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Global Economic Impacts of Sustainable Agriculture Certification

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Potential Impacts to Trade from Certification Systems

- Restrictions of Use
- Local and International Impacts
- Indirect Effects
- Import Restrictions
- Tiered Value of a Single Commodity
- Commodity price fluctuation and distortion.
Key Influencers of Certification Programs

- Regional/National Initiatives
- NGO/Consumer Demands
- Market opportunities
- Developing Countries
Types of Certification Systems

- **Technical compliance programs**
  - Government or Industry Driven
  - EU Fuel Quality Directive

- **Regulatory schemes**
  - EU Renewable Energy Directive (RED)
  - EPA Sustainability Criteria

- **Market driven Schemes (3rd Party)**
  - Roundtable on Sustainable Palm Oil (RSPO)
  - Roundtable on Responsible Soy (RTRS)

- **Common features?**
  - Sustainability Standards (Environmental and Social)
Sources of Certification Systems

- International Standards for Sustainable Development.
  - Ex UNEP

- Country or Regional Standards
  - Basis “in country agriculture”
  - Intentions vs. Outcome
  - “Broad spectrum” solution.
    - Ex. “Sustainable Biomass”
  - “Greater Good” or Level Field Intent.
  - Multiple hurdles in market for single crop.
Sources of Certification Systems

Industry and 3rd party Standards
- Can be general or specific…or both
  - Crop
  - Country and/or International
- Difficult for a Country/Regulatory Agency to pick up as own.
- More relevant than Country/Regional standards?
  - Applicability to agricultural commodity.
- Always the question of Industry Influence.
What Do Certifications Cover?

- Transparency of actions,
- Compliance to law
- Social and environmental compliance
- Best Practices in Agricultural Management
- Supply chains secure; volumes independently verified.
- Continuous Improvement
Aspects of Certification Programs Impacting Trade

- **Sourcing from high biodiversity areas**
  - Creatures on, above and below the ground.
  - Plants

- **Social standards**
  - Woman and Child Rights and Protection

- **Land use**
  - Tree canopy...what is a forest?
  - Soil type.
  - In the end you are looking at the carbon density of the land.

- **Greenhouse Gas Performance Criteria**
  - Not only processing and transport of crop.
  - Land use, fertilizer, effluent
Example: Third Party Multi-stakeholder Roundtable on Sustainable Palm Oil (RSPO)

- **Goal**
  - deliver certified sustainable palm oil to the world markets.

- **Two Levels of Certification Required**
  - Certification of Growing Areas
  - Certification of Supply Chains.

- **Certification**
  - Internationally recognized independent certification bodies.

- **Recommendations “vetted”**
  - Audit Review Panel of RSPO.
What is certified sustainable palm oil?

- Defines sustainable palm oil production
- Basis for certification standard
- 39 Criteria to support these principles
- 112 Auditable Indices

**Principles & Criteria**

1. **Transparency**
   - Defines sustainable palm oil production
   - Basis for certification standard
   - 39 Criteria to support these principles
   - 112 Auditable Indices

2. **Legal Compliance**

3. **Economic Viability**

4. **Best Practices**

5. **Environmental Responsibility**

6. **Responsibility to Community**

7. **Responsible New Plantings**

8. **Continuous Improvement**
Composition of the RSPO

- **Growers**: 26%
- **Processor**: 40%
- **Cons. Gds**: 16%
- **Retailers**: 8%
- **Banks**: 3%
- **Envir NGO**: 4%
- **Social NGO**: 3%

**>300 Ordinary Members September 2009**
Other Important 3rd Party Certification Initiatives

- Forest Stewardship Council (FSC) – Timber
- Marine Stewardship Council (MSC) – Fish
- Better Sugar Cane Initiative
- Roundtable on Responsible Soy
- Roundtable on Sustainable Bio-fuels
Impacts: An Example.

- **Renewable Energy Directive (RED) 2003**
  - 2006 – 2009 period in EU
  - Drives Rapeseed Oil Use in fuel/energy.
    - Availability and performance.
    - Sustainability Certification not required
  - Palm and Soy as a “backfill” for food.
    - Technical barriers blocked or restricted soy/palm for fuel
  - Price run up for RSO, compensated by credits
  - Disappearance and Price for RSO = Impact on Soy Palm
  - “Gaps” in the regulatory approach
    - Opening for B99 abuses.
    - Disruption of pricing for bio-fuels in EU
EU Vegetable Oil Price Movements
What could be on the horizon?

- **European Renewable Energy Directive**
  - Impact across a number of agricultural products and biomass in 2011.

- **Rapeseed qualification essentially “locked”**
  - Sustainability and GHG fronts.

- **Direct impact to RSO disappearance again.**
  - Impact to Soy and Palm?
  - Perhaps creates more space in Food or...??

- **RED allows for recognition of 3rd party initiatives**
What could be on the horizon?

- Higher prices in EU for RSO due to disappearance?
- Imports of Palm and Soy
  - Certification not mandated for food,
  - Market demands will require sustainable certification
  - Timing differences
- Premiums for Certified Agricultural Commodities
  - RSPO (9 – 150 USD/MT) as an example
  - Would apply to food and bio-energy.
- EPA Sustainability Requirements for Biomass
  - Perhaps following EC model?
Key Issues

- Sustainability Certification as Trade barrier.
  - Ex. Agreement on Technical Barriers to Trade (TBT) or WTO.

- Driving Environmental and Social Change Without Creating Barriers
  - Utilize global perspective
  - Use global multi-stakeholder standards

- Challenge in setting standards that are fair to all regions of the world.
Is Harmonization Even Possible?

- Likely No to Single Standard. “One Size Doesn’t Fit All”
  - Crop differences, Growing area differences, social vs. environmental importance.

- Possible to accept 3rd party within Regional Schemes.
  - Takes much time and effort
  - But does include all stakeholders and countries
  - Watch European Commissions Renewable Energy Directive

- Developed vs. Developing Nations
  - Copenhagen Highlighted the Difficulties
Where to look next?

- **China**
  - Sustainability (coming)
    - Own standards on Import side
  - Direct Regulatory Standards
    - Health or Quality
  - “Indirect “ Market Driven Sustainability Standards
    - Retailers and “A” Brands

- **USA**
  - California: Closer to Brussels than Washington, DC.
  - EPA Sustainability Requirements.

- **EU**
  - RED Implementation.
  - Extension of RED type criteria to Food/Non Food Uses?
  - Market Driven “head to heart” connection