

THE WALL STREET JOURNAL.

March 11, 2008

Private Food Standards Gain Favor

Wal-Mart, McDonald's Adopt European Safety Guidelines

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BRUSSELS -- Amid growing fears about food safety and impatience with government response, standards set by the private sector in Europe are starting to spread to other parts of the world, including the U.S.

In 1997, some of Europe's biggest food retailers responded to food scares like an outbreak of mad-cow disease by banding together to write new global guidelines



A Vietnamese grower who sought certification

for those wanting to sell meat, fruit and vegetables in Europe -- the world's biggest importer of food, buying some \$20 billion last year from outside the EU. Today, such privately enforced quality programs are becoming more popular in the

U.S., too. In a key move, Wal-Mart Stores Inc. said last month it would buy produce, meat and seafood only from suppliers accredited by private-inspection offices.

The biggest such private regulator, GlobalGap, now counts 81,000 farms and plants in 76 countries as members, up from 18,000 in 2004. The Cologne, Germany-based group expects to reach 100,000 this year, says director Kristian Möller. The group, whose annual budget is €2.8 million (\$4.3 million), has only 11 employees.

The list of retailers who use GlobalGap is growing, too. In addition to Wal-Mart, McDonald's Corp. and Wegmans Food Markets Inc. are members. American farmers eager to sell to Europe's lucrative market are also getting in step with the old world.

"We are working towards getting all our growers

GlobalGap certified, because of our commitment to food safety and the direction that food safety is taking worldwide," says Bob Carter, food-safety director for Columbia Marketing International, a Wenatchee, Wash.-based grower, packer and shipper for more than 200 fruit growers with global sales of about \$250 million a year.

The U.S. Food and Drug Administration and Department of Agriculture set food standards. Wal-Mart and other grocery stores have their own certification programs, but they haven't been as tough as in the EU. The U.S. and EU governments both carry out random inspections of food imports but budget and staff resources are limited. Europe's argument for developing a private label program, spanning several countries and companies was to "provide a rapid response to things the consumer cares about, in a way that governments can't provide," says Nick Ball, a technical manager at Tesco PLC, the British grocery giant. In the EU, private retailers say

they're frustrated by having to navigate 27 national governments and a continental bureaucracy in Brussels; it's easier to make the rules themselves. Certification requirements for GlobalGap, which stands for "Global Good Agricultural Practice," include limits on pesticide residue (how much is left on a fruit or vegetable after it's washed), a ban on nonessential animals around packing houses (including, to the annoyance of many farmers, dogs), and soil analyses to make sure farmers aren't using too much fertilizer. The standards increase shelf prices, contributing to global food inflation, but surveys and sales data show consumers will pay more for a promise of quality.

GlobalGap members can move fast to force their demands on farmers. Last year, a Greenpeace public-relations campaign in Germany led retailers there to quickly impose limits on pesticide residue that are stricter than those mandated by EU legislation.

GlobalGap isn't without controversy. It's easier for bigger farms to make the investments to meet certain requirements. That puts smaller producers at a disadvantage.

A coalition of developing countries, including Brazil and Egypt, has filed a complaint to that effect at the World Trade Organization in Geneva. They say private-sector standards are an unfair trade barrier for the world's poor. "A standard you can't meet is like a 1,000% tariff," says WTO director Pascal Lamy. The organization is investigating, but it's not yet clear whether WTO has any legal authority over private standards, says Mr. Lamy. The EU and U.S. oppose any interference with

Picky Eaters

Some retailers buy food only from suppliers that meet the requirements of private groups like GlobalGap:

- Register all pesticides used
- Have a backup generator if the greenhouse's electrical system breaks down
- Analyze soil to prove the supplier isn't using too much fertilizer
- Track produce from field to ship to shelf
- Limit environmental waste, like exhaust used by any machinery
- Keep domestic animals outside the range of the packing house

Source: GlobalGap

private standards. Governments have no business interfering with private companies, U.S. trade officials say.

Surveys by the EU show food safety ranks alongside terrorism as a concern for European citizens. EU

officials say they're worried the rules will end up serving retailers' marketing concerns more than the public interest. Belonging to a private-label program "in no way excuses or reduces the responsibility on a food business operator to comply with the rules in force," says EU spokeswoman Haravgi-Nina Papadoulaki.

GlobalGap rules are also forcing shipping companies to invest in tracking produce. Port International GmbH, one of the world's largest shippers of fruits and vegetables, now uses radio scanning and new software to track produce from field to container to ship to shelf. The cost "adds a few cents to each fruit," says Tobias Siesmayer, a manager for Port International. "But this is something that people clearly want." For those that do comply, there is a payoff. At first, Frutas Esther, a major producer of table grapes in eastern Spain, struggled to meet new pesticide standards. Table grapes are hard to grow without generous portions of bug juice. Frutas Esther manager hired Bayer Crop Science, a unit of Bayer AG, to design a new pesticide spray plan.

After putting in Bayer's program, Frutas Esther called CMI, a London-based company that, for a fee, certifies farmers and food companies as meeting

GlobalGap rules. An inspection confirmed that Frutas Esther's grapes had pesticide residue low enough to get on the shelves of retail chains Aldi Einkauf GmbH, Lidl GmbH and other German members of GlobalGap.

Outside the EU, farmers say they now worry more about private EU standards than public legislation. "A farmer knows GlobalGap is the goal, and that if he meets those, he'll also meet all the government

rules," says James Cole, the owner of a pineapple farm in Ghana. With backing from retailers, GlobalGap is expanding its reach. This year, for the first time, it will audit private certification companies like CMI by making unannounced visits to farms. The organization is also working on labor standards for farms. "We're aware farmwork requires flexibility," says Mr. Möller, the director. "We know that sometimes, you have to work 12-hour days."

The cost of hiring a certification company, as well as meeting all the rules, is forcing farms in the developing world to team up. In Ghana, Mr. Cole has signed contracts with more than 100 smaller farms that were unable to export on their own. They share capital and a storage facility, which allowed them to pay for getting certified by GlobalGap in January. His company, Eloc Farms Ltd., exports about \$100,000 a year of fruit.