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# Importance of Agri-food Standards in Food Value Chains in Sri Lanka: Case of Tea Industry

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# Outline

- Definition
- Changing standards environment
- Agri-food standards governing tea value chain
- Benefits & costs of compliance
- Net benefit of compliance

# What is a standard?


- *“Agreed criteria or reference points by which a product’s performance, its technical and physical characteristics, and/or process and conditions under which it has been produced can be assessed”*
- Simply transactions by lowering risks, and increasing credibility/trust.
- Pertains to quality (appearance, cleanliness, etc), safety (MRLs), authenticity (guarantee of geographical origin) and goodness of production (health/safety).
- Types of standards: product/process, public/private, mandatory/voluntary



# Changing standards environment

- Increasing stringency of public mandatory standards
- Increasing importance of private standards
- Shift from product to process standards
- Increasing scope of standards

# Agri-food standards in Sri Lankan tea VC

Standards	Cultivation	Manufacturing	Auction	Export 
<b>1. Public (mandatory)</b>	<ul style="list-style-type: none"> <li>GAP</li> </ul>	<ul style="list-style-type: none"> <li>GMP</li> </ul>	<ul style="list-style-type: none"> <li>ISO3720</li> <li>Foreign matter, micro-biological, heavy metal &amp; pesticide residue limits</li> </ul>	<ul style="list-style-type: none"> <li>ISO3720</li> <li>Foreign matter, micro-biological, heavy metal &amp; pesticide residue limits</li> </ul>
<b>2. Public (Voluntary)</b>		<ul style="list-style-type: none"> <li>ISO9001</li> <li>HACCP</li> <li>ISO22000</li> <li>CQC-QMS</li> <li>SLSI-SLTB product certification</li> <li>5S</li> </ul>	<ul style="list-style-type: none"> <li>ISO9001</li> <li>HACCP</li> <li>ISO22000</li> </ul>	<ul style="list-style-type: none"> <li>ISO9001</li> <li>HACCP</li> <li>ISO22000</li> <li>Lion Logo</li> </ul>
<b>3. Private (Voluntary)</b>	<ul style="list-style-type: none"> <li>ETP</li> <li>RA</li> <li>Fair Trade</li> <li>Organic</li> <li>GlobalGAP</li> </ul>	<ul style="list-style-type: none"> <li>ETP</li> <li>RA</li> <li>Fair Trade</li> <li>Organic</li> </ul>	<ul style="list-style-type: none"> <li>ETP</li> <li>RA</li> <li>Fair Trade</li> <li>Organic</li> </ul>	<ul style="list-style-type: none"> <li>Fair Trade</li> <li>Organic</li> <li>BRC</li> <li>Private Codes of Conduct</li> </ul>

# Benefits of Standards Compliance

- Market access
- Product differentiation
- Instill discipline
- Improve efficiency
- Price
- Buyer assurance
- Reduce wastage



# Benefits of Standards Compliance (cont.)

- Working environment
- Enhancement of reputation of the company
- Improvements in quality of product & production process

# Costs of Standards Compliance

- Capital costs to upgrade infrastructure
- Testing, auditing and certification costs
- Loss of production
- Consultant fees and training costs
- Addition staff and time
- Increase in input costs
- Multiple standards





# Net Benefit of compliance

- Benefits were greater than costs, while others thought they were neutral
- Point of view depended on how they valued the overall benefits
  - No net benefit because there was no (tangible) monetary gain
  - Net benefit: standards valued for intangible benefits





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