

Traceability: Why should exporters care?

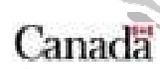
Sri Lanka Fruit and Vegetable Producers,
Processors and Exporters Association



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Exporters wish for greater profits

assume: demand exists

- High quality produce meeting international standards
 - Reduce waste
 - At hotel in Maldives or supermarket in Dubai
 - At farmgate in Matale
- Reliable supply at stable prices
 - Longer-term contracts
- Also, contribute to national economy
 - Good corporate citizens

Challenge

- Unreliable supply of mixed quality produce at volatile prices
 - Reliable supply of high quality produce at stable prices
- Large producers
 - Strict guidelines followed
- Outgrowers
 - Moving in the right direction. Incentives have to be fine-tuned to benefit both parties
- Smallholders
 - Quality penalty has to be gradually eliminated

Traceability is a partial answer

- Help establish defined quality at given price
 - Reduce wastage at farmgate → reliable supply at stable price
 - Can reduce smallholder quality penalty
- Meet international standards
 - Sanitary and phytosanitary standards in international agricultural trade without which exports to certain countries is not possible
 - *“For optimum freshness, we use local suppliers wherever possible, and all goods are fully traceable, promoting strict quality control.”*
 - Cullens Wholesale Fruits & Vegetables, Ireland

What is traceability

- Traceability is the ability to track any food that will be used for consumption through all stages of production, processing and distribution.
 - *European Commission Health and Consumer Protection Directorate-General*

Traceability in action



Method of production

- 0 = Organic
- 1 = Free Range
- 2 = Barn
- 3 = Caged

British Lion Quality mark

Only found on eggs that have been produced in accordance with UK and EU law and the British Lion Quality Code of Practice.

Producer identity

A unique code denoting where the egg was produced.
e.g. UK54321, UK543SCO or UK5-432.

Best-before date

All British Lion Quality eggs must include a 'best-before' date printed on the shell of the egg.

Can we meet traceability conditions?

Example: HJS Condiments Limited

22% of fruit and vegetable exports. 2nd largest Gherkin exporter in Asia;
McDonald's Burger King etc.

- McDonalds
 - Need full traceability report within 45 minutes of receiving a query
 - Successfully meet requirement through paper+IT based process
 - 8,000 out-growers; 350 persons involved in quality control process including traceability
- HJS
 - One-way process. Unable to improve quality.
 - Can traceability be used to improve quality and make the supply more reliable?

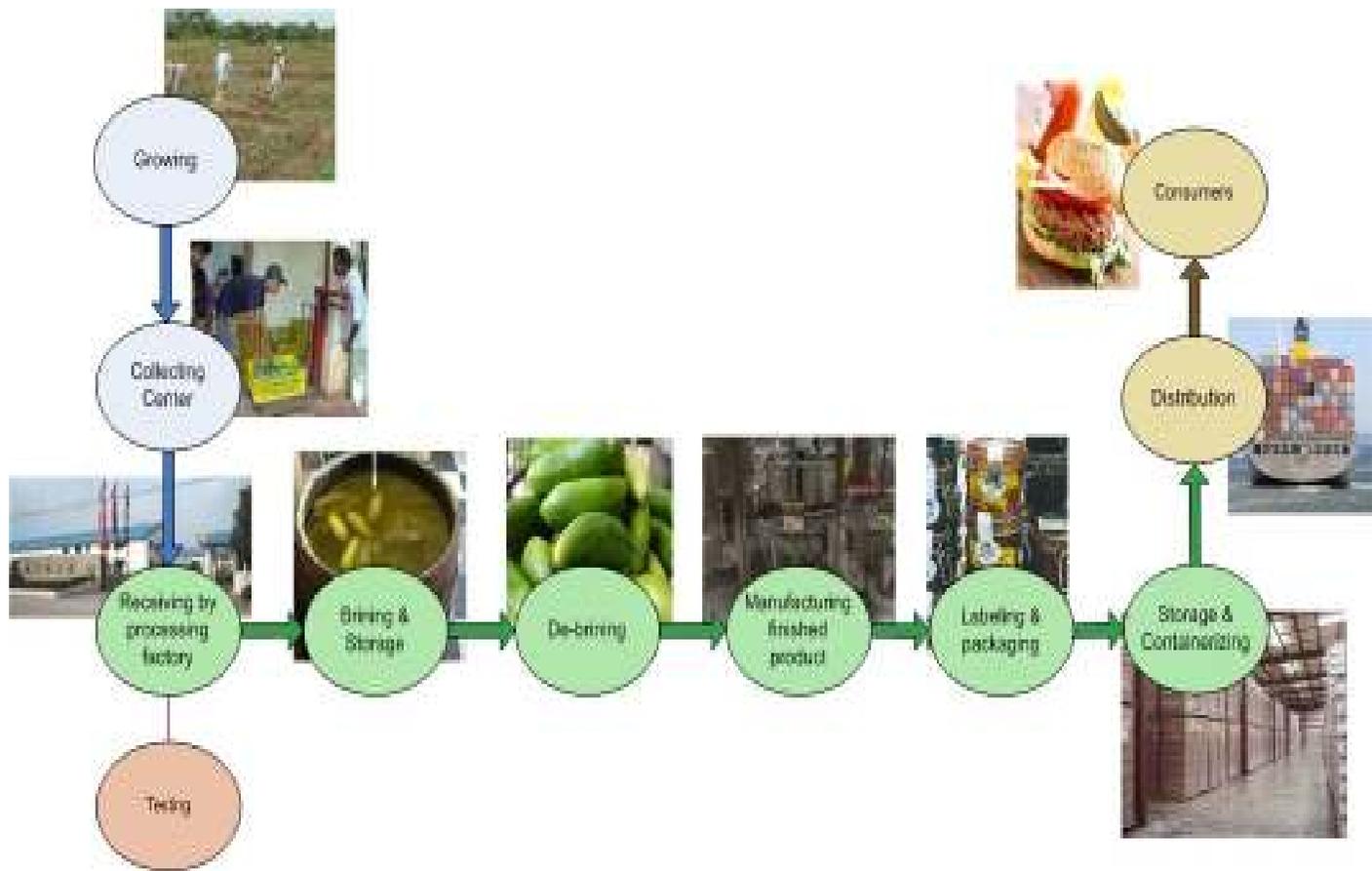
Improving export competitiveness through **m**Traceability

The **m**Traceability story of HJS gherkins

Background

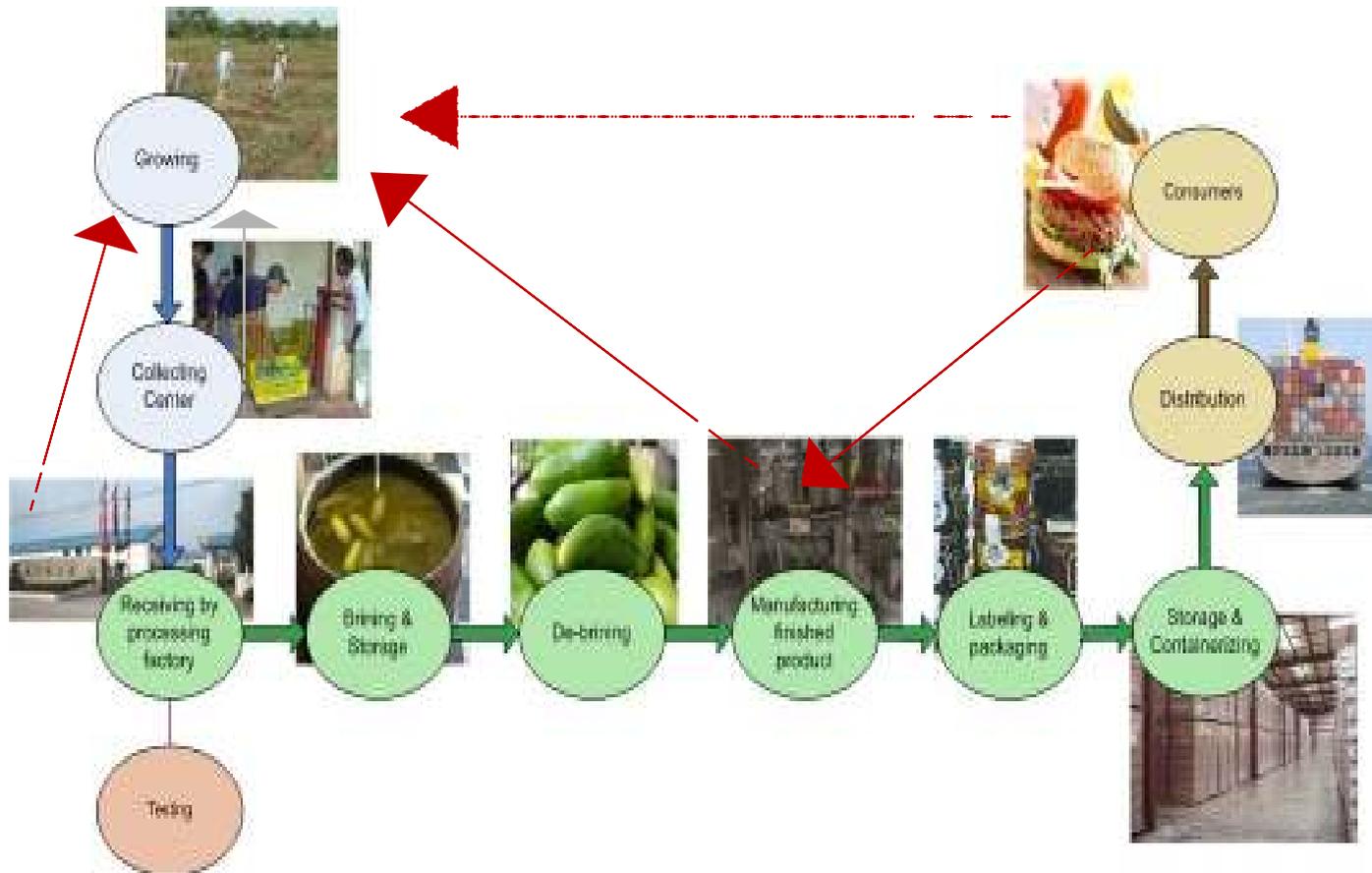
- Reactive
 - Meeting standards; not aggressively pursuing
 - No national standards
 - Some [derived] private standards
- Traditional
 - Paper-based; at most database
 - one-way flow
 - Farmer → Collector → Processor/Exporter → Importer → Retailer → Consumer

Traceability at HJS



Traceability at HJS with ICT information sharing system

Bi-directional



Easy to use Sinhala, menu driven application for farmers



Outcome

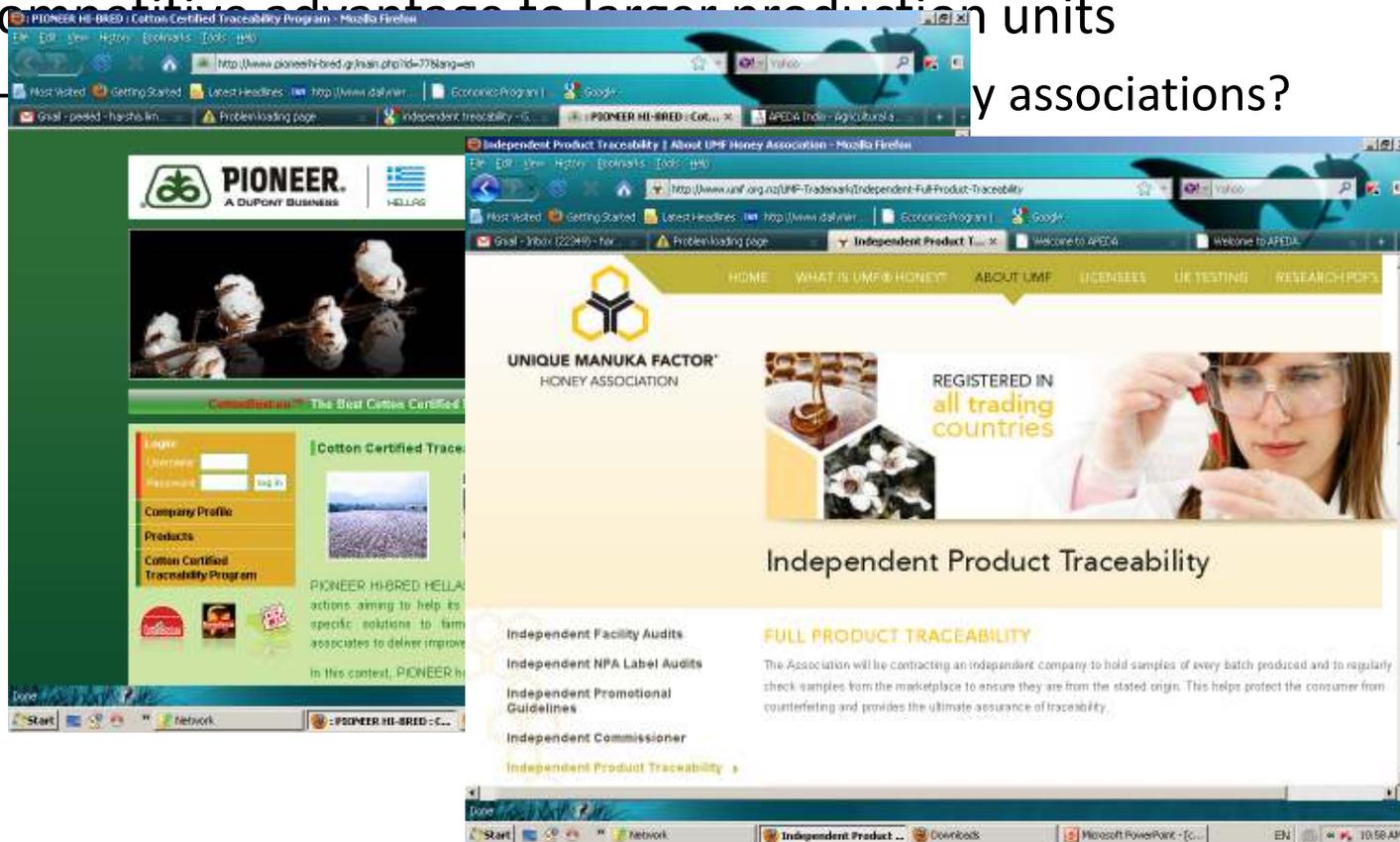
- Gherkin was **unique** for the **m**Traceability pilot
 - Rapid reaction time of <72 hours
- Farmers and HJS benefited due to lower rejections
 - “It was useful because the farmers with phones had the opportunity to immediately do something to improve the quality”
- But could not sustain as quality penalty reduction did not materialize
 - HJS could not structure the incentive scheme to benefit both parties

Quality penalty → Quality reward

- Build incentive structure: quality → traceability → price incentive structure
 - Farmers provide up-stream data; but now farmers receive down-stream data
- Farmers are rewarded [+ or -] for quality differences
 - Quality information sent back to individual farmer for urgent action
- + or – based on rejects at processing plant
 - Lower rejects; higher per unit payment
 - Higher rejects; lower per unit payment

Challenge

- Economies of scale in traceability, certification and testing → competitive advantages to larger production units
by associations?



No need to glorify **m** in **m**Traceability

- Traceability is not about instant communication via mobiles
 - Gherkin a unique case
- Exporters can incorporate traceability by incentivising the actors along the value chain → quality reward
 - Mobiles can help as a communication device; feedback
 - Could even be a cheap bar-code reader

Wholesale exporter perspective

- How might a hotel or a supermarket wish to have traceability incorporated to pineapples grown by smallholder farmers?
- Hotel: Could be at the pineapple crate-level
 - Quite possible at the collector point
 - Bar-codes, RFID tags on the crate
 - Collector to incentivise smallholder with quality reward.
 - Chronological records → Traceable
 - Pareto optimal: Everyone in chain benefits
- Supermarket: At the single pineapple level
 - Much more difficult

Recap

- High quality produce meeting international standards
 - Reduce waste
 - Reward quality at the farmgate
- Reliable supply at stable prices
 - Longer-term contracts
- Also, contribute to national economy
 - Good corporate citizens

Thank you.
Harsha de Silva