

FOOD SAFETY AT HOME —A Recipe for Greater Global Market Access

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[Abstract: Developing countries participate in International food trade with the intention of achieving economic growth, while for developed countries it is centred on health issues. The WTO regime permits every importing country to prescribe standards and regulations for food imports, provided these are scientifically justifiable and are not to cause distortions in trade. Besides, importers can impose their own standards that best suit their marketing channels. With the advancing research, these standards and regulations are becoming more exacting by the day and are serving as market barriers for many developing countries that are not able to keep pace and/or are not able to afford the associated costs. Food trade in developing countries is beset with poor supply chain from farmers to manufacturers, causing many uncertainties in maintaining the desired level of safety at each turn. The problem is compounded by the fact that generally developing countries maintain poor hygiene standards, thus forcing the importing entities from developed countries to set their own standards. This Discussion Note argues that a developing country like India should have a Mission Mode approach to food safety, brought about by co-ordinated policies and actions that will do away with the constraints of infrastructure. Also, safe food should be made available across the country to help improve its brand image, and thus facilitate global market access.]

In the context of global trade, developing countries like India look at the Food Trade business in the context of economic growth and development. It is a general perception among developing countries that the food safety standards set by the Public Agencies of the importing developed countries will shape access to their markets with related economic impacts on the developing countries. Food safety regulations in developed countries focus on the health of their citizens. More stringent food standards have emerged over the past two decades as a result of advances in hazard detection techniques and epidemiology, high profile health scares, scientific and regulatory consensus on best approaches to risk management and recognition of global standards, and approaches under the World Trade Organisation (WTO). As a result, there is a consensus 'among nations about the basic components of an effective food safety system based on modern science and

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management practices....the vision is of a farm-to-fork, risk-based, scientifically supported safety control system.’¹

When it comes to compliance, exporters from developing countries are expected to meet the twin requirements of “public standards” of importing country and “private standards” set by the importing firms to meet the quality specifications for their market channels. Since public and private standards change periodically, compliance also must evolve alongside. Inevitably, new standards and regulations will add to the compliance cost of the exporting entity and may be to that of the importing country monitoring the compliance. While in developed countries, such costs are weighed against benefits that accrue from reduction in foodborne diseases, in developing countries these are additional costs impacting market participation, exports and farm incomes. Revision of safety standards has had a negative impact on the market participation of low income developing countries. In some developing countries, the exporting entities manage to get support from their governments and other agencies towards upscaling their quality and standards. This way, they will not have to bear adverse impacts; rather, they will gain through the spillover effects of the acquisition of new technologies and skills with accompanying rise in wages and incomes. Governments and other agencies of developing countries will be expected to provide for safety nets for smaller exporting entities since importing entities in developed countries prefer to deal with larger ones in order to contain the monitoring costs of compliance. Governments of exporting developing countries have thus their role cut out for extending support to domestic exporting firms to work towards coping with the revised standards and regulations of the developed countries in their jurisdiction.²

In developed countries, over a period of time, standards and regulations have been made more stringent, while concerns for food safety are being brought on par

¹ Hoffman, S. and W. Harder (2010), “Food Safety and Risk Governance in Globalised Markets,” RFF Discussion Paper 09–44, Resources for the Future, July. Available at: www.rff.org/files/sharepoint/WorkImages/Download/RFF-DP-09-44.pdf

² The World Bank Group (2014), “Food Safety Standards: Economic and Market Impacts in Developing Countries,” View Point, Note Number 341, Trade and Competitiveness Global Practice, The World Bank Group, July.

with food security. Developing countries, despite according generous support to their exporters, are feeling the effects of market access on their performance. They are driven to compete amongst themselves with the only silver lining that developed countries continue to depend on imports for meeting their requirements and this trend is accelerating. The US, for example, imports 15 per cent of its food supply, and, within this seemingly modest overall figure, it imports a high fraction of total supply in certain categories: 80 per cent of sea food and 50 per cent of fresh fruit.³ If one looks at just one trading partnership, that is, between India and the United States, there is a clear growth trend. USA's agricultural exports to India increased from \$763 million in 2009–10 to \$917 million in 2013–14, while India's agricultural exports to the US rose from \$1088 million to a peak of \$5344 in 2012–13.⁴ Similar is the trend between USA and China in agricultural trade. Food safety is a major concern in both India and China. India has addressed the concern by adopting an integrated food safety law that harmonises a number of food laws, standards, and enforcement agencies. The law is enacted across all 28 states and seven union territories of the country.⁵ However, still a lot of ground is to be covered as is evident from the figures of refusals by the Food and Drug Administration (FDA) of USA. India topped the list of refusals (205) in August 2012. Many of these were on grounds of misbranding and adulteration. China also stood close to India in this category with 189 refusals. In fact, a Nestle India product was refused in January 2012 because of misbranding on account of unsubstantiated health/nutrient content claim.⁶

Food products manufacturers are primarily responsible for providing quality foods to consumers, which is a daunting task in India as manufacturers hardly have any control over the quality of inputs. To top it, the quality of norms and regulations

³ Rosenfield, J. (2014), "How Governments are Managing Food Safety as International Trade Grows," Asia Society, March 10. Available at: <http://asiasociety.org/blog/asia/how-governments-are-managing-food-safety-international-trade-grows>

⁴ Brief on India's Agriculture Trade with USA." Available at: www.agricoop.nic.in/imagedefault/trade/USA.pdf

⁵ *Op. cit.* 3

⁶ Cybex Exim Solutions (P) Ltd. (2013), "Food Exports from India Top Refusal List Prepared by US FDA," January 09. Available at: <http://www.cybex.in/exim-news/Food-Exports-From-India-Top-5370.aspx>

become more stringent with time owing to developed countries' call for scientific justification as well as the imposition of trade barriers.

The scenario that emerges is that food laws, regulations and standards in developed countries are highly developed, more stringent, and most of the time science-based involving various components of risk analysis. These laws/regulations/standards further strengthen with the timely introduction of new regulatory standards for previously unknown or unregulated hazards. This is in contrast to the situation in underdeveloped countries where due attention has not been given to food regulations and standards owing to food security issues as well as enforcement lacunae. As a result, the differences in regulations and standards among countries is having a major impact on the international economy and giving rise to trade conflicts, which is affecting the global patterns of food demand and reducing trade. Such a situation leads one to perceive that developing countries are forced to consume 'substandard' products, which are either rejected or not accepted on account of high residuals. For example, only a fraction of honey that is produced is imported by the developed countries while the remainder is consumed by the producing (developing) countries as they cannot afford to waste it owing to lack of other sources of food. There are many commodities which are not fit to be consumed by the developed countries but are acceptable in developing countries—a scenario touching on ethical issues.⁷

Standards and regulations differ from country to country and region to region, but are subject to modulation depending on the import destination. Discretion to prescribe country specific standards is recognised by the international law as provided by the Agreement on Sanitary and Phytosanitary Measures (SPS) of the WTO regime and also exceptions for actions as provided in GATT Art XX. Such discretion can be exercised over and above the Codex Regulations finalised by an independent scientific agency co-sponsored by WHO and FAO. In order that on the pretext of such discretion, no distortion in trade comes about, it has to be ensured

⁷ FnB News (2012), "Food Safety Issues – Residues, Contaminants: Scenario in India," Food Safety in India. Available at: <http://foodsafetyauthorityindia.blogspot.in/2012/01/food-safety-issues-residues.html>

that the discretionary standards are strictly science-based and are to be applied so as to prevent discrimination against exporting entities. Thus, in particular, there is lack of harmonisation of standards among developed countries, which adds to the need for due diligence on the part of the exporting firms.⁸ Exporters from developing countries find it difficult to keep up with the evolving standards despite building capacities to do so. A part of the difficulty in respect of international competition stems from the fact that when it comes to catering to the local market, firms—owing to lax enforcement mechanisms—go easy on maintaining standards. Such a dual approach inhibits the overall “good practice” approach. Within the domestic market, the quality of products will help build a “national” brand. Adverse publicity of Indian products by food advisories from developed countries (who remain potential importers of food products) not only affects tourist inflow, but also categorises exports as “discount” items either for not meeting the public standards or not finding favour with the private norms of the importing firms. Yet another reason could be that the Indian products may not be a favourite with the distribution channels of the developed countries. It becomes imperative therefore that the domestic quality be brought on par with international standards to build “brand India” abroad.

The Food Safety and Standards Act (FSSA, 2006) incorporates relevant provisions for prevention of food adulteration and is based on the international legislation providing for application of standards and regulations at par with the CODEX Alimentarius Commission. The Act provides for the establishment of several scientific panels to work out standards for food safety, including specifications for ingredients, contaminants, pesticide residues, biological hazards and labels. In fine print, the Act will:

- (a) Take steps/ measures for harmonisation of domestic food standards with international food standards.

⁸ World Trade Organisation (1998), “Understanding the WTO Agreement on Sanitary and Phytosanitary Measures,” May. Available at: https://www.wto.org/english/tratop_e/sps_e/spsund_e.htm

- (b) Promote science-based standards—on the lines of international regulations—under the scheme and scope of FSSA. R&D will play a crucial role in ensuring compliance with desirable standards and working out scientific approaches towards equality analysis, including for residues and contaminants, product and process validation, food-packaging interaction, leachables, and on nutritional and labeling information. The advice of R&D institutions on the shelf life of the products will be crucial.

Strict adherence to the standards and regulations will add to the costs of the manufactures, which need to be balanced with resultant health benefits to the consumers. FSSA has, inter alia, built-in provisions that enjoin the authority to create awareness among the stakeholders. Through such provisions, the authority should highlight the social benefits that accrue on account of safe food, thus helping the society save money on healthcare. Therefore, consumers may stand sensitised in sharing the costs on food safety and be ready and willing to pay a price premium.

The Food Safety and Standards Authority of India (FSSAI) has already started enforcing Codex standards for products available in the Indian market. It has also initiated action against erring entities in a big way, thus bringing a number of sectors and entities under its lens. In India, the FSSAI is responsible for implementing the Codex standards; it also represents India at international forums to interact first hand as well as to gauge the significance of emerging scientific deliberations, trends and standards which are set to be stricter.⁹

Tasks undertaken by the FSSAI and the Indian manufacturers are not easy, especially taking into consideration the complexities of the food production system in India and associated below par infrastructure. Food can become contaminated at any point, from farm inputs to consumer when it transcends through various stages such as inputs → Farm → Transport → Mill/Slaughter/Processor → Transport/Imports → Restaurant/Retail → Consumer. Identification of emerging food hazards and contaminants at different stages of production is not an easy task.

⁹ Dey, S. (2015), "Global Food Safety Rules to be Revised," *The Times of India*, New Delhi, July 8.

But, what is more difficult is to determine an intervention point at which it would be most cost-effective, particularly when pathogens behave like moving targets as, being living organisms, they react to the changing environment and mutation occurs at regular basis. Thus, development, validation and application of innovative methods for detection and control of pathogens and chemicals are responsible for food-borne illness and remain a challenge. All these factors together make the process of risk assessment and its management complicated.

There are many issues which are common to all developing countries. Food industry is highly fragmented and most of the units are in the small and unorganised sector. Laboratory infrastructure is inadequate. In a diverse country like India, food products are diverse and so are food habits, which present special difficulties for standardisation. Storage practices and transport means are primitive. Street food is common and vendor and consumer awareness towards food safety is minimal. Importance of food safety has not sunk in at grassroots level. Therefore, firstly, India has to overcome these deeply ingrained problems if it wishes to join the value-added agri-food business to enhance its potential for increased incomes and wages by upgrading its food safety at national level. Secondly, in keeping with standards and regulations of the FSSA, 2006, food safety should graduate to the international level and in the process build up human capital through food safety education and training. Institutional arrangements are already in place at national and international levels for an effective system of production and distribution of safe food. These arrangements are also towards prevention of food hazards and communication of food risk to consumers and those engaged in post-harvest handling and distribution of food.¹⁰

Despite institutional arrangements being in position, the basic challenges with regard to substandard raw material inputs and lack of basic infrastructure remain to be addressed in India. For example, serving of food through hawkers continues to dent India's image because of the hazardous environment in which it is

¹⁰ Seth, P.K. (2008), "Overview of Food Safety Issues," ILSI-India and ICMSF Conference on *Current and Innovative Approaches to Microbiological Food Safety Management*, October 21–22, 2008, New Delhi.

cooked and served, regardless of the fact that these vendors are required to register with FSSAI as well as maintain a standard. Street vendors are an important part of the Indian Food Market for various reasons, including economic. However, these vendors lack support services such as good quality water supply and waste disposal systems, which hamper their ability to provide safe food. Although standards have been specified for water used as an input in preparation/processing of food, the FSSA, 2006 does not specify standards for potable water, which is generally provided by local authorities. Vendors find it unviable to install water purifier systems of their own. Thus, before prescribing standards, the concerned authorities, need to take account of the existing infrastructure to ease the implementation process. A facilitating environment is prerequisite to compliance. Malaysia and Singapore are known for their street food—a reputation built on the availability of safe water and an advanced waste disposal system. Development of compliance infrastructure is thus imperative.¹¹ This illustration is a pointer towards the need for a coherent, proactive policy. Thailand's government has been relentless in gaining access to global food market. Specific tasks have been assigned to the concerned departments and agencies to improve food quality and safety through modern food safety management systems. Proactive and innovative measures such as provision for low-interest credit and a 200 per cent tax deduction campaign to implement modern food safety management systems have paid rich dividends over the years, putting Thailand at number one position on the list of prominent food exporters.¹²

Thus FSSAI has to perform not only the role of a Regulator to ensure that marketed food products are safe and meet the standard, but is also expected to intensify its advocacy role so as to convert the food safety mission into a movement that will bring together all stakeholders to create the necessary environment. Further, the movement shall gain momentum when each stakeholder performs its due role in tandem with other stakeholders to ensure the right type of supply chain

¹¹ Raju, K.V.R. (undated), "Making Food Safety a Mass Movement: Overview of Challenges for Developing Countries," Asian Productivity Organisation. Available at: http://apo-tokyo.org/productivity/111_prod.htm

¹² *Ibid.*

from farm to fork, riding on the wings of supporting infrastructure and specially designed policies and dedicated R&D support.

Sporadic actions that will prompt the Regulator to take punitive actions against the manufactures and others in the marketing channel, though required, may give a voice to the forces that are trying to pass the buck to others. For example, following the action taken against Nestle by FSSAI, the Western media has been quick to point out the inherent risks of operating in a country where it is difficult to build a watertight supply chain, and where food safety structure is minimal, at the least.¹³ Even within the government, there may not be many who support FSSAI's action.¹⁴ Overzealous NGO's and inspection workers may terrorise the market channels.¹⁵ There are fears that the corporate investment in Food Sector may be adversely affected and that the efforts to propel the 'Make in India' programme may receive a setback.¹⁶ While such challenges are bound to crop up in a democratic country, these are also pointers towards the fragile and less than adequate support system for the Regulator. There is absence of coordinated government policies and actions in respect of building support infrastructure for the disaggregated supply chain, that is, from farmers to manufacturers and further from manufacturers to customers. The issues are to be resolved in a Mission Mode approach with the sole objective of ensuring food safety at all levels. And, this will become possible by building a brand image so that India is able to address issues related to international market access, that is, of meeting the public and private standards set by importing countries' to claim a substantial pie of world trade in food and add to the economic strength of the country.

¹³ Bhattacharjee, N. and A. Kalra (2015), "Global Brands Stretched by India's Food Safety Record," Reuters, June 21. Available at: <http://www.reuters.com/article/2015/06/21/uk-india-food-supplychain-idUSKBN0P101720150621>

¹⁴ Business Today (2015), "Harsimrat Kaur Badal Slams FSSAI over Maggie Fire," July 09. Available at: <http://www.businesstoday.in/current/corporate/harsimrat-kaur-badal-on-the-boil-over-maggi-fire/story/221480.html>

¹⁵ ETRetail.com (2015), "Fear of Inspectors Eating Up Food Industry," July 04. Available at: <http://retail.economictimes.indiatimes.com/news/food-entertainment/food-services/fear-of-inspectors-eating-up-food-industry/47933747>

¹⁶ Dainik Jagran (2015), "Make in India Par Maggie Ka Grahan," July 12.