

Summary Project Labels

Reaching environmental targets is an important objective of sustainability policies in the agro-food sector. Because the increased use of external inputs, modern food production results in a number of negative externalities on the environment and public health that need to be controlled. Different strategies are possible to do so: a first one is to put restrictive standards on food production and distribution in order to avoid pollution and to put severe control on the compliance with these standards. This command-and-control strategy has however some negative drawbacks such as a weakening of the competitiveness of the own production sector if the own production standards are more severe than the ones in the competitor countries or a rather high control cost for the public authorities. Another strategy is to push forward auto-control systems making use of certification schemes to control the agreed best agricultural practices. This strategy has as advantage that a large part of the control-and-enforcement costs are shifted towards the food chain (limiting the role of public authorities to the control of the compliance with the certification scheme), that environmental and public health externalities are internalised, what may result in higher incentives for innovation and that market segmentation becomes possible by providing information to the consumer on differences among products with respect to environmental and health issues. This last point means that incentives may be provided to go beyond legal standards and to capture market benefits by providing sensible target groups with products that suits better their consumption preferences. Therefore labelling and certification strategies are an interesting alternative for public intervention.

In this research the internal dynamics of certification and labelling strategies were studied, based on the hypothesis that certificates and labels are social constructs of relevant stakeholders who seeks to capture economic rents or to maximise their own objectives. It was therefore judged to be important to analyse the stability or in other words the sustainability of such label strategies. Social constructs may indeed be vulnerable because of asymmetric information among stakeholders and free rider behaviour putting in danger the credibility of a label when one stakeholder is not performing well.

In a label initiative, the stakeholders are manifold but most important are the producers and producers' associations, the retail sector, the public authorities, the control organisations, environmental NGO's, consumer representatives and so on. The basic hypothesis investigated is that the prevailing rules of a label are constructed in such a way that the common objectives of all these stakeholders are maximised while minimising the negative impacts of the label on each of them (e.g. maximising the market share while minimising the cost for producers, retail sector, control cost for both public authorities and certifying organisations and so on). This can explain differences among labels depending who has been initiating the label or certificate or because of differences in power structure among the stakeholders, but also provide reasons why labels are evolving in a certain way or are not going further although improvements could be possible. The research was based on analysing different labels in the fruit and vegetable sector who have as one of their main objectives to reduce the effects of pesticides on the public health and the environment. Following research questions were analysed:

1. what is the impact of the label or certification rules on farm practices and may these differences in effects on farm management explain differences in success of labels among farmers;
2. can the environmental impacts of the rules within a label be assessed and can this be an objective basis for analysing differences in emphasis among labels and for evaluating possible improvements in existing labels;
3. are there differences in the social construction of labels, and who does impact the way labels change farmers' practices;
4. how do consumers formulate the question of pesticides and do labels provide adequate responses to these questions
5. how do farmers and other stakeholders formulate the question of pesticides and does this influences their view on labelling strategies
6. how do farmers react on possible trajectories to change the rules in a label ?

With respect to the first question, it became clear that most labels do search for rules that do not change only gradually existing farm practices. It is of course clear that labels put emphasis on a more reasoned way of using external inputs. Depending on the system (integrated or organic) production the scope of inputs allowed is decreased and the conditions under which these inputs may be used more regulated. However, for most farmers who moved towards integrated or organic practices this does not involve major problems for their farm management (depending on the extension provided, see further). More

problematic is the emphasis put on registration and monitoring of the use of allowed external inputs, in casu pesticides which although leading to a series of good practices, creates a high administrative burden. This is obvious and also registered as one of the major complaints of participating farmers, in particular because they do not always see the real benefit of certain of these monitoring rules.

For the second question a multicriteria tool has been developed allowing the translation of the prescriptive rules of the cahier-de-charge towards their impact on different environmental aspects. This allows to benchmark the rules of a label as compared to a label that would apply all recorded and thus possible rules. More than an absolute evaluation of the impact of a label on different environmental and health aspects, the method provides insight in possible further ways to develop the label in order to improve its effectiveness. It can therefore be used as a communication tool within a label to analyse possible weaknesses and improvements; it can also be used as a tool to show differences in emphasis among labels (e.g. differences in scope with regard to environmental or human health aspects).

However, the weakness of the tool is that it only looks at the rules as such and not at their application in practice. The research reveals that there are large differences in how labels initiatives give support of farmers in applying the rules. Three types of certification are distinguished: those who put emphasis on the final quality of the product, those who favorise the way the products are produced and finally those who control whether certain procedures with respect to traceability, hygiene and so on have been followed; The logic is completely different: in the first model a higher product quality is the main goal based on a market logic of searching for higher added value, in the second type the logic is that of another relation with the environment while in the third certification strategy traceability and conformity with legal standards is searched for. In practice the three types are more and more mixed (cf. the evolution of Flandria to Flandria-gap) and do influence each other; major differences still exists in the way farmers are supported in applying the standards: initiatives that provide farmers with a support service in the application of the rules are probably more effective with respect to environmental goals than those who only control the application of the rules on paper.

And this brings us to the fourth topic, the credibility of certification and labelling initiatives in the eyes of the consumer. The consumer focus groups reveal that consumers question indeed the credibility of label initiatives and relate this to who provides the information. Consumers recognise the lack of taking up their own responsibility in making progress towards more environmental friendly production systems, but are confused in the information they got about production systems. Although they recognise the benefits of having different systems as diversity and choice is recognised as an important aspect of a sustainable society, they ask for more uniform communication on the promises of labels in terms of origin, production system and product quality. The high number of different quality indications and the too detailed information is confusing the consumer and leads to a situation in which he is unable to give signals on environmental issues.

The focus groups with farmers and other important stakeholders behind labels reveals the different interests and confirms the hypothesis that the rules of a label are the result of an equilibrium of common and specific interests of the stakeholders, making it very delicate to change these rules. The entry of more globalising procurement systems in the retail sector makes specific strategies more vulnerable. On the one hand conformity to the rules of the retail sector ensures a larger market, but provides on the other hand the retail sector with more power to follow a cost strategy as they can move the cost of conformity to producers and buy at the lowest costs among all those who certify the conformity with minimum standards; Labels become then a license-to-produce-and-deliver rather than a tool for added value creation.

This explains the resistance of farmers towards a further strengthening of production rules within labels. Most farmers subscribe indeed the notion of labels as a necessity for survival rather than a way of differentiation. They are afraid of any cost increase new rules impute on them knowing that labels do not or only in a limited way increase product prices. This explains why they favour group based label certification over individual farm certification, degressive control systems or the limitation of the list of major musts. They complain about the high administrative burden and do not favour an extension of the rules towards social rules. On the other hand they see some potential to increase prices by re-enforcing the linkage of labels with an indication of origin and by using labels as communication tool to the consumer (and not as it is often now by using it only as a business-to-business communication). A more

detailed analysis with respect to possible changes in rules with respect to the use of pesticides reveals that farmers generally strongly advise against changes in the pesticide policy within the certification initiative, because they currently already feel under a high pressure. In this context it is worthwhile mentioning that the resource base of farmers has been narrowed over the years, which is especially true for certified farmers, while the demands have become increasingly stringent. The most adverse modification to the certification book from farmers' point of view seems to be the demand to use the crop variety which minimally depends on agrochemicals. Taking into account that this measure is the one that most affects crop yields, this outcome is logic. The other alternative measures are not welcomed either.

The two central questions this research tried to answer are:

1. do labels contribute to (ecologic) sustainability?
2. are they sustainable constructions?

The analyses with the multicriteria-tool indicate the positive ecologic effects for all labels / certification books, enabling us to conclude that certification systems contribute positively to the transition to a more ecologically sustainable society. For the second question, it was necessary to approach sustainability from a more holistic angle and to consider certification systems as social constructs, not restricting them to a combination of rules. De two determining factors for the sustainability of certification systems are their evolutionary potential and their internal balance.

Based upon this research, several recommendations can be formulated. The first one focuses on the necessity for a clear but evolving framework for sustainability, to enable market actors and public authorities to better judge the contributions to sustainability of different systems. The second recommendation points at the necessity of information flow and involvement of all actors to avoid a negative tendency in the internal balance when certification systems are expanding. The third recommendation indicates possibilities and preconditions for the further reduction of pesticide use. A fourth recommendation justifies the governmental support given to certification systems, because these systems positively influence both the upper and lower boundary of sustainability.

Future research regarding labels could/should focus on:

1. uniformed label contents and the consumers' reaction;
2. life cycle analysis of labelled products;
3. Effects of the internationalisation wave within certification systems on the competitiveness of local farmers and certification systems.