

Importance of Quality Standards in Agricultural Trade

Part 1.

By

Dorian A. LaFond PhD.

International Standards Coordinator
USDA/AMS/Fruit and Vegetable Programs

Introduction:

Standards are of strategic significance to producers, traders, governments, and international trade.

Designed to facilitate exchange, guarantee quality, and achieve the provision of public good.

In the fresh fruit and vegetable sector (FFV), standards allow producers to add value to their products through services including; washing, sorting, labeling or packaging.

They facilitate trade through a simplified common trading language.

Introduction:

Standards allow governments to instill public good- consumer safety and reduce fraudulent trade.

For all those involved with fruits and vegetables standards are the dictionary- that tells us the meaning of all our hard work.

They set “Price Expectations” of:

- Consumers- who expect price differentials for varied qualities.
- Producers & traders- based on the going market conditions

Consumers expect protection by national standards from fraudulent traders, poor quality or unsafe products irrespective of origin; and the same from retailers/ sellers. Such consumerism is largely credited for the global expansion and application standards.

Introduction

International and National FFV standards are based on:

- Physical product characteristics
- Consumer safety and trade facilitation
- Minimum quality requirements for international trade
- Setting a common trading language, control mechanisms, technical requirements - reducing transaction costs and hasten the produce through the distribution channel..

Introduction

Standards conjure:

Impression of order, Quality, Safety, Income, Satisfied consumers, Smiling retailers and wholesalers, Satisfied producers.

Most consumers think of standards when they are about to make a retail purchase or have a bad experience with the product purchased.

Inspectors/regulatory involvement with standards comes at:

- the packhouse / shipping point,
- public markets
- destination / receiving point
- retail /point of consumer purchase

Standards at the Farm:

“Quality can’t be added; Quality must be built in from the very beginning”

NOT at: the pack house , shipping point or at destination;
any of the points in the distribution channel.

But back on the farm before the first seed, seedling or sucker is planted.

Producers must know and target:

- Specific crops

- Market requirements (quality classes for his target markets before any planting takes place)

- Transportation- how the product gets to market.

Standards at the Farm:

1. Production Planning:

- Is it economically worthwhile to undertake production
- Undertake crop selection- select the best plant variety for his geo-climatic growing conditions.
- Know or research the best soil preparation that will yield the best results
- Conventional or organic production
- Market window- what is the period/time of the year the market desires his product, or he can.
- What is the volume he can produce with the amount of land available?

Standards at the Farm:

2. Evaluation of Production practices:

- Inputs- fertilizers, pesticides etc. and their frequency
- Plan or take measures to get the best yields of desired quality
- Distance/space between plants and planting depth

Standards at the Farm:

3. Harvest and Post Harvest Practices

- Do employees require special harvest or post harvest training
or refreshers/upgrades
- Best time of day to harvest
- Stage of maturity (market or physiological) at harvest
- Does the producer have storage or have to arrange that
- What type, availability and duration of storage that is needed.
- Mode of transportation that is best for the produce, producer
and importer.

Standards at the Farm

4. Packaging and Presentation Requirements

- Product protection- transportation and handling.
- Consumer packages to meet regulatory requirements.
- Consumer requirements – average size of purchases.
- Mixtures of varieties/colors.
- Retailer specific requirements- promotional needs

Standards at the Farm

5. Transportation and Handling evaluation

- Suitability of transportation to product.
- Suitability of transportation to market.
- Abilities transportation providers to effectively handle the produce.

Standards at the Farm

6. Ensure getting paid for produce sold.

- Terms of sale- COD, FOB, CIF
- Advance payment, open consignment, cash or number of days of credit
- Market price/supply/quality information
- Evaluation of importers

Standards in Trade

Standards are among the best facilitators of trade in many ways. Principally standards are “the” common trading language used by the trade for the following reasons:

- i. They describe common attributes of the commodity being sold - buyer and seller do not have to be physically present to make a deal.
- ii. They establish the basis for pricing, marketing, and retailing strategy
- iii. A tool for measuring the success or efficiency of the production system; can the product get to market at the right time, at proper volume and quality the market desires to fetch the best price for all parties involved.

Standards in Trade

They instill confidence:

- In buyers that their investment in FFV is safe and be recovered,.
- In sellers that the fruits of their labor can be successfully marketed.
- Reduce buyer's financial and legal risk.
- Communicate a relationship between price and quality; thereby forming the backbone of an effective Market Information System (MIS)
- They provide the terms of reference for ensuring the business transaction.
- Allows for price quality, and price supply relationships to be made
- Removes personal favorites of conformity assessment personnel from the produce. *It is what is seen NOT what one thinks or who/where it comes from*

Standards in Trade

For standards to be effective, they:

Must mean the same thing to all parties having financial interest in the trade:

- Producers, traders, consumers and consumer groups,
- Regulators / governments

Must be mutually understood:

- By producer exporter importer and inspectors
- Transport/cargo/shipping services:- these must handle the produce properly to ensure the integrity of the quality received is delivered to the destination

Must be applied:

- Uniformly by every inspectors every time.
- Uniformly across the country in the same manner
Without any favoritism by the inspectors

Governments and Standards

Governments develop national standard or facilitate their development and enforcement for several reasons including:

1. For public good/ Consumer protection (fraud/ sanitation)
2. Foster fair trading practices in domestic trade
3. As macroeconomic reasons- Increase producer/sector earnings from domestic and export markets
4. To Improve reputation of nationally produces agricultural commodities- retain existing and open new foreign markets.

Governments and Standards

Standard Development and National Authority

National standards are housed by a governmental authority, either a national Standards Bureau or a similar body or within a relevant government ministry. For standards to be effective in attaining the public good the following prerequisites must apply:

- They (standards) must be developed and enforced within a pragmatic framework -Recognizing national and cultural taste, preferences, geo-climatic production zones and varietal characteristics and differences within crop species.
- There must be penalties or some form of redress for misleading/ falsifying classes, and compromising consumer safety

Governments and Standards

Enforcement- mandatory or voluntary; or a mixture of both.

- Enforceable only when a class is indicated on packages
or
- Enforceable only for exports
or
- Enforceable based on the country's cultural, economic
and trading practices
- Judgments and enforcement of judgments

Inspectors and the inspection system must be guided by a strict code of practice with clear enforceable guidelines.

Governments, Industry and other Interested Parties in Standard Development and Application

Every party having a financial interest in the standards must cooperate in their development, nationally, regionally or internationally. Together these parties set the requirements of the standard such as:

Attributes for each class

- Size –length, diameter, weight
- Color
- Defects/tolerance {how much}- are the consumers willing to accept vs. what is produced
- Failing a grade- what makes it fail
- Different factors- Maturity, Condition and Quality.

Other acceptable Criteria Such as: Minimum size, maturity, acceptance criteria/requirements and packaging / presentation requirements.

Settlement of Disputes

The government as the national authority should be the final arbiter/judge when dispute arises in trade concerning quality and in some cases non-payment for produce delivered, or enforcement of private/ public contracts- bearing in mind the timeframe/time span of such settlements on the agricultural sector. Enforcement of judgments to maintain the integrity of the national inspection, standardization system and the agricultural sector arising between trading parties must be transparent and impartial. Such parties include:

Producer ↔ Buyer

Producer ↔ Exporter

Buyer ↔ Exporter

Buyer ↔ Transporter

Shipper ↔ Transporter ↔ Receiver

Producer ↔ financier

Exporter ↔ Fancier

Summary:

Standards are the foundation of the modern integrated agricultural production and marketing system.

It impacts everyone from the farm to the fork.

Therefore everyone who has a financial , social, or health interest in agriculture must be involved in the development, implementation and protection of the standards developed.