets. With already stretched resources and factories expressing difficulty in meeting demand, particularly during low seasons, there would have to be a significant number of farmers willing to make the shift to make the project feasible. It would entail significant coordination to match supply with demand for

⁶Cabrera (2007/2009 Pers. Comm..)



certified bamboo products. The market driver is not currently present to encourage forests to adopt sustainable management for these markets (Buckingham 2008a).

2. *Tendency to seek certification within existing sustainable forests:* Within the study, it was found that it would be easier to certify the already sustainably managed mixed forests in Hunan. This however would not address the key driver for certification, which is to ensure sustainable management, change unsustainable practices and protect biodiversity. It would take considerable investment to bring currently more intensively managed forests under certification, although they could be certified under organic, as they are now agro-forestry plantations, rather than natural forests. However due to the markets of comparative advantage, it would be difficult to compete in the sustainable timber market with organic certification.

Although it is common practice to certify 'low hanging fruit' it would be beneficial for the sector in general to attempt to develop a certification system which would be of adequate quality and attainable for a range of forests to enable a drive towards sustainable management and not just ignore existing challenges. Many INBAR projects are currently working to build capacity for sustainable bamboo management amongst farmers which do not utilise certification as a management instrument. Maybe they will consider certification in the future, but even if not it will provide guidance enabling them to choose sustainable practices for the development of their farms and local bamboo businesses.

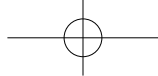
3. *Finance:* Funding requirements will constrain any attempts to certify and the selection of sites. Presently costing quotes received from certification bodies are too high to proceed on more than a trial or pilot site basis. Certification therefore would not be economically sustainable for communities even within FSC SLIMF group schemes. As an example, in 2008 a certification body quoted the cost of a pre-assessment (in which no certification would be granted) of a potential certification site (approximately 50 hectares, with 40 farmer households in Sichuan): one international and one local auditor for two days would cost approximately US \$7,500, excluding travel, accommodation and food as well as the cost of the pre-assessment which would be in the region of US \$18,000-20,000. With an annual income of the farmer households at approximately 4000RMB per year (US \$585), it is obvious that this would be unaffordable (Buckingham 2008b).
4. *Administrative challenges:* Adhering to certification could create administrative challenges. Although annual allowable cuts exist at policy level, practical implementation of the policy is challenging; schemes to effectively monitor harvesting quotas need to be tightened to allow for more equitable competition. It is recognised by some local governments and factories that illegal competition is prevalent whereby annual allowable cuts are exceeded. In order to ensure that supply meets demand for certified bamboo, a detailed audit by participating factories will need to be conducted so that the appropriate number of bamboo farmers could be approached. At the farmer level, significant capacity building will be required to understand the requirements of the principles and criteria and implementation of standards. A key challenge will be the need to create management plans and produce written records required for certification.

2.3.1 Is there a future for bamboo certification in China?

As with all intensive agricultural or forestry systems, the challenges of biodiversity loss, soil erosion, declining yields and increased chemical use are of critical importance to sustainable bamboo management in China. Either a non state mechanism (e.g. Certification) or a state mechanism needs to be used in order to promote sustainable bamboo management. The framework for certification presents many benefits for the farmers in terms of sustainable management and income security in the long term.

In Yunnan there is potential for future research looking at FSC High Conservation Value (HCV) forest certification that would hope to encompass a rare species of bamboo (*Qiongzhusa tumidinoda*). This would expand the existing scope of certification studies to consider the sustainable utilisation of bamboo forest resources in communities particularly lacking management capacity, knowledge of environmental protection and ecosystem management. In Hunan (an area of natural mixed forests), bamboo forest pilot certification projects will be initiated alongside the development of standards.

FSC does not take into account 'disaster management' or *resilience* of the ecosystem, however the system is undergoing its first substantial review in 15 years.



In February 2008 the worst snow disaster in 100 years hit China, killing more than 100 people. The Chinese government pledged \$1.2 billion to rebuild homes, farms and help those in need (Ho 2008). The snow disaster destroyed significant areas of forests including bamboo forests and showed the vulnerability of monoculture stands in comparison with mixed stands and the need for diverse livelihood options. Many farmers manage bamboo as a three month management activity and have livestock as 'insurance' which acts as a buffer in case of agriculture failure or natural disaster. In Sichuan farmers became aware of the vulnerability of their bamboo within monoculture forests being destroyed through the snow disaster due to the lack of support from trees (Buckingham 2008b). In Zhejiang the farmers are experiencing nutrient depletion of the topsoil within monocultures. In Yunnan the whole value chain was affected by gregarious flowering when a significant proportion of bamboo (*Qiongzhusa tumidinoda*) died in Yinji leading to the closure of local factories and huge deficits in the supply chain, which could have been avoided to a large extent through adequate management (Buckingham 2008b). The deforestation of natural forests in Yunnan is threatening Qiongzhu bamboo, a rare but popular and now endangered bamboo species which relies on the shelter of associated trees. When the certification indicators have been created for China it will be interesting to see how they can be potentially used in the bamboo sector as indicators for sustainable management.

3. To what extent can FSC contribute to SBM?

Sustainable bamboo forestry management practices offer many benefits to the environment through preventing soil erosion, promoting carbon sequestration, hydrological cycle stability and oxygen production (Daglis and Turcke 2002). Studies have found annual carbon fixation of bamboo forests to be $5.1 \text{ t hm}^{-2} \text{ a}^{-1}$, which is 1.5 times that of Chinese Fir (*Cunninghamia lanceolata*) and 1.3 times that of tropical mountain rainforests (Zhou and Jiang 2004). Bamboo is reportedly the fastest growing plant on earth; the grass grows approximately 75 – 400 mm per day. Bamboo grows three times faster than most Eucalyptus species and can be harvested four times as often (Kumar and Sastry 1998).

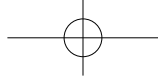
The perceived benefits of sustainable bamboo management highlight important ecological gains. However the description of the country studies in India, Latin America and China have shown that forest certification cannot yet provide an economically sustainable model and that therefore more work would be needed to make it a feasible certification instrument. In the meantime it is important to assess to what extent forest certification can create an arena for opportunities within the bamboo sector? Two significant avenues for learning are through governance and raising awareness of environmental sustainability.

3.1. Creating avenues for learning

a) Promoting good governance

Forest Certification provides the opportunity to reassess bamboo forest governance through the operational management guidelines involved in the certification process. Principles and criteria therefore can contribute to governance in three fundamental ways; by facilitating solutions to complex problems, by brokering knowledge and norms amongst stakeholders and by constituting a learning network for environmental governance (Pattberg 2005). FSC advocates participation in its policies therefore creating the opportunity to bridge knowledge gaps and capacity building amongst communities through a co-management approach. Co-management is a long-term social process, rather than a technical intervention (Plummer and Armitage 2007), viewed as the sharing of power and responsibility between the government and local resource users (Berkes 2009).

There are approaches to certification such as the Modular, Implementation and Verification (MIV) approach designed by Proforest (2003) that can isolate strengths and weaknesses and identify existing barriers to sustainable management based on implementing certification standards. The approach divides certification into the modules of social, environmental, technical, legal and chain of custody in order to isolate areas that need attention. Capacity building workshops can be held at a local level to increase knowledge of sustainable bamboo management, mixed forestry, safety, chemical use, waste disposal and record keeping as well as creating a forum for knowledge sharing regarding processing techniques in which MIV can be used as guidelines to the process.



SLIMF group schemes promote community management which potentially creates opportunities for the community to receive skills development and promotes stewardship amongst community groups. With adequate capacity building, the programmes facilitate networking and responsible management approaches amongst SLIMF groups.

b) Creating greater market transparency

Forest certification advocates forest management and value chain certification. This provides the opportunity for greater transparency within the system which ensures legal approaches to annual allowable cuts since harvesting is being tracked throughout the supply chain. Research conducted in China has shown that factories suffer from illegal competition and government departments often admit they are aware of illegal activities; however there are currently inadequate mechanisms in place to deal with the monitoring and auditing required to ensure legality within the value chain (Buckingham 2008a). In Latin America experts have been particularly supportive of certification due to the lack of local law enforcement, whereby certification brings about regulation external to official state channels, as is the aim of Non State Market Driven (NSMD) mechanisms.

c) Raising awareness of environmental sustainability

The standards raise the importance of environmental sustainability amongst communities and provide a useful baseline for the development of domestic bamboo management standards. They provide the opportunity for capacity building towards reaching sustainable management goals and promote good practice amongst forest users. Sustainability is multidimensional however and the environment is just one aspect of sustainable development. Although a greater awareness of environmental aspects is attained, and new governance practices can enhance the sustainability of societal elements; economic sustainability is of key importance.

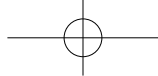
3.2. Addressing the challenges

a) Finance

As previously mentioned, the largest uptake of certification schemes has been in the global 'North' even though the target of forest certification was to ameliorate problems of tropical deforestation in the global 'South'. Forest certification was primarily designed to work with large multinationals and even though there are new schemes such as FSC SLIMF, the system still largely suits a Northern based system, based on large business models. Experts in Latin America noted the high costs involved in hiring northern based experts to carry out third party auditing. Moreover third party auditors are businesses themselves that make money out of auditing, leading certification to be a donor led activity for the rural poor. Since the price premiums originally expected have not materialised, it is particularly difficult for small communities to meet the significant costs of pre-assessment, auditing, reaching compliance and annual assessment. This makes certification as an instrument problematic, since international development seeks to enable sustainable communities, not create dependent communities.

b) Administration

Small and Low Intensively Managed Forests (SLIMF) however are not synonymous with low capacity therefore concerted efforts have to be advocated to help farmers attain standardisation. WWF, like the example in Latin America found that without making certification meaningful for the local communities' lives it was not sustainable (Le Quesene et al. 2006). However the nature of change that is often required can involve a top-down approach, auditing complex systems which can involve illegal competition. Studies conducted in China highlighted the significant need for capacity building regarding record keeping, since this is an area currently lacking. In India it is the Corrective Action Requests (CARs) that are preventing certification standards being reached, therefore it is not the environmental standards but the approach towards administrative elements that are preventing adherence to standards.



c) Suitability of the instrument for bamboo

When considering the suitability of forest certification for bamboo, two key concerns arise: firstly is forest certification categorically suitable for bamboo and secondly does the vision of sustainability set out by certification bodies correspond with the needs of bamboo? In FSC terminology bamboo is considered a Non Timber Forest Product (NTFP). In South America a motion was passed to re-categorise bamboo as 'bamboo and rattan' under FSC.⁷ Unlike other NTFPs bamboo can constitute both the majority of the forest or be an extractive resource. Research has also been undertaken to consider bamboo under carbon trading schemes such as the Clean Development Mechanism (CDM) (Widenoja 2007), in which bamboo would be considered a tree (INBAR 2007). The categorisation of bamboo in different countries has a great impact on the perception, management and trade of the species, and therefore certification issues.⁸ In Linnaean taxonomy, bamboo is considered a grass (World-Book 2002). In China it is recognised as forestry but under a separate policy to trees which absolves it from annual allowable cuts quotas. The National Bamboo Mission in India is advocating for bamboo's inclusion under horticulture in order to change the taxing system and create more opportunities for management like a horticultural product.⁹ Bamboo is regulated by three Central Acts: The Indian Forest Act, 1927; the Forest Conservation Act 1980; and the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006. The Confederation of Indian Industries (CII) and India Development Foundation (IDF) undertook a study on "Industrialisation of bamboo sector in India" and the study found that the regulations represent "a quagmire of archaic forest laws, where bamboo is defined as a tree, and therefore, felled bamboo is termed a timber" (Subramani 2008).

d) A vision of sustainability?

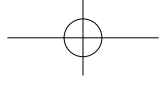
Forest certification was created in 1993 thereby representing an early 90s vision of 'sustainability'; the question needs to be asked as to whether that sustainability frame is suitable for bamboo. Current forest utilisation and preservation is based on how forests developed under past climatic conditions. It is highly probable that forests and forest communities will face significant impacts due to climate change (Spittlehouse and Stewart 2003), including potential plantation failures due to poor adaptation, extreme climatic events, increased insect or disease problems, increased frequency and severity of fires, mortality and loss of productivity (Innes and Hickley 2006). Forest ecosystems are characterised by function, structure, interconnectedness, complexity and change over time. All these attributes must be addressed in complete forest ecology (Kimmins 2008).

It is important to manage systems to enhance their resilience, through what Walker and Salt (2005) term 'resilience thinking'. Resilience is the capacity to absorb disturbance and still retain its basic functions and structure. Any proposal for sustainable development that does not explicitly acknowledge resilience is not a holistically sustainable system. The key to sustainability lies in enhancing the resilience of what Walker and Salt (2005) term social-ecological systems. These systems are complex adaptive systems inclusive of nature and society that change over time. Current modes of sustainability are modelled on average conditions, increasing efficiency and optimising performance; resilience thinking is built on the premise of understanding and engaging with a changing world. When considering resilience two areas of resilience need to be accounted for: resilience to known risks and disturbances (specified resilience) and disturbances not yet thought of (general resilience) (Walker and Salt 2006). Further work may be needed to identify the specific issues related to resilience of bamboo based ecosystems, so these can be included in the development of the sustainability parameters of a certification system.

⁷ Stern 2007, pers. Com.

⁸ Salam 2009, pers.com.

⁹ Ibid.



e) Market access or market barrier?

In India farmers were reluctant to pursue certification for fear of market barriers. Initial research in China also mirrored this feeling. The farmers would only be willing to increase costs if they were guaranteed market access without restrictions. There is a risk that certification could create barriers for those that are least able to afford certification. Certification gained by those areas that can afford certification or have received donor support could give the wrong impression to the remaining areas, causing buyers to inaccurately believe that uncertified bamboo is unsustainable. It should be prevented that uncertified areas could risk being considered unsustainable due to a lack of certification, when it may actually only be economic and social barriers rather than environmental barriers which impede certification.

4. Ways forward

Forest certification standards can be used as a guide to develop domestic and global understanding of sustainable bamboo management. There are four key recommendations for action that arise from this study that can provide an indication of how bamboo certification can contribute to sustainable bamboo management.

a) Advocate preparedness for certification

There are many benefits from adhering to the standards and learning from operational co-management practices. Certification standards themselves can act as a basis for sustainable bamboo management. It is important not to disadvantage communities; therefore preparedness for certification will ensure that farmers can respond quickly should the market situation change.

b) Lobby standard making bodies for equitable grounds for standards

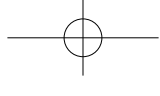
There are challenges regarding the economic sustainability of certification as well as operational challenges with adhering to the administrative requirements of certificates. With Fairtrade there are funds that can be applied for from Fairtrade itself; it would be useful for forest certification to address these challenges forest certification is currently not an enabling mechanism for smallholders and action needs to be taken to make it more of an equitable instrument as the market moves towards a scheme that certification is no longer a premium market and more a mechanism for market access.

c) Research standards and their efficacy for bamboo

Further research needs to be conducted on what constitutes *sustainability* for bamboo and how this links to FSCs vision. Moreover more work is needed for bamboo regarding its *categorisation* under FSC, as a unique plant, a tree or an NTFP. Input for standards is being collected, for example, research in China has shown that intensively managed monocultures face significant challenges of resilience.

d) Facilitate adaptation to climate change and resilience thinking through FSC

Forest certification is based on a vision of sustainability from the 90s, since then there has been significant change in global attitudes towards mitigation and adaptation to climate change. With an eye on the future, sustainable bamboo management and adaptation to climate change should not be considered two separate entities, they are interlinked; therefore a more holistic vision of '*resilience thinking*' needs to encompass the contemporary vision of bamboo management. There are many opportunities for forest certification to align sustainable management goals with current climate change thinking. New approaches to create trading schemes are arising including 'Reducing Emissions from Deforestation and Degradation' (REDD) and 'Proactive Investment in Natural Capital' (PINC). The Intergovernmental Panel on Climate Change (IPCC) estimates that the deforestation is contributing to almost 20 per cent of the overall greenhouse gas emissions, exacerbated further by forest degradation from forest ecosystems. There is an immediate need to make significant progress in reducing deforestation, forest degradation, and associated emission of



greenhouse gases (UNDP 2009). Forest certification has many transformative potential opportunities for shared climate change adaptation goals, which can include bamboo.

e) Study to what extent existing certification practices can promote sustainable bamboo forest management

A few bamboo farms have been recently certified under FSC schemes in China. However, questions and doubts have been immediately raised as to what extent certification benefits sustainable management of bamboo forests. Studies should focus on the efficacy of certification practices towards achieving sustainable bamboo forest management.

5. Conclusion

This study has shown that there is potential for bamboo certification to contribute to sustainable bamboo management, however that when following the current forest certification approach there will be very few farmers, in particular smallholders that will decide to go in this direction. There are a number of recurring themes that limit the efficacy of forest certification in the bamboo context throughout the trials and studies in India, Latin America and China. There is potential for creating avenues for learning through promoting good governance, creating greater market transparency and raising awareness of environmental sustainability. There are a number of challenges that need to be addressed regarding finance, administration (particularly addressing meeting the needs of supply and demand), the suitability of the instrument categorisation for bamboo, the contemporary vision of sustainability, as well as the question of whether certification creates a stronger case for market access or becomes a market barrier. There are a number of recommendations that result from this study in order to realise how certification can contribute to sustainable bamboo management: there is a need to advocate preparedness for certification, lobby certification bodies for equitable grounds for standards, research standards and their efficacy for bamboo as well as facilitate adaptation to climate change and resilience thinking through forest certification bodies.

Principally non-state market-driven governance systems require forest companies and forest owners to perceive a direct or indirect economic benefit. Currently the movement towards certification is slow. The principle aim of certification itself is to promote sustainable management. There are many opportunities for learning from the sustainable framework which could contribute to sustainable bamboo management. Although standards may not have created effective certification, the transformative potential of governance is high, yet current levels are demonstrating marginal change. Moreover alliance with standards will not only bring benefits to bamboo farmers primarily for sustainability reasons but also advocates preparedness should the market change.

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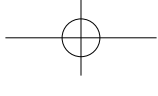
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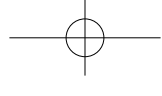
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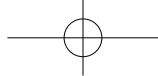
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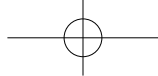
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Empowering Producers - An Initiative to Improve All Cotton Production¹

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Cotton and cotton textile industries are central to the economic growth of both developed and developing countries and contribute to development that is sustainable and socially responsible. Cotton is the raw material of wealth, industrialisation and development. It is a vital cash crop providing income for everything from education, health and housing to transportation and often serves as a catalyst for industrialisation and rising social welfare. More than 100 million family units are engaged directly in cotton production. When family labour, hired-on farm labour and workers in ancillary services such as transportation, ginning, baling and storage are considered, the ICAC Secretariat estimates that total involvement in the cotton sector reaches an estimated 300 million people. It also provides employment to additional millions in allied industries such as agricultural inputs, machinery and equipment, cottonseed crushing and textile manufacturing. Cotton cultivation contributes to food security and improved life expectancy in rural areas of developing countries in Africa, Asia and Latin America. Cotton played an important role in industrial development starting in the 18th century and continues to play an important role today in the developing world as a major source of revenue. The average value of world cotton production is about \$30 billion².

Social, Environmental and Economic Stress

World cotton production and consumption rose from about 14 million tons in the early 1980s to a record of 27 million tons in 2004/05. However the rise in prices of grains and oilseeds that began in 2006 coupled with the current world economic recession, are leading to lower production and consumption. In addition to year-to-year changes in weather, the economy and government policies, the cotton industry is being affected over the long run by improved agricultural technologies and competition with polyester.

New Technologies

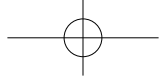
New technologies, and more extensive use of existing technologies, have changed the structure of the world cotton market since the early 1900s; moreover the rate of technology change may be accelerating. Organised plant breeding, the mechanisation of agriculture, increased use of fertilizer, and the initial development of insecticides succeeded by herbicides have all had transformative impacts on agricultural industries. Among the technologies developed in the 1990s, the most easily measured is genetic engineering of cotton, or biotechnology. Nearly 50% of world cotton area, accounting for nearly 60% of world production, was planted to biotech varieties in 2008/09, up from just 2% in 1996/97³. Biotech cotton can lead to increased use of herbicides but lower use of labour and insecticides. Although biotechnology does not guarantee that cotton yields will be higher than the same varieties planted without biotech genes, in practice, yields tend to rise because of improved pest control. From a farmer's standpoint, the primary advantages of biotechnology are lower production costs, better insect control and reduced risks associated with

¹ Presentation given during the CFC & ICB Workshop on the Advantages and Disadvantages of Certification for Commodities, April 2, 2009, International Network for Bamboo and Rattan, Beijing, PRC. Liz Muller, www.lizmuller.com, provided advice and information that were incorporated into this paper.

² Calculated by the ICAC Secretariat by multiplying the average world price by production.

³ Recorder, ICAC, various issues





insecticide use. Biotechnology is only one of a multitude of new technologies that are affecting agricultural production, including integrated pest management and the development of targeted insecticides, better systems of water management, precision application of inputs, improvements in conventional breeding processes, and computerised farm management that are cumulatively leading to an upward shift in the supply of cotton, meaning an increase in the amount of cotton produced at each level of prices compared with previous decades.

Competition in Fiber Use

World demand for textile fibres has also increased at an impressive pace since the 1950s, from 7.6 million tons in 1950; textile fibre consumption has increased to 70 million tons per year currently. While about 50% of the increase was the result of population growth, the remaining 50% was the result of higher income per capita, declines in real textile prices, and research that generated new uses for textile fibres⁴.

For cotton, competition with chemical fibre is a challenge. At the start of the 20th century, cotton had a dominant share of the textile market. At the beginning of the 21st century, cotton is one of many fibres available and has been surpassed by polyester. Cotton consumption per capita has remained almost constant since 1960, while total textile fibre consumption per capita has more than doubled. Cotton's share of world textile fibre use fell from about 50% in the 1980s to less than 40% currently.

As a result of the rapid increases in supply linked to technology improvements, coupled with relatively slow growth in demand because of competition with chemical fibre, cotton prices have declined in real terms since the end of World War II. During the 1970s, 1980s and 1990s, the average world price of cotton, not adjusted for inflation, was more than 70 cents per pound, but the average international price during the current decade is expected to be between 50-60 cents per pound. The decline in prices is putting substantial economic pressure on cotton producers, especially those in countries that do not receive subsidies or other forms of protection.

Social and Environmental Concerns

Cotton producers, and the cotton industry as a whole, face social and environmental challenges, in addition to economic stress. Agricultural industries, including cotton, are at a critical juncture in world history in which issues associated with social, environmental and economic performance are of increasing importance. An estimated 20,000 people in developing countries die from exposure to pesticides each year.⁵ Cotton accounts for about 2.5% of world arable land on average, but cotton production accounts for 17% of world insecticide use by value and 8% of world plant-protection chemical use other than fertilizers⁶.

Cotton is a source of cash income for millions of people and is the only link to global markets for many. However, cotton is inherently labour intensive and often involves the use of children's work. When work becomes inappropriately lengthy, arduous or interferes with education, such work is properly classified as child labour, prohibited under ILO conventions.

The ancestors of all commercial varieties of cotton in use around the world developed in deserts, and cotton is efficient in the use of water compared with most other row crops. Consequently, cotton is often grown in semiarid or even arid regions, and thus cotton becomes associated with water stress.

⁴ World Textile Demand, ICAC, November 2008.

⁵ PAN-UK Review 2005.

⁶ Plant-protection chemicals other than fertilizers include herbicides, insecticides, fungicides, nematicides, growth regulators, and defoliant.



Certification Programs as Cures to Stress

The economic, social and environmental stress faced by cotton producers has led researchers to investigate alternative production systems that would lower costs and reduce environmental stress. Some farmers are trying programs based on certification of adherence to environmental, social and economic guidelines in order to reduce the costs of purchased inputs receive price premiums or improve environmental or labour standards. In total, there are four certification programs involving cotton. The four programs together account for less than 1% of world production in 2008/09.

All cotton production was organic until the 1920s, and producers have been experimenting with organic production systems since at least the 1970s. Production of certified organic cotton more than doubled in 2008/09 alone and reached nearly 150,000 tons. Cotton production certified by the Fairtrade Foundation is estimated by the Secretariat to be less than 10,000 tons in 2008/09. Retail sales of Fairtrade cotton products in the UK rose from £5 million in 2006 to £35 million in 2007. Cotton Made in Africa is a certification program begun by the Otto Group, a European catalogue retailer, and total involvement is reported to be about 35,000 tons⁷. Pure Brazil Cotton was a certification program begun voluntarily by cotton producers in Brazil in 2005 with the intention of involving several hundred thousand tons, but producers were unable to recoup expenses associated with the program through price premiums on a large scale, and the program was discontinued this season.

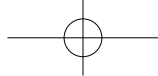
Limits to Growth of Certification Systems

The ICAC is strongly supportive of the various certification programs and has allocated significant amounts of time at meetings, space in publications and Secretariat research to topics associated with certified cotton production in order to expand knowledge about these systems. Nevertheless, while the rates of growth from small beginnings for certified cotton production have been impressive in recent years, there are inherent limits to large-scale participation in such programs.

Over 100 million households produce cotton, and collection of small lots from thousands of locations across large production zones, aggregation at gins, shipment to warehouses, perhaps transfer to intermediate locations, delivery to textile mills, spinning and weaving or knitting, is inherently complex, making segregation of products through the farm-to-textile pipeline difficult. While different lots of cotton can vary significantly in quality or type, genetic identification or some other invariant marker to use in traceability systems is impossible. Further, uniformity is a goal in textile production, and blending of fibres with a variety of quality characteristics to achieve uniformity across thousands of square meters of product is common practice, adding to the difficulties of segregation within the textile-to-apparel pipeline.

Other challenges to large scale adoption of organic cotton, or similar systems, is that many regions do not produce sufficient biomass to use as green manure because cotton is often grown in water-scarce regions. Organic production systems require more labour than conventional systems because of the need to collect and compost fertilizers. Protecting cotton from insects and maintaining soil fertility in an organic production system is as technically complex as non-organic cotton, meaning that the research and extension systems necessary to support organic cotton production must be at least as well developed as for non-organic cotton. There is also the reality that certification itself entails expenses that must be borne within a production system, and these expenses can be prohibitive in smallholder systems. In addition, the ICAC Secretariat believes that the underlying premise for organic cotton is that conventional production systems are damaging to workers or the environment is less valid than in the past because of ongoing improvements in cotton technology. Any tool can be misused, and chemicals have been misused in cotton production. With the development of new technologies and increased understanding of the dangers of misuse of agrochemicals

⁷ E-Mail from Dr. Johannes Merck, Managing Director, Aid by Trade Foundation, April 2, 2009.



however, the incidents of misuse are increasingly rare. Based on surveys of production practices⁸, the Secretariat believes that the majority of all cotton production each season is produced safely and in ways that are socially and environmentally benign. Therefore, the rationale for the production of cotton under a certification program is linked largely to reduced cash costs and price premiums in programs linked to retail chains.

An All-In Alternative to Certified Production

The Better Cotton Initiative (BCI), along with sister initiatives with sugar cane, palm oil and soybean, is a brainchild of the World Wildlife Fund, a well-known non-government environmental organisation. The BCI is seeking to encourage structural improvements in all cotton production that lead to reductions in the harmful impacts of chemical use, better use of water, care for the soil, decent work and improvement in fibre quality. The BCI is a collaborative effort involving producers, ginners, input suppliers, research organisations, governments and NGOs in efforts to ensure that “better” production practices are embraced as standard production practices, with “better” being defined country-by-country through participatory workshops with stakeholders⁹. The focus of BCI is on empowerment of farmers through research, extension and supply of appropriate inputs resulting in production practices that benefit producers through reduced costs and improved environments while allaying the concerns of consumers.

The BCI has a small secretariat working out of virtual offices scattered around Europe and Australia. In addition, the BCI will become a legal entity by 2010. At that time, BCI will have a permanent secretariat and Board of Directors, and industry will be able to join BCI as full members.

The steering committee is composed of representatives of retailers and NGOs. There is also an advisory committee. BCI is beginning in four regions, Brazil, West Africa, Pakistan and India. Educational efforts and collaboration with national cotton producer associations has begun, and specific programs are scheduled for implementation in 2010. The BCI program begins with the collection of data, self-assessment by farmers or farmers’ organisations coupled with spot checks to ensure credibility, the monitoring of progress toward objective goals and efforts at improvement as determined by farmers themselves with independent verification to ensure compliance. The emphasis is on farmer benefit within a conventional marketing system to encourage widespread adoption. Minimum requirements for participation include compliance with pesticide labelling and the elimination of child labour. Longer-term goals are more ambitious and will involve a more comprehensive list of compliance standards that will be developed as BCI matures.

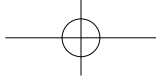
The strategy of BCI is to work within existing cotton production supply chains in each region by documenting transactions from farmers in BCI regions, through agents and gins, to bales of cotton produced and ready for shipment. The objective is to achieve at least some of the goals of certified production systems without incurring the costs of certification and by working with farmers to improve current practices based on known technologies rather than trying to fundamentally change production systems. The intent of BCI is to advocate production systems that result in visible benefits to farmers in the form of reduced costs of cotton production, reduced labour, or improved safety, rather than a program premised on premium prices.

Conclusion

Cotton farmers face economic stress caused by reduced prices, social stress caused by the need to reduce inappropriate labour practices and environmental stress caused by damage to the environment when harmful production practices are utilised. Organic cotton, Fairtrade Cotton, Cotton Made in Africa and Pure Brazil Cotton are four certified production and marketing systems that can assist farmers in meeting the challenges posed by economic, social and environmental stress. The Better Cotton Initiative is not a certified production system, but BCI is an additional system seeking to assist

⁸ Cotton Production Practices, ICAC, November 2008

⁹ For a full description of the BCI system and procedures, visit www.bettercotton.org.



farmers in responding to the needs of a modern industry.

The concepts underlying BCI are not new. After all, farmers have been working for thousands of years to lower costs and improve lifestyles, and extension agents have been teaching integrated pest management for about 30 or 40 years. However, the new element of BCI is that it involves a collaborative effort between retailers, governments and NGOs, researchers and producers to develop self-reinforcing systems of “better” cotton production that can realistically be extended to all producers. BCI is not an alternative to organic, Fairtrade, Cotton Made in Africa or other certified cotton production systems, but instead operates in parallel with such systems.

By striving to make the bulk of cotton production more sustainable through an approach that emphasises benefits to farmers and ginners, the Better Cotton Initiative can reduce the impacts of cotton production on human health and the environment while improving water use efficiency and reducing insecticide use. BCI can help position cotton as an answer to 21st century problems, leading to improved livelihoods for hundreds of millions and benefits to consumers through improved quality.

