



Fostering Green Exports through Voluntary Sustainability Standards



Assessment of Readiness for Organic Certification

Philippines Virgin Coconut Oil Value Chain

The project "Fostering green exports through Voluntary Sustainability Standards" of the United Nations Conference on Trade and Development (UNCTAD) helps developing countries build their capacity to achieve sustainable growth through green exports.

Using the VSS Perception Assessment Toolkit developed under this project, UNCTAD works together with the government and industry stakeholders to identify policy options to capture green market opportunities and contribute to the country's achievement of the Sustainable Development Goals (SDGs).

This brochure summarizes the **key challenges and policy options** identified in the assessment of the preparedness of Filipino stakeholders to enter the organic virgin coconut oil market.

The assessment is based on a survey and interviews of 102 input providers, farmers, processors, brokers and representatives from academia, government and certification institutions from Quezón, Laguna and Batangas.

Challenges

- ❖ Getting organic certification is administratively burdensome
- ❖ Organic certification is costly
- ❖ Incentives to comply with standards are low
- ❖ Low productivity leads to non-organic practices
- ❖ Local demand is low
- ❖ There are too few organic certifying bodies
- ❖ The subsidies programme has limitations

Policy options

Among others:

- Build capacity to produce organic inputs
- Provide extension services
- Support membership in associations
- Increase the number of accredited organic certifying bodies
- Integrate organic practices in livelihood programmes

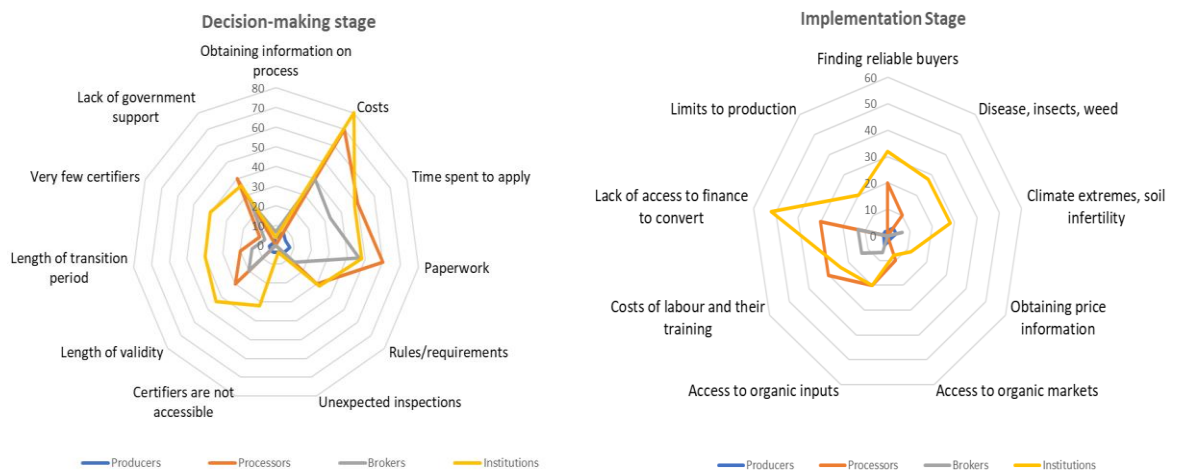
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Challenge 1: Too much work needed to get certified

- Filling in certification documents and keeping records for audits is challenging for producers.*
- Processors and exporters have to do this for multiple certifications.
- It is difficult for processors and exporters to train producers.

We asked stakeholders if they think cost, paperwork, inspections, and others are barriers to getting certified. Figure 1 shows what percentage of each type of actor considers those factors to be severe barriers to certification.

Figure 1. Severe barriers to certification, by actor type



Note: Values refer to the percentage of respondents who consider each issue a severe barrier to certification.

Processors, brokers and institutions** think that the **cost of certification**, and the **time and paperwork** required for the application are severe barriers to decide to get certified (left side of Figure 1). Institutions also think that the **length of validity** of certification, the **length of transition period** to become certified, and the **lack of competition among OCBs***** are severe barriers to decide to get certified.

Lack of access to finance to convert to organic production is the main barrier in the process to get certified (right side of Figure 1). Other barriers are **finding buyers** for certified products, incidence of **pest and diseases** in certified farms, vulnerability of farm production to **climate extremes** and soil infertility, and **costs of labour and training** for organic production.

In general, producers do not have a clear idea of what factors are barriers to certification.

Challenge 2: High costs of organic certification

- Certification is too expensive for producers.
- Processors and/or exporters apply and pay for certification for producers.
- Transition periods are long, validity short, and renewal complex.

❖ The transition period from conventional to organic farming is 3-5 years.

❖ The fee for a national certification is Php 30,000 (US\$580). For an international one, the fee is Php 300,000 (US\$5,800). This is very expensive compared to the average annual income of a coconut farmer, around Php 20,000 and with volatile farmgate prices for coconut.

❖ Certifications are valid for 12 months. To renew a certification, processors need to go through the entire process again: present the same documents and pay the fee.

* The term "producers" refers to coconut producers: farmers, farm workers and farm tenants.

** The term "institutions" refers to representatives of academia, government and certifying bodies.

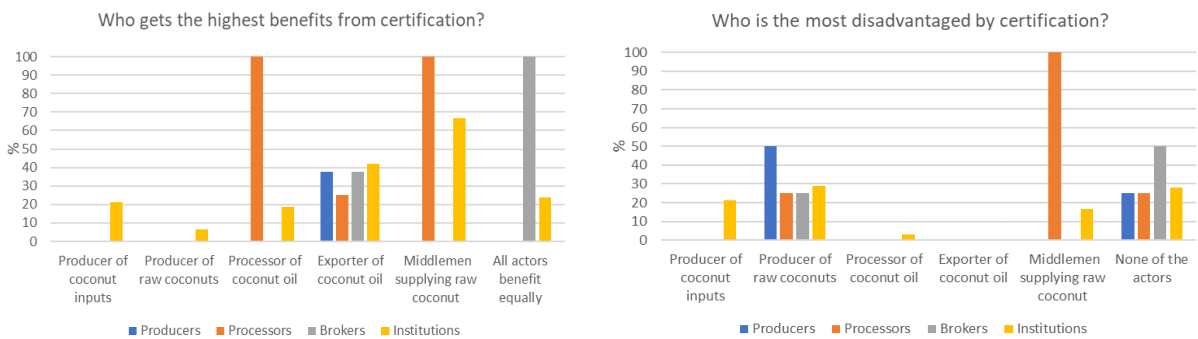
*** OCB stands for organic certifying body.

Challenge 3: Incentives to comply with standards are low

Producers do not perceive benefits from certification and inspections are not frequent. This leads to poor compliance, harming the credibility of Philippine organic products.

We asked who benefits the most from certification and who is most disadvantaged by it. Stakeholders agreed that processors, exporters and middlemen benefit the most from certification and producers are the most disadvantaged by it (Figure 2).

Figure 2: Who benefits from and who is disadvantaged by certification, according to actors



The survey revealed that producers are the least embedded and have the least power among the value chain actors in terms of their access to information and resources. Since they do not perceive benefits, **farmers lack incentives to comply** with standards.

In addition, the infrequency of inspections, limited by the number of inspectors available, increases the risk of non-compliance. These factors render the quality and quantity of coconut oil inconsistent, making it more difficult for exporters to meet the demand of foreign buyers.

Challenge 4: Low productivity leads to non-organic practices

Factors affecting productivity: old trees, soil erosion, climate change, pests.

It is difficult to comply with organic farming practices, because in many cases producers need to apply fertilizers or pesticides to coconut trees and other crops on the same farm. This is motivated by the low productivity of coconut due to:

- ❖ **Old trees, soil erosion and urbanization:** government programmes for replanting only cover a small portion of coconut farming.
- ❖ **Pest and diseases:** coconut scale insects (CSI) motivated the use of injections of non-organic chemicals that caused rotting and damaged the reputation of the coconut industry in international markets. Policy supported the use of injections.
- ❖ **Climate change:** increase in the intensity of typhoons, rainfall and droughts. Programmes for seedlings or planting materials do not reach remote farms. No mitigation strategies are being adopted.

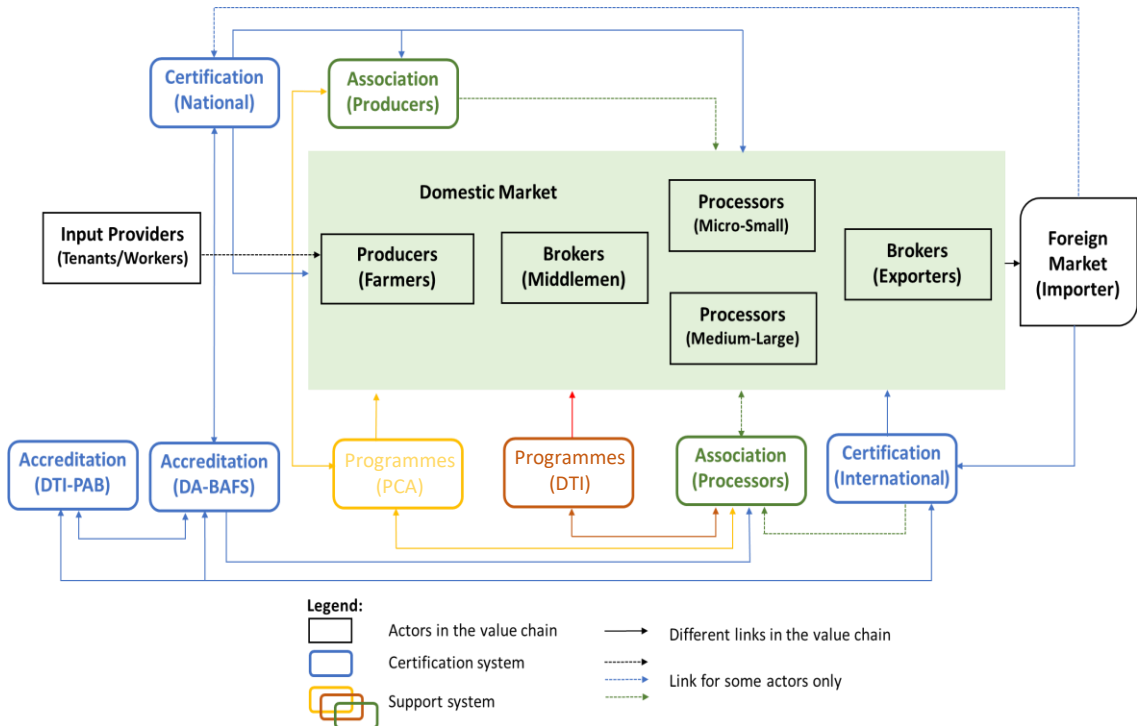
Challenge 5: local demand is low

Demand in the local market is small because benefits from organic production are not widely acknowledged and organic products are perceived to be expensive.

Challenge 6: Low number of organic certifying bodies (OCBs)

Only two accredited national OCBs (reinforces challenges 1, 2 and 3)

Figure 4: The value chain of organic virgin coconut oil



Note: DA is the Department of Agriculture, DTI is the Department of Trade and Industry, PCA is the Philippine Coconut Authority, DA-BAFS is the Bureau of Agriculture and Fisheries Standards in the DA; DTI-PAB is the Philippine Accreditation Bureau in the DTI.

Figure 4 shows the value chain of organic virgin coconut oil.

- ❖ Certification is based on *third-party* assessments. OCBs are accredited by the DA-BAFS.
- ❖ OCCP* and NiCert** are the only national OCBs (mainly for the domestic market).
 - They must comply with the Philippine National Standard for Organic Agriculture (PNS-OA).
- ❖ Control Union and ECOCERT are examples of international OCBs (for exports).
 - They must comply with the standards of different importing countries, e.g.: EU organic requirements, Japanese organic requirements (JAS), USDA NOP***, etc.
- ❖ Processors apply to the OCBs for organic certification directly. Farmers and micro-, small- and medium-sized enterprises (MSMEs) apply to OCBs through processors, associations or government programmes.
- ❖ The DA and DTI provide direct support to the certification of production, processing, and export of coconut oil (through **conditional subsidies** and others). Many other agencies have programmes that raise awareness of and participation in organic certification.

Challenge 7: Limitations of subsidies

The conditions of the programme for subsidies affect its efficacy. It requires three years of organic practice prior to reimbursement (difficult because of challenge 2), guarantees by OCBs (difficult because of challenge 6) and exporters do not qualify (challenge 5).

*Organic Certification Center of the Philippines

** Negros Island Certification Services (renewing its accreditation at the time of this study)

*** United States Department of Agriculture National Organic Program

Policy options to address challenges

... to enhance the knowledge of producers

- ❖ Build public awareness on the key role of farmers in certified value chains (challenges 1 and 3)
- ❖ Implement organic education in schools (challenges 1 and 3)

... to provide access to resources and facilities

- ❖ Build capacity to produce organic inputs and integrate them in livelihood programmes (challenges 2, 3 and 4)
- ❖ Create access to small-scale processing facilities at affordable rates (challenges 2 and 3)

... to strengthen partnership

- ❖ Provide entrepreneurial skills/support to shift away from traditional production structures (challenge 3)
- ❖ Support membership in associations (challenge 3)
- ❖ Provide extension services (challenge 3)

... to foster a competitive OCB sector

- ❖ Facilitate the accreditation of more OCBs (challenge 6)
- ❖ Provide capacity-building for OCBs (challenge 6)

... to create an innovative certification system

- ❖ Provide a premium to producers (challenge 3)
- ❖ Promote the sharing of certification costs (challenge 3)
- ❖ Reduce paperwork (challenge 1)
- ❖ Require less documents for renewal (challenge 1)
- ❖ Align standards (challenge 1)
- ❖ Set up an online platform for best practices and knowledge-sharing (challenge 1)

... create a domestic market

- ❖ Make processed organic products affordable for local consumers (challenges 3 and 5)
- ❖ Increase awareness (challenges 3 and 5)
- ❖ Improve marketing strategies for organic products (challenges 3 and 5)

...consolidate supporting actions

- ❖ Integrate organic practices in livelihood and productivity programmes (challenge 4)
- ❖ Improve subsidy programmes, e.g. provide support for farmers and MSMEs during transition period (challenge 8)

Note: OCB stands for organic certifying body.

Fostering Green Exports through Voluntary Sustainability Standards in Developing Countries

With global demand for "eco-friendly" or "green" products – i.e. those that are considered nature-based, healthy, eco-friendly, and socially correct – on the rise, major retailers increasingly opt for products that claim to be sustainable.

One way a product can claim to be "green" is by carrying eco-labels that confirm that products meet Voluntary Sustainability Standards (VSS).

Voluntary Sustainability Standards are norms and standards that are used to ensure that a product in question is produced, processed or transported in accordance with certain sustainability metrics, such as environmental impacts, basic human rights, labour standards, and gender equality. Many VSS schemes grant certifications or labels as "seals-of-approval".

Around 500 VSS today apply to key exports of many developing countries, such as coffee, tea, bananas, cocoa, palm oil, timber, cotton, and organic agrifoods.

Well known VSS include Fairtrade International, Marine Stewardship Council, Rainforest Alliance, Better Cotton Initiative, UTZ, and many others.

But how can developing countries ensure that no one is excluded from benefiting from VSS, including small-scale producers?

UNCTAD's Project on "**Fostering green exports through Voluntary Sustainability Standards**" aims to help developing countries build their capacity to use VSS as a tool to achieve win-win-win outcomes, i.e.:

- Inclusive economic growth though fostering green exports
- Production practices that are complementary to environmental protection
- Business environment that is complementary to better social development

The project can also contribute to countries' achievement of the [Sustainable Development Goals](#) 1, 2, 8, 12 and 15.



Project Code: [1617AI](#)

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VSS Perception Assessment Toolkit

UNCTAD developed the VSS Perception Assessment Toolkit to help users systematically collect data on the preparedness of different stakeholders to adopt a VSS in specific agricultural value chains. The toolkit guides users to map the value chain of interest and identify all relevant stakeholders, to survey them through a structured questionnaire and interview them with open-ended questions. A guide to analyse the resulting data is also suggested.

The toolkit can shed light on the understandings and tensions of different stakeholders along the value chain, which underlie the adoption of certification and sustainable production methods. For policymakers, the visualization of these motivations will not only help identify power and perception asymmetries among value chain actors, but also contribute to the detection of areas where policy could play a role in mitigating unintended effects of VSS adoption.

For more information on the VSS Perception Assessment Toolkit go to:

<https://unctad.org/en/Pages/DITC/Trade-Analysis/TAB-Project-1617AI.aspx>

