



# TRADE POLICY BRIEFS

FAO SUPPORT TO THE WTO NEGOTIATIONS AT THE  
11<sup>TH</sup> MINISTERIAL CONFERENCE IN BUENOS AIRES

No. 30 ■ OCTOBER 2017

## Voluntary sustainability standards in agriculture, fisheries and forestry trade

### SUMMARY

- Certified areas and market share of products compliant with Voluntary Sustainability Standards (VSSs) are growing rapidly.
- VSSs can deliver positive impacts, but also present challenges for small-scale producers.
- There has been no formal discussions in the WTO on the VSSs, even though calls for impact assessments on standards (public and private) have been made frequently.

### What are Voluntary Sustainability Standards?

VSSs are standards specifying requirements about a product or a process that producers, traders or retailers need to meet in relation to sustainability indicators. This can include respect for basic human rights, workers health and safety, the environmental impacts of production, or land use planning.<sup>1, 2</sup> Contrary to mandatory governmental measures, economic operators are free to choose whether to apply VSSs.<sup>3</sup>

VSSs are developed – often in response to pressures from consumer groups<sup>4</sup> – by the private sector, governments, environmental and social non-governmental organizations (NGOs), or through multi-stakeholder initiatives. Compliance with these standards by producers and other market actors is normally monitored through third-party certification.<sup>5</sup>

### Are certified commodities growing over time?

According to the International Trade Centre,<sup>6</sup> in 2015 certified areas for coffee, cocoa, palm oil and tea represented 24, 16,

15 and 14 percent of the world's respective production. Between 2011 and 2015, certified areas for bananas grew by 185 percent and for cocoa by 199 percent. Over the same period, certified areas grew for tea (116 percent), coffee (63 percent) and palm oil (22 percent). Certified forest areas expanded by 61 percent between 2008 and 2015, with the Forest Stewardship Council area growing by 81 percent to 186 million hectares in 2015, and that of the Programme for the Endorsement of Forest Certification (PEFC) increasing by 25 percent to 272 million hectares in the same period. Between 2003 and 2015, certified sustainable seafood grew at a rate of 35 percent per annum. In 2015, the overall share of products certified was estimated at 14 percent of total seafood supply.<sup>7</sup>

The market share of products compliant with VSSs is also growing. Standard-compliant coffee reached a 40 percent market share of global production in 2012 (up from 15 percent in 2008), cocoa reached 22 percent (up from 3 percent in 2008), palm oil 15 percent (up from 2 percent in 2008) and tea 12 percent (up from 6 percent in 2008).<sup>8</sup>

### Do VSSs have an impact on small-scale producers in developing countries?

VSSs can deliver positive economic, environmental and social benefits for small-scale producers.<sup>9</sup> For instance, the implementation of VSSs can help farmers in developing countries to improve their

<sup>1</sup> UNFSS. 2013. Voluntary Sustainability Standards: Today's Landscape of Issues and Initiatives to Achieve Public Policy Objectives. United Nations Forum on Sustainability Standards.

<sup>2</sup> A. Loconto. FAO. 2013. Voluntary standards: impacting smallholders' market participation.

<sup>3</sup> A. Loconto, C. Dankers. FAO. 2014. Impact of international voluntary standards on smallholder market participation in developing countries.

<sup>4</sup> G. Salmon. 2002. Round Table on Sustainable Development. Voluntary Sustainability Standards and Labels (VSSLs): The Case for Fostering Them.

<sup>5</sup> M. Hatanaka, C. Bain, L. Busch. 2005. Third-party certification in the global agrifood system. Food Policy, Private Agri-food Standards: Implications for Food Policy and Agri-food Systems 30.

<sup>6</sup> ITC. 2017. The State of Sustainable Markets: Statistics and Emerging Trends 2017. International Trade Centre.

<sup>7</sup> J. Potts, A. Wilkings, M. Lynch, S. McFtridge. SSI. 2016 State of Sustainability Initiatives Review: Standards and the Blue Economy.

<sup>8</sup> J. Potts, M. Lynch, A. Wilkings, G. Huppé, M. Cunningham, V. Voora. SSI. 2014. The State of Sustainability Initiatives Review 2014.

<sup>9</sup> A. Pastore. FAO. 2013. FAO's strategic vision to engage with the private sector.

farming techniques and product quality, thereby allowing them to participate in high-value added chains and markets. In turn, VSSs can lead to higher and more stable prices for certified farmers.<sup>10</sup> This is often the case for those moving towards economies of scale, which can reduce the compliance costs by spreading the economic burden among a number of farmers, or by inducing processes of consolidation and concentration, as larger producers have greater access to resources that can help meet compliance costs.<sup>11</sup>

However, due to the high costs of certification and compliance, often resulting from stricter environmental regulations and/or higher wages, smallholders may also experience increases in production costs, which in turn can hamper profitability.<sup>12</sup> Moreover, a lack of institutional and technical capability to enable accessible certification in developing countries can present significant challenges to smallholders in demonstrating their compliance with the VSSs.<sup>13</sup>

## Are VSSs discussed at the multilateral trade talks?

As the number and use of sustainability standards has grown, there has been a concern that such instruments, although technically voluntary, might operate as barriers to trade or tools for protectionist

interests.<sup>14,15</sup> For this reason, some countries have argued that VSSs should be discussed in the WTO. However, no agreement has yet been reached on how the effects of VSSs on market access could be treated in a WTO context.<sup>16</sup> At the UN level, the United Nations Forum on Sustainability Standards (UNFSS), formed in 2013, provides information and analysis on VSSs, facilitating dialogue and knowledge exchange, and providing a forum for intergovernmental actors.

## Key challenges

-  To improve alignment between international trade rules and VSSs.
-  To invest in upgrading the certification infrastructure and technical capability of developing countries.
-  To prevent VSSs from becoming barriers to trade in agricultural, forestry and fish products.

<sup>10</sup> S. Lemeilleur. 2013. Smallholder Compliance with Private Standard Certification: The Case of GlobalGAP Adoption by Mango Producers in Peru. *International Food and Agribusiness Management Review*, 16(4).

<sup>11</sup> A. Loconto. FAO. 2013. Voluntary standards: impacting smallholders' market participation.

<sup>12</sup> *Idem*.

<sup>13</sup> G. Salmon. 2002. Round Table on Sustainable Development. Voluntary Sustainability Standards and Labels (VSSLs): The Case for Fostering Them.

<sup>14</sup> J. Potts, M. Lynch, A. Wilkings, G. Huppé, M. Cunningham, V. Voora. SSI. 2014. The State of Sustainability Initiatives Review 2014.

<sup>15</sup> J. Okello, C. Narrod, D. Roy. 2011. Export Standards, Market Institutions and Smallholder Farmer Exclusion from Fresh Export Vegetable High Value Chains: Experiences from Ethiopia, Kenya and Zambia. *Journal of Agricultural Science*.

<sup>16</sup> UNFSS. 2016. Meeting Sustainability Goals: Voluntary Sustainability Standards and the Role of the Government. 2nd Flagship Report of the United Nations Forum on Sustainability Standards.



## Box 1

### The use of VSSs in forestry

Voluntary forest certification standards have been used since the 1990s. As of 2017 over 450 million hectares of forests have been certified under just two globally recognized schemes: the Forest Stewardship Council; and the PEFC. Both schemes have faced criticism for being “beyond the reach” of smallholders, which is why they have made efforts to develop smallholder-friendly mechanisms such as grouped certification. For example, Indonesia’s Ecolabeling Institute has a sustainable community-based forest management standard that to date has certified nearly 37 000 community-managed forests. The Indonesia Forest Certification Cooperation is working together with PEFC to develop a community forestry grouped standard, which would potentially further the accessibility of sustainability certification for the 500,000 hectares of community forests newly registered under the current administration.



## Box 2

### The use of VSSs in fisheries

During the past ten years, consumers have been increasingly demanding information on the sustainability of fisheries resources, which has led to a proliferation of certification schemes. Although certification schemes can be considered positive in connection with assessing fish production and its impacts on the environment, a wider spectrum of operators and schemes can generate confusion among producers, retailers and consumers in recognizing credible arrangements. In 2013, the Global Sustainable Seafood Initiative (GSSI) was launched to promote improvements in seafood certification schemes. This platform recognizes the individual nature of each scheme and aims to ensure confidence in the supply and promotion of certified seafood. It is a partnership of seafood companies, NGOs and experts, governmental and intergovernmental, including FAO. This solution makes information available throughout the seafood supply chain, taking into consideration harmonized parameters. It also has important side effects such as lower costs and transparency. With a small but increasing participation of developing countries, GSSI became a purchasing requirement by many major retailers and brand owners.