



GLOBEFISH RESEARCH PROGRAMME

Ecolabels and Marine Capture Fisheries: Current Practice and Emerging Issues: Volume 91



Ecolabels and Marine Capture Fisheries: Current Practice and Emerging Issues

by

Sally Washington

(April 2008)

The GLOBEFISH Research Programme is an activity initiated by FAO's Fish Utilisation and Marketing Service, Rome, Italy and financed jointly by:

- NMFS (National Marine Fisheries Service), Washington, DC, **USA**
- FROM, Ministerio de Agricultura, Pesca y Alimentación, Madrid, **Spain**
- Ministry of Food, Agriculture and Fisheries, Copenhagen, **Denmark**
- European Commission, Directorate General for Fisheries, Brussels, **EU**
- Norwegian Seafood Export Council, Tromsø, **Norway**
- OFIMER (Office National Interprofessionnel des Produits de la Mer et de l'Aquaculture), Paris, **France**
- ASMI (Alaska Seafood Marketing Institute), **USA**
- DFO (Department of Fisheries and Oceans), **Canada**
- SSA (Seafood Services Australia), **Australia**
- Ministry of Fisheries, **New Zealand**

*Food and Agriculture Organization of the United Nations, GLOBEFISH, Fish Products and Industry Division
Viale delle Terme di Caracalla, 00153 Rome, Italy – Tel.: (39) 06570 56313
E-mail: GLOBEFISH@fao.org - Fax: (39) 0657055188 – <http://www.globefish.org>*

The designation employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the Food and Agriculture Organization of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Sally Washington.;
ECOLABELS AND MARINE CAPTURE FISHERIES: CURRENT PRACTICE AND EMERGING ISSUES
GLOBEFISH Research Programme, Vol.91 Rome, FAO. 2008. p. 52

In its latest 'State of World Fisheries and Aquaculture' report the Food and Agriculture Organization of the United Nations (FAO) alerted the international community to the dramatic state of the world's fisheries: about half are fully exploited while another quarter are either over-exploited (17%), depleted (7%), or recovering from depletion. Mechanisms to ensure the sustainability of fish stocks have been introduced by governments at the national, regional and international levels. In addition to these public measures, market based private sector mechanisms have also been introduced. Ecolabels are one such mechanism. They are designed to influence the purchasing decisions of consumers and the procurement policies of retailers selling fish and seafood products, and to reward producers using responsible fishing practices.

This paper examines current experience and emerging issues related to ecolabelling and certification schemes in marine capture fisheries. It describes the history of ecolabels and the variety of certification schemes, and analyses the market penetration of ecolabelled products. It discusses the opportunities and challenges for the various stakeholders in the fish and seafood supply chain (producers, processors, retailers, governments and consumers) and examines the specific challenges faced by developing countries, as well as the implications for international trade. It raises questions about who and what is driving ecolabels, with what costs and benefits for whom, and with what implications for the future sustainability of the world's fisheries.

Acknowledgement : The report layout was prepared by Tony Piccolo GLOBEFISH.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any means, electronic, mechanical, photocopying or otherwise, without the prior permission of the copyright owner. Applications for such permission, with a statement of the purpose and extent of the reproduction, should be addressed to the Director, Information Division, Food and Agriculture Organization of the United Nations, Viale delle Terme di Caracalla, 00100 Rome, Italy.

TABLE OF CONTENT

| | | |
|------|---|----|
| 1. | EXECUTIVE SUMMARY..... | 1 |
| 1.1. | NGO and retailer interests in ecolabels..... | 1 |
| 1.2. | Types of ecolabelling and certification schemes | 1 |
| 1.3. | Market penetration of ecolabelled products..... | 2 |
| 1.4. | Opportunities and challenges for stakeholders | 2 |
| 1.5. | Ecolabels and developing countries: bonus or barrier?..... | 3 |
| 1.6. | Ecolabelling: barrier to trade?..... | 3 |
| 1.7. | Ecolabels and sustainability - helping or not?..... | 3 |
| 1.8. | Issues for Attention | 4 |
| 1.9. | Conclusions..... | 4 |
| 2. | INTRODUCTION | 6 |
| 2.1. | Fish and international trade..... | 6 |
| 2.2. | State of the resource | 7 |
| 3. | THE CONTEXT | 9 |
| 3.1. | Globalization and consolidation of the food industry | 9 |
| 3.2. | Evolving supply chains | 10 |
| 3.3. | Civil society and consumer demand | 10 |
| 4. | ECOLABELS: DEFINITIONS AND HISTORY..... | 11 |
| 4.1. | What are ecolabels | 11 |
| 4.2. | A brief history of ecolabels | 11 |
| 4.3. | The Marine Stewardship Council | 12 |
| 5. | TYPES OF ECOLABELLING AND CERTIFICATION SCHEMES..... | 13 |
| 5.1. | Non-Governmental Organizations (NGOs) | 13 |
| 5.2. | Retailers..... | 13 |
| 5.3. | Industry bodies | 14 |
| 5.4. | Certification companies | 14 |
| 5.5. | Business to business versus business to consumer models..... | 14 |
| 5.6. | Coverage and certification | 15 |
| 6. | FAO GUIDELINES FOR THE ECOLABELLING OF FISH AND FISHERY PRODUCTS FROM MARINE CAPTURE FISHERIES | 16 |
| 6.1. | General principles and definitions | 16 |
| 6.2. | Minimum substantive requirements and criteria..... | 16 |
| 6.3. | Procedural and institutional aspects | 17 |
| 7. | MARKET PENETRATION OF ECOLABELLING PRODUCTS..... | 18 |
| 7.1. | Volumes | 18 |
| 7.2. | Concentrated markets..... | 18 |
| 7.3. | Consumer awareness and demand | 19 |
| 7.4. | Consumption patterns | 20 |

| | | |
|--------|--|----|
| 7.5. | Concentration to ecolabelled species | 20 |
| 7.6. | Distribution issues | 21 |
| 7.6.1. | <i>Supermarkets</i> | 21 |
| 7.6.2. | <i>Processors</i> | 22 |
| 7.6.3. | <i>Caterers and foodservice industry</i> | 23 |
| 7.7. | Determinants of a market conducive to ecolabels..... | 24 |
| 8. | OPPORTUNITIES AND CHALLENGES FOR STAKEHOLDERS | 25 |
| 8.1. | Initial reactions of ecolabels..... | 25 |
| 8.2. | MSC certification - an overview | 25 |
| 8.3. | Producers: costs and benefits | 26 |
| 8.3.1. | <i>How much does certification really cost?</i> | 27 |
| 8.3.2. | <i>The price premium myth</i> | 29 |
| 8.3.3. | <i>Market share: a case of diminishing returns?</i> | 29 |
| 8.3.4. | <i>Consistency in certification</i> | 30 |
| 8.4. | Importers/wholesalers | 31 |
| 8.5. | Retailers, processors and brand..... | 31 |
| 8.5.1. | <i>Adding value to private labels</i> | 32 |
| 8.5.2. | <i>Risk management and ease of procurement</i> | 32 |
| 8.5.3. | <i>Price premium</i> | 33 |
| 8.5.4. | <i>Costs</i> | 33 |
| 8.6. | Consumers..... | 33 |
| 8.7. | Governments: responses and implications | 34 |
| 8.7.1. | <i>Sovereignty and national policy frameworks</i> | 35 |
| 9. | ECOLABELS AND DEVELOPING COUNTRIES: BONUS OR BARRIER?..... | 36 |
| 9.1. | Lack of economic imperative..... | 36 |
| 9.2. | Mis-match between ecolabelling schemes and developing country fisheries..... | 37 |
| 9.2.1. | <i>Insufficient overall fisheries management regime</i> | 37 |
| 9.2.2. | <i>Data deficiencies</i> | 38 |
| 9.2.3. | <i>Unit of certification</i> | 38 |
| 9.3. | High costs of certification | 38 |
| 9.4. | Barriers to trade? | 38 |
| 9.5. | Potential benefits for developing countries..... | 39 |
| 9.5.1. | <i>Impetus for improved fisheries management and infrastructure</i> | 39 |
| 9.5.2. | <i>Capturing overseas expertise and assistance</i> | 40 |
| 9.6. | New Certification Methodologies for developing countries..... | 40 |
| 10. | ECOLABELS AND TRADE..... | 42 |
| 10.1. | WTO position on ecolabels | 42 |
| 10.2. | Points of contention | 42 |
| 10.3. | Relevant disputes panel judgements | 43 |
| 10.4. | Jurisdiction over private sector actors..... | 43 |
| 10.5. | FAO Guidelines | 43 |
| 10.6. | Harmonization of methodologies..... | 44 |
| 11. | FUTURE SCENARIOS AND ISSUES FOR ATTENTION..... | 45 |

| | | |
|-------|--|----|
| 11.1. | Growing demand for fish and seafood from sustainable sources | 45 |
| 11.2. | Looming gap between demand and supply? | 45 |
| 11.3. | Proliferation of labels and certification schemes: lowering the bar? | 46 |
| 11.4. | Ecolabels and sustainability - helping or not?..... | 47 |
| 11.5. | Issues for attention | 47 |
| 12. | CONCLUSIONS..... | 49 |
| 13. | REFERENCES | 51 |

TABLES

| | | |
|----------|---|----|
| TABLE 1: | WORLD FISHERIES PRODUCTION AND UTILIZATION (MILLION TONNES)1 | |
| TABLE 2: | NUMBER OF MSC-LABELLED PRODUCTS BY COUNTRY | 18 |
| TABLE 3: | NUMBER OF MSC-LABELLED PRODUCTS FROM CERTIFIED FISHERIES (MARCH 200) | 21 |
| TABLE 4: | RANKING OF THE SUSTAINABILITY OF SUPERMARKETS' SEAFOOD | 22 |

FIGURES

| | | |
|-----------|--|----|
| FIGURE 1: | INTERNATIONAL TRADE IMPORT/EXPORT..... | 1 |
| FIGURE 2: | MSC CERTIFICATION PROCESS | 26 |

BOXES

| | | |
|--------|--------------------------------------|----|
| BOX 1: | CONSUMER DEMAND - RELIABLE? | 19 |
| BOX 2: | CHAIN OF CUSTODY CERTIFICATION | 31 |
| BOX 3: | THE CASE OF NILE PERCH | 37 |

REPARATION OF THIS DOCUMENT

This paper was prepared for FAO by consultant, Sally Washington. It draws on earlier research conducted for FAO by Marie Christine Monfort, Seafood Marketing Consultant. Valuable comments were received from FAO staff, William Emerson, Gerry O'Sullivan and Lahsen Ababouch, Chief, Fisheries Utilization and Marketing Service. Thanks are extended to Alda Moller for facilitating access to the Groundfish Forum and other industry contacts.

1. EXECUTIVE SUMMARY

In its latest 'State of World Fisheries and Aquaculture' report the Food and Agriculture Organization of the United Nations alerted the international community to the dramatic state of the world's fisheries: about half are fully exploited while another quarter are either over-exploited (17%), depleted (7%), or recovering from depletion.

Governments have introduced mechanisms to manage the sustainability of fish stocks at the national, regional and international levels. In addition to these public measures, market based private sector mechanisms have also been introduced. Ecolabels are one such mechanism. They are designed to influence the purchasing decisions of consumers and the procurement policies of retailers selling fish and seafood products, and to reward producers using responsible fishing practices.

1.1. NGO and retailer interests in ecolabels

Tapping into consumers' growing interest in the social and environmental impacts of the food they consume, NGOs have developed various strategies to influence fish consumption. These strategies include preparing guides to advise consumers on what fish species to purchase, putting pressure on retailers to avoid species deemed to be under pressure, and organized boycotts of particular species or the retailers stocking them. Over the last decade they have moved towards more proactive strategies including the development of ecolabels for fish products.

Retailers have seen the potential of ecolabels as a marketing tool, as a way of tapping into growing consumer demand for ethical products and as insurance against boycotts and bad press from environmental groups and in the media. They form part of a firm's corporate social responsibility strategy, with some firms setting related procurement targets. For example, Wal-Mart has set a goal to procure all its wild-caught seafood for North America from Marine Stewardship Council (MSC) certified fisheries within the next three to five years, while in the United Kingdom M&S (Marks and Spencer) has a target of 100% MSC certified fish by 2012.

1.2. Types of ecolabelling and certification schemes

NGOs have been the front-runners in developing ecolabelling schemes. The MSC with its WWF origins remains the largest and most comprehensive scheme in that it covers a range of species and deals with all aspects of the management of a fishery. This paper most often uses MSC as its illustrative example. Other NGO driven ecolabelling schemes include Dolphin Safe (concerned mainly with Dolphin by-catch), Friend of the Sea, Krav, Naturland and Fair-Fish.

Ecolabelling schemes vary considerably, covering: by-catch issues, fishing methods and gear, sustainability of stocks, conservation of eco-systems and even social and economic development. Schemes also vary in terms of certification: first party (self-declared), second party (internal audit) and third party (independent), although the independence of certification is seen as a proxy for credibility and transparency.

The proliferation of eco-labels, particularly over the last 10 years led to calls for some international guidance in the area. The response was the FAO Guidelines for the Ecolabelling of Fish and Fishery Products from Marine Capture Fisheries. The guidelines set out principles, minimum requirements, and procedural aspects that any ecolabelling scheme should encompass and provide a benchmark against which various schemes can be compared.

1.3. Market penetration of ecolabelled products

It is difficult to estimate the volume of ecolabelled products on the international market. MSC as the largest multi-species scheme claims to account for 7% of the world's total edible wild capture fisheries, but the real volume of traded MSC-labeled products is likely to be significantly less than 1% of global fish trade. Moreover, most are sold in a limited range of countries. Five markets: Germany, Sweden, Switzerland, the United Kingdom, and the United States account for almost three-quarters of MSC sales. Sales are also concentrated in certain species: around half are hake type fish while about another 40% is Alaska salmon.

Markets conducive to the sale of ecolabelled products appear to be those where there is a relatively environmentally aware population and active civil society and media; where fish and seafood are typically sold in supermarkets; where consumption patterns are based on a traditionally limited range of fish products and where there is a tradition of purchasing processed/packaged fish and seafood that lend themselves to the attachment of a label at point of sale.

While the current market penetration of ecolabelled products is fairly modest, it is growing significantly and rapidly.

1.4. Opportunities and challenges for stakeholders

Producers: There has been little in-depth analysis and therefore little empirical evidence of the costs and benefits experienced by producers operating in fisheries that have gained MSC or other forms of eco-certification. The benefits promoted to producers have included: price premiums, access to new markets, consolidation or expansion of market share in existing markets, potential for more value-added products including through product differentiation, as well as longer-term advantages from the improved management of fisheries resources (future production).

In practice, there is no clear evidence of a price premium accruing to eco-certified fish. While there is some evidence of returns related to new business and/or consolidation of market position, these appear to be “diminishing returns” over time as more certified producers enter the market. Moreover, producers assume the bulk of the costs of certification schemes including: the actual costs of certification (experts fees), compliance costs related to adjusted management practices, data collection and record keeping, and costs related to potential adjustments in fisheries management (catch limits).

Importer/wholesalers' appear to view the administrative costs of being eco-certified (keeping records, completing specific documentation, and periodic audits), and the relatively small fee involved in the chain of custody certification as worthwhile in order to maintain relationships with clients requesting ecolabelled fisheries products.

Retailers, processors and brand owners: Retailers appear to be the most willing players in the ecolabelling game. For retailers the costs are relatively small relating mainly to chain of custody certification and licensing fees where labels are used on private label (retailers private brand) products. In contrast the benefits include reputation enhancement, adding value to private brands, and returns related to better risk management. Ecolabelling schemes ease procurement and offer guarantees related to traceability. Similar returns accrue to large processors and brand owners. There does not appear to be a price premium attached to ecolabelled products at retail level.

Consumers: Eco-labels provide consumers with information on the origins of products and how they were produced. By purchasing fish and seafood products certified to a respected

ecolabelling scheme they can reassure themselves that their consumption is not having an adverse effect on fish stocks or the marine environment, and assuming no price premium, they can ‘do the right thing’ at no additional cost. However, the proliferation of ecolabels and other ethical product differentiators (Fair Trade, organics, etc.) might lead to “ethics confusion”.

Governments: In countries where there is an effective fisheries management regime, governments are fairly neutral about ecolabelling: if it is good for industry and helps build export credits then it can only be a good thing. Concerns have been raised about private outside interests evaluating the effectiveness of a national fisheries management regime, which might be seen as a challenge to national sovereignty. Alternatively the certification process can be embraced as a support to conservation policies by helping to incentivise industry to adopt more environmentally friendly fishing practices.

1.5.Ecolabels and developing countries: bonus or barrier?

To date very few fisheries in developing countries have been certified as part of an ecolabelling scheme, due to three main factors: the lack of an economic imperative, the extent to which ecolabelling schemes do not translate well into the typical conditions of the fisheries environment in developing countries (insufficient fisheries management regimes, data deficiencies, multi-species fisheries), and the high costs of certification. However some developing countries envisage potential benefits from ecolabels and certification, seeing them as an impetus to improved fisheries management and upgraded industry infrastructure, as a means of capturing overseas expertise and assistance, and as a means of tapping into niche markets in developed countries. Some NGOs (MSC, WWF) have taken steps to develop methodologies for certification specifically applicable to developing country fisheries environments.

1.6.Ecolabelling: barrier to trade?

The FAO Guidelines for the Ecolabelling of Fish and Fishery Products from Marine Capture Fisheries state that voluntary standards, including environmental standards, should not distort global markets and should not create unnecessary obstacles to international trade. Any ecolabelling scheme should also be consistent with the World Trade Organization (WTO) rules and mechanisms. The WTO Agreement on Technical Barriers to Trade (TBT) is of most relevance to the ecolabelling debate. Three key issues stand out: the distinction between product and non-product related process and production methods; the treatment of “voluntary” standards; and the extent to which there is jurisdiction over private sectors actors. While governments have the right to challenge the actions of other governments in the context of the WTO, the grounds for challenging the actions of non-governmental actors is more problematic.

While the volumes of ecolabelled products remain low, even in markets where there is greatest presence, ecolabelling schemes are unlikely to pose a significant barrier to trade. As demand grows however, the impacts on trade and market access will need to be closely monitored.

1.7.Ecolabels and sustainability – helping or not?

It is too early to tell whether ecolabelling schemes have had any impact on sustainability. Most of the limited number of fisheries certified to date were already well managed prior to certification. As more fisheries currently undergoing pre-assessment make adjustments to gain certification, more evidence in this area will come to light. So far, a pattern seems to be developing whereby once a fishery has been certified other similar fisheries follow suite. If this trend expands into tropical species then its impacts are likely to be more widespread.

Moreover, if practices from certified fisheries spill over into other fisheries, such as chain-of-custody mechanisms with positive ramifications for illegal, unregulated and unreported fishing, further improvements in fisheries management and sustainability are likely.

1.8. Issues for Attention

Further research is required to collect empirical evidence and to monitor the following areas:

- **Changes in demand and supply for eco-certified fish and seafood.** There appears to be a looming gap between demand for and supply of eco-certified fish and seafood. Despite exponential growth in requests for and actual certifications, some retailers have already had to downgrade their procurement targets due to the lack of supply. If supply from existing large certified fisheries cannot meet growing demand, supply will have to come from smaller fisheries, or developing country fisheries or species hitherto not certified. To date certification in these fisheries has been problematic. Competition from eco-certified aquaculture sources is another important part of the supply equation.
- **Distribution of the costs and benefits of ecolabelling and certification.** Producers meet the main costs of ecolabelling and certification but retailers appear to reap many of the rewards. Further inquiry into the costs and benefits of ecolabelling as they accrue to the various stakeholders is imperative.
- **The opportunities for developing countries** to benefit from the certification trend. This includes further support to improve their fisheries management generally and as a precondition for future certification applications if and when market conditions require it. Some independent in-depth studies of developing countries experiences with the certification process would be especially useful.
- **The impacts of ecolabels and certification on international trade.** Further clarity on WTO rules as they apply to private initiatives driven by private or third sector actors is needed.
- **The proliferation of certification schemes and ecolabels.** All schemes need to be transparent and consistent with FAO's Guidelines for the Ecolabelling of Fish and Fisheries Products from Marine Capture Fisheries. The potential for harmonisation or mutual recognition of schemes might also be explored.
- **The impacts of eco-labels on fisheries management and governance,** at the level of individual fisheries, at the national level and at the international level. Inquiry is needed to ascertain whether certification schemes are really incentivising good management practices, and with what impacts on the sustainability of fish stocks.

1.9. Conclusions

While the rhetoric suggests that eco-labels have been developed in response to consumer demand, retailers and brand owners are now clearly driving that demand. A key motivation for retailers appears to be less the supply of ecolabelled products to consumers and more to position the company as a responsible buyer with NGO's and in the media. The fact that large supermarket chains demand certified product from their suppliers but only a small proportion of that product ends up as labeled items on supermarket shelves suggests that their motivations are more complex than simply responding to customer demand. Robust certification schemes offer chain of custody systems that provide traceability guarantees to retailers and brand owners. They also provide a valuable addition to their corporate social

responsibility policies. They are a useful insurance policy and marketing tool. Whether they can also can incentivise better fisheries management needs to be investigated further.

Ecolabelling is a market-based mechanism designed to improve fisheries management and the sustainability of the world's marine resources. However, it does not absolve fisheries industries and governments from around the world of their responsibilities to improve fisheries management generally. Governments need to be cognizant of, if not actively involved, in the certification debate and need to monitor the impacts on industry governance and international trade. Moreover, with or without the existence of voluntary certification schemes, they must continue to actively imbed the FAO Code of Conduct for Responsible Fisheries into their national management strategies to ensure fish stocks are available for future generations.

2. INTRODUCTION

2.1. Fish and international trade

Fish and fish products are the most traded food commodity. Close to 40 percent (live weight equivalent) of total annual production enters international trade.¹ This represents about half of global fish production for food consumption.

Around half of international fish trade by value originates in developing countries, where it represents an important source of foreign exchange earnings and employment opportunities. Most of it ends up in developed countries, which account for about 80 percent of the value of fish imports. Three main markets dominate: the European Union (EU), Japan and the United States account for just under three quarters of global imports of fish and fish products. China is also playing an increasingly important role as both a fish importer and exporter (often re-exporting value-added imported raw fish). These markets dominate international fish trade in terms of prices as well as market access requirements, including those related to safety and quality specifications.

Figure 1: International trade import/export

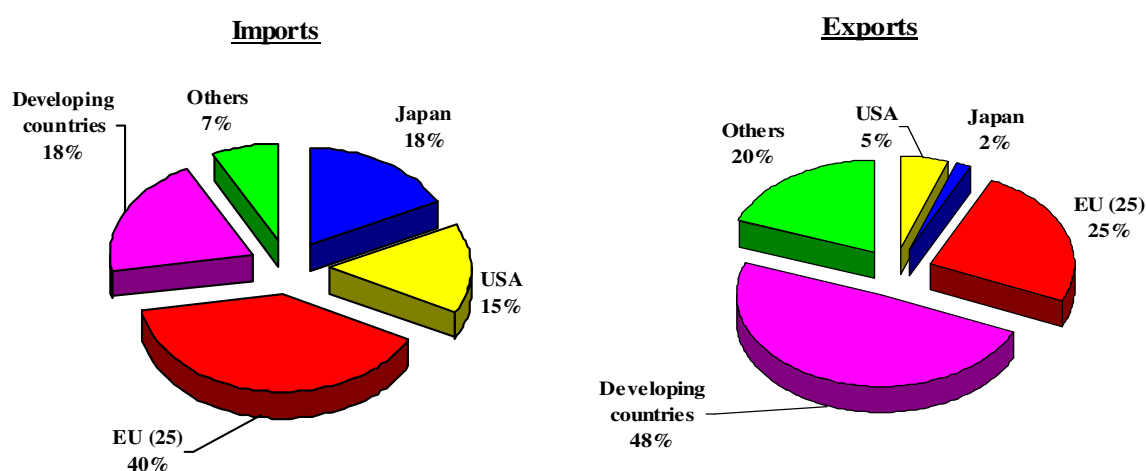


Table 1. World Fisheries Production and Utilization (million tonnes)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Inland: | | | | | | | | | | |
| Capture | 7.6 | 8.1 | 8.5 | 8.8 | 8.8 | 8.7 | 9.0 | 8.9 | 9.7 | 10.1 |
| Aquaculture | 17.5 | 18.5 | 20.1 | 21.3 | 22.6 | 24.0 | 25.5 | 27.8 | 29.6 | 31.6 |
| Total inland | 25.1 | 26.5 | 28.7 | 30.1 | 31.4 | 32.7 | 34.4 | 36.7 | 39.3 | 41.7 |
| Marine: | | | | | | | | | | |
| Capture | 86.6 | 79.5 | 85.1 | 86.8 | 84.2 | 84.5 | 81.5 | 85.7 | 84.5 | 81.9 |
| Aquaculture | 11.1 | 12.0 | 13.2 | 14.2 | 15.4 | 16.4 | 17.2 | 18.1 | 18.9 | 20.1 |
| Total marine | 97.8 | 91.6 | 98.4 | 101.0 | 99.6 | 100.9 | 98.7 | 103.8 | 103.4 | 102.0 |
| Total capture | 94.2 | 87.6 | 93.7 | 95.7 | 93.0 | 93.2 | 90.5 | 94.6 | 94.2 | 92.0 |
| Total aquaculture | 28.6 | 30.5 | 33.4 | 35.5 | 38.0 | 40.4 | 42.7 | 45.9 | 48.5 | 51.7 |
| Total fishery production | 122.8 | 118.1 | 127.0 | 131.1 | 131.0 | 133.6 | 133.2 | 140.5 | 142.7 | 143.6 |

Source: Sofia 2007

Note: Fishery production data presented in the above table exclude the production for marine mammals, crocodiles, corals, sponges, shells and aquatic plants.

¹ For a discussion of international trade in fish products see FAO. 2007. The State of World Fisheries and Aquaculture, 2006 (SOFIA). Rome.

2.2.State of the resource

Over the past few decades, concerns have been raised about the dramatic state of the world's marine resources. In its annual State of World Fisheries and Aquaculture (SOFIA), the Food and Agriculture Organization of the United Nations (FAO) updates the international community on the status of global fish stocks. In its latest report (based on 2005 figures) it stated that about half (52%) of the stocks were fully exploited, while approximately one quarter were either over-exploited (17%), depleted (7%) or recovering from depletion (1%).²

Figure 1: International trade import/export

Fish supply from wild capture fisheries has stagnated over the years but the demand for fish and fish products continues to rise. Consumption has more than doubled since 1973. The perceived health benefits of fish and its increased availability in the form of convenience products suited to more modern and affluent lifestyles are key reasons for this rise in consumption. While aquaculture production has increased to meet some of this demand, it is not a panacea. It is increasingly recognized that measures to restore fisheries and to ensure the sustainability of wild fish stocks are imperative.

The FAO Code of Conduct for Responsible Fisheries is now in its second decade of implementation. Countries, with varying degrees of success, are attempting to imbed its principles and goals into their national fisheries management policies³. Regional fisheries management organizations (RFMOs) facilitate international cooperation at the regional level for the conservation and management of highly migratory and straddling fish stocks.

In addition to these public measures to ensure the sustainability of fish stocks, market based private sector mechanisms have been introduced. The perceived failure of governments to effectively manage marine resources has lead environmental groups to develop alternative mechanisms for protecting marine life and promoting sustainability. These are aimed at influencing the purchasing decisions of consumers and the procurement policies of retailers selling fish products. Eco-labels are one such mechanism.

This paper:

- Outlines the context in which eco-labels are developing, including the increasing globalization of the food industry
- Describes the history of ecolabels, the various types of certification schemes and the FAO Guidelines for the Ecolabelling of Fish and Fishery Products from Marine Capture Fisheries
- Analyses the market penetration of ecolabelled products and the determinants of a market conducive to sales of ecolabelled products
- Discusses the opportunities and challenges presented by ecolabels and certification schemes for the various stakeholders in the fish and seafood supply chain (producers, processors, retailers, governments and consumers)
- Examines the specific challenges and opportunities for developing countries
- Discusses the implications of ecolabels and certification for international trade
- Offers some future scenarios and points to areas requiring further attention.

² FAO. 2007. The State of World Fisheries and Aquaculture, 2006 (SOFIA). Rome. p.29

³ see FAO. 2007. The State of World Fisheries and Aquaculture, 2006 (SOFIA), Rome. Part 2 p.67

Given the relative dearth of empirical evidence of the impacts of ecolabels and related certification schemes, the paper is illustrative rather than exhaustive. It draws on existing studies and direct communication with individuals and groups involved in the eco-label debate, in particular those working in the fishing industry. It attempts to tell a story about who and what is driving eco-labels, with what costs and benefits for whom, and with what implications for the future sustainability of the world's fisheries.

3. THE CONTEXT

3.1. Globalization and consolidation of the food industry

Fish and fish products are increasingly globalized. More and more fish are caught in one part of the world, transported to another for processing and then finally consumed in yet another country. This reflects the increasingly globalized nature of the food industry overall, which over the past few decades has undergone considerable consolidation and concentration, especially in industrialized countries, resulting in a market dominated by fewer but increasingly powerful food firms. These firms have significant bargaining power in relation to other businesses in the supply chain. They increasingly set product and process specifications for suppliers, often linked to their corporate social responsibility policies.

In OECD (Organisation for Economic Co-operation and Development) countries, supermarkets now account for 70 percent of food sales⁴. Retailers have replaced manufacturing and processing firms as dominant market players. Consolidation has also occurred within the retail sector. In several Europe countries the “5-firm retailer concentration ratio - the ratio that shows the share in sales of the 5 largest retailers – is over 50%...”⁵. Large retailers therefore have significant bargaining power in relation to other businesses in the supply chain. In terms of the distribution of fish, while there are significant differences between markets, large supermarket chains are increasingly dominant.

In an increasingly competitive market, large food companies search for ways to distinguish their products, brands or firm from their competitors. “Corporate social responsibility” policies are about building reputation and gaining market share. Through these policies, large corporations tap into and even drive consumer awareness. Corporate social responsibility strategies related to fish products fall into two main areas: those relating to safety and quality (including organic, no pesticides or toxic residues, “fresh”, “natural” type claims), and those of a broader nature related to the impacts on the wider environment (eg low carbon footprint, animal friendly, sustainable fisheries).

Strategies relating to environmental concerns include well-publicized ethical procurement policies. In terms of publicizing a sustainability element in procurement, many firms have linked themselves to existing eco-labels; some (albeit fewer) have created their own eco-labels. The most well-known ecolabel, that of the Marine Stewardship Council, was the product of co-operation between Unilever and WWF.

From the perspective of the firm, ecolabels have the potential to not only enhance reputation, they also form part of a firm’s strategy to ensure the supply of ethical products now and in future (by helping to ensure that at risk stocks are not further depleted). They also provide important guarantees related to traceability. For large processors (supplying brand products) and large retailers attachment to an ecolabel provides some insurance against boycotts and bad press from environmental groups and in the media. It also helps them tap into the growing consumer demand for ethical products. Ecolabels provide an important marketing tool.

3.2. Evolving supply chains

As the interface between producers and consumers, retailers translate the demand for ethical products back down the supply chain to producers and processors. Certification schemes,

⁴ G. Valdimarsson, Challenges for the global seafood industry, in Sixth World Congress on Seafood Safety, Quality and Trade, FAO Fisheries Proceedings 7. 2007 (forthcoming)

⁵ Linda Fulponi, Private standards and the shaping of the agro-food system, OECD, AGR/CA/APM (2004) p.8

including the environmental certification required by ecolabelling schemes is a means by which product and process requirements are articulated to other actors in the supply chain.

In the international fish industry the growing influence of retailers is seen in “the decreasing importance of auctions”⁶, and changes to traditional ‘importer-wholesaler-retailer’ value-chain relationships. More retailers are developing direct links with producers, as are other major seafood buyers such as those in the catering industry. For example, at a recent FAO/OECD workshop on globalization, a Vice-President of Darden’s Restaurants, a significant US seafood buyer, confirmed that its “strategic focus is to shorten supply chains by contracting directly with the producer”⁷. As supply chains shorten, the onus is increasingly on producers to verify that their product is from a well-managed fishery: certification to an ecolabelling scheme is a means of providing this verification.

3.3. Civil society and consumer demand

Civil society and consumer advocacy groups have increasing influence over the agendas of governments and private companies including in areas relevant to fish trade and marketing.

Consumers expect that the food they have access to will be safe and of acceptable quality regardless of where it is produced, processed or ultimately sold. They expect transparency in the value chain, requiring systems that enable products to be traced back to their origins. While safety and quality are of primary concern – consumers’ interests tend to be strongest where the potential impact, such as a threat to their personal health, is most direct - consumers in developed countries are also increasingly interested in the social or environmental impacts of the food they consume. In terms of fish this includes concerns that capture stocks are managed sustainably, and that wider eco-systems and related plant and animal life are protected.

NGOs have tapped into or driven these concerns, and have developed various strategies to wield influence over consumers purchasing decisions or the procurement policies of large firms. These strategies include preparing consumer guides as to what fish species to purchase, putting pressure on retailers to not stock species deemed to be under pressure, and organized boycotts of particular species or the retailers stocking them. Over the last decade they have moved towards more proactive strategies, which includes the development of ecolabels for fish products, which state that the fish has been drawn from sustainable stocks. In essence, eco-labels are an attempt to reward those in the fishing industry practicing responsible fisheries by encouraging consumers to buy their products and in particular putting pressure on large retailers to stock them.

While the interest in sustainability tends to be more pronounced in Northern Europe, the United Kingdom, Australasia, and increasingly in the United States, the trend is likely to develop in other markets as NGOs and retailers operate on a global basis and as middle class populations in traditionally less environmentally aware countries become more civically savvy.

⁶ Friedrich Wieland, Head of Unit, Legal issues, “Eco-labelling and certification: Prospects and challenges”, Paper presented to Seminar on Economic Dimensions of European Fisheries; making economics work for sustainable fisheries, Brussels, 14-15 May 2007.

⁷ Roger Bing, Vice-President, Protein Procurements, Darden Restaurants, United States, ‘Global Seafood Sourcing: a restaurant perspective’, in OECD. Globalisation and Fisheries. Proceedings of an OECD-FAO Workshop, OECD, Paris, France. 2007. p.71

4. ECOLABELS: DEFINITIONS AND HISTORY

4.1. What are ecolabels?

Ecolabelling is a market-based tool to promote the sustainable use of natural resources. Ecolabels are seals of approval given to products that are deemed to have fewer impacts on the environment than functionally or competitively similar products.⁸ An ecolabel is a tag or label placed on a product that certifies that the product was produced in an environmentally friendly way. The label provides information at the point of sale that links the product to the production process.

Sitting behind the label is a certification process. Organizations developing and managing an ecolabel set standards against which applicants wishing to use the label will be judged and, if found to be in compliance, eventually certified. The parent organization also markets the label to consumers to ensure recognition and demand for labeled products.

Accreditation is the process by which certifiers and auditors are accredited as being competent to carry out assessment and certification against an ecolabel's defined standards.

A range of ecolabelling and certification schemes exists in the fisheries sector, each with its own criteria, assessment processes, and levels of transparency. These are described further below.

4.2.A brief history of ecolabels

The first ecolabelling initiatives appeared in the early 1990s and were largely concerned with incidental catch (by-catch) issues. For example, the 'Dolphin Safe'⁹ label was based on standards developed by the United States' NGO Earth Island Institute and is focused on dolphin by-catch in the tuna industry. Other mechanisms used by NGOs include;

- Publicity campaigns or organized boycotts of certain species deemed to be threatened such as the "Give Swordfish a Break" campaign in the United States in the late 1990s;
- Consumer guides to influence consumers purchasing decisions, such as the "Best Fish Guide" of the New Zealand Royal Forest and Bird Protection Society, "The Sustainable Seafood Guide", produced by Eartheasy, Canada, and "Seafood Lovers' Guide"¹⁰ of Audubon, in the United States. WWF produces consumer guides on sustainable seafood for a range of countries. Some of these consumer guides take the form of tools consumers can utilize at the point of purchase such as "wallet cards" or text messaging¹¹, giving information about which species to avoid and which are deemed environmentally safe to purchase;
- Putting pressure on retailers to introduce sustainable procurement policies for fish and seafood. This is perhaps most developed in the United Kingdom where Greenpeace produces an annual league table, "Ranking of the sustainability of supermarkets' seafood".¹² Greenpeace also uses "naming and shaming" strategies such as media-savvy protests outside retail outlets.

⁸ For a discussion of the theoretical foundations, institutional and legal aspects of eco-labeling, see, C.R Wessells et al, (2001), Product certification and eco-labeling for fisheries sustainability. FAO Fisheries Technical Paper 422. Rome

⁹ See. www.earthisland.org/dolphinSafeTuna for a description of how the label and standards function.

¹⁰ www.audubon.org/campaign/10/seafood/

¹¹ Friend of the Sea has developed an instant text messaging service on good and bad seafood purchasing choices.

¹² Greenpeace, "A recipe for Change", October 2006, www.greenpeace.org.uk.

These strategies can be seen in terms of a continuum from more reactive mechanisms that highlight and ‘shame’ bad practice, to more proactive activities: encouraging consumers to purchase fish from sustainable stocks, and working with retailers to improve their procurement policies, as well as rewarding those that do with positive publicity.

4.3. The Marine Stewardship Council¹³

The development of the Marine Stewardship Council (MSC) in 1997 went one step further in that it targeted not only consumers and retailers but also producers. The first step in the scheme is the certification of an actual fishery as being sustainable and sustainably managed. By covering all stages of the food chain, the MSC ecolabel is an attempt to reward producers using responsible fisheries practices, by encouraging retailers to procure those products and consumers to buy them. The visibility of the MSC logo on the end product provides a ‘guarantee’ that the product comes from sustainably managed stocks.

Initially developed by Unilever and WWF, the MSC has operated independently of those two parents since 1999. The MSC remains the largest and most international of all ecolabelling schemes aimed at sustainability in the capture fisheries sector. It claims to cover “7% of the world’s total edible wild capture fisheries¹⁴”. However this figure includes species in “full and pre-assessment”. Moreover not all fish from a certified fishery will end up with the MSC label attached. The actual volume of MSC labeled product on the market as a proportion of overall traded fish products is likely to be considerably less significant in terms of global trade¹⁵.

To date, 27 fisheries have been certified to MSC standards, which according to MSC cover 4 million tonnes of fish per annum. Some 1200 MSC labeled products are currently available for sale, up from just over 600 in March 2007.¹⁶ The number of businesses trading MSC certified fish rose from 237 to 433 in the year to 2007¹⁷, indicating just how dynamic the market is. The MSC is a key player in the ecolabel trend, and has undoubtedly stimulated the development of other schemes. In recent years there has been a proliferation of ecolabelling schemes, driven by various stakeholders. The following section offers a typology of schemes based on the nature of the organization behind the initiative.

¹³ www.msc.org

¹⁴ Rupert Howes, Chief Executive of MSC, Presentation of Groundfish Forum, October 2007.

¹⁵ There are no robust statistics on the proportion of MSC labeled products on the global market. FAO estimates that the volume of MSC labeled products on the market is probably less than 0.01% of global trade, and may only be significant in the context of specific European markets. In a study carried out for FAO, Poseidon Ltd. estimated MSC products as 0.3% of globally traded seafood by value. See Poseidon, Certification and branding of fisheries products: options and decision-making in APFIC countries, Presentation to APFIC regional workshop on Certification Schemes for Capture Fisheries and Aquaculture, HCM City, Viet Nam, 18-20 September 2007.

¹⁶ Personal correspondence with Rupert Howes, Chief Executive, MSC, 16 January 2008.

¹⁷ MSC Annual report to 2007, www.msc.org

5. TYPES OF ECOLABELLING AND CERTIFICATION SCHEMES

5.1. Non-Governmental Organizations (NGOs)

NGOs have been the front-runners in developing ecolabelling schemes. MSC (with its WWF origins) remains the largest and most comprehensive scheme in that it covers a range of species and deals with all aspects of the management of a fishery. Dolphin Safe, developed by the NGO Earth Island Institute, is concerned mainly with Dolphin by-catch. It maintains agreements with tuna canning companies worldwide, including “all major tuna processors” that they will not “sell tuna caught by chasing, netting or killing dolphins”¹⁸. It is unclear what proportion of global tuna sales the label accounts for. Dolphin Safe has been criticized by other NGOs (notably Greenpeace) for not taking account of other sustainability factors, such as the sustainability of tuna stocks or the other environmental impacts of tuna fishing. Friend of the Sea¹⁹ is another ecolabel set up by the Earth Island Institute (in 2005) and covers both wild and farmed fish.

Other NGO driven schemes include Krav²⁰, a Swedish NGO which specializes in organic farming but has recently co-ordinated standards for ecolabelling wild capture fish, and Naturland²¹ in Germany also with a background in certifying organic farmed seafood but developing a wildfish standard. Fair-fish, a fairly recent Swiss label, to date selling only in the Swiss market, is an attempt to merge sustainability issues, with concerns about animal welfare and the principles of fair trade²².

5.2. Retailers

Very few retailers have developed their own ecolabel, preferring to align themselves to some existing scheme. For example, in February 2006, Wal-Mart set a goal to procure all its wild-caught seafood for North America from MSC certified fisheries within the next three to five years²³. Asda (part of the Wal-Mart Group) in the United Kingdom has also pledged support to the MSC and has a target of buying wild caught fish only from MSC certified sources by 2010. The United Kingdom’s M&S (Marks and Spencer) also has a target of 100% MSC certified fish, by 2012. An exception to this trend is the large French retail chain Carrefour that has set up its own ecolabel, “Pêche responsable”. However, to date only four species carry the label and only a very limited proportion of the chain’s seafood sales (probably significantly less than 1 percent) consist of ecolabelled products. Carrefour also stocks some MSC labeled products.

In a recent survey of retailers carried out for FAO²⁴, most retailers interviewed reported that they were generally averse to creating their own ecolabel, noting that it would not be cost-efficient given the existence of other accessible schemes, and that building an in-house ecolabel could be risky (if a scheme came under attack it would be difficult to disassociate from it).

¹⁸ www.earthisland.org/dolphinSafeTuna/consumer/

¹⁹ See www.friendofthesea.org

²⁰ www.krav.se

²¹ www.naturland.de

²² see www.fair-fish.ch A recent analysis suggested that Fair-Fish may not be self-sustaining and might soon fail. See Poseidon, Certification and branding of fisheries products: options and decision-making in APFIC countries, presentation to APFIC regional workshop on Certification Schemes for Capture Fisheries and Aquaculture, HCM City, Viet Nam, 18-20 September 2007.

²³ Peter Redmond, Vice President, Wal-Mart Seafood and Deli, see www.walmartstores.com

²⁴ Interviews conducted with retailers by Marie Christine Montfort, Seafood Marketing Consultant, over the period late 2006 to early 2007.

5.3. Industry bodies

Certification schemes have also been developed by national and regional industry bodies. These are not ecolabelling schemes in the strictest sense but rather provide certification of good fishing practices. For example, in 1998 the Canadian fishing industry launched a voluntary scheme covering all commercially harvested marine and freshwater species that certifies the good practices used on board fishing vessels. In 2006, in the United Kingdom, the Seafish Industry Authority, launched a scheme covering all aspects of vessel operations, including environmental considerations and traceability. Developed in conjunction with the British Standards Institute, the specifications are audited by accredited independent certification body, Moody Marine.

In Iceland, Fiskifelag, an umbrella body for the Icelandic fishing industry has plans for a two-step programme to promote or market the sustainability of Icelandic fisheries generally. An 'environmental declaration' will be communicated to all major professional buyers of fish worldwide. This business-to-business communication tool will market what makes Icelandic fisheries "responsible and sustainable": how they are managed and controlled, how landings are reported and how sales are recorded. An independent certification system will also be developed which will verify that certified fish originated in a fishery complying with the Icelandic Management System. Simultaneously, the Icelandic National association of small boats owners (NASBO), which catch around a quarter of all Icelandic groundfish, is developing its own ecolabel, inspired by the Krav ecolabel.²⁵

A few individual fishing companies have created their own ecolabels. For example, the Spanish group Pescanova, Europe's largest fishing company which fishes globally and has interests in the processing sector, has created a logo that appears on a limited range of its packaged products. The logo states that the fish concerned has been caught in a way that "preserves the aquatic and marine ecosystem for maintaining the quality, diversity and availability of fish resources for today and future generations". This in-house scheme also claims to be based on the 1995 FAO Code of Conduct for Responsible Fishing.

5.4. Certification companies

There is a steadily increasing market for certification companies in ecolabelling, either as accredited certifiers for existing ecolabelling schemes, or in helping develop sustainability criteria for those wishing to develop their own schemes. One such international certification company, Bureau Veritas²⁶ operates by working with stakeholders to develop standards against which a single fishing unit or group of fishing vessels can be audited (typically also by Veritas).

5.5. Business to business versus business to consumer models

It should be noted that the fish and seafood certified under ecolabelling schemes do not always end up as ecolabelled products on sale to the final consumer. Indeed probably only a small percentage of certified raw material ends up as a labeled product. Many buyers procure certified fish but do not display it with the relevant ecolabel. In this case the label, designed as a business to consumer model (appearing on products for retail), has more of a business-to-business value. The certification process is the important element, with traceability being as important as sustainability. Certification gives the processor or retailer assurance of the

²⁵ Personal communication between Marie Christine Monfort and Petur Bjarnasson, Chair of the Fisheries Association, Arthur Bogason, Chair of NASBO, Kristjan Thorarinsson for the Federation of Icelandic Fishing.

²⁶ www.bureauveritas.com

products source and the production process, with potential returns to their reputation and brand, but is not promoted to the final consumer. Similarly certification schemes managed by industry groups are typically ‘business to business’ models aimed at commercial buyers rather than private consumers.

5.6. Coverage and certification

Clearly there is a lot of variety in terms of what is covered by the various ecolabelling schemes: by-catch issues, fishing methods and gear, sustainability of stocks, conservation of eco-systems and even social and economic development. Schemes also vary in terms of certification. They can be categorized as²⁷:

- First party labeling schemes: established by individual companies, based on their own product standards, with compliance “self declared”
- Second party labeling schemes: established by industry associations for their members’ products. Compliance is verified through internal audit procedures or by employing external certifying companies as auditors (such as Bureau Veritas)
- Third party labeling schemes: usually developed by a body independent of producers, distributors and sellers of the labeled products. The label is typically licensed to a producer. The ‘chain of custody’ is tracked to ensure that the labeled product is in fact derived from the certified product. Audit is conducted by an independent, third-party certifier.

The independence of certification is seen as a proxy for credibility: being audited by an independent body offers a more credible judgment than a self-assessment.

The proliferation of ecolabels, particularly over the last 10 years led to calls for some international guidance in the area. The FAO Guidelines for the Ecolabelling of Fish and Fishery Products from Marine Capture Fisheries was an attempt to respond to this demand.

²⁷ C.R Wessells et al, (2001), Product certification and ecolabelling for fisheries sustainability. FAO Fisheries Technical Paper 422. Rome, p.11

6. FAO GUIDELINES FOR THE ECOLABELLING OF FISH AND FISHERY PRODUCTS FROM MARINE CAPTURE FISHERIES

The issue of ecolabels was first raised for discussion among FAO members following the launch of the MSC in 1996. A report was prepared for the FAO Committee for Fisheries (COFI). A further discussion took place at the same Committee the following year, with several countries expressing concerns about the transparency and potential impacts of the MSC scheme. However at that point there was no consensus that the FAO should become substantively involved in the area.

In 1998, Norway on behalf of the Nordic countries submitted a proposal to the COFI Sub-Committee on Fish Trade, that the FAO organize a technical consultation to investigate the potential to develop guidelines on the ecolabelling of fish. The ensuing technical consultation did not reach agreement on FAO's role in developing guidelines, except to concur that any future guidelines should be consistent with the Code of Conduct for Responsible Fisheries, and that FAO should not be directly involved in the actual implementation of any ecolabelling scheme. It was not until the COFI session of 2003 that agreement was reached that FAO should develop guidelines on ecolabelling.

The FAO Guidelines were introduced in 2005 and contain three main sections:

- general principles and definitions;
- minimum substantive requirements and criteria; and
- procedural and institutional aspects.

These are briefly outlined below.

6.1. General principles and definitions

The guidelines state that any ecolabelling scheme should be:

- Consistent with relevant international law and agreements including: the 1982 United Nations Law of the Sea, the FAO Code of Conduct for Responsible Fisheries, and World Trade Organization (WTO) rules and mechanisms
- Voluntary, market-driven, transparent and non-discriminatory, including by recognizing the special conditions applying to developing countries.

6.2. Minimum substantive requirements and criteria

The minimum substantive requirements and criteria of any ecolabelling scheme should include the requirements that:

- The fishery is conducted under a management system that is based on good practice including the collection of adequate data on the current state and trends of the stocks and based on the best scientific evidence
- The stock under consideration is not over-fished
- The adverse impacts of the fishery on the eco-system are properly assessed and effectively addressed.

6.3.Procedural and institutional aspects

Any ecolabelling scheme should encompass:

- The setting of certification standards
- The accreditation of independent certifying bodies
- The certification that a fishery and the product chain of custody are in conformity with the required standard and procedures.

Many ecolabelling schemes, including those described above, claim to be in accordance with the FAO guidelines. This self-assessment is clearly based on a fairly liberal reading of the guidelines. Even MSC, who adjusted its criteria and procedures in light of the FAO guidelines, has been criticized for not incorporating the particular situation of developing countries, although it is currently trying to rectify this (this is discussed further below). Indeed, MSC claims to be “ the only marine eco-labelling and certification programme in the world that is genuinely 100% consistent with the FAO’s guidelines”²⁸.

Recently FAO was asked to review the Guidelines to further develop general criteria in relation to “stock under consideration” and any serious impacts of the fishery on the ecosystem²⁹. An expert Consultation was held in March 2008 to consider these matters. Work is also being undertaken to develop International Guidelines of the Ecolabelling of Fish and Fishery Products from Inland Capture Fisheries.

²⁸ Personal communication with Rupert Howes, Chief Executive MSC, 27 November 2007.

²⁹ FAO, Report of the twenty-seventh session of the Committee on Fisheries, 5-9 March 2007, FAO Fisheries Report no.830, FIEL/R830

7. MARKET PENETRATION OF ECOLABELLED PRODUCTS

7.1. Volumes

It is difficult to estimate the volume of ecolabelled products on the international market. While MSC as the largest multi-species scheme claims to account for 7% of the world's total edible wild capture fisheries, it is certain that the real volume of traded MSC-labeled products is significantly less than that. As noted above, most fish from a certified fishery does not end up with a label attached. Other schemes in existence cover significantly lower volumes of product. Overall therefore, the market presence of ecolabelled products is likely to be modest, and significantly lower than the publicity surrounding such products would suggest. For example, the supermarket chain Sainsbury's accounts for 22.3% of the UK market share of fresh fish³⁰, and ranks third on Greenpeace's league table of suppliers of sustainable fish, yet MSC products only make up about 1% of their sales.³¹

Despite the exponential growth in the number of MSC labeled products on the market, the presence to date of MSC products is concentrated in certain markets and limited to certain species.

7.2. Concentrated markets

An analysis of MSC labeled products and where they are sold is revealing. An analysis of the products on sale as of March 2007 reveals that most are sold in a limited range of countries. Five markets: Germany, Sweden, Switzerland, the United Kingdom and the United States account for almost three-quarters (72%) of MSC sales. The United Kingdom and the United States together, account for well over a third (38%) of these sales.

Table 2. Number of MSC-labelled products by country

| | | | |
|------------|----|---------------------|------------|
| Austria | 15 | Netherlands | 6 |
| Australia | 30 | New Zealand | 16 |
| Belgium | 12 | Norway | 2 |
| Canada | 5 | Portugal | 2 |
| Denmark | 6 | Republic of Ireland | 3 |
| Finland | 2 | South Africa | 27 |
| France | 13 | Spain | 2 |
| Germany | 67 | Sweden | 55 |
| Greece | 3 | Switzerland | 80 |
| Italy | 3 | UAE | 1 |
| Japan | 14 | UK | 125 |
| Luxembourg | 1 | USA | 108 |
| Malta | 2 | Total | 608 |

(source MSC)

(March 2007) **Note:** some products are on sale in more than one country.

7.3. Consumer awareness and demand

³⁰ Greenpeace, A recipe for change, October 2006, p. 17

³¹ 2005 figures from Porritt J and J Goodman, Fishing for good, Report commissioned by Unilever. Forum for the Future. Download at www.Forumforthefuture.org.uk

Why these markets? What most of them have in common is a relatively affluent, eco-aware population, a strong civil society, and an active media. For an eco-label to have any impact, consumers must recognize it and know what it stands for. Environmental NGOs such as Greenpeace and WWF are particularly strong in the United Kingdom, Germany, Switzerland and the United States. Consumers' behaviour however, does not always match their opinions.

Box 1: Consumer demand – reliable?

Consumers' actions do not always match their stated intentions. They are generally more sensitive to factors that affect them directly, such as safety, quality and price. For example, data collected on United States' consumer preferences indicated that "about 70% of respondents chose ecolabelled shrimp, salmon or cod over non-ecolabelled". An econometric analysis to determine what factors influence the choice of eco-labeled fish concluded that choice is still affected most by price. "As the premium increases, the likelihood that the respondent would chose the ecolabelled product over the non-ecolabelled product declines."³² Similar results were observed for Norwegian consumers. A recent OECD study also concluded that "Consumers are receptive to information about how internationally traded goods are produced, but they are unwilling to trade off price and quality for CRS [corporate social responsibility] attributes of a product".³³ Yet NGOs continue to claim that consumers are willing to pay a premium. For example, Greenpeace, in "A recipe for Change" noted that "Retail polls ... revealed that...86% of those surveyed would prefer to buy seafood reliably labeled as environmentally responsible and 40% would be willing to pay an extra 5-10% more for such products"³⁴.

In Southern Europe, notably in Spain, Portugal and Italy the environmental movement is less evident. The French market seems to be more concerned with quality and provenance than with environmental concerns, preferring French products and quality schemes³⁵. Asian markets remain fairly disinterested. In Japan, where there is some interest developing, the motivation is more the food safety aspects of ecolabels (their guarantees of traceability). Moreover in these latter markets consumption patterns show the populations to consume a wider range of fish and seafood products.

³² C.R Wessells et al, (2001), Product certification and ecolabelling for fisheries sustainability. FAO Fisheries Technical Paper 422. Rome, p.21

³³ Barbara Fliess, Hyung-Jong Lee, Olivia L. Dubreuil and Osvaldo Agatiello, "CSR and Trade: Informing consumers about social and environmental conditions of globalised production", OECD TD/TC/WP(2006)17/FINAL, 10 January 2007, www.oecd.org/tad. p.53

³⁴ Greenpeace, A Recipe for Change, October 2006, p.5 www.greenpeace.org.uk

³⁵ Melanie Siggs, Seafood Choices Alliance, Consumer Assurance: market-based quality schemes, certification, organic labels, ecolabelling, retailer specifications. FAO. 2007. Global Trade Conference on Aquaculture. FAO Fisheries Proceedings 9. There may be some movement in the French market. Findus France has launched some "sustainable lines" this year and claims "a seven-fold increase in sales of such products in France". According to its own figures Findus manufactures 80% of the "sustainable seafood products" retailed in France. Findus is attempting to develop an interest in sustainability within the French seafood industry. See "French industry alliance to lead sustainability drive" Intrafish, www.intrafish.no 23.11.2007.

7.4. Consumption patterns

A recent Seafood Choices Alliance survey found that southern European countries have a greater variety of species on sale compared to northern European markets. In Germany, for example, four species represent over 60% of seafood sales³⁶. Whether or not this “substitutability” of seafood products has any bearing on the level of consumer concern about fish stocks and sustainability for the future cannot be verified but is perhaps a factor in the overall demand for ecolabelled products. Similar dynamics might occur in the Asian market, where there has been little evidence of consumers discriminating between products on environmental grounds³⁷.

Northern European consumers also tend to prefer frozen seafood while their southern counterparts prefer fresh product. For example, less than 10% of the seafood market in Germany is fresh fish, while frozen seafood accounts for over 40% of the market³⁸. Northern Europeans purchase more processed and prepared products: Germany and the United Kingdom are the largest European markets for breaded and battered seafood products³⁹. These are the types of products that lend themselves to the attachment of a label at point of sale. Hence, the consumption patterns in various markets – both in terms of types of seafood consumed and the level of value-addition – appears to be another factor in the concentration of ecolabelled products in certain markets. So far, the types of fish consumed in eco-friendly markets dominate the MSC species list.

7.5. Concentration of ecolabelled species

MSC certified products are currently fairly concentrated in certain species. In March 2007, MSC claimed to cover 42% of the global wild salmon catch, 32% (now 40%)⁴⁰ of the global “prime whitefish” catch (cod, Pollock, hake etc.) and 18% of the global spiny lobster catch⁴¹. Of the 608 MSC labeled products then on the market, half (50%) were hake type fish (Alaska pollock, New Zealand hoki and South African hake), while 42% was Alaska salmon. These species also lend themselves to processing into products that can be packaged and therefore are conducive to carrying a label at point-of-sale (processed fillets, ready-made meals).

³⁶ Marketing seafood, www.marketing-seafood.com quoted in Seafood Choices Alliance. “The European Marketplace for Sustainable Seafood”, April 2007. P6

³⁷ Jennifer L. Jacquet and Daniel Pauly, The rise of seafood awareness campaigns in an era of collapsing fisheries, *Marine Policy*, 31(2007) 308-313

³⁸ Seafood Choices Alliance. “The European Marketplace for Sustainable Seafood”, April 2007. p6

³⁹ Ibid, p6

⁴⁰ Rupert Howes, Chief Executive, MSC, Presentation to Groundfish Forum, October 2007.

⁴¹ A snapshot of the MSC’s recent progress 2006-2007, www.msc.org

Table 3

| Number of MSC-labelled products from certified fisheries (March 2007) | |
|--|------------|
| Alaska salmon (USA) | 257 |
| Alaska pollock (USA) | 167 |
| Alaska black cod / sablefish (USA) | 3 |
| Antarctic mackerel icefish | 0 |
| Burry Inlet cockles (UK) | 3 |
| Cornish handline mackerel (UK) | 7 |
| Hastings Dover Sole (UK) | 3 |
| Hastings mackerel (UK) | 4 |
| Lake Hjälmaren Pikeperch Fish- Trap and Gill-net (SWE) | 0 |
| Loch Torridon nephrops (UK) 0 | 0 |
| Mexican Baja California Red Rock Lobster (MEX) | 0 |
| New Zealand hoki (NZ) 74 | 74 |
| North Sea herring 6 | 6 |
| Pacific cod (USA) 9 | 9 |
| Pacific halibut (USA) 4 | 4 |
| Patagonian scallops (Argentina) 2 | 2 |
| South Georgia toothfish (UK) 2 | 2 |
| South Africa hake (South Africa) 63 | 63 |
| Thames herring (UK) 1 | 1 |
| Western Australia rock lobster (AUS) | 2 |
| Total | 608 |

Source MSC

7.6. Distribution issues

How fish products are distributed in markets also has an impact on the penetration of ecolabelled products.

7.6.1 Supermarkets

In the United Kingdom, the United States and Germany, markets where there is the highest concentration of ecolabels, supermarkets play an increasingly significant role in the retail of fish and seafood products. Large supermarkets offer a conducive environment for the sale of ecolabelled products: they are more likely to sell packaged products which lend themselves to the attachment of a label and in the case of large supermarket chains are more likely to own private labels or “own brands” that would benefit from the addition of being certified as eco-friendly. Moreover, they have the economies of scale to promote more niche products.

In contrast, southern European markets with more of a reliance on fresh fish markets, including wet fish counters in supermarkets, are less conducive to the sale of ecolabelled products. Ecolabelled products that have gained a foothold in those markets tend to be canned or preserved products such as tuna, sardines, mackerel and anchovies. For example, a number of European canneries use the ‘Friend of the Sea’ label on their packaging (Generale Conserve S.p.A. in Italy, Imperconser S.A. in Portugal, and Sté. Nouvelle Aveiro Maroc in Morocco). The Asian market too, is fairly traditional in terms of the distribution of fish and seafood, characterised by fresh fish sales rather than processed, packaged and frozen products.

Retailers play an important role in ‘educating’ consumers. While NGOs were the initial drivers of environmentally friendly purchasing, retailers have taken up the baton, and are now key players in pushing sustainability awareness. For retailers, the decision to stock and promote ecolabelled fish products is an insurance policy against negative publicity from NGO’s (such as Greenpeace protests outside supermarkets in the United Kingdom). In some markets, rather than simply responding to demand, retailers are driving it by asserting sustainability values, often as part of their corporate social responsibility policies. Sustainability is an increasingly important element in the seafood procurement policies of large supermarket chains. This is particularly the case in markets where there is intense competition between retailers.

In more environmentally aware markets, retailers even compete to be the most eco-friendly firm. For example in the United Kingdom, Greenpeace’s annual league table of the sustainability of supermarkets’ seafood (see figure below) is now a fairly mediated event. It is interesting to note that the consistent frontrunner, Marks and Spencer (M&S) only sells processed and packaged seafood products (which, as noted earlier lend themselves to the attachment of a label).

Table 4

| Ranking of the sustainability of supermarkets' seafood | | | | | |
|---|---------------------------------------|----------------------------------|----------------|---------------------|---------------------|
| | Sustainability of wild-caught seafood | Sustainability of farmed seafood | General issues | Rank and grade 2006 | Rank and grade 2005 |
| M&S | A | A | * | 1 | 1 |
| Witrose | A | A | A | 2 | 2 |
| J Sainsbury | B | B | A | 3 | 3 |
| Coop | C | B | C | 4 | 4 |
| Asda | C | D | B | 5 | 9 |
| Morrisson | C | D | B | 5 | 8 |
| Tesco | C | D | B | 5 | 6 |
| Somerfield | D | D | D | 8 | 5 |
| Iceland | E | E | E | 9 | 7 |

Source: Greenpeace. A recipe for change. October 2006, P.43

7.6.2. Processors

Interest in sustainability has been growing in the processing sector. Often in response to demands from retailers, but also to tap into the sustainability market themselves, fish and seafood processors have developed specific procurement policies with a sustainability element. Where the processor manufactures strong brand products the attachment of an ecolabel can add value to the brand. There might also be an element of competition between private labels (or retailers house brands) carrying an ecolabel and other brand products. Sustainability initiatives in the processing sector are stronger in countries where ecolabels are most embedded.

Processors, especially manufacturers of big brands, are also starting to feel the pressure of concerns about sustainability and other environmental issues. Foodvest Ltd, and in particular its Young’s brand, provides an illustrative example of how some in this segment of the industry are responding to pressure related to environmental concerns.

FoodVest Ltd, is one of Europe's largest seafood processors with 1.5 billion euros turnover⁴². The group sells products under two very strong consumer brands: Young's, the leading supplier of chilled and frozen seafood to the UK market and Findus, the major brand for frozen seafood in France and the Nordic countries. The company sells products using some 60 species of fish, originating in 30 countries. The group's procurement policy incorporates a set of ten major rules including a commitment to carry out objective assessments of the environmental efficiency of all fish purchases. For every species and fishery, a full set of criteria are screened and the ecological and commercial risks assessed and ranked as low, average or high. Notably, all MSC fisheries are *per se* considered as low risk supplies. Youngs supplies around 80% of the MSC products available in the United Kingdom market⁴³. It has been a strong supporter of MSC since 1997: its Deputy CEO currently serves on the MSC Board of Trustees. During a recent industry presentation he explained that, "Seafood sustainability is central to our business agenda".⁴⁴ During 2007, Youngs also commissioned a report from the Carbon Trust in response to media reports about 'food miles' on shrimps processed in remote locations⁴⁵.

7.6.3. *Caterers and foodservice industry*

The role of the food service in the distribution of seafood varies greatly by country. In the USA this segment dominates with a 55% market share. In Spain (Mapa source), Portugal, and Italy the catering industry's share of seafood sales peaks at 25%. In these southern European countries seafood is predominantly prepared and eaten at home.

The food service industry has been slow to embrace fish sustainability issues. The industry in whatever national market is highly fragmented with a large number of small sized independent establishments. Only recently has there been any connection between this industry and ecolabels.

Recently a few large-scale restaurant chains, in the USA and in Europe have announced new procurement policies. Brakes, a leading supplier to caterers in the United Kingdom and France, with a turnover in excess of £1.6 billion, now promotes MSC products. In March 2003 Brakes and its specialty seafood supplier M&J Seafood became the first foodservice suppliers in the United Kingdom to carry an MSC product. It is also involved in the MSC 'Fish & Kids' programme⁴⁶ (which is partly government funded) to put sustainable seafood on school menus. In March 2006, Compass Group USA, the largest contract food service company in the United States, announced a shift purchases away from threatened fish species towards sustainably sourced supplies⁴⁷. Also in the United States, Darden Restaurants Inc (the "largest casual dining restaurant company in the United States", and operator of well known restaurants such as the Red Lobster brand) has also announced seafood procurement policies based on sustainability concerns⁴⁸. McDonald's has operated Sustainable Fisheries Guidelines since 2005, and says that in the past 5 years it has shifted more than 18 000 tonnes of fish away from unsustainable sources⁴⁹.

⁴² Mike Parker, Deputy CEO, Young's Seafood, Presentation to GroundFish Forum, October 2007.

⁴³ www.youngs.co.uk

⁴⁴ Mike Parker, Deputy CEO, Young's Seafood, Presentation to GroundFish Forum, October 2007

⁴⁵ The Carbon Trust report can be downloaded from Youngs' website, www.youngs.co.uk

⁴⁶ www.fishandkids.org

⁴⁷ "Chains join the quest for sustainable fish supplies: some operators struggle with mixed messages from environmental groups", Nation's Restaurant News, November 27, 2006, USA.

⁴⁸ Roger Bing, Vice-President, Protein Procurements, Darden Restaurants, United States, 'Global Seafood Sourcing: a restaurant perspective', in OECD/FAO. Globalisation and Fisheries. Proceedings of an OECD-FAO Workshop, OECD publishing, Paris, p.71

⁴⁹ www.mcdonalds.com/corp/values/purchasing/supply_initiative/sustainable_fisheries.html

In general however, despite some key players adopting procurement policies based on sustainable fish stocks, the influence of this sector in the ecolabel debate has been relatively small.

7.7.Determinants of a market conducive to ecolabels

The above discussion suggests a range of factors that determine whether or not a market will be conducive to sales of ecolabelled fish and seafood products. To recap, the market is likely to have:

- An environmentally aware population based on a strong civil society active in the environmental/sustainability area and an active media
- Retail of fish and seafood products dominated by supermarkets (typically large retailers in highly competitive market) rather than fresh fish markets
- Consumption patterns based on a traditionally limited range of fish and seafood species leading to lower substitutability of product
- Strong tradition and presence of processed/packaged fish and seafood products that lend themselves to the attachment of a label.

The market penetration of ecolabelled products remains fairly modest. However it is growing rapidly and there is every indication that it will continue to increase as more retailers demand ecolabelled products and as middle class populations in countries with a weak tradition of environmental concerns start to emulate their counterparts elsewhere. What are the likely cost and benefits for the various stakeholders involved?

8. OPPORTUNITIES AND CHALLENGES FOR STAKEHOLDERS

8.1. Initial reactions to ecolabels

When the MSC was first launched, the reactions of countries and industry groups were quite diverse. A report prepared in 1996 for the FAO Committee for Fisheries showed a generally negative reaction on the part of many international industry groups (eg. The International Coalition of Fisheries Associations, the Groundfish Forum⁵⁰). Developing countries were particularly concerned that certification might create additional barriers to trade. The MSC initiative was criticized at the Ministerial Meeting of the Latin American Fisheries Development Organization in 1996. Countries with relatively effective fisheries management regimes appeared less perturbed by the move perhaps seeing the potential benefits for their industry.

The global seafood industry is not a unified group. Moreover, the costs and benefits of ecolabelling schemes accrue differently to different stakeholders. The following section outlines the opportunities and challenges presented by ecolabelling schemes for the various stakeholders involved. As the most international of ecolabelling schemes the MSC is most often used as an example in the discussion. Because of this, a brief overview of the MSC certification process is given first.

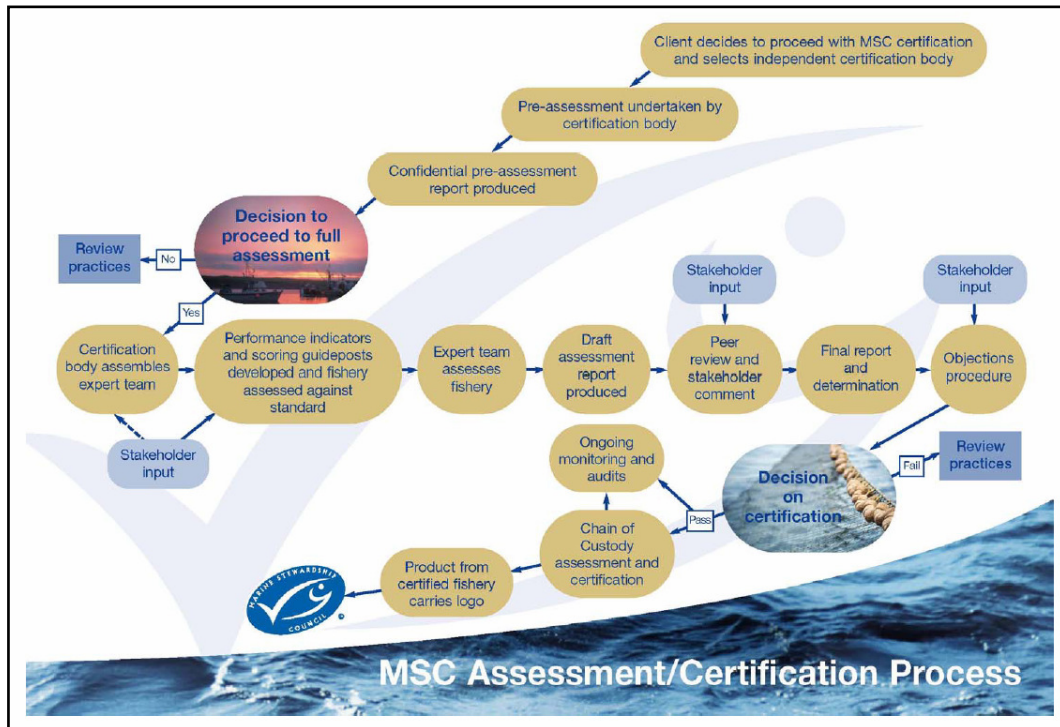
8.2. MSC certification – an overview

Certification of a fishery is based on the MSC Standard, which incorporates three principles:

- The state of the target stocks (must not be depleted or over-fished)
- The impact of the fishery on the environment (fishing must not impact negatively on the wider eco-system)
- The management systems (the fishery is subject to an effective management system, that respects local, national and international laws, and incorporates institutional frameworks that ensure the resource is utilized in a sustainable and responsible way).

⁵⁰ The Groundfish Forum is an annual meeting of 'leading members of the global groundfish industry'. In contrast to this earlier reticence towards ecolabels, it has since become engaged in the area; at its most recent annual conference in October 2007, several presentations dealt with sustainability issues, including one by the Chief Executive of MSC.

Figure 2: MSC Certification Process.



To become MSC certified, a fishery has to go through a pre-assessment audit and a full assessment audit. Audits are carried out by experts from an accredited certification body. The MSC itself does not carry out the certifications. An independent body, Accreditation Services International, based in Bonn in Germany, accredits independent certifiers, who in turn assemble teams to assess fisheries against the MSC standard. The cost of assessment varies according to the time spent and the daily fee of the experts (which vary between certification bodies). The duration of the audit process depends upon the size and complexity of the fishery, and the existence or not of reliable biological data. This accounts for MSC’s “conformity assessment”.

Other operators involved in handling the fishery products must obtain *chain of custody certification* to confirm that adequate measures are in place to identify fish from a certified fishery at subsequent stages of fish processing, distribution and marketing. MSC chain of custody certification certifies that fish and seafood from certified fisheries is kept separate from other non-certified fish throughout the value chain, from producer to point of sale.

A *licensing fee* is payable by any operator that attaches the actual MSC label (logo) to products.

8.3. Producers: costs and benefits

A range of costs and benefits has been claimed for fisheries signing up to an ecolabelling scheme. However, there has been little in-depth analysis of the experiences of producers operating in fisheries that have gained MSC or other forms of eco-certification. As a result there is a relative dearth of empirical evidence as to the actual costs and benefits. What follows is a list of the claimed costs and benefits of ecolabelling schemes from the perspective of producers. There is then a brief discussion of selected issues based on some initial observations and experience to date.

The potential *benefits* articulated include:

- Access to new markets
- Consolidation or expansion of market share in existing markets
- Greater credibility vis-à-vis retail buyers
- Potential for more value-added products including through product differentiation (niche markets for environmentally friendly products)
- Improved management of fisheries resources and resulting guarantees of future production potential
- Increased earnings through an assumed price premium for ecolabelled fish.

In contrast, *costs* have been identified, including:

- Actual costs of certification, experts fees
- Compliance costs related to adjusted management practices, data collection and record keeping, which is additional to existing government administrative requirements
- Costs related to potential adjustments in fisheries management (for example, there might be a recommendation that catch limits are reduced to meet sustainability criteria.)

Other *concerns* have been raised in relation to eco-labeling schemes, relating to:

- Transparency and participation: standards are set by (foreign) ‘outsiders’ and imposed on fishers
- Legitimacy: ecolabelling schemes are typically developed and controlled by private sector operators or NGOs, some fishers would prefer to participate in a public scheme which they consider has more legitimacy and some public accountability
- Applicability: concerns have been raised that current schemes do not lend themselves to multi-species or artisanal fisheries found in developing countries. (The impacts on developing countries are discussed further below)
- Impacts on trade: ecolabels might be used as a barrier to trade by importing countries and become ‘back door’ protectionism
- Fears that schemes that are initially voluntary will eventually become mandatory
- Governance: certification and labeling depends on the effective public management of marine resources. Poor institutional infrastructures pose a barrier to the certification of fisheries in those jurisdictions.

8.3.1. How much does certification really cost?

The actual cost of MSC pre-assessment can range from a few thousands dollars to a few tens of thousands of dollars. The cost for full assessment ranges from about US\$ 10,000 for a simple small fishery to over US\$250,000 for a large and more complex fishery⁵¹. The certification of the Alaska pollock fishery (one of the largest fisheries in the world and hence an outlier) was reported to have cost US\$500 000⁵². During research for this report, respondents invariably lamented the high cost of MSC certification. In contrast, Friend of the

⁵¹ Personal communication with Rupert Howes, Chief Executive, MSC, 16 January 2008. It should be noted that the costs of certification vary according to which company is carrying out the assessment. They are third-party assessments, hence fees are not determined by MSC.

⁵² Cathy Roheim and Jon Sutinen, Trade and Marketplace measures to promote sustainable fishing practices, ICTSD, 2006. p22

Sea certification costs around \$US2000, but the assessment is less comprehensive or as one recent analysis described it “a desk-based exercise with a less robust analytical framework”.⁵³

The bulk of the certification costs relate to experts’ fees. During interviews with stakeholders carried out for this report concerns were raised about the limited number of audit companies accredited to run MSC certification, and the extent to which this was a factor in the “high” global cost of the assessment procedure. MSC acknowledge that the small number of certifiers has been problematic. “The lack of certifiers has been a huge issue, but the solution has been to virtually double their number over the last two years, and mostly in the last year. In 2005 five fisheries were certified and there were 9 chain-of-custody audits, while last year [2006] there were 10 certifications and 15 chain-of-custody audits were completed”⁵⁴. The increased number of accredited certification bodies, depending on the level of competition this implies, may or may not have an impact on future fee structures.

The overall certification fee also depends on the time it takes for the certification process: the Alaska pollock fishery took four years to become fully certified. Timing varies according to the complexity of the fishery and the availability of sound and reliable scientific data. The more pre-existing data the less costly the process, which means that certification is relatively cheaper for fisheries in countries where there is an effective fisheries management generally, and more costly for fisheries in data-deficient countries.

Of the fisheries certified by MSC to date, most are large commercially significant fisheries, and as noted earlier, tend to be concentrated on certain species. Most also tend to be based in countries with pre-existing good fisheries management regimes and effective governance structures. For the bulk of these fisheries, the cost of MSC certification is perhaps marginal. Most, if not all, of the required systems are already in place, while their commercial significance indicates an ability to pay. In some cases public agencies have footed the bill: for example, the certification of the Alaska salmon fishery was funded by the State government.⁵⁵ The Alaska salmon fishery is managed by the Alaska Department of Fish and Game, who was the client for the MSC assessment. The certification included all five salmon species in the fishery⁵⁶.

Perceived high fees may or may not have put smaller fisheries off requesting certification. Only two certified fisheries are based in less developed countries, one in Mexico (the Mexican Baja California Spiny Lobster) and one in South Africa (South African hake), although some others are undergoing assessment. Any upgrading of systems or management required in countries with a poor public institutional infrastructure, is likely to pose a barrier to certification. As Roheim noted: “The major cost of certification remains... the cost of running a well-managed, sustainable fishery”⁵⁷.

⁵³ Poseidon Ltd, Certification and branding of fisheries products: options and decision-making in APFIC countries, presentation to APFIC regional workshop on Certification Schemes for Capture Fisheries and Aquaculture, HCM City, Viet Nam, 18-20 September 2007.

⁵⁴ Rupert Howes, Chief Executive, MSC, Presentation to Groundfish Forum, October 2007.

⁵⁵ Cathy Roheim and Jon Sutinen, Trade and Marketplace measures to promote sustainable fishing practices, ICTSD, 2006. p22.

⁵⁶ See, ‘unit of assessment’, www.msc.org

⁵⁷ Cathy Roheim and Jon Sutinen, Trade and Marketplace measures to promote sustainable fishing practices, ICTSD, 2006, p22

8.3.2. *The price premium myth*

While extracting information about prices is difficult due to commercial sensitivities, there does not appear to be any evidence of a price premium accruing to MSC certified fish products. Importers of Alaska pollock and Pacific salmon consulted for this research had not observed any change in price quotations from their certified suppliers based on certification. A supplier of Alaska pollock confirmed that there has been no price premium gained from certification and pointed to the fact that uncertified Russian pollock was fetching similar prices on the European market.⁵⁸ Dutch fishers have expressed disappointment at the lack of any price premium for MSC certified North Sea herring.⁵⁹ Similarly the New Zealand seafood industry body, SeaFIC, concluded that, “It is difficult to identify any premium for hoki arising from certification”⁶⁰. Indeed, the New Zealand industry has experienced reductions in the returns for hoki, but this is mainly due to confounding factors such as major reductions in catch limits, currency fluctuations, and reductions in the proportion of value-added product as processing gets outsourced to China. SeaFIC argues that the industry should not even expect a price premium for certification noting that: “No [] plausible case can be made for a premium for “sustainable seafood”. If anything a well managed fishery should also be a cheaper fishery to harvest as the fish should be more abundant and easier to catch!”⁶¹

Price is a function of a multitude of factors of which eco-certification is arguably not the most significant. Roheim argued in 2003 that certification could lead to some price stability for fishers since buyers had few substitutes and were therefore committed to purchasing from the limited number of certified fisheries. A South African industry source could not confirm a price premium but noted that his company was “able to stand firm on price knowing that a particular customer has specifically been needing MSC certified product that they have not been able to source elsewhere”.⁶² Roheim also predicted in 2003 that any initial “reduction in price volatility will likely decrease”⁶³ as more fisheries become certified. That is, with more competition between certified suppliers, there is likely to be less price stability. Any initial price premium or stability gained through certification is likely to level off as more certified producers enter the market.

8.3.3. *Market share: a case of diminishing returns?*

Some respondents for this research noted returns from certification in terms of new business and/or consolidation of their market position. A South African industry source commented that: “There is no question that a large amount of new business has developed as a direct result of having MSC...Industry in South Africa have clearly seen higher demand for the product [certified hake] and regularly receive enquiries for certified product”.⁶⁴ In terms of certified Alaska pollock an industry source noted: “The certification of the Alaska pollock fishery hasn’t attracted new customers as a result of the MSC eco-label, but it has strengthened the company’s relationship with its existing customers.”⁶⁵

⁵⁸ Personal communication with Torunn Halhjem, Trident Seafoods, and Vice-President of industry group, Genuine Alaska Pollock Producers (GAPP), www.gapp.us, January 11, 2008.

⁵⁹ North Sea Herring and the MSC: one year later, www.intrafish.no 3 December 2007.

⁶⁰ Alastair Macfarlane, SeaFIC NZ, personal correspondence 5 June 2007.

⁶¹ Ibid.

⁶² Personal correspondence with Denis Handley, I&J, South Africa, 13 December, 2007.

⁶³ C. Roheim, “Thalassorama Early indications of market impacts from the Marine Stewardship Council’s ecolabelling of seafood”, *Marine Resource Economics*, Volume 18, USA 2003. p.100

⁶⁴ Denis Handley, I&J South Africa, Personal correspondence, 13 December 2007.

⁶⁵ Rick Muir, VP of American Seafoods Group. Personal correspondence with Marie Christine Monfort.

Will rewards in terms of market share also be a case of diminishing returns as more competitors become certified? In the white fish market where MSC certified products are concentrated, certification is becoming more prevalent, although it is too early to tell whether it will become the new norm or “minimum standard” and what implications that would have for market access. There are some indications that fisheries feel compelled to become certified when their competitors do.

The New Zealand industry noted that, “markets for hoki have become more concentrated towards the markets where eco-labeling has been promoted”⁶⁶. There is an implication that certification is becoming a requirement for access to those markets. Indeed, South Africa’s application for certification of its hake fisheries followed that of NZ hoki, which was seen as a direct competitor. There were also concerns as to whether they could continue to supply to Unilever if they were not certified. The Namibian hake fishing industry has also agreed to support potential MSC certification⁶⁷ partly based on perceived competition with South African hake. An industry source there explained that they were responding to market pressure: “The industry agreed to take the process further because of market pressure. This pressure can be divided into two throngs: firstly, those that demand a certification because of their company philosophy (predominantly customers in Northern Europe) and secondly, those that compare the Namibians to the South African fishery and threaten to switch to supplies from that country because of their MSC certificate.”⁶⁸ The President of the Dutch Pelagic-Trawlers Fishermen’s Association confirmed the extent to which some European fishers feel compelled to become MSC certified, noting that: “...price isn’t the reason to seek the MSC. In a few years’ time, you won’t be able to sell fish without it”.⁶⁹ This phenomenon was also noted by a South African industry source, “we have in the last 12-18 months had new product launches into Europe and the USA that have been on a ‘MSC or nothing’ basis”.⁷⁰

8.3.4. Consistency in certification

There have been concerns expressed about consistency in the certification process, including within the MSC stable. Anecdotal evidence suggests some ‘outliers’ in terms of scoring fisheries, and that some applicants might have had an easier ride to certification than others.

The certification and re-certification processes appear to be influenced by civil society. For example, the recent recertification of New Zealand hoki (October 2007) took longer than expected due in part to the level of objections to the certification, what MSC acknowledged was a “very drawn-out objection process”⁷¹. WWF NZ and NZ Royal Forest and Bird society made formal objections to the hoki recertification claiming that the fishery was unsustainable (despite significant cuts to catch limits imposed by the New Zealand government). Similar objections were raised by environmental groups during the Alaska pollock certification, and were said to have influenced the scoring process.

In response to these concerns MSC have recognized that there has been variations in scoring and is working on a “quality and consistency” project to ensure more consistency between certifiers, including by developing “standard indicator sets” by which any fishery will be judged. Moreover, when a fishery is being re-assessed it will be judged against the same set of indicators. The project is also aiming to reduce the number of indicators to between 25 and 30 down from the current 70 -100 indicators by which a fishery might be assessed. MSC

⁶⁶ Alastair Macfarlane, SeaFIC NZ, personal correspondence. June 2007.

⁶⁷ The Namibian industry is awaiting government approval before going any further in to the process towards certification.

⁶⁸ Personal correspondence with Volker Kuntzsch, November 2007

⁶⁹ North Sea Herring and the MSC: one year later, www.intrafish.no 3 December 2007.

⁷⁰ Denis Handley, I&J South Africa, Personal correspondence, 13 December 2007

⁷¹ Rupert Howes, Presentation to Groundfish Forum, October 2007.

advises that following “consultation and road-testing, this system will be fully operational by October 2008”.⁷² MSC has also instigated a review of its objections process, aimed at making it more streamlined, cost-effective and quicker. This should reduce the costly delays for fisheries seeking certification or recertification, and improve confidence in the credibility of those certifications.

8.4. Importers/wholesalers

Importers of frozen MSC certified seafood interviewed for this research did not seem to have embraced the “raison d’etre” of the process, with one respondent viewing it as “another fantasy of the supermarket chains”⁷³. Most however saw the costs: administrative (keeping records, completing specific documentation, and periodic audits), and the relatively small fee involved in the chain of custody certification (see box 2⁷⁴), as worthwhile in order to maintain relationships with clients requesting eco-labeled fisheries products.

This group operates as passive yet rational actors. As one importer noted: “If our clients want it, we will get it for them”. Several importers interviewed said they became MSC certified in response to a direct request by a client. Overall this sector appears to see MSC certification as a moderate additional constraint imposed by increasingly demanding clients. None of the importers reported having gained certification voluntarily to enlarge the range of products they would have on offer.

Box 2: Chain of custody certification.

The cost for certifying one level of chain of custody varies according to a risk-assessment as to the likelihood of non-compliant products being mixed with labeled products. The number of sites managed by the operator is also relevant. In a chain, not all sites will be audited but a representative number. The cost for certification will vary between markets, certification companies and the number of sites being audited. The cost for auditing one site typically includes one and a half days of audit, which could be invoiced at anywhere between US\$250-750 a day. If the company does not meet all the criteria, additional cost for up-grading procedures and/or premises may be involved.

8.5. Retailers, processors and brand owners

Retailers seem to be the most willing players in the ecolabelling game seeing gains in terms of value-addition to their brand and reputation at relatively low cost. The higher the competition between retailers, the more likely they are to strive for something that sets them apart. For example, in the UK, following effective pressure by Greenpeace all five largest retailers (Tesco, Sainsbury, Asda, Safeway, M&S) that together account for over 70 percent of total retail sales, have incorporated sustainability into their seafood procurement policies. In France, Auchan and Carrefour, direct competitors in selling through hypermarkets have also marketed their sustainability credentials.

⁷² Rupert Howes, Presentation to Groundfish Forum, October 2007.

⁷³ Anonymous personal communication with Marie Christine Monfort

⁷⁴ Personal communication with Amy Jackson, MSC, 17 January 2008.

Sustainability seems to be an increasingly important marketing tool, which is currently strong in certain markets but likely to increase in the future given the global influence of large retail firms. For retailers the costs are relatively small, relating mainly to chain of custody certification and licensing fees where labels are used on private label (retailers private brand) products. Those who have chosen to embrace ecolabels most strongly have made adjustments in their procurement policies and have adopted related marketing strategies.

8.5.1. Adding value to private labels

There appears to be a link between sustainability policies and the use of private labels. In 2006, of the more than 400 MSC frozen products on the market, over 50% were sold as private label products (Coop, Migros in Switzerland, Sainsbury, Tesco, Waitrose, M&S in the UK). A retailer's image is linked to the products carrying its name or logo. Private label items are a solid media for the retail chain identity and image. An ecolabel can add value to their brand. However, this does not mean that the actual logo will always appear on seafood from MSC certified fisheries. One retailer noted that they wanted to retain the "sustainability" value for their own brand saying, "We shall certainly buy MSC fish in the future but will not automatically promote the label"⁷⁵. The sustainable character of the fish adds value to the retailer's brand: the process behind certification is more important than the use of the ecolabel itself.

Similar returns related to value addition also accrue to processors who link sustainability to their brands, including by attaching an ecolabel (such as those described earlier: Asdomar, Findus, Youngs). However, Unilever's attempt to promote New Zealand Hoki under a sustainability banner in an ultimately unsuccessful attempt to wean United Kingdom consumers off cod and haddock, shows that it is not a guaranteed strategy to win customers: "...the hoki story suggests that marketing 'sustainability' is tricky in an environment of competitive pricing"⁷⁶.

8.5.2. Risk management and ease of procurement

Ecolabelling schemes offer returns to retailers in terms of ease of procurement with guarantees, in particular related to traceability. The UK based Seafood Choices Alliance, quotes various retail industry sources and their views on ecolabels: "Labels, schemes and certification provide the buyer with specific, guaranteed information about the product's source and the way it was produced. The label makes purchasing 'safer' for the corporate buyer, safeguarding brand and reputation". And: "The MSC gives us a license to trade with confidence and provides us full due diligence"⁷⁷. Sainsbury's, one of the United Kingdom's biggest seafood retailers has issued guidelines to their seafood buyers, with the first question being: "Is the product from an MSC-certified fishery? If yes, buy, subject to price and quality"⁷⁸.

Confidence in the chain of custody audits carried out by MSC means that supermarkets that would normally carry out their own chain of custody audits on suppliers do not need to do so

⁷⁵ Personal communication between a fish purchase manager of a large retail chain (anonymous) and Marie Christine Monfort.

⁷⁶ Stefano Ponte, Ecolabels and fish trade: Marine Stewardship Council certification and the South African hake industry, *tralac Working Paper*, Number 9/2006 p.19

⁷⁷ Melanie Siggs, Seafood Choices Alliance, Consumer Assurance: market-based quality schemes, certification, organic labels, ecolabelling, retailer specifications, in *FAO. 2007. Global Trade Conference on Aquaculture. FAO Fisheries Proceedings. 9.*

⁷⁸ Rupert Howes, Presentation to Groundfish Forum, October 2007.

if their suppliers are MSC certified. MSC certification is therefore both cost-effective and provides another level of risk management ensuring traceability from boat to point of sale.

8.5.3. Price premium?

While most retailers are unwilling to divulge information about pricing, there does not appear to be a price premium attached to ecolabelled products at retail level. A seafood buyer of Marks and Spencer MSC certified products confirmed: “I do not think there is a premium specifically charged for MSC certification either when buying the raw material or selling at retail level. For example, assuming quality and all other factors are equal, the price of Canadian salmon⁷⁹ is similar to MSC certified Alaska stock and we do not add any cost at retail level. The over-riding factor that sets price is still quality, however this can coincide with MSC certification”⁸⁰.

Most returns to both retailers and processors appear to be more indirect and related to reputation and brand value.

8.5.4. Costs

For retailers the actual cost of certification and for using an ecolabel is relatively small, and where the retailer has no private label products, might only equate to chain of custody certification. Other indirect costs would include any special marketing of those products. In this area, retailers would benefit from any marketing of the label by NGOs, which in effect is ‘free publicity’.

The cost of the use of the logo or label on products from a certified fishery is borne by whoever applies the logo to the product: either the processor with brand products or retailers in the case of private label products, that is, whoever exposes the product to the end consumer. Licence fees vary by labels. For MSC products, the annual fee for using the logo is based on the value of the product at the first point of sale after application of the logo⁸¹. A minimum royalty is payable annually by the licensee to MSC (the trading arm of the MSC, Marine Stewardship Council International), which licenses the use of the MSC logo.

8.6. Consumers

Ecolabels benefit consumers in that they provide specific information on where products come from and how they were produced. By purchasing fish and seafood products certified to a respected ecolabelling scheme they can reassure themselves that their consumption is not having an adverse effect on fish stocks or the marine environment. Moreover, assuming no price premium, they can ‘do the right thing’ at no additional cost.

Consumer awareness and the willingness to purchase ecolabelled products over similar alternatives, depends on good information. As noted earlier, many NGOs in the fisheries area are attempting to provide information to consumers as close as possible to the point of purchase (eg. wallet cards, seafood guides).

However, the proliferation of ecolabels and other ethical product differentiators complicates consumers’ purchasing decisions. Faced with information from various NGOs promoting

⁷⁹ Wild salmon fisheries in British Columbia recently announced their intention to seek MSC certification in response to competition with certified Alaska salmon in the UK market. See “UK retail demand drives B.C decision to seek MSC label for wild salmon”, Intrafish, 15 January 2008.

⁸⁰ Personal communication between M&S seafood buyer and Marie Christine Monfort.

⁸¹ As such it is difficult to give indicative figures of the actual cost of the use of the logo. For more information contact, Alex.Hickman@msc.org

different issues (Fair Trade, organics, etc.) consumers can face “ethics confusion”. It has been argued that consumers increasingly put their faith in trusted retailers to sift the information for them: “The consumer increasingly wants the retailer to take the responsibility for their decisions...He or she wants to know that if they shop at X retailer they can do so with a clear conscience and without having to make further consideration as they shop”.⁸² The adoption of an ecolabel by a retailer helps to consolidate this process. The inclusion of a commitment to procuring MSC labeled products, for example, helps the retailer communicate its corporate social responsibility to consumers and in turn helps consumers reduce the complexity of their purchasing decisions. Retailers increasingly adopt a range of product differentiators depending on the commodity-Fair trade coffee, ecolabelled fish, organic fruit and vegetables-in the quest for the ‘green dollar’.

8.7.Governments: responses and implications

In countries where there is already an effective fisheries management regime, governments are fairly neutral about ecolabelling. If it is good for industry and helps build export credits then it can only be a good thing.

No national authority has chosen to set up their own ecolabel, despite pressure from industry in some countries. For example, interviews conducted with French industry sources highlighted a desire on their part for government to step into the arena to develop a national label. As parts of the industry adopt existing labels this is less likely to happen.

In 2005, the European Commission adopted a Communication "Launching a debate on a Community approach towards eco-labelling schemes for fisheries products"⁸³, thereby beginning a conceptual debate about ecolabels and the extent to which some regulation is required. Three options were mooted:

- Non-action, let ecolabelling schemes develop freely on the market
- Creating a single Community ecolabelling scheme for fish and fishery products
- Establish minimum requirements for voluntary ecolabelling schemes.

Several expert discussions have been held since. In April 2007, at a meeting of the Fisheries Council, Ministers voiced a preference for the third option above. A legislative proposal will be developed accordingly.

In the USA, the National Marine Fisheries Service clarified its role and responsibility on the matter⁸⁴. NMFS policy is to neither endorse nor participate directly or indirectly in the private sector certification of fisheries. However, with respect to private sector certification, NMFS will provide information to both applicants and certification entities.

The United Kingdom’s Department of Environment, food and Rural Affairs (DEFRA) goes one step further and provides grants to fisheries to enable them to seek ecolabel certification. These funds are only available to UK based fisheries.

⁸² Melanie Siggs, Seafood Choices Alliance, Consumer Assurance: market-based quality schemes, certification, organic labels, ecolabelling, retailer specifications, FAO. 2007. Global Trade Conference on Aquaculture. FAO Fisheries Proceedings. 9.

⁸³ Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee, Launching a debate on a Committee approach towards eco-labelling schemes for fisheries products. COM(2005)275 final, Brussels, 29 June 2005

⁸⁴ NMFS (2005) Private sector certification of fisheries, National Marine Fisheries Service Policy Directive PD 30-122, March 25, 2005

In Iceland, rather than developing a public label, the Minister of Fisheries called Icelandic companies to develop their own ecolabel⁸⁵. As noted earlier, the Icelandic industry is currently building an ecolabelling scheme based on the recognized effectiveness of its national fisheries management regime.

In New Zealand, which exports 90% of its seafood products, the Ministry of Fisheries is developing a new policy initiative on environmental certification which might include an independent assessment of the overall New Zealand fisheries management framework, as well as government assistance to fisheries seeking certification. The generic assessment of the overall fisheries management regime is aimed at making it easier for individual fisheries to gain certification (including by providing scientific and other data relevant to certification). The rationale behind the policy initiative is to respond to perceived “unavoidable” international demand for seafood producers to guarantee their environmental performance.⁸⁶

8.7.1. Sovereignty and national policy frameworks

Concerns have been raised, particularly in developing countries, that ecolabelling schemes amount to foreign private sector interests dictating to governments how they should manage their natural resources. This is particularly the case when ecolabelling schemes are seen to be linked to, or driven by, large commercial firms (such as Unilever’s initial involvement in setting up the MSC). The extent to which certification impacts on national fisheries policies, and wider public policy frameworks, has not been studied in great depth.

Government policies tend to have multiple goals. Fisheries policies might include considerations of social equity, employment, and maximizing export earnings as well as sustainability and the efficient utilization of natural resources. Clearly an intervention designed with a single motivation, in the case of ecolabels sustainability, can impact on national policy agenda. Catch limits required in the interests of sustainability for example are likely to impact on employment in fishing communities. Eco-certified export oriented fishers might benefit at the expense of other producers. Governments have to deal with these social equity impacts, yet are typically not driving the changes that created them.

While governments might balk at private outside interests evaluating the effectiveness of their fisheries management regime, they might also see the certification process as a support to their conservation policies by helping to incentivise industry to adopt more environmentally friendly fishing practices. In any case, governments need to be cognizant, if not actively engaged, in the certification process, especially where industry adjustments are indicated. In doing so they can also help to ensure that any potentially benefits are realized, and any costs managed.

In developing countries concerns about the impacts of ecolabelling schemes have been more acute.

⁸⁵ see Intrafish 24.10.2006

⁸⁶ Personal correspondence with Jane Willing, International Policy Manager, New Zealand Ministry of Fisheries.

9. ECOLABELS AND DEVELOPING COUNTRIES: BONUS OR BARRIER?

As discussed earlier, developing countries account for about half of the world's traded fish and seafood products. About 80% of international trade in those products ends up in developed country markets. Given this dependency on developed country markets how is the trend towards ecolabels affecting developing countries?

To date very few fisheries in developing countries have been certified as part of an ecolabelling scheme. This is perhaps due to three main factors:

- the lack of an economic imperative
- ecolabelling schemes do not translate well into the typical conditions of the fisheries environment in developing countries (insufficient fisheries management regimes, data deficiencies, multi-species fisheries)
- the high costs of certification

9.1.Lack of economic imperative

Three factors suggest that so far developing countries need not feel that their livelihoods are threatened by the trend towards sustainability certification and in ecolabelling schemes:

- The current small volumes of ecolabelled products on the market suggesting limited demand to date (albeit growing)
- The concentration of ecolabelling in certain species that are not the main species produced by most developing countries. If their competitors fishing in similar or substitutable species are not ecolabelled then there is no need for them to be.
- The concentration of demand in certain markets: while there is significant demand in pockets of the European and United States markets, in other significant markets such as the Japanese and the growing Chinese markets, there is less eco-sensitivity.

A study of ASEAN countries perceptions of ecolabelling revealed that in that region at least, countries did not feel any immediate pressure to engage in any ecolabelling scheme. The report concluded that: “ Several countries share the opinion that eco-labeling will be implemented only if it is required from importing countries (at the moment, it is not)...”.⁸⁷ In contrast, the East African Community countries, Tanzania, Uganda and Kenya, have been proactive and have initiated work on the ecolabelling of Nile Perch (see box below). However, Nile perch, as a white ground fish competes in the European market with fish from certified fisheries. Moreover, certification can be seen as part of a strategy to attach positive values to Nile Perch whose reputation had been dented by EU bans in the late 1990s and early 2000 and the negative

⁸⁷ M Bjerner, M Boonyaratapalin, R Mungkung & N Wennberg, Study on Eco-labelling of Aquatic Products: general view and future considerations for the ASEAN area, SEAFDEC, February 2006, Thailand. Countries consulted included Brunei, Cambodia, Indonesia, Lao PDR, Myanmar, Malaysia, the Phillipines, Thailand and Vietnam, p 6

publicity associated with the film “Darwin’s Nightmare”. In addition, some foreign aid money is linked to ecolabelling or certification initiatives.

As demand for ecolabelled products grows and as fisheries in species relevant to developing country producers (such as shrimp⁸⁸) become certified, especially if they are competing in the same markets, developing country producers are likely to feel more pressure to participate in ecolabelling schemes. Several commentators have raised serious concerns about their ability to do so.

Box 3: The case of Nile perch

The three countries (Tanzania, Kenya and Uganda) involved in the Lake Victoria Nile Perch fishery are currently co-operating towards certification of the fishery. Nile perch is an introduced species in an inland fishery. However, the fishing communities around the lake depend on its continued sustainability and ecolabelling has been seen as one strategy towards ensuring good management of the resource.

Initial discussions included input from MSC’s developing world programme and Naturland. Building on the existing collaboration between the three countries a road map is being developed which includes improvements in regional fisheries co-management institutions, community sensitization and involvement, support for a MSC pre-assessment and some regional ecolabelling pilot initiatives. The initiative is based on a commitment to transparency and stakeholder involvement. If successful the Nile perch fishery would be the “first substantial ecolabelled small-scale fishery in the developing world” and might provide a model for other developing countries.

See: Joint Workshop on the Feasibility of Ecolabelling for Lake Victoria Fisheries 4-6 October, 2006, Kenyan school of Monetary studies, LVFO, GTZ

9.2. Mis-match between ecolabelling schemes and developing country fisheries

Current ecolabelling schemes are problematic in many developing country environments. On all three fronts of MSC certification; quality of information on fish stocks, impacts on the environment, and quality of management systems, developing countries often fall short. Specific difficulties are outlined below.

9.2.1. Insufficient overall fisheries management regime

Many developing countries lack an effective fisheries management regime, which in practice is a prerequisite for certification. Some operate under open access arrangements, with weak official controls over catch limits if and when they exist.

⁸⁸ Oregon’s pink shrimp trawl fishery recently became the first shrimp fishery in the world to gain MSC certification (in December 2007). “First shrimp fishery gains MSC eco-label”, Intrafish, www.intrafish.no, 7 December 2007

9.2.2. Data deficiencies

Developing countries often lack information on existing stocks. Certification requires science-based stock assessments for which there is often poor infrastructure (systems and human resources). There is also inadequate data on catches. Small-scale fishers land catch at a multitude of sites for which records are rarely kept. Ecolabelling schemes such as MSC are generally data-intensive: in developing countries there is often a lack of know-how and a weak tradition of record keeping. This makes any chain of custody certification problematic. In some cases literacy is also an issue.

9.2.3. Unit of certification

Certification is often based on a single species fishery characteristic of developed countries. Developing country fisheries tend to be multi-species, with commercial and artisanal fishers competing for the same stocks. Some commentators have argued that where “the unit of certification is a fishery in its entirety, there is no scope to reward the responsible fishing methods of the artisanal, and to reprimand the destructive fishing activity of the large-scale...”⁸⁹

Under an MSC assessment there is the potential to certify a component of a fishery. For example, the South West Cornwall mackerel handline fishers were duly certified even though they target a small component of a larger fish stock that is exploited by a number of other fishing methods under different jurisdictions. The assessment of this fishery considered both the status of the stock as a whole, and the specific effects of the handline fishery on the target species and the marine ecosystem and evaluated these against the MSC Principles and Criteria for Sustainable Fishing. However, the evaluation remains dependent on the continued sustainability of the whole fish stock, much of which is outside of the direct control of those handline fishers.⁹⁰

9.3. High costs of certification

Even fisheries in developed countries complain about the high costs of certification. For developing countries the costs are often prohibitive, including the up-front direct costs of the initial assessment process with reliance on outside experts, as well as any subsequent costs relating to upgrading of gear, facilities, methods or management systems. Where there are multiple stakeholders, deciding who pays, and how much, is also problematic. As discussed above, there is no guarantee of a price premium to offset these costs. Where there are catch limits imposed, reductions in income and some unemployment might be other indirect costs of certification.

9.4. Barriers to trade?

Where certification in an ecolabelling scheme becomes a requirement of entry into a market, and if developing countries are unable to meet those requirements then they could be perceived as a barrier to trade. Already some developing countries have

⁸⁹ G. Macfadyen, Trade Issues Background Paper: Ethical/Social/Eco Certification, Labelling and Guidelines, Poseidon Aquatic Resource Management Ltd, Project PR 26109, June 2004, p .11, available at www.nri.org

⁹⁰ See. ‘Unit of certification’, www.msc.org

concerns about ecolabels on these grounds. A study of ASEAN countries to test their reactions to ecolabelling revealed that: “eco-labeling is seen as a regulation imposed by importing countries to discriminate ASEAN products”.⁹¹

Whether ecolabels act as a barrier to trade for developing countries depends on the level of demand for those products in developed country markets. Given the current small volumes of ecolabelled products on the market and their concentration in certain species this is currently not a critical issue. One study pointed out that, “...given that the main exports from developing countries are tuna and shrimp the impacts of certification may be minimal, because trade effects will be moderated by the limited degree of substitution towards competing products for certified fisheries in the developed world...”.⁹² As noted above, however, as more species become certified this dynamic could change.

The impacts of ecolabelling on trade and the WTO regulatory framework are discussed below.

9.5. Potential benefits for developing countries

9.5.1. *Impetus for improved fisheries management and infrastructure*

While many developing countries have focused on the barriers to certification, some have also seen the ecolabelling debate in more positive terms. The study of ASEAN countries showed that some countries saw ecolabelling as a means to further improve fisheries management. Some saw synergies with existing mechanisms, such as national codes of conduct and best management practices policies, and envisaged the institutions responsible for monitoring and certifying in those areas (including those set up for organic aquaculture) as being well placed to also manage the ecolabelling process. In short, they saw that the existing infrastructure could be slightly modified to incorporate the requirements of an ecolabelling scheme. This is also the case for the East African countries, with plans to incorporate ecolabelling into the systems developed to manage the Nile Perch fishery.

In Mexico, the MSC certification of the Baja California spiny lobster was said to have helped justify requests to the Mexican government for infrastructure assistance. It has been estimated that since certification over US\$20 million has been received by related communities for electricity and other infrastructure⁹³. Fishing industry representatives can potentially use the certification process to underscore to government the importance of effective resource management, including scientific assessment of stocks, data collection and improved enforcement of compliance. The certification process might provide an opportunity for dialogue between government

⁹¹ M Bjerner, M Boonyaratapalin, R Mungkung & N Wennberg, Study on Eco-labelling of Aquatic Products: general view and future considerations for the ASEAN area, SEAFDEC, February 2006, Thailand. Countries consulted included Brunei, Cambodia, Indonesia, Lao PDR, Myanmar, Malaysia, the Phillipines, Thailand and Vietnam.

⁹² G. Macfadyen referring to a MRAG/IIED study, in Trade Issues Background Paper: Ethical/Social/Eco Certification, Labelling and Guidelines, Poseidon Aquatic Resource Management Ltd, Project PR 26109, June 2004, p .11, available at www.nri.org p.15

⁹³ www.panda.org/about_wwf/what_we_do/marine/news/on_the_ground/index.cfm?uNewsID=63401

and industry as to what is required for ensuring the long-term sustainability of marine resources.

9.5.2. Capturing overseas expertise and assistance

For less developed countries, with poor infrastructure, these synergies are unlikely to exist. However, overseas assistance being bought in under the auspices of ecolabelling schemes might have some down-stream positive impacts on fisheries management generally, including in assessing the state of fisheries stocks and providing a roadmap on what needs to change in order for the fishery to be sustainable.

It will be important to ensure that donor assistance has positive impacts on fisheries management generally in developing countries and is not limited to fisheries that are potential candidates for ecolabelling. In this sense, the involvement of national and local authorities as well as the wider fishing communities in the process is needed.

For many developing countries the pre-conditions for certification will take some time to develop so it is an opportune time to enter the debate, as indeed several countries and regions have done. Outside assistance, as well as local public support, could be directed towards helping to develop effective fisheries management generally, which is beneficial in its own right as well as a step towards creating the conditions for future certification, if and when market conditions require it.

Some commentators who were initially negative about ecolabelling have since seen the potential benefits, providing there is adequate assistance for developing country fisheries to participate. The former Director of Fisheries in Kenya noted: “though I and other fisheries managers in developing countries have been concerned about the ability of small scale fisheries in developing countries to participate, I am also aware of its significant contribution to sustainable fisheries” [including through its ability to] “ascertain sustainable utilization of the marine fishery resources”⁹⁴. She calls for assistance for developing countries to participate and has been involved in developing ecolabelling guidelines for small- scale fisheries, including as a member of MSC’s Developing World Fisheries Programme.

9.6. New Certification Methodologies for developing countries

In recognition of difficulties for developing countries MSC has created a Developing World Fisheries Programme. As an attempt to make certification more accessible to small-scale and data-deficient fisheries, the programme includes the development of assessment guidelines that include the use of traditional ecological knowledge and traditional management systems, and a risk assessment component where fisheries lack full and complete scientific data. In late November 2007 it announced that four fisheries in Africa and South America would pilot the new assessment methodology.⁹⁵ Some organizations offer funds, loans or support to developing countries to help offset the costs of MSC certification: these include WWF’s Community Fisheries

⁹⁴ Personal correspondence with Nancy Gitonga, Fisheries consultant and former Director of Fisheries in Kenya, January 16 2008.

⁹⁵ The fisheries are: National Park of Banc d’Arguin mullet fishery in Mauritania, the Coastal and River Gambia sole fishery in Gambia, the Samborombon Bay mullet fishery in Argentina, and the Mahi mahi fishery in Ecuador and Peru.

Grants, and the Sustainable Fisheries Fund.⁹⁶ WWF is also testing alternative methodologies for certification specifically for small-scale fisheries and including local traditional knowledge on stocks and life-cycle issues⁹⁷. New ecolabelling schemes, designed for the particular conditions of developing countries, are also emerging. For example, Fair-fish, is an attempt to incorporate sustainability, animal welfare and fair trade elements is operating (albeit on a very small scale) in Senegal⁹⁸.

It will be important to monitor the impacts on developing countries fisheries and their market access as and when they become certified.

⁹⁶ See: Protecting fisheries, improving livelihoods, MSC Developing World Fisheries Programme, at www.msc.org

⁹⁷ G. Macfadyen, Trade Issues Background Paper: Ethical/Social/Eco Certification, Labelling and Guidelines, Poseidon Aquatic Resource Management Ltd, Project PR 26109, June 2004, p .11, available at www.nri.org p.11

⁹⁸ see. www.fair-fish.ch

10. ECOLABELS AND TRADE

The FAO Guidelines for the Ecolabelling of Fish and Fishery Products from Marine Capture Fisheries, state that voluntary standards, including environmental standards, should not distort global markets and should not create unnecessary obstacles to international trade. Under the general principles and definitions, they state that any ecolabelling scheme should be consistent with *inter alia* the World Trade Organization (WTO) rules and mechanisms. What does the WTO have to say about ecolabels?

10.1. WTO position on ecolabels

WTO's website describes its current position:

Labelling environmentally-friendly products is an important environmental policy instrument. For the WTO, the key point is that labelling requirements and practices should not discriminate — either between trading partners (most-favoured nation treatment should apply), or between domestically-produced goods or services and imports (national treatment).⁹⁹

The WTO Agreement of most relevance to ecolabelling is the Agreement on Technical Barriers to Trade (TBT). The TBT makes a distinction between “technical regulations”, which are mandatory, and “standards”, which are voluntary requirements. The TBT in its Code of Good Practice for the Preparation, Adoption and Application of Standards, prohibits both technical regulations and standards from discriminating between domestic and foreign products that are alike (the national treatment principle) and between ‘like products’ from different WTO members (the most favoured nation principle). Yet the preamble to the TBT also allows for countries to take measures necessary to ensure “the protection of human, animal or plant life or health [and] of the environment...”. Where a technical regulation is applied in accordance with a relevant international standard, then it is presumed not to create an unnecessary obstacle to trade.¹⁰⁰ There is no such interpretation in relation to voluntary standards. The 2001 Doha Declaration instructed the WTO Committee on Trade and Environment to examine the effects of environmental measures on market access and to examine labeling requirements for environmental purposes. To date, there has been no resolution on ecolabels in that Committee or in the TBT.

10.2. Points of contention

Several contentious issues have arisen related to the interpretation of ecolabels and TBT. The main one relates to the distinction between product and non-product related process and production methods. The question is how TBT should relate to the non-product related process and production methods. This refers to situations where a product label includes information that allows consumers to discriminate on the basis of production methods unrelated to the product itself and invisible to the consumer, such as environmental impacts of production (as is the case with ecolabels). Some countries opposed a resolution on this front. Some developing countries feared the inclusion of non-product related PPM could open the door to developed countries imposing their domestic policy frameworks either related to fishing methods and/or the inclusion of labour standards and other conditions (such as human rights) thereby giving further grounds for discrimination against developing country products. Other countries supported the inclusion of non-product related PPMs in TBT coverage emphasizing their importance for global environmental objectives.

⁹⁹ www.wto.org/english/thewto_e/whatis_e/tif_e/bey2_e.htm

¹⁰⁰ For a discussion of these issues see: Ponte 2006, and P.R Gardiner and K.Kuperan Viswanathan, Ecolabelling and Fisheries Management, WorldFish Centre, Malaysia 2004.

10.3. Relevant disputes panel judgements

Two WTO judgements are relevant in this context. Although neither is related directly to ecolabelling schemes, they both involve fisheries products and are both related to environmental concerns.

When the United States regulated to prohibit the importation of tuna from countries using purse seines, a fishing method that results in the by-catch of dolphins, two challenges were launched against it: one in 1991 by Mexico, and one in 1994 by the Netherlands and the European Union. In both cases the disputes panels found against the United States, on the basis that it was regulating a non-product related PPM, and could not prohibit tuna based on the characteristics of how it was caught. The 1991 panel however, accepted the use of the voluntary ‘dolphin safe’ ecolabelling scheme on tuna products, on the grounds that it did not restrict the sale of non-labeled products and that it was up to consumers to choose labeled products over non-labeled.

The turtle-free shrimp case involved a challenge by India, Pakistan, Malaysia and Thailand, again against the United States, which had mandated that countries that trawl for shrimp must have on-board turtle excluding devices. The judgment fell against the United States: the regulation was deemed to be in breach of the TBT in that it amounted to extra-jurisdictional and unilateral application of domestic law to other countries. The principle of equivalence was breached in that there was no flexibility for achieving the same standard through different production methods. The panel decided that the measure applied by the United States was applied in a manner that constituted arbitrary and unjustifiable discrimination between Members of the WTO. However, the WTO panel underscored that this did not mean that the protection and preservation of the environment was of no significance to the Members of the WTO.

Clearly environmental issues are entering the international debate in terms of market access and barriers to trade. How this will impact on ecolabelling schemes is unclear, especially since to date they are driven by private sector or non-governmental interests.

10.4. Jurisdiction over private sector actors

While governments have the right to challenge the actions of other governments at the WTO, the grounds for challenging non-governmental actors is less clear. A recent note by the WTO Secretariat discusses governments’ responsibilities *vis-à-vis* non-governmental bodies in relation to private standards. The note explains:

“Were a particular private standard to fall within the definition of a standard under the TBT Agreement, then Article 4 would apply. This Article requires Members to take reasonable measures to ensure that non-governmental bodies accept and comply with Annex 3 to the TBT Agreement (the Code of Good Practice for the Preparation, Adoption and Application of Standards)”.¹⁰¹

10.5. FAO Guidelines

So far, the most comprehensive international guidance on ecolabels is the FAO Guidelines for the Ecolabelling of Fish and Fishery Products from Marine Capture Fisheries. But these are voluntary guidelines and as noted above, on the issue of barriers to trade, the document defers to the WTO.

¹⁰¹ WTO Committee on Sanitary and Phytosanitary Measures, Private Standards and the SPS Agreement, Note by the Secretariat, G/SPS/GEN/746, 24 January 2007, para. 20.

Voluntary standards have however become relevant in the environment of the SPS/TBT agreements in the context of consumer protection and international trade, where the work of the Codex Alimentarius Commission has taken on unprecedented importance. The Codex standards are meant to be voluntary and adopted by consensus. Yet under the new SPS/TBT agreements, the Codex standards in practice are neither voluntary nor fully mandatory. Instead they fall into an area that has been described as “voluntary under duress”. In case of dispute, the Codex standards can and have been used as a reference. This might be a harbinger for other voluntary standards as they relate to the WTO.

While the volumes of ecolabelled products remain low, even in markets where there is greatest presence, labeling schemes are unlikely to pose a significant barrier to trade. As demand grows however, the impacts on trade and market access will need to be monitored. Already concerns have been expressed about the proliferation of labels and certification schemes with related calls for some harmonization or mutual recognition between them: “The proliferation of standards and labels in recent years is tantamount to an official trade barrier. I cannot state enough how important a commonality of standards is to developing countries”.¹⁰² And, “There are far, far too many labels out there. It’s an absolute nightmare for the free movement of goods”.

10.6. Harmonization of methodologies

NGOs are taking the lead in the harmonization of methodologies and standards. A group of NGOs have realized that their differences in definitions of sustainability and their differing approach to protecting marine resources (for example, Greenpeace sees deep sea bottom trawling as the main threat to marine resources, while other NGOs are more concerned about by-catch issues) is confusing to the public and industry alike. In Europe, Seafood Choices Alliance¹⁰³ has initiated the building of a common methodology with other NGOs (WWF, Greenpeace, Marine Conservation Society, and North Sea Foundation) to screen the shape of individual fish stocks.

Concerns related to the proliferation of ecolabels, and certification schemes are discussed further below.

¹⁰² The Head of the Danish Seafood Association quoted in; ‘Are there too many seafood labels?’ Intrafish April 24, 2007, www.intrafish.no

¹⁰³ Seafood Choices Alliance is a global trade association for the issue of ocean-friendly seafood. It was founded in the United States in 2001, partly in response to the establishment of MSC, to bridge the gap between the conservation community and the seafood, retail, and foodservice industries. The Alliance helps the seafood industry – from fishermen and fish farmers to distributors, wholesalers, retailers and restaurants – to make the seafood marketplace environmentally and economically sustainable. See: www.seafoodchoices.com

11. FUTURE SCENARIOS AND ISSUES FOR ATTENTION

11.1. Growing demand for fish and seafood from sustainable sources

The procurement policies of large international food firms such as Wal-Mart, with their commitments to purchasing fish from sustainable sources including from MSC certified fisheries, are likely to drive demand and spread it to new markets. The United Kingdom is the most developed market in this sense. Other are following suit; recently, a consortium representing 99% percent of Dutch retailers committed themselves to selling only MSC and GlobalGAP (aquaculture) certified fish by 2011¹⁰⁴. MSC refers to this sort of momentum as “supply-chain pressure of the best kind.”¹⁰⁵

Other large corporates are developing relationships with NGOs to collaborate on fish sustainability issues. For example, Metro Group, the world’s third largest retailer is partnering with WWF to develop a sustainable seafood sourcing policy¹⁰⁶. McDonalds is working with Conservation International and its centre for environmental Leadership Business on a joint initiative to ensure the credible and accurate evaluation of fisheries. Its senior director of worldwide supply-chain management was quoted as saying “We began working on a healthy fisheries initiative because we want to be able to continue to buy whitefish many years from now”¹⁰⁷.

Interest in environmentally friendly procurement is beginning to be seen in traditionally less interested markets. For example, Japan is starting to see the development of a range of ‘green’ labels. However in terms of ecolabels and fisheries, the market appears to be more interested in traceability and what this implies for food safety than the sustainability of fisheries. MSC has recently set up an office in Japan¹⁰⁸, which might create more momentum there and in the wider Asia-Pacific region.

These developments are likely to stimulate interest and demand. More fisheries will need to be certified to meet the demand. MSC commented recently: “In the early years MSC suffered from the problem of “no supply, no market - no market, no supply. Having overcome the supply issues, many processors and retailers now want to have the MSC logo on packs”¹⁰⁹. Certification of fisheries supplying international significant volumes such as Alaska pollock did indeed help to create a critical mass of supply in certain species. The application to MSC for certification of Norwegian Atlantic pollock is another key development. But can supply really keep up with growing demand?

11.2. Looming gap between demand and supply?

Despite exponential growth in requests for and actual certifications, some retailers have already had to downgrade their procurement targets due to the lack of supply. For example the United Kingdom retailer Sainsbury’s had to drop goal of selling only MSC fish by 2010 “because it realized that not enough fisheries would carry the requisite certification in time”¹¹⁰. While there are significant volumes of supply in species like pollock, salmon and hake, very few tropical species are represented amongst the ranks of certified fisheries.

¹⁰⁴ “Dutch retailer sector commits to MSC, GlobalGap seafood”, Intrafish, www.intrafish.com, 14 December 2007.

¹⁰⁵ “Not enough fish in the sea”, Los Angeles Times, November 26, 2006

¹⁰⁶ Intrafish 15 February 2006, www.intrafish.no

¹⁰⁷ Intrafish 21 December 2006, www.intrafish.no

¹⁰⁸ See Press release 9 July 2007, www.msc.org

¹⁰⁹ Personal communication with Rupert Howes, November 27/28, 2007

¹¹⁰ See “Supermarket Chain to launch fish traffic light scheme”. Fishupdate.com 26.9.2006

Industry sources consulted for this research expressed concerns about the extent to which the supply of MSC certified fish would be able to meet the targets currently being set by buyers. For example, “There have been many organizations/manufacturers/retailers/wholesalers/distributors who have made statements of ‘100% sustainable products by 2010/2011/2012 etc. However, if one lists all of these and then adds up their total buying needs for fish and seafood, and then draws up a list of likely certified fisheries and their yields by 2010/2011/2012 etc and adds up their total output potential one likely finds a severe supply deficit [of MSC certified product]”.¹¹¹ Another source described the potential supply gap as a “critical situation”¹¹² also referring to reductions in supplies from some existing MSC certified fisheries due to quota cuts, such as the 30 percent cut to the Alaska pollock quotas over the last year.

How the market responds to these supply and demand issues needs to be monitored. In the face of supply gaps will buyers stop selling fish and seafood (unlikely), revise their MSC procurement targets in line with the realities of supply, or develop alternative procurement policies linked to a different or less rigorous certification scheme or some other mechanisms for guaranteeing sustainability?

It should be stressed that “uncertified” is not analogous to “unsustainable”. WWF was recently criticized for its “stinky fish” campaign that suggested that only fish with the MSC label was from sustainable sources and anything else was “stinky” (from threatened stocks). MSC disassociated itself from the campaign.¹¹³

11.3. Proliferation of labels and certification schemes: lowering the bar?

Any further proliferation of certification schemes and standards raises issues related to increasing market confusion and the relative quality of schemes: “Standards and labels have the potential to be incredibly useful tools for communicating with customers. Ironically, all they are doing is confusing them. It’s frustrating for us, because we want to communicate effectively with our customers. It’s confusing for the customers, because they want a simple and clear message...and they get dozens. And it’s frustrating for developing countries trying to enter the industry, because they can’t figure out which standards are important, and which ones to adopt”.¹¹⁴

The proliferation of ecolabels as well as the growth of other ethical product differentiators (organics, fair trade, low carbon footprint. etc.) makes the choices for consumers increasingly complicated. As a recent INTRAFISH article pointed out; “...there is a rainbow of such labels available within a single country. It is nearly impossible for even the most well-briefed seafood executive or fisheries minister to keep up with – let alone the average customer”¹¹⁵. As noted earlier this could ultimately lead to ‘ethics fatigue’, whereby consumers will revert back to price and quality as the only determinants of purchasing decisions.

Certification schemes also vary significantly in terms of transparency and rigor of assessment. A recent report in the seafood industry media argued that: “The recent emergence of low-cost eco-certifiers has led to concerns among some in the seafood industry the appearance of too many eco-labels will...lead to a race to the bottom in terms of standards, as fisheries and

¹¹¹ Personal correspondence with Denis Handley, I&J, South Africa, 13 December 2007.

¹¹² Personal communication with Torunn Halhjem, Trident Seafoods, and Vice-President of industry group, Genuine Alaska Pollock Producers (GAPP), www.gapp.us, January 11, 2008.

¹¹³ “MSC response to WWF stinky fish campaign”, MSC, issued 21 January 2008.

¹¹⁴ Vice-President of Darden Restaurants Ltd, quoted in media coverage of the workshop: ‘Are there too many seafood labels?’ Intrafish April 24, 2007, www.intrafish.no

¹¹⁵ Are there too many seafood labels? www.intrafish.no 11. June 2007

processors sign up to the cheapest, most affordable alternative – to the detriment of the environment”.¹¹⁶ The growth in MSC certifications and retailer interest in MSC certified product would seem to allay some of these concerns.

Industry needs to be vigilant that they examine the effectiveness of any certification scheme before they sign up to it, including by checking that it is fully consistent with the FAO guidelines on ecolabelling. Governments, both individually and through international organizations such as the FAO and WTO need to also monitor the impacts of ecolabels and certification schemes, as they and other forms of private standards become significant features of overall fish trade governance. A related question is the extent to which market mechanisms are appropriate and effective mechanisms for ensuring the protection and sustainability of natural resources; hitherto the responsibility of the public sector through national and international conservation policies.

11.4. Ecolabels and sustainability – helping or not?

Perhaps the most important question in relation to ecolabelling schemes is: do they have any impact on sustainability? For now, it is too early to tell. Most of the limited number of fisheries certified to date were already well managed prior to certification. As more fisheries currently undergoing pre-assessment make adjustments to gain certification, more evidence in this area might come to light.

Future impacts will depend on increased awareness and increased demand, particularly in markets that are currently not eco-conscious, and especially in those markets where demand for fish products generally is likely to grow, such as the Asian market including China. If this does not happen, as one study pointed out: “...high demand from markets not requiring ecolabels in the future could marginalize a world-wide approach to eco-labeling – leaving it as a mechanism to satisfy only retailers seeking niche markets and not as any overall improvement in fisheries management.”¹¹⁷

Overall environmental impacts depend on a critical mass of sustainably managed fisheries. As Roheim argues, “...an increased number of certified fisheries has the intended effect of improving fish stocks. There seems to be a trend emerging whereby once a fishery has been certified, other fisheries of similar species seek certification”¹¹⁸. This trend continues to intensify. If it expands into more tropical species then its impacts are likely to be more widespread. Moreover, if practices from certified fisheries spill over into other fisheries, such as chain-of-custody mechanisms with positive ramifications for illegal, unregulated and unreported fishing, further improvements in fisheries management and sustainability are likely.

11.5. Issues for attention

This report is based on existing information and the views of those in the fishing industry. There remains a relative dearth of empirical evidence on the impacts of ecolabels and certification. Further research is required, in particular to monitor:

- **Changes in demand and supply for eco-certified fish and seafood.** If supply from existing large certified fisheries cannot meet growing demand, supply will have to

¹¹⁶ Aussie calls for single global seafood standards”, Intrafish, April 24 2007 www.intrafish.no

¹¹⁷ P.R. Gardiner and K. Kuperan Viswanathan, Ecolabelling and Fisheries Management, WorldFish Centre, Malaysia, 2004. P.28.

¹¹⁸ C. Roheim, “Thalassorama, Early indications of market impacts from the Marine Stewardship Council’s ecolabelling of seafood”, *Marine Resource Economics*, Volume 18, USA, p. 103

come from smaller fisheries, or developing country fisheries or species hitherto not certified, where certification has to date been problematic. Competition from eco-certified aquaculture sources is another important part of the supply equation¹¹⁹.

- **Distribution of the costs and benefits of ecolabelling and certification.** To date it appears that producers meet the main costs of ecolabelling and certification but retailers appear to reap many of the rewards. Further inquiry into the costs and benefits of ecolabelling as they accrue to the various stakeholders would be useful.
- **The opportunities for developing countries** to benefit from the certification trend. This includes further support to improve their fisheries management generally and as a precondition for future certification applications if and when market conditions require it. Some independent in-depth studies of developing countries experiences with the certification process would be especially useful.
- **The impacts of ecolabels and certification on international trade.** Further clarity on WTO rules as they apply to private mechanisms driven by private or third sector actors is needed.
- **The proliferation of certification schemes and ecolabels,** to ensure that they are transparent and consistent with FAO's Guidelines for the Ecolabelling of Fish and Fisheries products from Marine Capture Fisheries. The potential for harmonisation or mutual recognition of schemes might also be explored.
- **The impacts of ecolabels on fisheries management and governance,** at the level of individual fisheries, at the national level and at the international level. Inquiry is needed to ascertain whether certification schemes are really incentivising good management practices, and with what impacts on the sustainability of fish stocks.

¹¹⁹ For a discussion of developments in eco-certification in aquaculture see: www.panda.org/about_wwf/what_we_do/marine/index.cfm?uNewsID=119260

12. CONCLUSIONS

While the rhetoric suggests that ecolabels have been developed in response to consumer demand, retailers and brand owners are now clearly driving that demand. A key motivation for retailers appears to be less the supply of ecolabelled products to consumers and more to position the company as a responsible buyer with NGO's and in the media. The fact that large supermarket chains demand certified product from their suppliers but only a small proportion of that product ends up as labeled items on supermarket shelves suggests that their motivations are more complex than simply responding to customer demand. As discussed earlier, robust certification schemes offer chain of custody systems that provide traceability guarantees to retailers and brand owners. They also provide a valuable addition to their corporate social responsibility policies. They are a useful insurance policy and marketing tool. Whether they can also incentivise better fisheries management needs to be investigated further.

Ecolabeling is a market-based mechanism designed to improve fisheries management and the sustainability of the world's marine resources. However, it does not absolve fisheries industries and governments from around the world of their responsibilities to improve fisheries management generally. Governments need to be cognizant of, if not actively involved, in the certification debate and need to monitor the impacts on industry governance and international trade. Moreover, with or without the existence of voluntary certification schemes, they must continue to actively imbed the FAO Code of Conduct for Responsible Fisheries into their national management strategies to ensure fish stocks are available for future generations.

13. REFERENCES

- Bjerner, M. M Boonyaratapalin, R Mungkung & N Wennberg. 2006. Study on Eco-labelling of Aquatic Products: general view and future considerations for the ASEAN area, SEAFDEC, Thailand.
- FAO. 2001. Product certification and eco-labeling for fisheries sustainability. FAO Fisheries Technical Paper 422. Rome.
- FAO. 2007. The State of World Fisheries and Aquaculture, 2006. Rome.
- FAO. 2007. Report of the twenty-seventh session of the Committee on Fisheries, 5-9 March 2007, FAO Fisheries Report no.830, FIEL/R830. Rome.
- FAO. 2007. Sixth World Congress on Seafood Safety, Quality and Trade, FAO Fisheries Proceedings 7. Rome.
- FAO. 2007. Global Trade Conference on Aquaculture. FAO Fisheries Proceedings. 9. Rome.
- Fliess, B. Hyung-Jong Lee, Olivia L. Dubreuil and Osvaldo Agatiello. 2007. "CSR and Trade: Informing consumers about social and environmental conditions of globalised production", OECD TD/TC/WP(2006)17/FINAL. www.oecd.org/tad.
- Fulponi, L. 2004. Private standards and the shaping of the agro-food system. OECD. AGR/CA/APM.
- Gardiner P.R. and K.Kuperan Viswanathan. 2004. Ecolabelling and Fisheries Management, WorldFish Centre. Malaysia.
- Greenpeace. 2006. A recipe for Change. www.greenpeace.org.uk.
- Jacquet, J.L and Daniel Pauly. 2007. The rise of seafood awareness campaigns in an era of collapsing fisheries. *Marine Policy*. 31(2007):308-313
- OECD. 2007. Globalisation and Fisheries. Proceedings of an OECD-FAO workshop. OECD Publishing. Paris, France.
- Ponte, S. 2006. Ecolabels and fish trade: Marine Stewardship Council certification and the South African hake industry, tralac Working Paper, Number 9/2006. www.tralac.org
- Porritt J and J Goodman. 2005. Fishing for good. Forum for the Future. www.Forumforthefuture.org.uk.
- Posiedon Ltd. 2004. Trade Issues Background Paper: Ethical/Social/Eco Certification, Labelling and Guidelines, Poseidon Aquatic Resource Management Ltd, Project PR 26109. www.nri.org
- Poseidon Ltd. 2007. Certification and branding of fisheries products: options and decision-making in APFIC countries. Presentation to APFIC regional workshop on Certification Schemes for Capture Fisheries and Aquaculture, HCM City, Viet Nam, 18-20 September 2007.
- Roheim C. 2003. "Thalassorama, Early indications of market impacts from the Marine Stewardship Council's ecolabelling of seafood", *Marine Resource Economics*, Volume 18(1): 95-104. USA.

Roheim C. and Jon Sutinen. 2006. Trade and Marketplace measures to promote sustainable fishing practices, ICTSD. Geneva.

Seafood Choices Alliance. 2007. The European Marketplace for Sustainable Seafood. United Kingdom.

Wieland, F. 2007. "Eco-labelling and certification: Prospects and challenges", Paper presented to Seminar on Economic Dimensions of European Fisheries; making economics work for sustainable fisheries, Brussels, 14-15 May 2007.



GLOBEFISH MARKET RESEARCH PROGRAMME

| | | | |
|--------|--|-----------|-----------|
| Vol.69 | Fishery Industry Profile – Thailand (76p.) | Nov 2001 | 30 |
| Vol.70 | The Fishery Industry in Greece (59p.) | Nov 2001 | 30 |
| Vol.71 | The German Market for Fish and Seafood (116p.) | Jan 2002 | 30 |
| Vol.72 | Fish Roe in Europe: Supply and Demand Conditions (47p.) | Nov 2002 | 30 |
| Vol.73 | Salmon – A Study of Global Supply and Demand (151p.) | July 2003 | 30 |
| Vol.74 | World Tuna markets (135p.) | May 2004 | 30 |
| Vol.75 | Fishery Industry Profile – Viet Nam (57p.) | July 2004 | 30 |
| Vol.76 | Fishery Industry in China (74p.) | Sept 2004 | 30 |
| Vol.77 | Overview of Organic Markets: an Opportunity for Aquaculture Products? (98p.) | Jan 2005 | 30 |
| Vol.78 | Seafood Price Indices (44p.) | Apr 2005 | 30 |
| Vol.79 | World Market of Tilapia (28p.) | Apr 2005 | 20 |
| Vol.80 | Fishery Industry Profile – Russia (70p.) | June 2005 | 30 |
| Vol.81 | Trends in European Groundfish Markets (153p.) | Nov 2005 | 50 |
| Vol.82 | Freshwater Species on the European Market (119p.) | Dec 2005 | 30 |
| Vol.83 | Fish Supply and Demand in the Near East Region (67p.) | Jan 2006 | 30 |
| Vol.84 | The Market for Nile Perch (94p.) | Apr 2006 | 30 |
| Vol.85 | Supermarkets and the Artisanal Fisheries Sector in Latin America (79p.) | Apr 2006 | 30 |
| Vol.86 | Markets and Marketing of Aquaculture Finfish in Europe (50p.) | Aug 2006 | 30 |
| Vol.87 | Lobster Markets (92p.) | Oct 2006 | 30 |
| Vol.88 | Republic of Korea – Fishery Industry Profile (Post Harvest Sector) (72p.) | Nov 2006 | 30 |
| Vol.89 | World Surimi Market (125p) | Nov 2006 | 30 |
| Vol.90 | Market Penetration of Developing Country Seafood Products in European Retail Chains (57p.) | Apr 2008 | 30 |
| Vol.91 | Ecolabels and Marine Capture Fisheries: Current Practice and Emerging Issues (52p.) | Apr 2008 | 30 |

1) Prices include air mail delivery

ORDER FORM

COPIES ARE AVAILABLE FROM:

FAO GLOBEFISH - Fish Products and Industry Division
Viale delle Terme di Caracalla, 00153 Rome, Italy

Tel.: (39-06)570 55074 - Fax: (39-06) 570 55188 - E-mail: GLOBEFISH@fao.org - <http://www.globefish.org>

20% DISCOUNT IS OFFERED ON ORDERS FOR MORE THAN TWO COPIES

I would like to order _____ copy(ies) of those volume number(s) as indicated above for a total of € _____

By bank cheque/draft in € _____ payable to GLOBEFISH (see address above)

By credit card:

Card No.: _____ Diners/Visa Euro/Master Card American Express

Expiry date: _____ Signature: _____

Bank transfer to: FAO General Fund (EUR). Account No: 67113276 with HSBC Bank, Plc (Swift Code MIDLGB22)
IBAN GB02MIDL40051567113276: 8 Canada Square, London UK, E14 5HQ, making reference to **GLOBEFISH**

Name: _____ Company: _____

Street Address: _____

City and Postcode: _____ Country: _____

Tel: _____ Fax: _____ E-mail: _____