LAC TECH

AGRICULTURE AND RURAL DEVELOPMENT TECHNICAL SERVICES PROJECT

AID/LAC/DR/RD, CHEMONICS INTERNATIONAL, U.S. DEPT. OF AGRICULTURE

SELECTED PROCEEDINGS FROM LAC TECH ROUND TABLE DISCUSSION

New Certification Procedures and their Likely Effects on Small Farmers and Agroenterprises in Latin America and the Caribbean

September 12-13, 1995

Compiled and Edited by:

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Steven Hendrix
Robert Bailey
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Introduction

This roundtable had two interlocking objectives. The first was to examine the possible effects on small farmers in the LAC region of changing trade conditions: 1) CODEX Alimentarius; 2) HACCP; 3) ISO 9000; 4) ISO 14,000; 5) Phaseout of Methyl Bromide, 6) Organic Certification; and 7) forest product certification. The second was to discuss possible areas of donor intervention in response to these effects.

The LAC TECH Project was the sponsor of this event. LAC TECH is a USAID-funded project with participation of advisors from the U.S. Department of Agriculture, the University of Wisconsin Land Tenure Center and the commercial firm of Chemonics International Inc. LAC TECH provides policy and technical assistance services to USAID field missions and the Latin American and Caribbean Bureau in Washington D.C. The conference was coordinated by LAC TECH project advisors Kenneth Weiss and Steven Hendrix and logistics provided by Michael Stewart.

The roundtable took place in the LAC TECH conference room in its offices at 1001 22nd Street, NW, Washington, D.C., Sept. 12-13, 1995.

The following persons participated:

Ken Weiss, LAC TECH/Chemonics
Steve Hendrix, LAC TECH/Land Tenure Center
Pam Michel, Chemonics International
Pam Stanbury, USAID/Global Bureau
Gordon Bremmer, Chemonics
Guillermo Grajoles, IICA
Scott Lampman, USDA Forest Service
Robert Bailey, LAC TECH/USDA
Marilyn Veek, FDA
Denise Stanley, LTC
Michael Carter, LTC
Lori Johnson, LAC TECH
Carl Lawhead, USAID/Global Bureau
Hal Ricker, USDA/AMS
Grace Gershuny, USDA/AMS
Tim Stewart, USAID/ENRIC Project
Alicia Grimes, LAC TECH/USDA
Robert Rice, Smithsonian Migratory Bird Center
Ron Stryker, USAID/Global Bureau
Charlie Stathacos, Abt Associates
Sarah Gammage, International Center for Research on Women
Mike Wehr, TAS Inc.
John Bowman, DAI
Ken Green, Chemonics International
Rick Carter, Booz Allen and Hamilton
LeeAnne Hamilton, FDA
Mike Hanrahan, USDA/LAC TECH
Mark Bradley, USDA/AMS
Audrey Talley-Carter, USDA/FAS
Jonathan Greenham, DAI
Rick Carter, Booz Allen & Hamilton
John Becker, USAID/LAC Bureau
Ivo Kraljevic, Chemonics
Blanca Chow, Chemonics

Schedule of Presentations

Tuesday, September 12:

Wednesday, September 13:

Schedule of Presentations (Cont.)

PROCEEDINGS FROM LAC TECH ROUND TABLE DISCUSSION

Introductions - - Kenneth Weiss, LAC TECH

The participants of the round table were introduced by Ken Weiss. Thanks were given to the attending presenters and a brief summary of the LAC TECH Project was provided.

Opening Remarks - - John Becker, USAID

The purpose of this round table discussion is to review quality assurance systems registration procedures in the agricultural sector. In this context, let me pose three questions:

1. Will quality assurance systems registration evolve to be an important institutional mechanism for market access in global agricultural products trade?

2. If so, will the competitive position of small and medium agricultural enterprises in such trade be disadvantaged ?

3. And if so, what steps can USAID take to assist small and medium agricultural production and agro-processing enterprises in the LAC region to overcome the disadvantages facing them in this new competitive environment?

Why is this topic important? USAID in the past has made significant contributions to LAC agriculture. In particular, with regard to NTAE's, small and medium producers have benefited significantly. However, in recent years USAID has been shifting its support out of agricultural production and into environment and natural resource management. It is not yet clear what aggregate impact the more labor intensive NTAE production is having on the environment, or whether small and medium producers are maintaining their competitive position in international markets. These are important issues of which more analysis is required.

Currently, USAID is examining its role in support of broad-based economic growth in the LAC region and is being guided by two strategic objectives. The first is to strengthen markets. At the Summit of the Americas in December of 1994 where the decision to form the Free Trade Area of the Americas was taken, all participating nations in the Hemisphere accepted the role of the private sector as the engine of growth. The second strategic objective is to assure that the private markets are accessible to the small and medium enterprises. In the 1960's and 1970's, economic growth in the LAC region was highly concentrated and resulted in capital flight and instability. Sustainable development requires broad-based economic growth. LAC TECH has been instrumental in assisting USAID in formulating this second strategic objective by preparing the policy guidance document, "Making Markets Work for the Rural Poor."

USAID's new Hemispheric Free Trade Expansion project is a response to the Summit of the Americas initiative in free trade. The project aims to strengthen LAC markets both by assisting countries with trade reforms needed to fully integrate their markets into the hemispheric markets, and by assisting regional institutions to facilitate structural adjustments in LAC economies.

USAID recognizes that fundamental change is involved as many of the Summit partners shift away from heavy-handed management of their economies to a free and open management with private sector leadership, an elimination of tariffs and quotas, and an upward harmonization of trading disciplines in areas such as intellectual property rights, sanitary and phyto-sanitary standards, customs and rules of origin, etc. Under a new project, we are working with the USTR and the Summit trade working groups to assist LAC countries and sub-regions to undertake and implement trade reforms.

USAID also recognizes that, as the free trade process proceeds, LAC economies will have to adjust based on comparative advantage and international competitiveness. For many LAC economies, particularly the smaller ones, adjustments in the agriculture sector will be very important and will involve key issues such as acquisition of technology, more efficient land market systems, improvements in labor/management relations, and expanded availability of financial services. Under the new project, we are working with LAC regional institutions to examine the major structural adjustments that LAC countries will face as a consequence of free trade and to identify institutions that require strengthening to facilitate the adjustments. It is in this context that USAID is interested in learning more about the trends towards quality assurance systems registration as a precondition for international market access and the implications to smaller economies and small and medium-sized enterprises throughout the region.

Agricultural markets are increasingly integrated on a global basis. Paralleling this trend is the movement toward quality management certification of production and agro-processing. There are several reasons supporting this new institutional mechanism for market access. First, producers in advanced countries are unlikely to welcome foreign competition based on environmental or workers' rights standards that fall substantially below their own and result in an unfair cost advantage. While the ISO 9,000 and the proposed ISO 14,000 systems do not set product standards, they are process certification systems that are increasingly important to gain access to European markets. Second, product safety in several agricultural products is of increasing concern in the US; notably of seafood, poultry and beef, and HACCP documentation procedures for all domestic and imported products are being proposed. Third, the demand for organic products is rapidly expanding and organic certification programs are being developed. Fourth, concern for the environment is reinforcing trends for timber certification.

All of these factors are important considerations for the Summit partners as they look toward market integration over the next several years. New regulations and standards for market access set jointly by the governments and industries will almost certainly evolve as integration proceeds. Quality assurance systems procedures will be required, will be science-based and will vary by agro-ecological region. Are public and private research, extension and education institutions and infrastructures in place to guide and support the process? In particular, are systems in place to assure equal access for smaller economies and small and medium-sized enterprises throughout the LAC region? This Round Table discussion may not give the answers, but it is important to formulate the questions more clearly and identify the potential issues and impacts. This will be of substantial value to USAID as it looks to allocating increasingly scarce resources to the most critical issues facing broad-based economic growth in the LAC region.

CODEX Alimentarius - - Dr. H. Michael Wehr, TAS Inc.

There is a sea of change going on in the world in the area of food production safety and quality. This relates to CODEX Alimentarius, international trade, food safety systems, sound science approaches to risk assessment, and standards creation. These changes will have a strong impact on the future in 5-20 years. There will be some real challenges for developing countries, especially in the HACCP area, to establish equivalency standards. Developing countries will have to improve their food safety standards to remain competitive in the world market.

The CODEX Commission is an inter-governmental body set up in the early 1960s to promote consumer protection and facilitate world trade by developing standards and guidelines. The CODEX Commission is a subsidiary of two U.N. groups, WHO and FAO. Funding comes from both parent organizations, and physically the commission is located in the FAO building in Rome. Country members must be part of FAO or WHO. Today there are about 152 members of CODEX.

Observer organizations include FAO, ISO, EC, WTO, etc. These organizations cannot vote but have a clear role in debate. CODEX is a consensus organization and tends to reach decisions on this basis, rather than by vote.

The CODEX Alimentarius Commission is the lead entity and meets once every 2 years. It has subsidiary bodies and committees that meet every several months. As a result, changes are slow. An executive committee is composed on a regional basis, and a secretariat in Rome is responsible for day to day operations.

Committees are formed by subject (food labeling, inspection, food hygiene, food additives, etc.) or by commodities (cocoa, sugar, fresh fruits and vegetables, fish products, etc.). They establish standards and codes of conduct for their specific areas. Resulting rules are quality standards, composition standards, and sometimes labeling standards.

Regional coordinating committees (LAC, Africa, Europe, Asia, North America and SW Pacific) establish regional, not worldwide, rules. The commission meetings in Rome provide a forum for discussion of rules that may later have global implications; it is a form of regional caucus. To adopt a standard there are eight steps (listed broadly below), and the process takes about 4 years.

1-2-3. Any interested party can recommend to the commission that a standard be developed. The Commission determines which subsidiary body will have responsibility, proposes a draft, and sends it to members for comment.

4. Comments are sent to the subsidiary body for consideration. The revised draft standard is developed and proposed.

5. The proposed draft standard is submitted to the commission or executive committee for consideration. In the fast track approach, if there is no controversy it can be adopted then.

6-7-8. The proposed standard is reviewed again by the commission or executive committee, sent back to the subsidiary committee for review, and finally returned to the commission for approval.

The CODEX, the GATT and the WTO are now closely linked. Within GATT there are subsidiary agreements on sanitary and phytosanitary standards (SPS) and technical barriers to trade (TBT). Signatories to GATT are to base standards on international norms, unless there is a sound scientific reason for doing otherwise. Risk assessment is the basis for establishing these norms. For food safety, standards, guidelines, and recommendations, CODEX provides the international standards; this is the direct linkage between GATT and CODEX.

The concept of Technical Barriers to Trade (TBT) relates to technical regulations. *De facto*, CODEX is involved in the non-food safety area via TBT.

Historically, animal rights and other social or economic issues have played a role in CODEX decisions. For example, hormones in meats brought the issue to a head 4-6 years ago. Debate was postponed and assigned to the General Principles Committee, which decided that the underlying tenants of sound science and risk assessment must be applied. In July, 1995, with lots of debate and politics, it elected to move forward with four principles:

1. The principle of sound scientific analysis;

2. When elaborating and deciding on standards the committee can consider factors such as protection of consumer health and promotion of fair practices in food trade;

3. Consideration of food labeling is allowed;

4. The opting out provision, where members can abstain from a participating in a decision without preventing a decision by CODEX.

The U.S. has not adopted many CODEX standards, especially in the pesticide area, even though it has a heavy role in formation of the standards. This will probably change. The strategic plan for CODEX addresses, among other things, the acceptance of standards in pesticides, contaminants and food additives. Preparation of that plan involved working groups with USDA and FDA. There will have to be some give and take in the evolving relationship between CODEX and the US government, or it will go to the WTO Tribunal.

In relationship to the GATT, there will be less choice in the future. Member countries will have to accept the standards and live by them as a treaty obligation. CODEX itself is a treaty obligation, and countries must use the CODEX standards unless they have equivalent standards or have higher ones based on sound scientific basis justified by risk assessment. This will not be too difficult for the U.S. or Europe to do in most cases.

Bailey: A country can go beyond CODEX if its standards are based on scientific principles. The U.S. has done this, but most developing countries can't do risk assessment so they simply adopt CODEX as law.

Wehr: there is poor dietary information in CODEX. Assessments in this area are weak. WHO might be encouraged to help develop a sound science and risk assessment system to make results more acceptable to the U.S.

Hazard Analysis and Critical Control Points (HACCP) - - Mike Wehr and LeeAnne Jackson, FDA

Mike Wehr:

HACCP will become part of CODEX. HACCP is a very important concept - a systems approach to food safety. It is a systematic approach to food production to ensure food safety. HACCP involves a systematic and comprehensive study of the ingredients, the food product, and the conditions of processing, handling, storage, packaging, distribution and consumer use to locate potential hazards that could lead to an unsafe product, see where the points are that must be controlled to prevent a problem, determine limits for these points, and decide what monitoring, documentation and follow-up must be done to keep the system working properly. Such processes are both line and product specific.

To conduct a hazard analysis one must identify the critical control points (CCP's) and establish the following: 1) limits for preventive measures for each CCP; 2) CCP monitoring requirements and procedures for using the results of monitoring to adjust the process; 3) corrective actions; 4) record keeping for procedures; and 5) procedures to verify that HACCP is working correctly.

A HACCP program looks at physical premises including outside property, buildings, sanitary facilities and water quality; receiving and storage of raw materials, ingredients and packaging materials; equipment design, installation, maintenance and performance; personnel training; sanitation and pest control; health and safety recall procedures; vendor, contract packer, and manufacturer specifications, and food safety associated with good manufacturing practices.

HACCP originated when NASA wanted a fail-safe system of food security for the space program and worked with Pillsbury to design system. Clearly, the HACCP has been considerably refined since these beginnings. Today there is a lot of talk about applying HACCP in production facilities overseas, but you need to see if they are talking about prerequisite programs for HACCP or HACCP itself.

The HACCP Process:

1. Assemble Team. Since HACCP is processing plant specific, get team members who know the plant well, including production, sanitation, quality assurance and engineering. There should also someone who is a HACCP expert for that product.

2. Describe the food and its distribution system - name, ingredients, end-product characteristics, how it will be used, type of packaging, shelf life, where it will be sold, labeling, shipping and distribution controls.

3. Identify the intended use - normal consumption or consumed by sensitive groups (infants, elderly, immunologically comprised, etc.).

4. Create a flow diagram for ingredients, packaging materials, products and employee movement.

5. Verify the flow diagram on site.

6. List hazards associated with each step - biological, chemical, or physical properties that may cause a product to be unsafe for consumption. The process is to review each incoming material or ingredient, review each step of the processing, storage and distribution; observe actual practices, test, and raise questions regarding pathogenic microorganisms, toxins, food additives, and preservatives.

7. Determine the critical control points through a decision-tree process. This is done through a series of questions.

8. Identify government limits or controls.

9. Establish monitoring procedures

10. Establish corrective action - written procedures to tell the operator what to do when a critical limit is exceeded for each CCP.

11. Establish verification procedures for the plan and its execution, like internal and external audits. Regulatory audits by government will be part of the verification procedure.

12. Establish record keeping documentation.

HACCP serves to improve food safety control and help products meet CODEX requirements. Governments should help provide infrastructure for HACCP and eliminate constraints associated with its implementation. ***The industry segment of a country should develop prerequisites first. Most developing countries are not yet ready for HACCP.***

HACCP is not for all commodities, although this is now the subject of considerable discussion and debate. An ISO 9000 program goes beyond HACCP and includes most elements of it.

LeeAnne Jackson:

The U.S. is beginning to require HACCP for seafood and is considering extending it to the rest of the food industry. FDA supports HACCP both because it is a science-based, preventative system that facilitates international trade and because primary responsibility for its implementation rests with the food industry.

The current food safety system is for FDA inspectors to enter facilities periodically, perform a visual inspection, analyze in-process and finished products, conduct surveillance sampling in the