

Other food related regulations

William Meyers

PID_00157675



Universitat Oberta
de Catalunya

www.uoc.edu

Index

Introduction	5
1. Food quality	7
2. Agricultural product quality schemes	9
3. Organic farming	11
4. Animal welfare	12
5. Country of Origin Labelling (COOL)	14
6. Self governance	15
7. Certification schemes	16
8. Other issues	18

Introduction

In this chapter we cover several other issues not yet discussed but with important implications for both consumers and producers: food quality, agricultural product quality schemes, organic farming, animal welfare, country of origin labelling, self-governance and certification schemes.

1. Food quality

"... De gustibus non disputatum est...".

As consumers' budgets increase, the quantity of food a consumer can generally consume increases, but there are constraints on the actual consumption. Thus, consumers move to higher quality goods and the appreciation of non-price attributes.

Quality as a concept is difficult to define, and thus, descriptions are often used. One description would be *fitness for consumption*. However, a product that one consumer considers as fit for consumption, the other might not. The International Standardisation Organisation (ISO) described quality as the requirements necessary to satisfy needs and expectations of end users.

Food quality is subjective, multidimensional, and assessed from a varied bundle of attributes. Different people –and countries– might have different perceptions of quality.

An example could be the Chinese demand for chicken feet, a product that is considered inferior almost everywhere else. Quality is an overall judgment, or an overarching concept that leaves room for (subjective) interpretation. While food safety is a non-negotiable attribute and a pre-requisite for producers to participate in the supply chain, *quality* has emerged as a means of product differentiation communicated through brands, quality schemes, etc.

Food quality clearly goes beyond agricultural quality policy, although the quality of the inputs is a crucial part of quality food. In the EU, agricultural quality policy covering primary agricultural and first stage processed products such as wine, cheese, olive oil and meats is based on marketing standards (discussed in an earlier chapter), EU agricultural product quality schemes and various certification schemes, both private and national.

The EC also recognizes that EU policy has developed on an *ad hoc* basis and a number of inconsistencies exist, including the complexity of existing schemes. A shift in the EU is to move away from the production of commodities to the production of high quality food. EU legislation does not and cannot cover all aspects of food quality. An aspect of quality is already captured in marketing standards.

Quality standards in the US are applied on a voluntary basis:

Bibliographical reference

http://ec.europa.eu/agriculture/quality/policy/com2009_234/ia_summary_en.pdf

"Agricultural Marketing Service's quality grade standards, grading, certification, auditing, inspection, and laboratory analysis are voluntary tools that industry can use to help promote and communicate quality and wholesomeness to consumers. Industry pays for these services and since they are voluntary, their widespread use by industry indicates they are valuable tools in helping market their products".

www.ams.usda.gov

Chung looked at valuing quality attributes and country of origin in the Korean beef market. Korean consumers are willing to pay almost three times more for domestic Korean beef than they pay for imported beef. Chung conducted a conjoint analysis on consumers' willingness to pay for country equity of domestic vs. imported beef and quality attributes of marbling, freshness, GMO-free feed ingredients and antibiotic-free production.

Korean consumers value origins of imported beef approximately 14\$/lb less than the Korean beef. Korean consumers' valuation of beef quality and country of origin differs by some demographic groups.

Bibliographical reference

Chung Chanjin; Tracy Boyer; Sungill Han (2009). "Valuing Quality Attributes and Country of Origin in the Korean Beef Market." *Journal of Agricultural Economics* (Vol, 3, no. 60, pp. 682-698).

2. Agricultural product quality schemes

Agricultural product quality can be communicated to consumers using a logo supported:

- By **voluntary private certification**.
- By a **national quality scheme**.

Agricultural product quality schemes in the EU include schemes for geographical indications, traditional specialities guaranteed, organic farming and product of outermost regions. Region and origin labels have already been reported to be rather convenient marketing tools designed and used to signal and stress particular food product attributes, rather than objective signals of premium quality. New schemes are under development: extending the *Ecolabel* to food stuffs and an animal welfare labelling scheme.

Geographical indicators schemes are assumed to encourage high quality agricultural production, protect product names from misuse and imitation, and inform consumers.

Geographical indicators in the WTO are treated under TRIPs.

Geographical indications (GIs) are names that describe a product that owed its identity to the place in which it was produced. In the EU three schemes are operational wine, spirits and agricultural products and foodstuffs

In total, about 3,000 GIs are registered in the EU. Two types of GIs are used in the EU:

- **Protected Designation of Origin (PDO)**. For a name to qualify as a PDO, all the steps of production must in principle take place in the geographical area and the product's characteristics must be exclusively or essentially due to its geographical origin.
- **Protected Geographical Indications (PGI)**. For a name to qualify as a PGI, at least one step of production has to take place in the area, and the link to the area concerned can be justified by reason of a specific quality, reputation or other characteristics linked to the geographical area.

The EU GI system is open to third country producers. Registered GI provides, in principle, intellectual property protection. The use of GIs is prohibited even when accompanied by words *like* or *type*. GIs can and do lead to potential conflicts, especially when the GI name is considered to be generic. GIs are not protecting trademarks: trademarks are private instruments and the owner has to defend them if necessary. The use of GIs in the EU is controlled by public authorities. In the international setting, GIs are also part of bilateral agreements although the EU is seeking improved protection and registration at WTO level.

Traditional specialities guaranteed (TSG) was established in 1992 to register names of agricultural products or foodstuffs that are produced using traditional raw materials or traditional methods of production, or that have a traditional composition.

Two types of names are possible:

- **With a *reservation*.** When registered with reservation, it can only be used to describe the product made in accordance with the specification.
- **Without a *reservation*.** When registered without reservation, it can still continue to be used for products that do not correspond to the specification but without the indication *traditional specialty guaranteed* or the Community symbol.

Unlike GIs, TSGs do not refer to origin. Partially because of its complexity, the TSG scheme has not proved to be a success, as since 1992 only 20 TSG names have been registered.

Another, less known quality scheme is a policy for products from the outermost regions, such as fruits from Guadeloupe, Martinique, Canary Islands, etc. The goal is to add value to the local production of regions that are handicapped by their remoteness and challenging natural conditions.

Applications for GIs are subject to a fee, although some applications are free.

Another scheme in the EU, similar to geographical indications schemes, is TSG (Traditional speciality guaranteed) which highlights the *traditional* character, whether in composition or means of production.

Bibliographical references

http://ec.europa.eu/agriculture/quality/policy/consultation/greenpaper_en.pdf

http://ec.europa.eu/agriculture/quality/policy/com2009_234/ia_annex_b_en.pdf

Bibliographical reference

http://ec.europa.eu/agriculture/quality/policy/com2009_234/ia_annex_c_en.pdf

3. Organic farming

Organic foods are foods grown and processed using no synthetic fertilizers or pesticides or using only pesticides derived from natural sources. Consumers purchase organics as a way of life or as a way to reduce their exposure to synthetic pesticides and fertilizers. Organic foods in many countries are certified by private and state agencies leading to a proliferation of certifications. Organic farming is enjoying increasing demand, although common standards for organic farming are still in development. Products of organic agriculture, although in increased demand by consumers, are still rather confusing. Although terms *organic*, *ecological*, and *biological* mean different things, they are not well defined in many cases.

The organic farming logo in the EU guarantees that at least 95% of the product's ingredients of agricultural origin have been organically produced, the product complies with the rules of official control schemes, the product has come directly from the producer or is prepared in a sealed package, and the product bears the name of the producer, the preparer or vendor and the name or code of the control body. Currently the voluntary EU organic logo will become mandatory in 2010 for pre-packaged food but will continue to be voluntary for imported products. In addition to an EU organic logo, many private organic logos exist. In the EU, a common organic standard will not be applied until July 2010, and in the meantime organics remain under the jurisdiction of national standards.

Codex Alimentarius developed organic farming rules.

4. Animal welfare

The discussion on animal welfare centres on farm animals. People generally agree on animal cruelty against pets. Differences in opinion about the way production animals should be kept and transported are frequent. Many countries share a view that animal welfare should be ensured using stricter farming requirements, which result in higher production costs. Animal welfare requirements are conditional on historic animal husbandry practices. Europe has a long history of concern for the animal welfare, starting from the *Act to Prevent the Cruel and Improper Treatment of Cattle of 1822* in Britain. Variations exist:

- Nordic European countries tend to be more concerned than their southern neighbours,
- All European countries tend to be more concerned than North Americans.

It is often not the consumers that express their concerns about animal welfare but various active animal rights protection lobby groups.

Generally accepted principles of animal welfare are based on five freedoms:

- Freedom from hunger and thirst.
- Freedom from discomfort.
- Freedom from pain.
- Freedom to express normal behaviour.
- Freedom from fear and distress.

These are reflected in the minimum standards of those countries that have animal welfare regulation. Animal transport regulations are also part of animal welfare regulations. Some animal welfare requirements, such as those for the pig and calf sectors, poultry and laying hens, ban certain production systems.

In the EU, animal welfare is generally dealt with by means of government intervention which is often justified on the basis of negative externality and public goods. When animals are perceived to suffer, people experience discomfort. As such, animal welfare cannot be priced; although products produced using different animal husbandry techniques can be priced.

For example, free-range eggs could carry a premium compared to cage eggs.

Protection of a basis level of animal welfare is often incorporated into agricultural policy in the form of cross-compliance, where a farmer only receives subsidies when he complies with regulations. When goods can be differentiated, for example, with labelling and both consumers and producers have the same information, the markets play a role as well.

In the US, on the other hand, animal welfare is often a matter of business-to-business standards imposed, for example, by fast food chains such as Kentucky Fried Chicken or McDonalds responding to consumers' demands. Due to the size of the market occupied by large fast food chains, these business-to-business standards are very effective.

Finally, consumers may perceive animal welfare and environmentally friendly practices in farming as an indicator of food safety, although the link has not yet been established. Discussions about animal welfare in developed countries are hard to understand in developing countries and may be hard to accept when many people go hungry.

5. Country of Origin Labelling (COOL)

The rationale behind the country of origin labelling is a designation of origin in the case of animal disease. Some consumers also believe country of origin influences the quality of a product. With increased interest in food miles and carbon foot print it is also beginning to serve additional purposes.

Many countries have adopted or are considering adoption of country of origin (or place of farming) labelling. Australia introduced it for all agricultural products and foodstuffs, and the US for selected agricultural product sectors. In the EU, obligatory place of farming applies to beef and veal, fruit and vegetables, eggs, poultry meat, wine, honey, olive oil and will apply to organic products from 2010. Some retailers voluntarily place additional information on the label to indicate the amount of *food miles* (discussed in the emerging issues module).

Place of farming refers to the place of harvest of crop products, birth and raising of livestock, the place of milking for dairy cows, etc. *Origin* in case of processed products may refer to the place of last substantial transformation, and therefore not necessarily to the *place of farming*.



A study from the EC cites a study from the US on raw food labelling estimating cost increases in the range of 0.01% for poultry and 0.64% for fish. An Australian study covering different raw products within processed food shows cost increases on average of 1.4% for the implementation of extensive labelling requirements while a study from New Zealand comes up with an estimate of 0.48%.

Bibliographical reference

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0234:>

Bibliographical reference

http://ec.europa.eu/agriculture/quality/policy/com2009_234/ia_en.pdf

6. Self governance

Self governance, also called self regulation, often occurs in the areas of setting and monitoring marketing standards and good agricultural practices. Self regulation, unlike legislative acts, can be faster, more responsive and more flexible.

However, self regulation is possible only if the supporting infrastructure is in place allowing producers to reach a consensus. In the case of a high concentration of market power, self-regulation can raise suspicions of abusing market power. The administrative costs of self governance are low, as are the costs of resolving public disputes. Public standards, on the other hand, entail the cost of inspection and control and are backed up by court proceedings where necessary. Self-regulation always happens closer to the market than regulation imposed by government, although unlike mandatory regulation, self-regulation is only respected by those that decide to respect them.

An example of self-regulation in practice is the European juice industry, which relies on self-regulation to meet consumer expectations and to give guidance to the fruit juice industry. Various industry-endorsed codes of good practices are also examples of self-regulations.

Bibliographical reference

http://ec.europa.eu/agriculture/quality/policy/consultation/greenpaper_en.pdf

7. Certification schemes

Certification schemes can be both **private** or **public**

Some aspects of certification we already discussed in an earlier chapter on private standards.

Certification schemes provide assurance that certain aspects of product or production methods have been observed or applied when consumers cannot observe the attributes of the product either before or after the purchase or consumption of the product. The EC divides certification schemes into two categories:

- **Food assurance certification schemes**, guaranteeing *baseline* standards have been met.
- **Food quality certification schemes**, that *differentiate* the product on the market by highlighting value-adding characteristics and farming attributes to buyers and consumers.

A preliminary inventory done for the EC in 2006 indicates that countries have close to 400 different schemes for private and national certification of agricultural products and foodstuffs.

- Certification schemes are governed by the ISO Guide 65 and certification schemes, albeit voluntary, must comply with the ISO 65.

ISO defines certification as a procedure by which a third party gives written assurance that a product, process, service or management standard conforms to specified requirements.

- They can occur at different stages of production and can be accompanied by logos although logos are not necessary.
- Certification schemes occur on the business-to-business or business-to-consumer levels.
- They include certification of compliance with a compulsory production standards, environmental protection, animal welfare, labour practices, religious considerations, farming methods, origin, etc.

Bibliographical reference

http://ec.europa.eu/agriculture/quality/policy/com2009_234/ia_summary_en.pdf

Bibliographical reference

http://ec.europa.eu/agriculture/quality/policy/com2009_234/ia_annex_d_en.pdf

- They are voluntary. If compliance with a certain production process is mandatory, all products sold on the market would satisfy the requirements and thus certification would not be necessary.
- Broadly, certification schemes for agricultural products and foodstuffs can be divided into three groups, although a certification scheme can carry elements of assurance and differentiation):
 - **Food safety and liability schemes** (post-farm gate).
 - **Food assurance schemes** (pre-farm gate and whole supply chain).
 - **Differentiation schemes.**

The first two types of certification schemes we already discussed in the earlier chapter under the heading of private standards, since they are usually used in a business-to-business setting.

Differentiation schemes distinguish certified products from uncertified ones by highlighting an attribute of a product and communicating it to the consumer. Various attributes can be certified: animal welfare, organic farming, labour standards, fair trade, origin of the product, etc. Certified products can carry a price premium. These certification schemes can originate from farmers groups, producer groups, national authorities, NGOs, etc. Some of the most known certification schemes include Fair trade labels that are international labels communicating to the consumers that participating producers received guaranteed premium prices. Other examples are Label Rouge in France (accounting for 30% of overall poultry production and 56% of whole chicken production in France), Neuland in Germany (covering about 200 producers and a market share around 0.05%), etc.

Although certification schemes can address the asymmetric information problem, their transparency and credibility can still represent a challenge for consumers. The sheer numbers and diversity of various certification schemes can lead to consumer confusion. Confusion can also be caused using unclear terms, such as *integrated agriculture*. Studies indicate that despite increased traceability, certification and other instruments, consumer's trust in meat and safety of products is limited.

In the case of differentiation schemes, the market decides on the success of it.

To reduce consumer confusion, many NGOs have started initiatives to be a reference for setting credible voluntary social and environmental standards. One example is ISEAL's Code of Good Practice, Marine Stewardship Council, rainforest Alliance, IFOAM, FLO, Forest Stewardship Council. The ISEAL alliance defines and codifies best practices for the design and implementation of social and environmental standards systems. Certification, although costly, can lead to higher prices received by producers. Consumers have been found to be willing to pay more for certified products.

Bibliographical reference

http://ec.europa.eu/agriculture/quality/policy/com2009_234/ia_en.pdf

8. Other issues

Patents, trademarks and other intellectual property belong to this category. There is no such thing as an international patent, and patents are subject to national legislations.

A patent is a right to exclude others from making, using, or selling the invention.

A discussion still evolves whether life forms can be patented, leading to a discussion on GMOs.