

Chapter 5

Globalisation in the Fisheries Retail Sector

The retail sector is becoming increasingly globalised and this is transforming food production and consumption. In fisheries, globalisation in the retail sector is changing the nature of procurement. The sector is characterised by powerful retailers at the consumer end of the value chain, industry consolidation, the growing strength of supermarket own-brands, and a rise in the number of private labels attached to standards. The key policy challenge facing governments is whether and how to respond to the increasing role of private standards in retailing.

Globalisation in the retail sector is transforming food value chains as economic pressures drive consolidation in the industry and supply chains extend across the globe; in fisheries, half of international fish trade by value now originates in developing countries but is sold in one of the three major developed country markets (European Union, Japan and the United States). Lengthening supply chains are also a feature of globalisation in the retail sector as many products pass through low-cost processing centres such as China and South-East Asia.

At the same time, individual food markets, particularly in developed countries, are increasingly reflecting local consumer preferences, often through “responsibility branding” on products. Responsibility branding is when retailers use logos on their products that promote socially responsible attributes, generally reflecting social and environmental issues that are of concern to their customers. In fisheries, overfishing has been the most dominant and longstanding concern, leading to logos that advertise, in particular, the sustainable nature of the product being sold. Logos may be developed by retailers themselves (such as Carrefour’s “Pêche Responsable”), by processors (Unilever’s “Ocean Friendly”) or existing third-party logos may be “adopted” by a retailer (the Marine Stewardship Council’s logo holds market dominance in this area).

While legislation is in place to ensure the legality of products (for example, Catch Documentation Schemes), and the health and safety of products for consumption (for example, Hazard Analysis and Critical Control Point [HACCP] procedures), sustainability is not regulated in the same way. This has led to the development of a wide range of private standards that underpin sustainability logos for retailers’ fish products. Although private standards in the sanitary field are causing concern to some operators and have been brought to the attention of the World Trade Organisation,¹ this chapter will focus on similar and additional concerns in the area of private standards for sustainability.

Over the last decade, responsibility branding by retailers has entered the public policy debate due to the expansion of such labels and the standards associated with them, consolidation in the industry and the increasing power of retailers in food value chains, bringing the role and responsibilities of public regulators in modern environmental governance under increased scrutiny. The key policy challenge facing governments is whether and how to respond to the increasing role of private standards in retailing. This will depend on identifying sources of market or regulatory failure, if there are any, and what the most cost-effective and least distorting policy interventions might be to address such failures.

The first part of this chapter will explore globalisation, the retail sector and the changing nature of procurement, before going on to discuss the growth and development of own-brands and associated standards in the retail sector. Finally, the chapter will address the implications for fish management policy of such standards and potential policy responses.

Globalisation of the fish retail sector

The growth of the broader retail sector has played a pivotal role in increasing the availability of fish to consumers. Traditionally, most seafood points-of-sale were small, specialist, family-owned stores such as fishmongers, and mainly in urban centres. Rapid expansion in the retail sector resulted in large “one-stop-shops” that cater to a wide range of consumer preferences. Access to such a large customer base affords retailers extensive purchasing power in the seafood value chain. Retailers can also then provide their consumers with a wide variety of seafood products, often at lower prices than more specialised traditional stores. The largest retailers and particularly food companies are also exploring a wide range of other ways to increase their market share, such as using a multitude of retail formats that are adapted to local market conditions (convenience stores, supermarkets, superstores and hypermarkets) or no longer confining their business to retailing (some retailers own farms, logistics centres, produce their own food, manage food laboratories, undertake research, serve as quality assurers and provide an ever-expanding product range such as pharmaceutical products, newspapers, financial products, petrol and clothes).

Global sales of food (including through foodservice establishments) were estimated at USD 4 trillion in 2002 (USD 531 billion in sales of fresh food and USD 1.7 trillion for sales of processed food) (Gehlar and Regmi, 2005). Today, the top 30 supermarket grocery chains in the world control an estimated 33% of all global food sales, making supermarkets one of the more powerful transnational corporate forces.

Despite phenomenal growth, most retailers still operate in their home country only. Among the world’s 250 largest retailers, 107 had no international operations in 2005. Those that were the most active in international markets were retailers from relatively small OECD countries (and South Africa) that face limited scope for expansion in their home markets (Table 5.1). Ninety three per cent of the top 250 retailers have their headquarters in the United States. The world’s largest retailer is Wal-Mart (USA) which alone accounted for 10% of the top 250’s sales in 2005, followed by Carrefour (France) with 3%. Retailers that sell mainly food and groceries tend to saturate one market before moving to the next while speciality retailers (clothing, electronics) tend to internationalise faster (Nordas, 2007).

Table 5.1. **World top 10 food retailers**

Rank	Company	Home country	Net sales EUR million	Approx. % of total sales	% sales outside home country	Number of countries
1	Wal-Mart	USA	251 357	10	23	15
2	Carrefour	France	74 497	3	53	31
3	Tesco	UK	56 020	2.2	23	14
4	Metro Group	Germany	55 722	2.2	52	30
5	Kroger	USA	48 717	1.9	0	1
6	Ahold	Netherlands	44 496	1.8	82	11
7	Target	USA	42 334	1.7	0	1
8	Costco	USA	41 725	1.6	20	7
9	Rewe	Germany	41 700	1.6	31	13
10	Schwarz group	Germany	36 849	1.4	44	22

Source: Nordas (2007).

Growth of sales in seafood through the retail sector

Over time, supermarkets and caterers have become more important distributors of fish and fish products, and the share of fish and fish products sold through supermarkets has increased considerably over the past decades (Table 5.2). Sales via retailers accounted for 61.3% of fresh and frozen fish product sales volumes in 1999 (www.itsfood.com).

Table 5.2. Supermarket shares of sales of fish and fish products

	Supermarket share of total fish and fish product sales (%)	Supermarket share of total retail sales of fish and fish products (%)
France	59	85
Germany	50	85
United Kingdom	50	90
Spain	45	60
Italy	42	60
United States	40	90

Sources: FAO, OECD, MC Montfort (personal communication).

The type of seafood products purchased through retailers has also been changing. Partly, this is due to the changing nature of seafood trade and partly due to changing consumer preferences. Fresh fish that has undergone no processing is highly perishable. In order to preserve shelf life, more than 90% of trade of fish and fishery products consists of processed products in one form or another. In addition, the drive for fish-based convenience products can be seen in increasing consumer preferences for ready-to-cook fish products at the expense of fresh/chilled wet fish.

The rise in aquaculture industries over the last two decades has coincided with the growth in importance of supermarkets in fish retailing, which requires a continuity of supply of type, quality and timing. Farmed salmon has seen a remarkable increase over this period due to its ability to meet contractual requirements by supermarkets for timing, low prices, and its suitability for a variety of different value-added products. As a result, salmon retail grew 62.4% between 1995 and 2000.

Consolidation in the retail industry

The retail industry has recently experienced consolidation in response to economic pressures and globalisation, particularly in European countries. For example, the number of retail firms in Finland has fallen by 30% in the last decade and 50% in France over the last two decades (Guillotreau, 2003). Consolidation is also occurring as retailers favour close relationships with few suppliers in order to guarantee quality, volume, efficiency and traceability. Retailers may also liaise directly with the harvesting element of the value chain and source directly from landing sites. For example, initiatives by British supermarkets such as Tesco and Asda include direct contract relations with trawlers on the basis of detailed quality and delivery specifications.

Nevertheless, supermarkets have retained their dominance in the food chain and their market share of total retail sales remains high. In France, the supermarket share of total retail sales increased from 32% in 1972 to 70% in 2000; in the United Kingdom this figure was 16% in 1988 and 64% ten years later. In total, only five retail companies account for the majority of supermarket sales in Finland, France, Portugal and the United Kingdom (Guillotreau, 2003).

International sourcing

Sustained and increasing demand for fish and fish products alongside overfishing in traditional, developed country fisheries has resulted in the progressive reorganisation of sourcing practices. Seafood businesses are reliant on secure and stable supplies of fish, and supply structures are increasingly the result of demand by retailers for consistency and volume from suppliers. Supermarkets now source products from a growing variety of countries, lengthening some supply chains. For example, Wal-Mart sources fish from 70 countries and Tesco sources from 38 (OECD, 2008). Darden restaurants source seafood from more than 30 countries by contracting directly with the producer in the country of origin (Figure 5.1 countries in dark blue). Developing countries now account for more than 50% of the global export value of fish and fisheries products, playing a critical role in seafood sourcing for developed country markets.

Figure 5.1. **Darden – A global seafood purchaser (from countries in dark blue)**



Source: OECD (2008).

However, as mentioned earlier, some supermarkets choose sourcing location according to the nature of the product. For example, in the case of Tesco, freshness requirements and transport costs mean that fresh fish is likely to be sourced locally. On the other hand, frozen fish, convenience packs and canned fish can be transported over greater distances.

Table 5.3 is a summary of the different sourcing policies (for all products) of selected retailers.

Table 5.3. **Sourcing of selected retailers (all products)**

Company	Sourcing	Number of suppliers
Ahold	Global, distribution at regional level	10 000
Carrefour	Food items sourced locally, representing 90% of total sales value	4 000-15 000 on a national basis, depending on where it operates
Metro	90% of food products comprising 70-80% of total sales are locally sourced. Remaining 10% sourced internationally	12 500
Tesco	Locally, unless conditions prevent this	4 000

Source: Nordas (2007).

The growth of private standards and labels for sustainability

Own-branding

Own-brands are private brands that are sold exclusively by a specific retail chain, usually under its own name (Nordas, 2007). Initially, own-brands were fairly low-quality products but have become increasingly sophisticated. Despite the fact that price and quality remain leading criteria in customer purchasing decisions, consumers in markets such as the US and EU increasingly attach importance to how companies conduct their business. As the last link in the chain between the producer and the customer, retailers in these markets are increasingly held accountable for both local and global concerns such as social responsibility, environmental impact and sustainability, and retailers need to remain sensitive to such concerns. Corporate social responsibility policies can be highlighted through labels on own-brands and can build reputation and increase market share.

The expansion of own-brands has changed the relationship between suppliers and retailers as own-brands are typically developed and standardised by the retailers and produced by a number of suppliers on a contractual basis. This means that contracts are based on the supplier's ability to meet the requirements of the retailer's standard and verification procedures. Retailers no longer just buy what is on offer from suppliers but increasingly determine what they want supplied and the terms and conditions under which commodities should be supplied. As they have direct contact with the final consumer, the conditions retailers impose on suppliers are primarily in order to protect their crucial but fragile reputations. Box 5.1 illustrates this with the example of the French supermarket chain Carrefour's sourcing and fisheries policies. Company-wide sourcing and sustainability policies such as those found in Carrefour lead to an increased need for sustainability and chain-of-custody traceability and security.

Retailer bargaining power means that suppliers are likely to bear the cost of meeting standards, which potentially could be quite high. On average, the price of such own-brands was 31% lower than comparable branded goods. However, the gross margin on private labels averaged 35% in 2000, compared to 25% for branded goods; generally, the higher the quality of own-brand, the tighter the relationship with suppliers through subcontracts and integration. In such cases, the retailer takes responsibility for the entire supply chain, including product innovation and marketing.

The aggregate value of private labels in 36 countries was 15% of total supermarket sales in 2003, growing to 17% in 2005. In some countries such as France, this figure is around 25% while in Switzerland it is around 50% (Nordas, 2007; Guillotreau, 2003). The largest growth has been in the ready-meals market where own-brands accounted for 95% of home-ready meals sold in the UK in 2006 (Burch and Lawrence, 2007). The Private Label Manufacturers Association gives more specific data on the market share of private labels in the French seafood market (Table 5.4).

Box 5.1. Carrefour and its sourcing and fisheries policies

Carrefour is a French supermarket chain that is currently the second largest retailer in the world with 15 000 stores, 490 000 employees and sales (including tax) of EUR 90.7 billion per annum. Carrefour is predominantly focused on the European market and 87.6% of its stores are located on the European continent (51% in France itself), 6.3% in Latin America and 6.1% in Asia. The group operates in 30 countries and currently, 54% of group turnover derives from outside France.

In light of increased media attention given to the problem of overexploitation of ocean resources, the Carrefour group decided to promote sustainable fishing as part of an overall sustainable management of resources policy. In 2004, the Responsible Fishing Code was launched. The Code ensures that Carrefour undertakes environmental audits of catching areas, vessels, factories, etc., as well as improved purchasing from small-scale fisheries in order to promote local know-how and ensure co-operation with specialised organisations such as the Groundfish Forum, WWF, etc. In the fresh seafood department, the Code means that the Carrefour Group favours shrimp accredited by the Global Aquaculture Alliance (GAA) and promotes herbivore species in order to limit the inclusion of deep-water species within its catalogues. For its own-brand seafood, Carrefour will not source from unsustainable stocks, fish must be GMO-free, no allergenic products can be used in processing and only natural additives. Finally, from 2007 onwards, Carrefour stores started to source MSC-certified products.

In order to achieve these goals, Carrefour has strong relationships with suppliers through long-term contracts. It does this through a global policy of direct relationships with producers in harvesting and processing to ensure sustainability from method-of-capture to socio-economic considerations in the fishery.

Product, tonnes	Carrefour (France)	All retailers (France)
Fresh	64 000	160 272
Frozen	42 000	121 236
Canned	32 000	105 728
Other (smoked, ready meals, surimi, etc.)	22 000	67 581
Total	160 000	454 818

Sources: www.carrefour.com; Gaebel (2007).

Table 5.4. Market shares of private labels in the French seafood market in 2000

Product	% quantity	% value
Dried/salted/smoked	27.6	25.3
Smoked fish	42.1	39.1
Smoked salmon	31.9	34.4
Frozen fish	43.7	42.2
Frozen shellfish	34.9	31.1
Canned fish	37.2	32.8

Source: PLMA International Council, *Yearbook of Private Labels* (2001), quoted in *Produits de la mer*, No. 68, August-September 2001 (Guillotreau, 2003).

Adopting third-party standards

Supermarkets are using seafood as a leading product sector of their responsibility-brand positioning, and in particular, with respect to social and environmental aspects. Retailers are using pre-existing third-party labels on some of their own-brand products. For example, Wal-Mart in the US, and Waitrose and Tesco in the UK, are all publicly committing themselves to responsible sourcing for their fish home brands (OECD, 2008).² Germany, the Netherlands and the UK are the leading markets for MSC products while overall, 1 600 products carried the MSC label in 86 retail chains across Europe representing USD 250 million per annum (*www.msc.org*). Other supermarkets are identifying sustainable exploitation on their own-brand seafood through their own labels, such as Carrefour's "Pêche Responsable" Label, while also selling MSC-certified products in its hypermarkets (see Box 5.1 and Table 5.5).

Table 5.5. European retailers with the largest range of MSC products under own-brand in 2005

Chain		No. of MSC products sold under retailer's own-brand	Products
Migros	Switzerland	36	Fresh-frozen-smoked Alaska salmon, Alaska salmon roe, Alaska chum wild salmon, Cornish resh-smoked mackerel
Sainsburys	United Kingdom	8	Fresh-smoked-canned Alaska salmon, hoki ocean pie, hoki fillets
Coop	Switzerland	7	Smoked-marinaded-frozen Alaska salmon

Source: O'Sullivan (2005).

NGOs have also tapped into or driven these concerns and have developed various strategies to wield influence over consumer 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 boycotts of particular species (Washington, 2008). Retailers have used labels on own-brands as a defensive strategy to insulate themselves from potentially damaging publicity such as Asda experienced in 2005 (Box 5.2) and can form part of their risk management.

Box 5.2. Reputational interests

In late 2005, Greenpeace published a report that ranked UK retailers according to their sustainable seafood buying practices. Asda, Wal-Mart's sister company, ranked last. Greenpeace used highly visible tactics, including a rooftop demonstration, to protest at Asda's use of endangered or "at risk" sources of seafood. By January 2006, Asda released details of their new sourcing policy that removed fish determined as unsustainable by Greenpeace. Significantly, Wal-Mart also agreed to source all of its wild-caught fresh and frozen fish for the North American market from fisheries that meet the Marine Stewardship Council's (MSC) independent environmental standards for sustainable and well-managed fisheries. The case highlights not just the reputational risks that retailers face that drive their consumer-oriented policies, but also the increasing privatisation of environmental governance through the participation of non-state actors, the nature of retail standards and the reliance on market to stimulate compliance.

Source: OECD (2008).

Policy issues and challenges

The influence of retailers on government policy

The emergence of codes of conduct and standards in the supply chain assists retailers in product marketing and branding through the use of labels that identify the standards being used. Competitive advantage translates into sales and labels have emerged as a way to differentiate products, reflecting the growing role of product attributes as a measure of competition. In addition, private standards permit the production, identification and preservation of product and process characteristics throughout the supply chain and can therefore assist with the effective co-ordination of supply chains. This can increase efficiency, reduce transaction costs and help ensure traceability. Essentially then, standardisation in value chains can be commercially profitable (Smith, 2007).

Retailers are also setting and enforcing their responsibility standards or adopting third-party standards for use on their own-brand seafood not because of a lack of regulation in the fisheries sector *per se*, as indeed the fisheries sector has a long history of prescriptive governance, but because consumers are looking for assurances beyond those from governments that fish stocks are sustainably exploited. As retailers are at the consumer end of the value chain, they have the greatest incentive to assure consumers of their ability to provide products from sustainable sources in order to preserve their reputational interests.

The expansion of own-brands has changed the relationship between suppliers and retailers as own-brands are typically developed and standardised by the retailers and produced by a number of suppliers on a contractual basis. This means that contracts are based on the supplier's ability to meet the requirements of the retailer's standard and verification procedures. If a fishery wants to meet the requirements of sustainability adopted by retailers, fisheries management authorities may be put under increasing pressure by the fishery to introduce any necessary changes. Where there is a need for improvement in fisheries management, this could be seen as a welcome driver. However, where competent fisheries authorities already operate, the outcome is that retailers could push the costs of managing their reputation and commercial risk on to public agencies and may undermine the credibility of domestic governance arrangements.

The role of governments

In the rush to exploit consumer demands and other incentives for sustainable exploitation of fisheries resources, little attention has been given to the wider implications of the growth in private standards in the retail sector. Through their standards, retailers are putting pressure on fisheries managers to alter management arrangements regardless of whether or not such changes are justified from a public policy perspective. This raises fundamental questions about whether environmental standards in the area of sustainability can be left to private institutions or whether public policy intervention is required and, if so, what intervention is the most cost effective and least distortionary and how much regulation is "enough" for sustainability in fisheries?

The growing importance of private standards, particularly in relation to environmental sustainability, has led to debate surrounding the role and responsibility of public policy in this area. Fundamentally, private standards reflect different objectives to that of public standards. Private systems seek to maximize private gain for their shareholders and do not typically share the characteristics normally expected of public systems, such as participation, transparency,

accountability and dispute settlement processes, although these may be a feature of some private standards in an effort to generate legitimacy and acceptance. The policy challenge for governments is how to identify and address any potential regulatory and market failures of private standards while recognising that private standards are intended to address an important public policy challenge – that of unsustainable fishing – and without undermining the consumer preferences and market actions they represent (Smith, 2007).

Correcting for asymmetric information

A number of different standards for sustainability are in use in the retailing of fish. Retailers use an identifying label that highlights the sustainability credentials of products, some of which have achieved international recognition. However, the wide variety of standards that claim similar attributes for fish – but with differing methods of implementation and verification – means that the proliferation of private and public certification schemes with potentially incompatible criteria and requirements pose a particular challenge for producers, consumers and policy makers. Information asymmetries and competition between standards mean that there may be little scientific information available to justify differences in standards, adding confusion in the marketplace and possible erosion of credibility. Competing standards for sustainability can frustrate or mislead intended audiences and attract negative publicity where poorly designed or implemented (Washington, 2008).

Ensuring access to markets

The outcome of developments in responsibility branding by retailers is that they no longer merely buy what is on offer from suppliers but progressively determine what they want supplied and the terms and conditions under which commodities will be supplied. For the supplier, access to a given retailer's value chain means, in effect, access to its market (Henson, 2006). Traditional, artisanal and small-scale fisheries may be excluded from trade-related fisheries development as a result of the costs of compliance with retailer standards or because rents do not accrue to those bearing the costs of certification.

Costs of compliance and implementation are the result of a lack of business contact and trade networks, access to finance and market information, remote infrastructure and support services, a lack of access to price information and regulatory failure that means they do not have the resources or institutional capacity necessary to certify their fishery as sustainable (Worldfish Center, 2007). As a diminishing number of leading retailers govern these supply chains and an increasing number of private standards are laying down conditions for market-access, there is greater scope for exclusion from label-associated price premiums or even entire markets for suppliers who do not meet these standards.

At the same time, access to developed country markets remains one of the leading demands of developing countries in the negotiations for agricultural trade liberalisation. Economic integration in the world trading system can help promote growth for developing countries and hence long-term poverty reduction. As developing countries are the major suppliers of fisheries resources, a large potential exists to use seafood trade to aid development. For many exporters, this means access to high value retail chains in industrialised countries (OECD, 2007). Some developing countries and countries with small-scale fisheries perceive that these *de facto* standards, procedures and document requirements constitute informal trade barriers (FAO, 2005). There is little reliable information on the extent to which private standards affect trade flows from developing

country and small-scale fisheries. Nevertheless, private standards fall outside the scope of existing institutions providing discipline in the use of food standards, trade flows and international standardisation infrastructure (Henson, 2006).

However, caution must be exercised in attributing to private standards alone the sole responsibility for the exclusion of suppliers, particularly small holders, from the value chain as other infrastructure including energy supplies, transport, communication, traceability, and record keeping, may also play a role (Fulponi, 2007). Nevertheless, pressure to comply with private standards can impose additional costs on suppliers, particularly as most conformity assessment procedure involves independent third-party certification, and these costs will be greater for countries where public and private standards are less well developed due to a lack of technical and administrative capacities and resources (Rotherham, 2008).

Policy options

The policy issues and challenges highlighted in the preceding section are factors emerging in the debate on the role of private and public institutions in environmental labelling and with respect to sustainability in fisheries in particular. When considering the role of private and public institutions in the environmental sector, it is important to remember that their fundamental aims differ. While private standards may be focused on the credentials of a final product (for example, “sustainably caught”) that will assist their profit maximisation through product differentiation and reputation, ensure future supply and standardise supply chains, their aims remain commercial branding. Governments, on the other hand, will look at the effects of standards on the industry as a whole and may have multiple goals to take into account, including social equity that may require broader policies than single issues such as solely sustainable exploitation (Washington, 2008).

What then are potential policy options for governments? The credibility of fisheries management authorities can be enhanced by ensuring, at a minimum, domestic compliance with national and international legislative frameworks. Governments can also regulate for regulatory and market failures through a range of options that are not mutually exclusive. This could include adopting policies that ensure standards are not misleading, assisting developing countries in meeting current standards and adopting minimum standards. Finally, some options will be examined regarding the extent of policy intervention in the sector.

“Truth in advertising” standards

Overall, the success of private standard schemes depends on consumer awareness and the credibility of the standard. Consumers are inundated with products that make “green” claims, not all of which are accurate, substantiated or verifiable. For example, a recent study of environmental marketing found that out of 1 018 common consumer products randomly surveyed, 99% were guilty of “greenwashing” (the practice of making an unsubstantiated or misleading claim about the environmental benefits of a product, service, technology or company practice) (TerraChoice, 2007). These included unverifiable claims of “organic” and products with false claims that were certified by an internationally recognised environmental standard.

Governments can ensure the integrity and credibility of competing standards to prevent fraudulent use of standards and consumer confusion. For example, the British government introduced the Green Claims Code in February 1998. Although the Green Claims Code is

entirely voluntary, there is some evidence to suggest that it has led some retailers to improve their own-brand products (UK Parliament, 1999). In 2008, the Canadian Competition Bureau announced a crackdown on environmental claims in advertising and labelling by publishing a set of guidelines to prevent businesses from misleading consumers about the green benefits of their products. Businesses must now prove their environmental claims and may be subject to fines where they are not verifiable (De Souza, 2008).

Developing country and small-scale fisheries assistance

Strengthening governance systems, such as clarifying and reinforcing individual and communal property rights, investing in monitoring, control and surveillance mechanisms, and providing assistance for data-poor fisheries in developing countries, are examples of capacity building that would help small producers benefit from the opportunities of globalisation. The capabilities of small-scale producers to engage in both international trade and local resource governance also requires attention (such as through training in seafood processing and handling to meet export requirements).

Retailers themselves are aware of some of the concerns surrounding the legitimacy of standards and tend to work with a wide variety of stakeholders in standard setting. Perhaps in light of consumer concerns in this area, private standards have become more inclusive through the participation of non-commercial interests such as NGOs, consumer groups and developing country representatives (Henson, 2006). In addition, retailers may help existing suppliers to comply with new standards in order to maintain contractual working relationships that have been mutually beneficial. Governments may wish to encourage this type of behaviour.

Minimum standards

To prevent suppliers from having to meet multiple standards, governments could provide minimum standards for such schemes. To some extent, governments are working in this area through the forum of the United Nations Food and Agriculture Organisation (FAO). In 2004-05 the FAO Subcommittee on Fish Trade developed and adopted a set of Guidelines for the Ecolabelling of Fish and Fishery Products from Marine Capture Fisheries. Similar FAO Guidelines for Aquaculture are also under discussion. The Guidelines are voluntary in nature and are applicable to schemes that are designed to certify and promote labels for fish from well managed fisheries. The purpose of the FAO Guidelines is to create some minimum requirements for labels, in particular private ones that remain outside of regulatory oversight. However, fear of violating international rules or reining in the industry has led to a lack of regulatory stringency for private schemes (Stokke, 2004).

The extent of policy intervention

Within the wider architecture of contemporary governance, important limits to private regulatory capacities exist, while it is acknowledged that they still have the capacity to exercise considerable power. If policy makers leave the governance of private standards to global supply chains and the retailers that manage them, the outcome may be stringent standards that use market demand to achieve environmental and business goals, but potentially at the expense of market access by developing country producers as well as a lack of credibility in sustainability claims, consumer confusion and ultimately, devaluation of such standards.

Nevertheless, in countries where there is already an effective fisheries management regime, current policy responses have remained fairly neutral. In April 2007, at a meeting of the Fisheries Council, Ministers responded to the 2005 European Commission Communication on “Launching a Debate on a Community Approach towards Ecolabelling Schemes for Fisheries Products” [COM(2005)275 final], Brussels, 29 June 2005. Although a preference was expressed for establishing minimum requirements for such schemes, there has been no legislation introduced to date. In addition, individual countries continue to exhibit different responses to the growing presence of retailer standards in the market. For example, the United Kingdom currently provides grants to fisheries to enable them to seek certification whereas the United States will only provide information to applicants and certification entities for private sector certification (Washington, 2008). Recently proposed EU legislation to combat Illegal, Unreported and Unregulated (IUU) fishing uses the market to enforce standards for the legality of both landed and processed products.³

At the same time, it is clear that natural resources management in general requires a flexible approach and it is a particular strength of private organisations that they have the ability to influence fisheries sustainability in a positive way. Policy makers can therefore build on the progress made by private entities. For example, retailers can move quickly in response to consumer demand, meaning that retailers can act as important first-movers ahead of government. Private standards can also lead the way on public policy objectives by using market incentives for sustainability and in the process moving discussions from high-level policy rhetoric to action (Washington, 2008). Private standards do also hold advantages in flexibility, cost, speed of product development and the positive use of peer pressure in the industry.

Final observations

In general, the proliferation of private standards is part of a wider market trend that has seen the emergence of new actors in environmental governance. This section has shown that the increasing influence of retailers on the sustainable utilisation of fisheries resources through their standards has created a more complex policy space. In a world where industry, government and NGOs are increasingly employing market-oriented private standards that address important public policy problems, the lines separating the public and private spheres are blurring, raising the interesting policy challenge of sensible regulatory responses (Webb, 2002).

It is clear that private standards cannot be a replacement for the state but can enrich legislation and use their first-mover status to become an additional instrument for rule development and implementation. Operating alongside legislative techniques and processes, the actions of retailers can increase and enrich the possibilities for effective norm development and implementation, particularly because they adopt a bottom-up approach that reflects demand-side interests (Webb, 2002). However, they can also lead to excessive or misdirected norms and regulation.

All stakeholders need to embrace a new concept of governance – one that brings together a wide range of instruments to harness the potential of a broad range of actors (Webb, 2002). Governments have a role to play in determining what are acceptable standards, for what purpose they may be developed, who benefits from them, and their future development in order that retailers, suppliers, consumers and public policy makers all gain from globalisation.

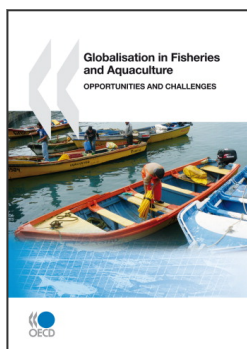
Notes

1. Submission by the World Organisation for Animal Health (OIE) to the Committee on Sanitary and Phytosanitary Measures of the World Trade Organisation, 25 February 2008, G/SPS/GEN/822.
2. This is the case for capture fisheries, with most supermarkets using MSC-certified stocks for sourcing. As no similar scheme exists for aquaculture, organically-farmed fish is occupying the sustainably-farmed product niche.
3. http://ec.europa.eu/fisheries/cfp/external_relations/illegal_fishing/pdf/regulation_en.pdf.

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