



The development of private fresh produce safety standards: Implications for developing Mediterranean exporting countries

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As food safety and quality standards increase in developed countries and the integrity of existing institutional arrangements to guarantee those standards has come under increasing scrutiny, food products from developing Mediterranean countries may experience increasing difficulty entering global markets if they do not comply with international trading rules and/or voluntary, private standards such as supermarket assurance schemes.

Given the importance of international markets for Mediterranean fresh produce it is critical that supply chain partners within these countries have comprehensive knowledge of how their national food safety systems and quality assurance schemes comply with international standards, both public and private. Import detention data illustrate the difficulties that target developing Mediterranean countries encounter when exporting to developed countries where higher safety and quality standards applied. Policy makers also face challenges in promoting sectoral responses and facilitating coordinating activities and the necessary private and public investments in physical and human capacity building.

This paper seeks to summarise the key findings of a research paper¹ dedicated to the private fresh produce safety standards and developing Mediterranean exporting countries. This paper is part of the project 'The Impact of International Safety and Quality Standards on the Competitiveness of Mediterranean Fresh Produce Exports (INCO/MED: STANDARDS), financed by the European Union's INCO-MED Programme (January 2000-August 2003) and achieved by academics from three European countries (United Kingdom, Spain and Hungary) and three Mediterranean countries (Morocco, Tunisia and Turkey).

The main objectives of the research were: (i) to assess the nature of national food safety systems and the effectiveness of institutional arrangements in target Mediterranean countries to enable local producers to comply with international safety and quality standards, and (ii) to identify appropriate roles for facilitating organisations (e.g. government, marketing agencies, export organisations, etc.) in the area of product quality and food safety.

Traditional secondary role for developing Mediterranean country suppliers

To many retailers, particularly in the UK, the fresh produce category is a key determinant in store selection and profitability, but it is also a category which is diverse, dynamic and among the most difficult to manage: a poor display adversely affects a store's image and is detrimental to the business. Hence, retailers wanting to expand globally face a particular challenge in ensuring the performance of their fresh produce supply chains across a broad range of markets.

The most successful suppliers of fresh produce are those able to source nationally, regionally and globally, and find themselves integrated much more closely into the chains to which they belong. To this end, commercially mandated quality management systems alongside legislative requirements will confer access to particular northern European markets such as the UK.

Scale and concentration imperatives are also driving integration and coordination. Retailers strive for absolute quality, total availability, broad range and a competitive price. Meeting these demands means sourcing from a minimum scale of upstream production. Moreover, quality control can more easily be effected through fewer suppliers.

The emergence of these tightly coordinated and investment-intensive supply chains is having an impact on the developing Mediterranean supplier countries characterised by complex and highly fragmented production systems and dominated by small-scale, unorganised producers with relatively unsophisticated production structures and control systems. As a result, fresh produce imports from developing Mediterranean countries play a secondary (seasonal or residual) or niche role in high quality Northern European markets where the bulk of supply during the autumn and winter season comes largely from Spain. Displacement to secondary supplier status is, therefore, a threat; but it is also an opportunity for suppliers of niche products in respect of varietal and seasonal specificity.

¹ Garcia Martinez, M. and Poole, N. (2004) 'The development of private fresh produce safety standards: Implications for developing Mediterranean exporting countries', *Food Policy*, Vol. 29, No. 3, pp. 229-255.

Investment in the partnership assets

The level of investment needed to do business with European retail chains poses an important barrier to Mediterranean fresh produce exporters. Product quality control systems and traceability require investment first in human capital and creation within the workforce of a quality-conscious organisational culture.

Secondly, investment is required in physical capital, including quality control infrastructure and business information/ICT systems, both within the individual firm and together with other firms in the supply chain or network. The lack of financial and technical resources in developing Mediterranean countries constrains the required investments in large-scale export and marketing infrastructure, such as cold storage facilities at ports and other cool-chain logistics infrastructure, that is necessary to ensure timeliness, freshness, cleanliness and quality. As a result, smaller exporters in developing Mediterranean countries are forced to export to less demanding, less rewarding northern wholesale markets and Eastern European countries.

Thirdly, supply relationships require investment in interpersonal relationships. Once quality, availability and price demands are satisfied, and all possible value in respect of control procedures and complementary investments has been added, the final differentiating characteristic between alternative suppliers is the quality of relationships between senior managers and complementary staff at other levels in partner firms.

Co-operation among supply chain agents

Suppliers and exporters in developing Mediterranean countries operating in a collaborative supply chain will be supported by importers acting as facilitators in the communication and implementation of private standards and guidelines. Chain actors are in constant contact with each other and the information sharing is intensive. For example, export infrastructure and procedures in Morocco show a degree of collaboration and vertical integration, which has facilitated its international success in EU markets, with the result that Moroccan citrus export volume to EU markets represents more than 75% of total exports.

There are also coordination failures. Other Mediterranean fresh produce suppliers exporting their products through a transaction-oriented supply chain are often poorly informed by the intermediaries about food safety and quality demands of buyers. This chain is characteristic of the Turkish fresh produce-exporting sector where exporters are entrepreneurial and opportunistic, tend to be generalists rather than fresh produce specialists, and so fail to understand well the special demand requirements of this sector. Most exporters have a trading mentality and are more interested in high margins than in establishing long-term partnerships.

Hence, moving from the notion of an impersonal market chain to a personalised network requires a commercial 'paradigm shift' from traditional adversarial trading relationships towards co-operative business partnerships characterised by open-book cost and pricing practices. By and large, this is yet to be embraced by developing Mediterranean country exporters.

Actions to sustainably improve fresh produce industry food safety performance in developing Mediterranean countries

Greater coordination: initiatives should be developed at firm level to increase the level of coordination among actors in the supply chain: efficient markets and co-operative trading relationships signal demand changes and enhance the flows of information and incentives. IT systems are an important tool for closer and more efficient interfirm business relationships.

Horizontal cooperation: initiatives at government level should be developed to encourage and support horizontal cooperation

among producers. Initiatives on horizontal integration of small-scale producers into second-tier co-operative businesses may require third party support in terms of provision of finance and management skills. Domestic quality assurance systems can be linked to consolidation at the primary production level.

Traceability: increasing demand by international customers for 'farm to table' process controls to manage both quality and safety requires exporters to adopt these management practices and to coordinate safety and quality more closely with importers. Again the private sector has a role in disseminating 'best practices' and embracing domestic quality assurance systems.

Financial Support: initiatives should be developed at government level to support firm level investments, which are prerequisites to implement effective and demonstrable quality control systems. Preferential financing arrangements or tax-credits for IT- and quality control-related investment in physical infrastructure could be one such mechanism. In a wider context, the possibility of developing food safety and quality networks, local benchmarking activities, vocational training and trade fairs involving small and medium-sized enterprises will be an important mechanism for building human capital within the industry and to achieve greater social (or small enterprise) inclusion in exporting countries.

Export Operational Infrastructure: there is a need to implement public actions or joint public/private initiatives to improve export infrastructure. In addition to preferential financing arrangements or tax-credits for firm-level infrastructure-related investment consideration must be given to innovative ways of financing improvements to 'public good-type' infrastructure such as roads and ports, and smaller-scale projects such as cold-storage facilities, that leverage public and private sector resources.

Consolidation of national food safety systems: in order to overcome the diffusion of regulatory responsibility, with the resulting overlaps and gaps, governments must move towards a centralised structure for the implementation and administration of standards for the agri-food sector comparable to those emerging in industrialised countries in order to improve the efficiency of public resource use and the effectiveness of control procedures.

Achieving internationally recognised accreditation bodies: the accreditation of laboratories in developing Mediterranean countries is hindered by the lack of internationally recognised certification and accreditation bodies. Accreditation granted by exclusively national bodies is usually of only limited value to exporters. As a result, laboratories have to be accredited by overseas bodies at great expense.

Efficient systems of conformity assessment and/or enforcement are key to the efficacy of quality and safety standards for evaluating whether products/processes comply with international buyers' requirements. The wider the gap in systems

Actions to improve fresh produce industry food safety performance in developing Mediterranean countries

Actions	Public Sector			Private Sector	
	International	Central	Regional	Firm	Industry
Greater coordination				✓	✓
Horizontal cooperation		✓		✓	✓
Traceability				✓	✓
Quality control systems		✓		✓	✓
Financial support	✓	✓	✓		
Export operational infrastructure		✓	✓	✓	✓
Consolidation of national food safety systems		✓			
Internationally recognised accreditation bodies		✓			
Efficient systems of conformity assessment and enforcement		✓			

of conformity assessment, the greater the compliance cost for Mediterranean producers vis-à-vis developed country suppliers.

