

Electronic Certification in the context of Agricultural Trade

Jonathan Koh

**STDF Seminar on Electronic
Sanitary and Phytosanitary Certification
Geneva, WTO
28 June 2016)**

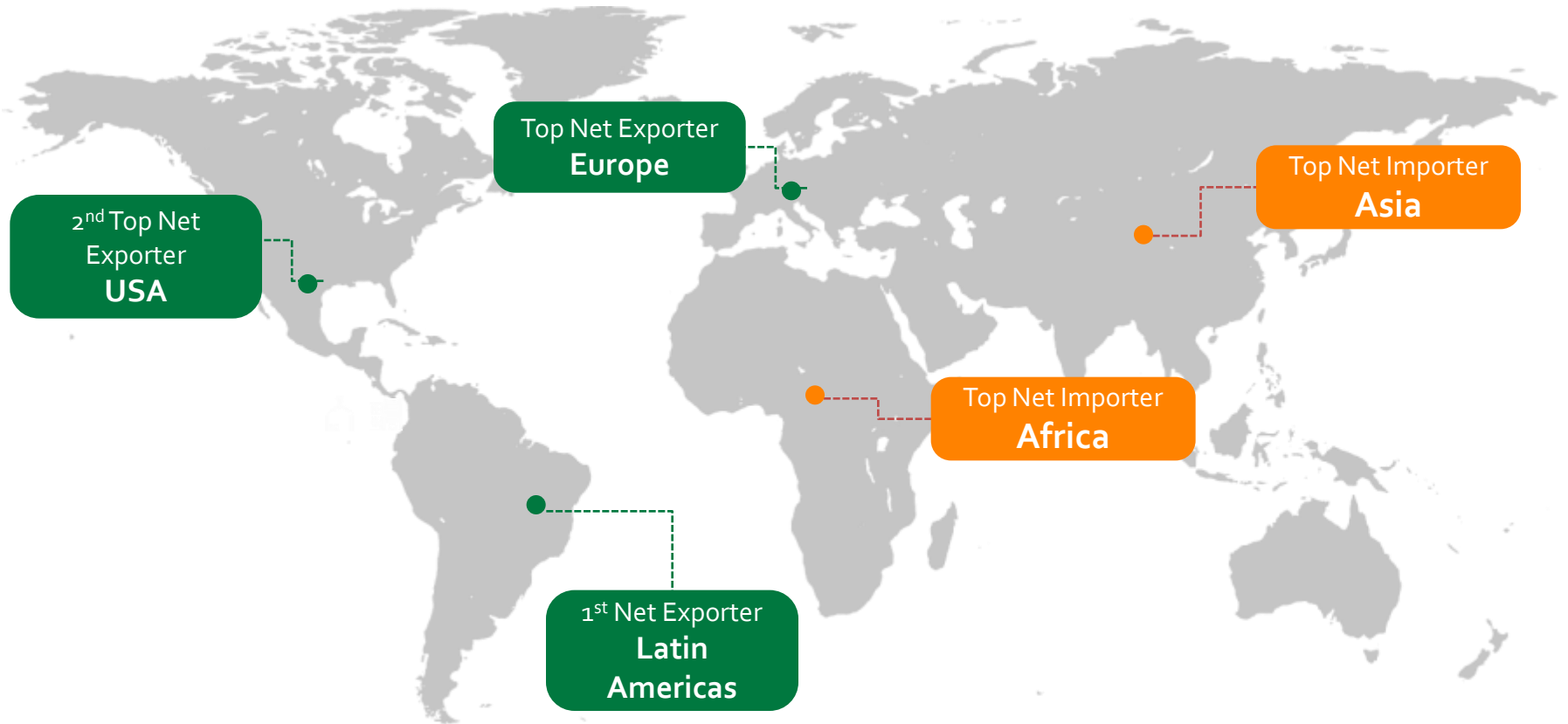
AGRICULTURAL TRADE

STATE OF AGRICULTURAL TRADE 2015 -16

- Global trade in food has grown almost threefold in value terms over the past decade, and rates of growth are projected to continue to rise further.
- **By 2050** the **world's population will reach 9.1 billion**, 34% higher than today. Nearly all of this population increase will occur in developing countries; about 70% are expected to be urban, up from 49% today.
- To feed this larger population, **food production will need to increase by 60%** from the 2005–07 baseline to 2050.
- An estimated annual average of **US\$83 Billion of net investment in developing country agriculture** will be required to deliver this production increase.

Source: FAO Report - The State of Agricultural Commodity Markets 2015 - 2016

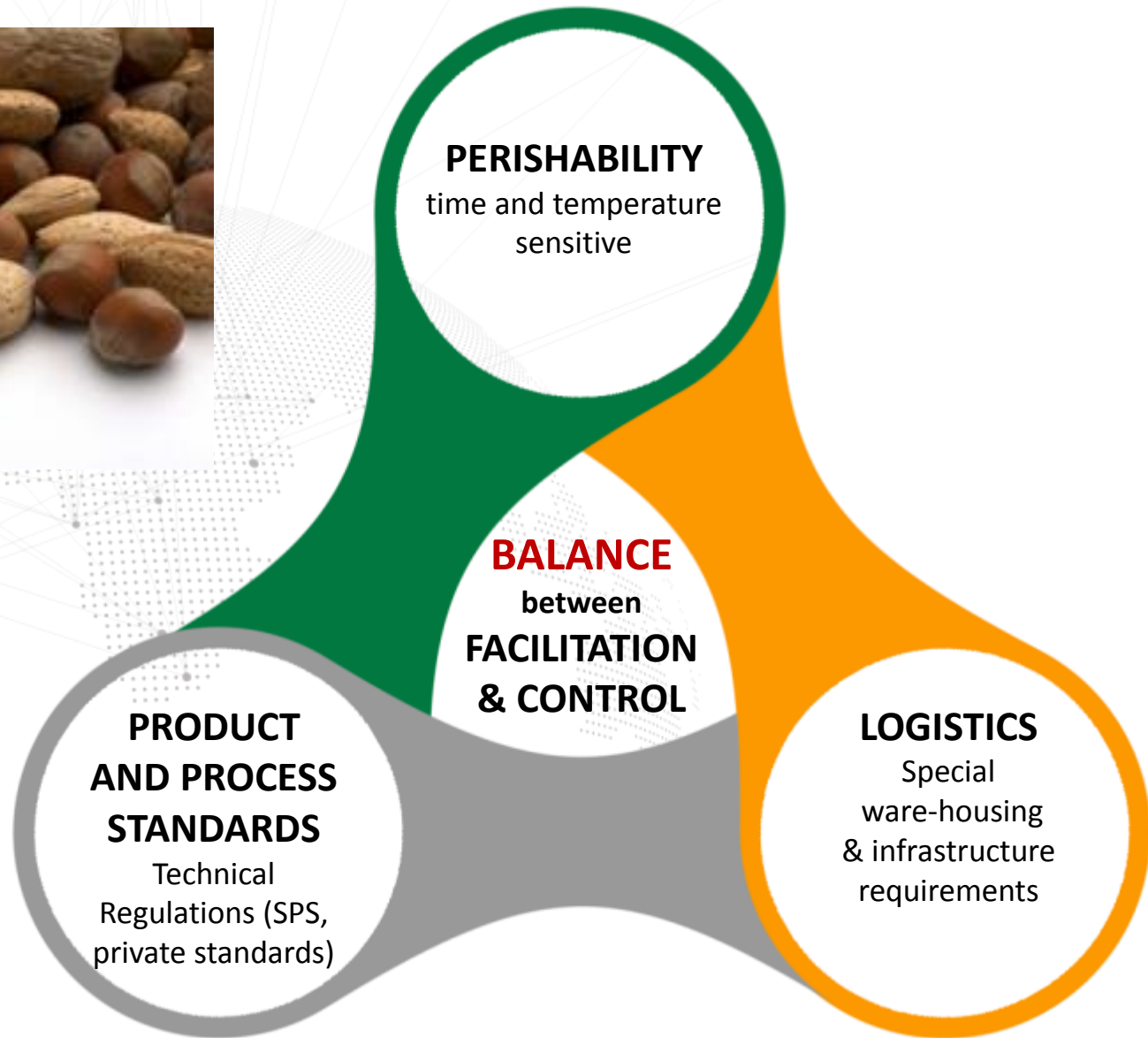
STATE OF AGRICULTURAL TRADE 2015 -16



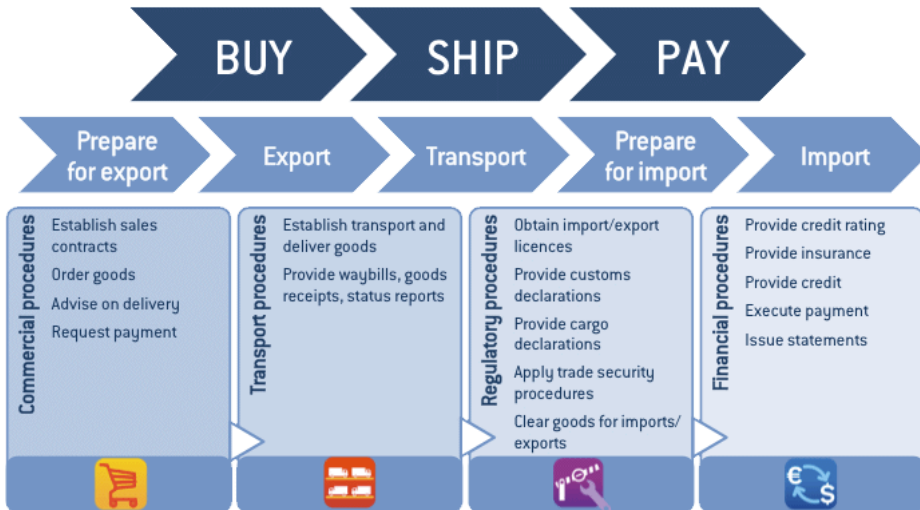
~0.85% of agricultural products are rejected at import borders, equating to an annual value of ~\$4 billion in 2000-01.

Jaffee, and Spencer. "Standards and Agro-Food Exports from Developing Countries: Rebalancing the Debate." June 2004. World Bank. Pg 21.

CHALLENGES OF AGRICULTURAL PRODUCTS



TYPICAL TRADING REQUIREMENTS

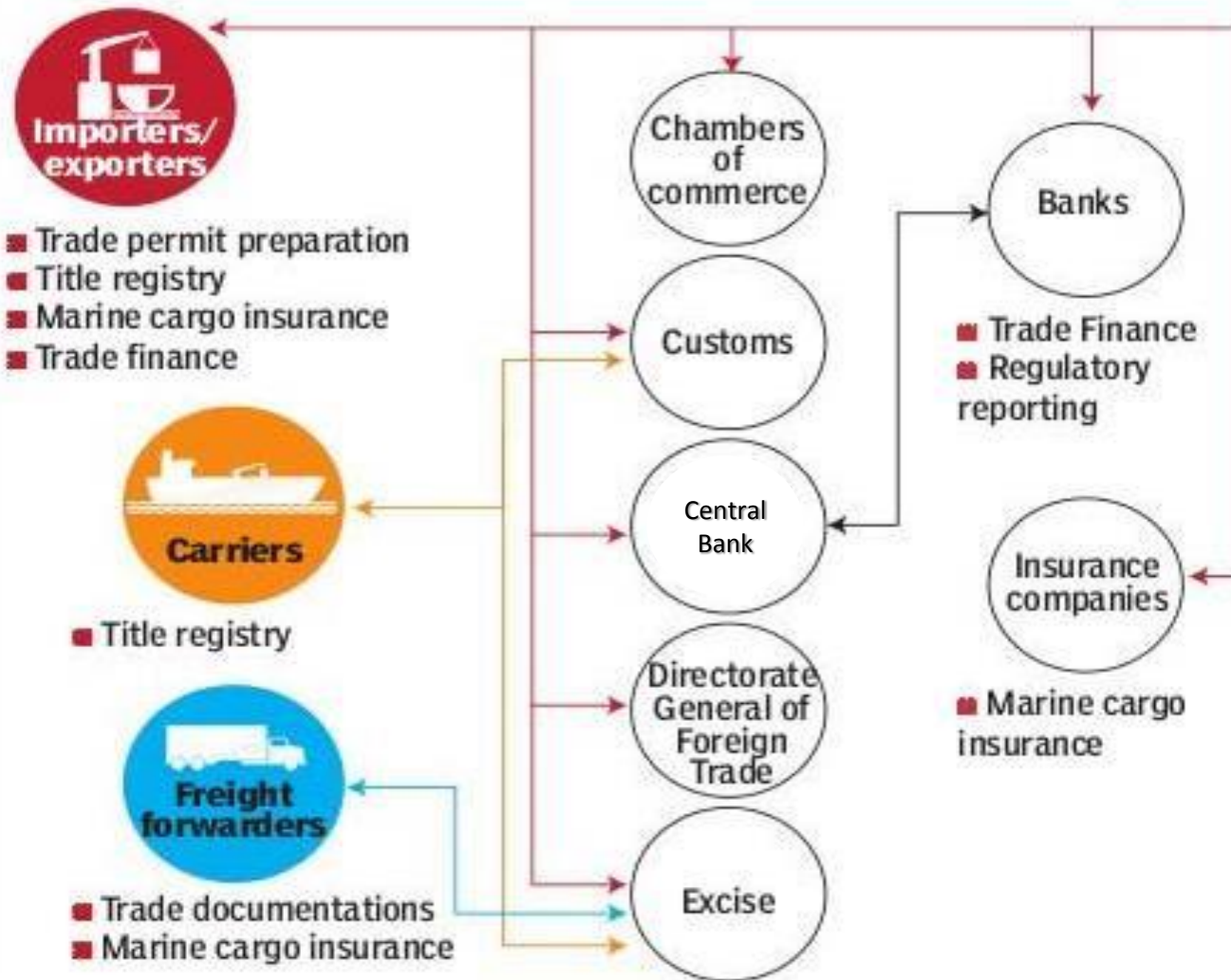


Trading Requirements For Agricultural Products

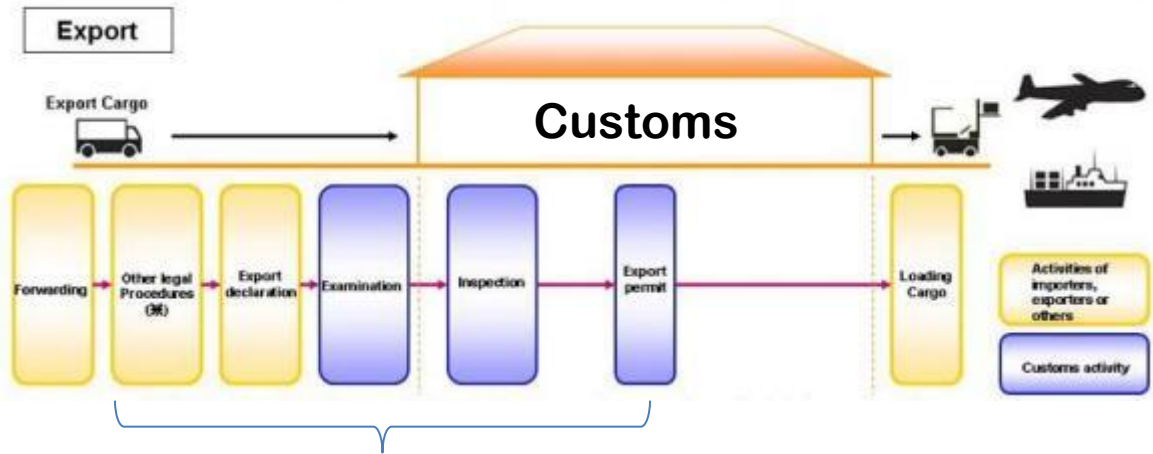


EXPORT-IMPORT BUSINESS PROCESSES for AGRICULTURAL PRODUCTS

EXPORT-IMPORT DOCUMENTATION



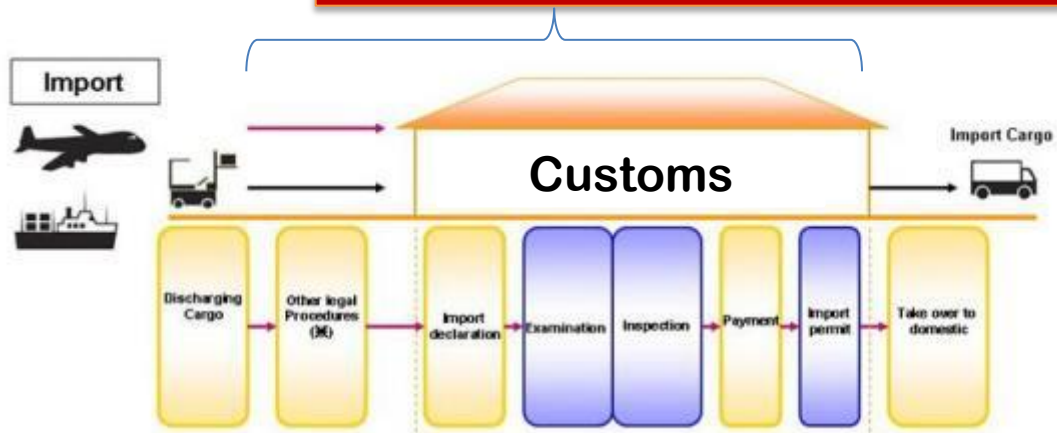
EXPORT-IMPORT BUSINESS PROCESSES - TYPICAL



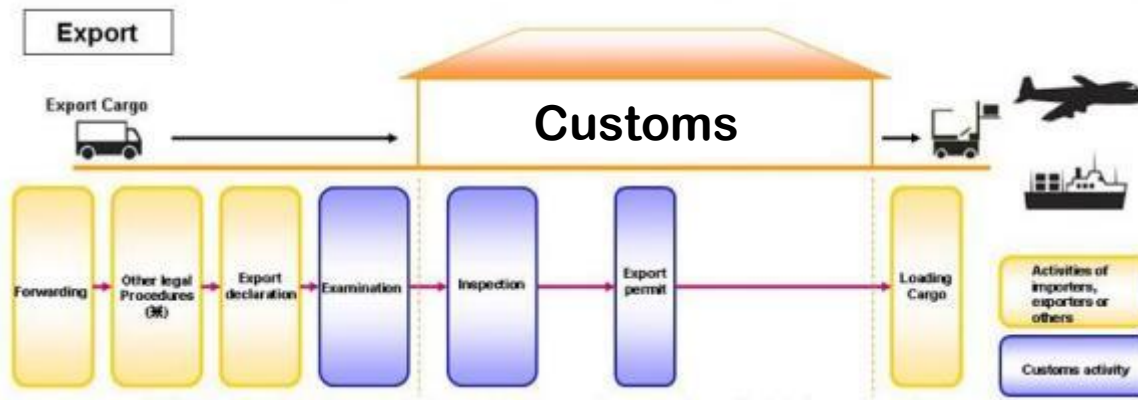
4 to 9 docs

Typical documents requirements:

- (1) Commercial Invoices ;
- (2) Packing List
- (3) Letter of Credit / Bills of Lading
- (4) Sea Waybills / Air Waybills / House Air Waybill
- (5) Certificate of Origin
- (6) Import / Export Declaration
- (7) Import / Export Licence



EXPORT-IMPORT BUSINESS PROCESSES - AGRICULTURE



**SPS
etc**

Additional documents and requirements for agrifood trade

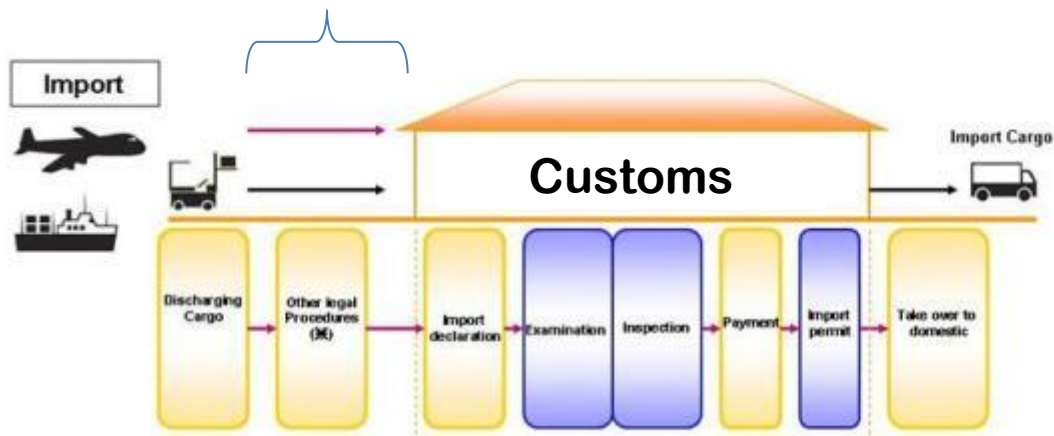
- SPS certificates
- Inspection and fumigation certificates
- Quarantine certificate
- Other laboratory test certificate

Health Certificate - Document issued when agricultural or food products are being exported, to certify that they comply with the relevant legislation in the exporter's country and in good condition and fit for human consumption. Prepared by: Exporter / inspection authority

Phytosanitary Certificate -

International requirement that any consignment of plants or planting materials by the exporting country stating that the consignment is found substantially free from diseases and pests and conforms with the current phytosanitary regulations of the importing country. Prepared by: Exporter

Fumigation Certificate - A pest control certificate issued to certify that the concerned products have been undergone the quarantine and pre-shipment fumigation by the approved fumigation service providers. Prepared by: Exporter or Inspection company



CHALLENGES FOR FACILITATING AGRICULTURAL TRADE

BPA studies[#] for agro-products in South and South-East Asia indicates that **number of days required for export transactions range between 10 and 23 days.**



Too many actors are involved in trade transactions, reducing efficiency and increasing costs. The number of agencies ranged **from 11 to 20** – stakeholders involved in the export of rice.



The number of documents, both exchanged internationally and handled domestically, **ranges from 14 to 25**, usually requiring submission of many copies of each.



Transaction costs vary significantly. Infrastructure, access to seaport and, sometimes, informal payments adds to the increasing costs.

[#] UN ESCAP commissioned five Business Process Analysis (BPA) studies on trade of agriculture or food products under the SATNET Asia project in Bangladesh, Cambodia, Lao PDR, Myanmar and Nepal. http://unnex.unescap.org/tools/business_process.asp.

SANITARY / PHYTO SANITARY CERT FOR EXPORT

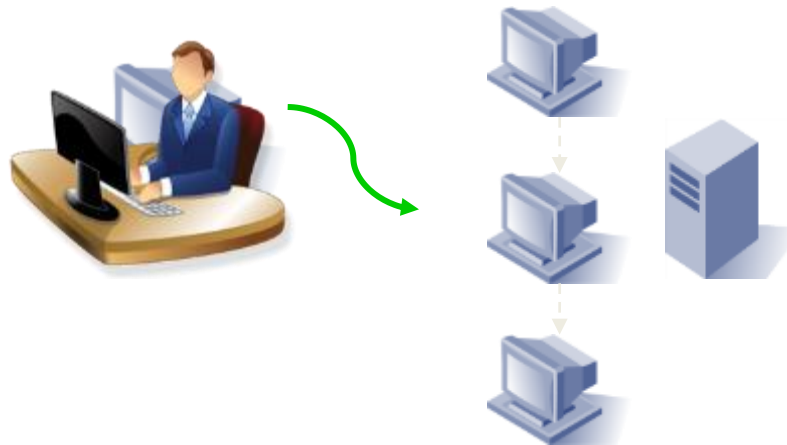
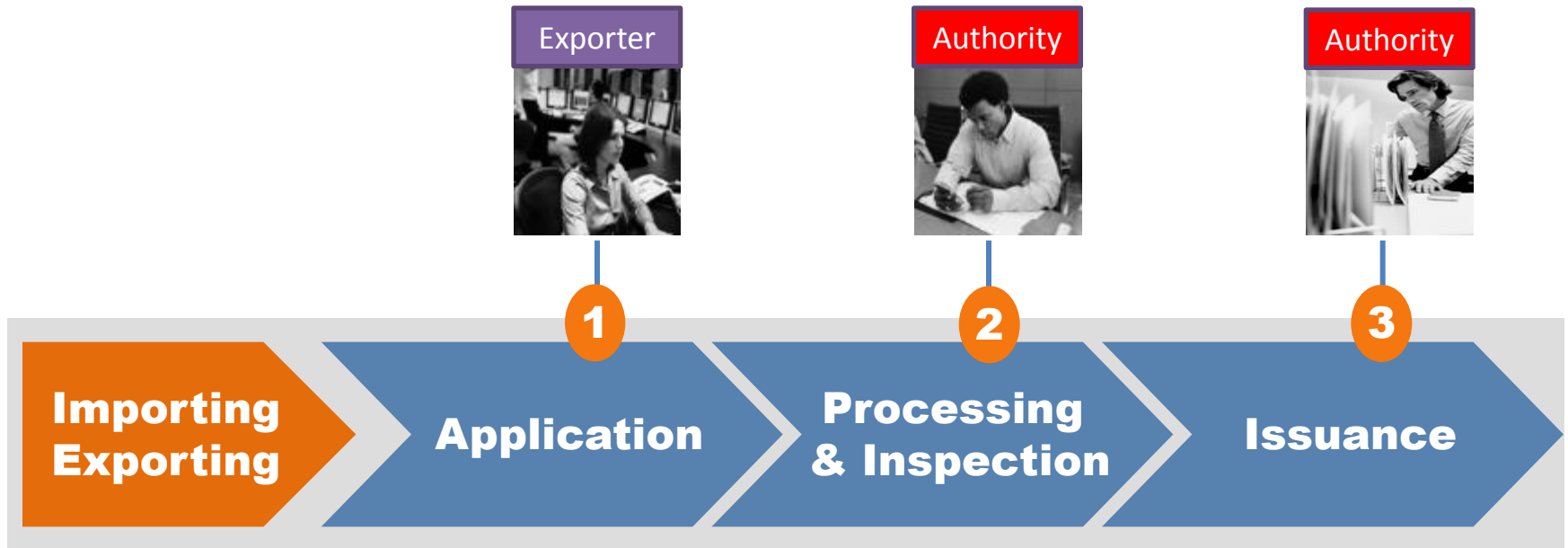
Table 2: Obtaining Sanitary and Phyto Sanitary Certificate for export of agrifood products

	Bangladesh	Cambodia	Lao PDR	Myanmar	Nepal
Export products (Trading partner)	Jute Bags (to India)	Maize (to China)	Maize (to Thailand)	Rice (to West Africa)	Cardamom (to India)
Number of days required	4	2-5	2	2	1
Documents required	(i) Pro-forma invoice (ii) Packing list (iii) Oil content certificate (iv) Certificate of Origin (COO)	(i) Phytosanitary certificate application (ii) Commercial invoice (iii) Packing lists (iv) Release container (v) Fumigation certificate	(i) Phytosanitary application form (ii) Packing list (iii) Export license (iv) Customs certification (v) Business license from Vientiane Capital Agriculture Department (vi) Commercial contract among importer and exporter (vii) Pro-forma invoice	(i) Shipping instructions (ii) National Registration Card (iii) Sealed case file from Customs head office - - Export Declaration - Export License - Invoice - Packing list	(i) Letter from Customs to Food Quarantine Office (ii) Commercial Invoice (iii) Packing List (iv) Customs Declaration Form (v) Sample
Stakeholders involved	<ul style="list-style-type: none"> ▪ Exporter or representative ▪ Department of Agricultural Extension (DAE) ▪ Clearing and Forwarding (C&F) Agent 	<ul style="list-style-type: none"> ▪ Exporter ▪ Ministry of Agriculture Forestry and Fisheries (General Directorate of Agriculture) 	<ul style="list-style-type: none"> ▪ Exporter or representative ▪ Vientiane Capital Agriculture Division - Agriculture Quarantine Section 	<ul style="list-style-type: none"> ▪ Exporter ▪ Ministry of Agriculture 	<ul style="list-style-type: none"> ▪ Exporter ▪ Clearing agent ▪ Food Quarantine Office ▪ Customs Office
Direct costs	\$10	\$58 to \$730	-	More than \$300	\$5

Source: Centre for Alleviation of Poverty through Sustainable Agriculture (CAPSA) – Factsheet on Facilitating Export and Import of Agrifood Products in South and South-East Asia, Sept 2014

OBTAINING CERTIFICATIONS WHEN EXPORTING

DOMESTIC SITUATION



Republic of the Philippines		Department of Agriculture		Bureau of Animal Industry	
Department of Agriculture		Department of Agriculture		Department of Agriculture	
1. Applicant's Name		2. Date of Issuance		3. Expiry Date	
4. Importer's Name		5. Importer's Address		6. Importer's Contact No.	
7. No. of Animals		8. Species		9. Breed	
10. Breed of Origin		11. Breed of Destination		12. Breed of Origin	
13. Breed of Destination		14. Breed of Origin		15. Breed of Destination	
16. Breed of Origin		17. Breed of Destination		18. Breed of Origin	
19. Breed of Destination		20. Breed of Origin		21. Breed of Destination	
22. Breed of Origin		23. Breed of Destination		24. Breed of Origin	
25. Breed of Destination		26. Breed of Origin		27. Breed of Destination	
28. Breed of Origin		29. Breed of Destination		30. Breed of Origin	
31. Breed of Destination		32. Breed of Origin		33. Breed of Destination	
34. Breed of Origin		35. Breed of Destination		36. Breed of Origin	
37. Breed of Destination		38. Breed of Origin		39. Breed of Destination	
40. Breed of Origin		41. Breed of Destination		42. Breed of Origin	
43. Breed of Destination		44. Breed of Origin		45. Breed of Destination	
46. Breed of Origin		47. Breed of Destination		48. Breed of Origin	
49. Breed of Destination		50. Breed of Origin		51. Breed of Destination	
52. Breed of Origin		53. Breed of Destination		54. Breed of Origin	
55. Breed of Destination		56. Breed of Origin		57. Breed of Destination	
58. Breed of Origin		59. Breed of Destination		60. Breed of Origin	
61. Breed of Destination		62. Breed of Origin		63. Breed of Destination	
64. Breed of Origin		65. Breed of Destination		66. Breed of Origin	
67. Breed of Destination		68. Breed of Origin		69. Breed of Destination	
70. Breed of Origin		71. Breed of Destination		72. Breed of Origin	
73. Breed of Destination		74. Breed of Origin		75. Breed of Destination	
76. Breed of Origin		77. Breed of Destination		78. Breed of Origin	
79. Breed of Destination		80. Breed of Origin		81. Breed of Destination	
82. Breed of Origin		83. Breed of Destination		84. Breed of Origin	
85. Breed of Destination		86. Breed of Origin		87. Breed of Destination	
88. Breed of Origin		89. Breed of Destination		90. Breed of Origin	
91. Breed of Destination		92. Breed of Origin		93. Breed of Destination	
94. Breed of Origin		95. Breed of Destination		96. Breed of Origin	
97. Breed of Destination		98. Breed of Origin		99. Breed of Destination	
100. Breed of Origin		101. Breed of Destination		102. Breed of Origin	

MANUAL CERTIFICATIONS

Example of Situation in South and South-East Asia

Table 1: Major findings from BPA studies of export procedures in South and South-East Asia

Export country and product	Destination	No. of days	No. of actors involved	No. of processes	No. of documents required	Cost (US\$)
Cambodia – Maize	China	20	15	13	22	1 250-1 360
Lao PDR – Maize	Thailand	16	11	8	21	735
Myanmar – Rice	West Africa	19-23	20	10	>25	425
Bangladesh – Jute bag	India	10	15	12	24	-
Nepal – Cardamom	India	13	11	9	14	1 213

Source: Centre for Alleviation of Poverty through Sustainable Agriculture (CAPSA) – Factsheet on Facilitating Export and Import of Agrifood Products in South and South-East Asia, Sept 2014

KEY PROBLEMS FACED BY TRADERS



Additional time: Obtaining a SPS certificate can take from 1 to 5 days in the countries studied. This may not include the time required for fumigation, which is usually another 1 or 2 days.



Additional cost : The direct cost of these processes is usually not very high, hovering around **\$10 - \$50**. In some instances, the cost can be quite high with a fumigation certificate costing up to \$700 in Cambodia. The indirect cost of delays, however, can be quite substantial.



Additional paperwork : The testing are usually the least integrated entities with trade control agencies (e.g. customs) resulting in poor coordination. This can create confusion over the documentation required for export or import. If the laboratory tests fail, the entire process may need to be restarted.

ELECTRONIC SANITARY AND PHYTOSANITARY (SPS) CERTIFICATION

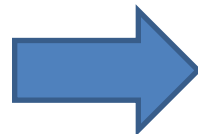
ELECTRONIC SPS CERTIFICATION

Electronic SPS Certification is the authenticated, non-repudiative and secure electronic transmission of sanitary and phytosanitary certification data, including the certifying statement, from the competent authority of the exporting country to the competent authority of the importing country.

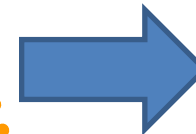
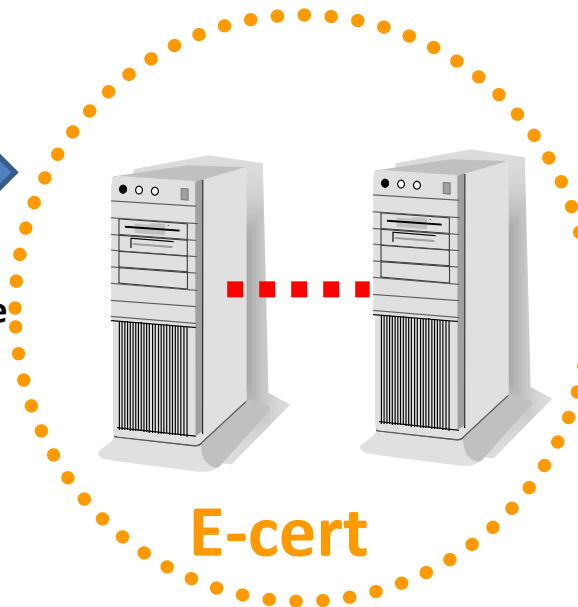
EXPORTING COUNTRY COMPETENT AUTHORITY



Certification process
Inspection procedure,
testing,...



Sending
certificate



Receiving
certificate

IMPORTING COUNTRY COMPETENT AUTHORITY



Import procedures
Inspection,
release,...

ADVANTAGES OF ELECTRONIC CERTIFICATION AND PAPERLESS TRADE

Integrity

- Electronically secured certificates
- Cross-checking in real time
- Single national register of certificates

Efficiency

- Online application and processing
- Faster processing through pre-validation
- Faster processing cuts clearance time

Security & compliance

- Very difficult to forge
- Improved compliance to policies and procedures
- Online verification for third parties / importing nations

Productivity

- Single view of all relevant information
- Searchable database with all certificates
- Simple maintenance of forms



Thank You for your attention

Koh Tat Tsen, Jonathan

Senior Director

Trade Facilitation Centre of Excellence

Trade Sector Group

CrimsonLogic Pte Ltd

31 Science Park Road

The Crimson

Singapore 117611

Main: [65] 6887 7888

DiD: [65] 6887 7633

Mobile: [65] 8233 0321

Fax: [65] 6778 5277

jonathankoh@crimsonlogic.com

www.crimsonlogic.com

(Regn: 19800784N)



CrimsonLogic

Solutions. Simplified.