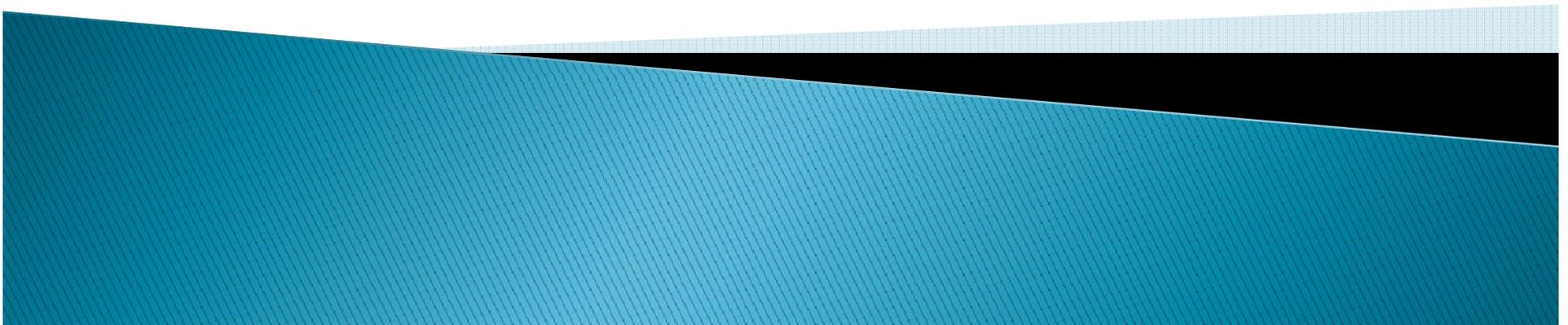


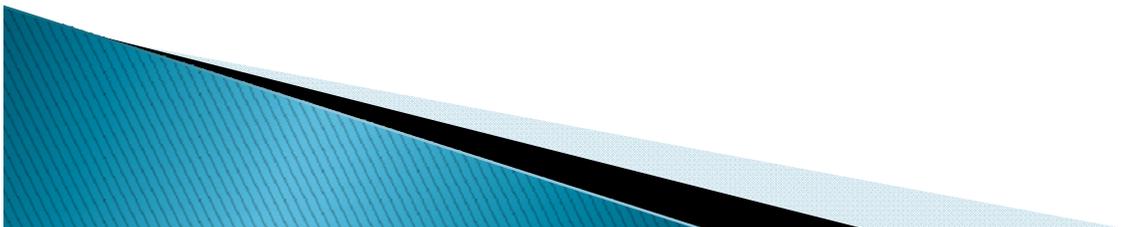
Global Economic Impacts of Sustainable Agricultural Certification

18 – 19 February 2010
Washington DC



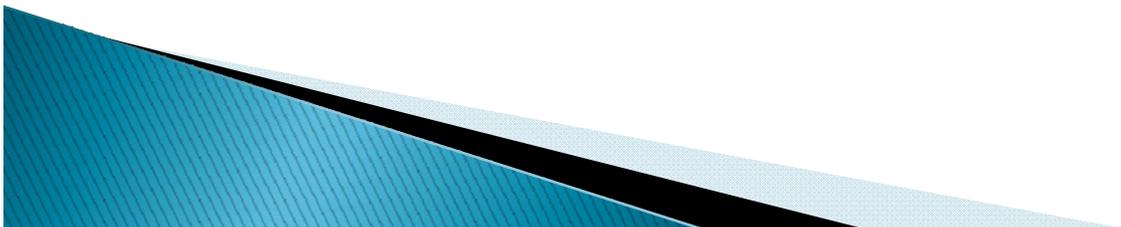
Potential Impacts to Trade from Certification Systems

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



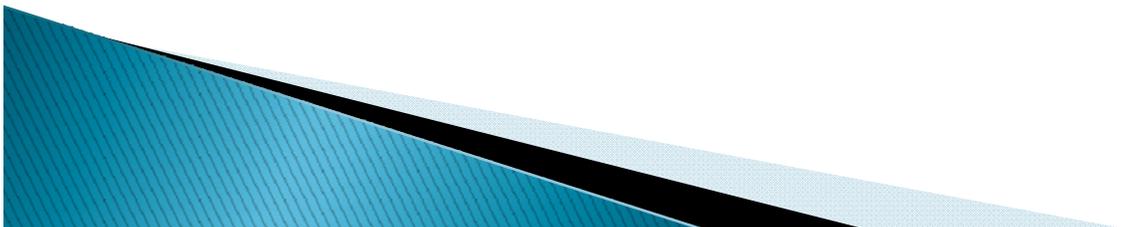
Key Influencers of Certification Programs

- ▶ **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)



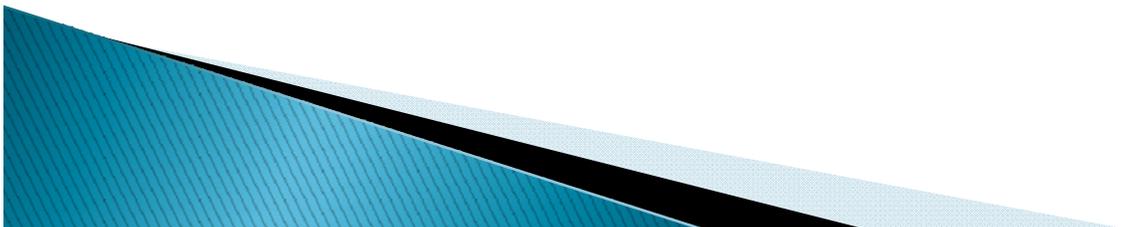
Sources of Certification Systems

- ▶ **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.



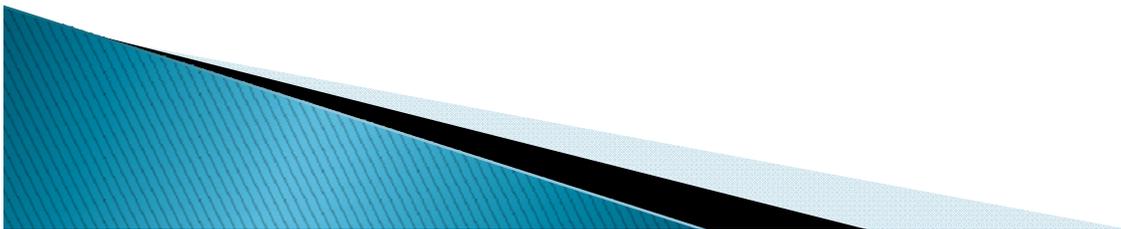
Sources of Certification Systems

- ▶ **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.

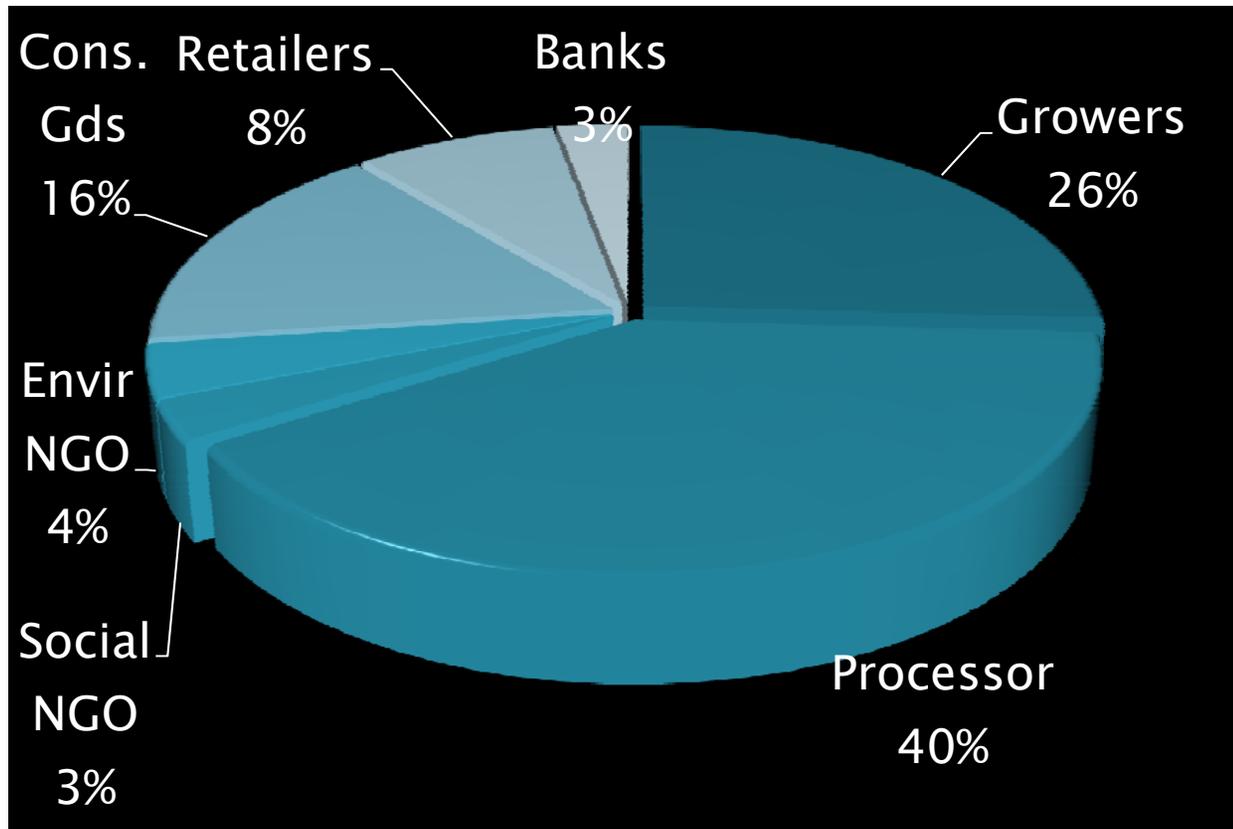
What is certified sustainable palm oil?



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

RSPO

Composition of the RSPO

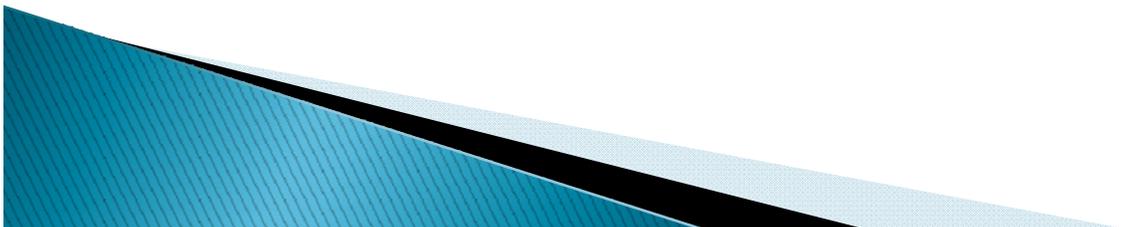


> 300 Ordinary Members
September 2009



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

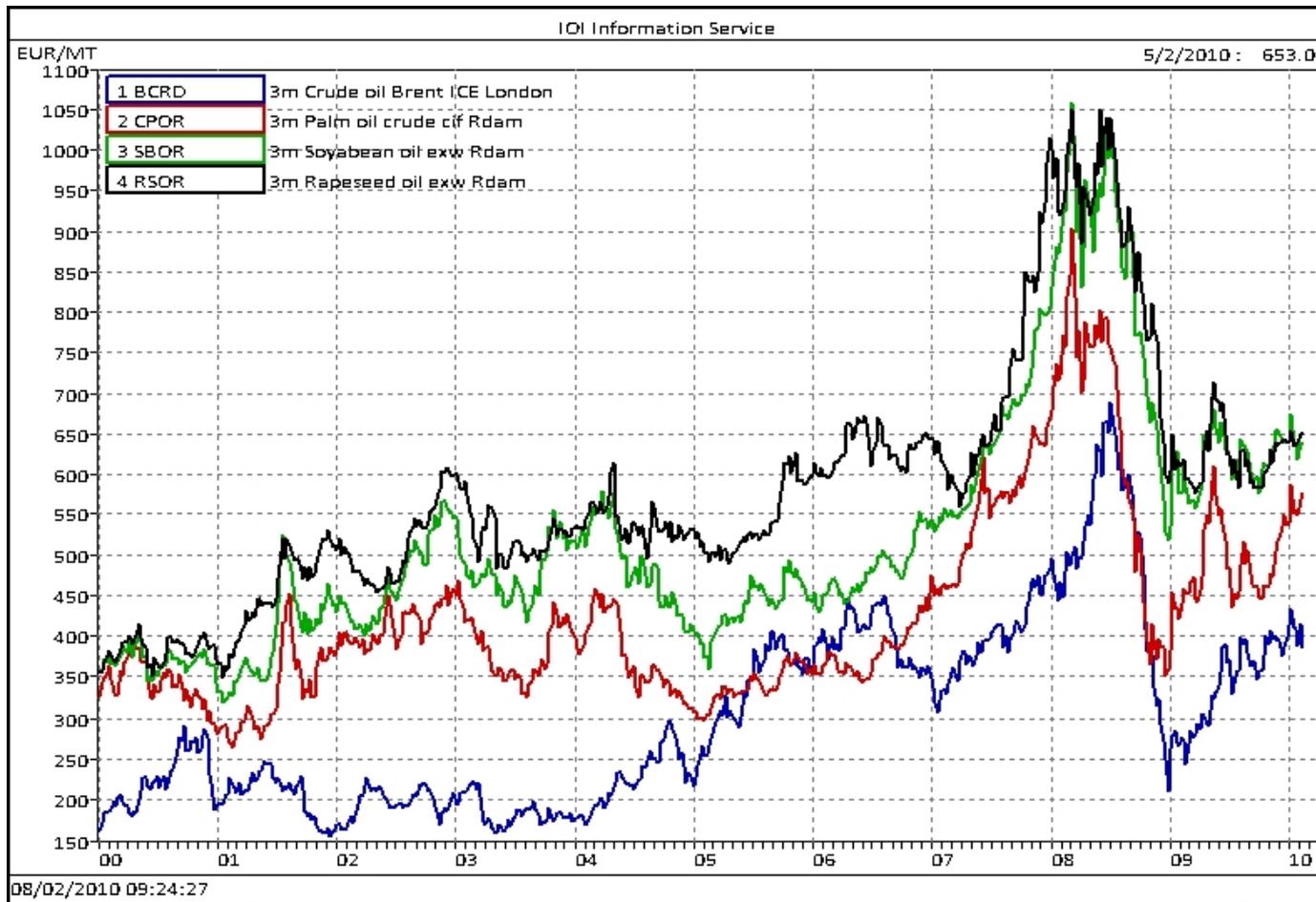


Impacts: An Example.

- ▶ **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

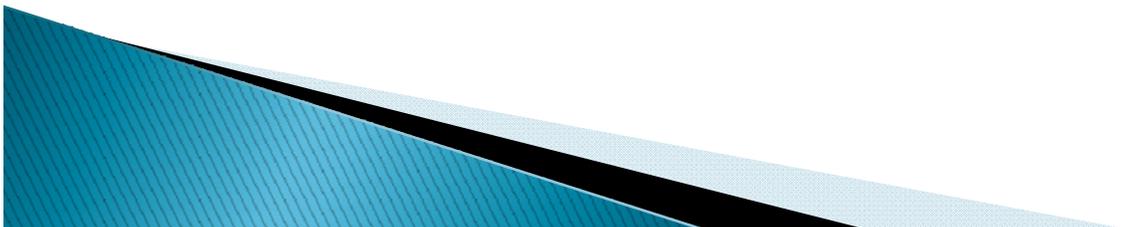


EU Vegetable Oil Price Movements



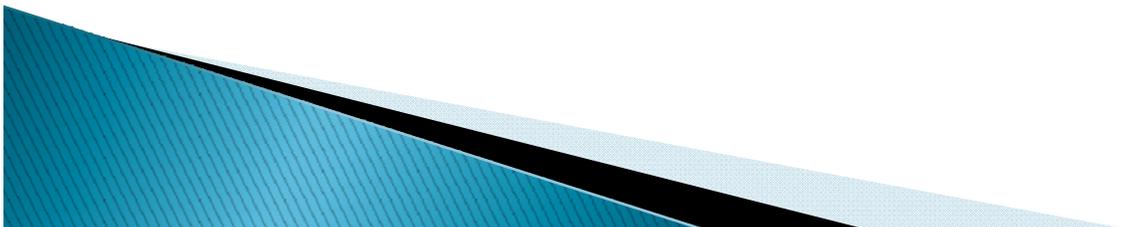
What could be on the horizon?

- ▶ **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**



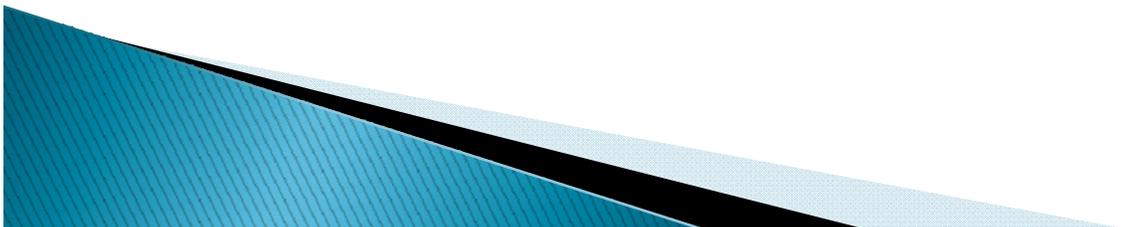
What could be on the horizon?

- ▶ 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
- 