

*Trends in environmental
assurance in key Australian
wine export markets*

Amy Russell & Tony Battaglione
Winemakers' Federation of Australia
March 2007 www.wfa.org.au

Version 6.0 – March 2007

Australian Wine Industry Stewardship

The Australian Wine Industry Stewardship (AWIS) project is an initiative of the Winemakers' Federation of Australia with funding assistance provided by the Natural Heritage Trust's 'Pathways to EMS' programme. AWIS aims to both achieve and demonstrate environmental assurance to enhance WINE AUSTRALIA.

For more information about AWIS, please contact:

Amy Russell

Winemakers' Federation of Australia

Ph (08) 8222 9255

amy@wfa.org.au

ACKNOWLEDGMENT

The authors would like to thank the following organisations for their valuable input into the preparation of this document:

European Commission Environment Directorate
Confederation des Industries Agro-Alimentaires de l'UE
European Crop Protection Association
California Association of Winegrape Growers
Lodi-Woodbridge Winegrape Commission

Disclaimer

Unless referenced otherwise, the opinions expressed herein are those of the authors. This document has been prepared in good faith as an analysis of emerging environmental assurance trends in key export markets. While every care has been taken to ensure the accuracy of information contained herein, the Winemakers' Federation of Australia disclaims all responsibility and liability that may be incurred as a result of the material contained within this document being inaccurate or incomplete in any way or for any reason, or for use outside of the purpose for which this document is intended.

FOREWORD

The Australian Wine Industry Stewardship (AWIS) Programme is an initiative of the Winemakers' Federation of Australia, with funding support provided by the Natural Heritage Trust 'Pathways to Industry EMS' programme.

This document is to be used to ensure the Australian wine industry's environmental stewardship activities meet or exceed future environmental assurance requirements of major export markets. The document seeks to identify emerging trends in environmental assurance in key markets and interpret the implications for Australian wine producers.

The Country Brand Index 2006 identified 'Australia' as the world's most marketable country brand.¹ Although an index for emerging global travel and tourism trends, the index highlights the advantages that Brand Australia already enjoys, and will need to work to retain as scrutiny of assurance claims of any type increases.

As environmental issues begin to become apparent in the global market, the identification of high priority environmental issues and the future assurance requirements of key markets is timely.

The Australian wine industry has to contend with environmental assurances in two spheres – viticulture and winemaking. The environmental assurance drivers identified through this review tend to focus on only one of the two spheres, although some issues, such as energy use and waste management, are obviously relevant to both.

A key driver for environmental assurances in European markets is EU Environmental Directives. The Directives are promulgated at the EU level and subsequent policy principles are common across all EU markets, although national implementing legislation may differ. Directives relate to greenhouse gas emissions, packaging, waste, chemicals, habitat and birds.

Another significant environmental assurance driver across all markets is the need for businesses to demonstrate Corporate Social Responsibility (CSR). This is likely to have a direct and indirect impact on wine companies. Directly, wine companies will feel pressure to undertake CSR reporting. Indirectly, other members of the supply chain, especially major retailers, are likely to require a level of environmental assurance from the wine company so that the retailer can demonstrate that they are taking responsibility for the environmental performance of their supply chains. This indirect impact is likely to be felt by grapegrowers also, who will be subject to environmental assurance requirements from both the wine company and the retailer. The challenge is to ensure that the assurance requirements are consistent throughout to reduce the burden on members at the beginning of the supply chain.

Viticulture is likely to be influenced by farm assurance standards that have emerged with considerable government and industry support in EU and US markets. With an awareness of these emerging assurances, it is possible for the Australian wine industry to take a proactive stance in meeting or exceeding these requirements.

The benchmark for market assurance trends appears to be those being generated in the EU, particularly the UK. Trends identified in these markets are more prominent and widely accepted than those identified in other regions profiled. As a result, responsiveness to EU trends is key to maintaining Australia's position as an environmentally responsible wine producer.

¹ 'Australia tops world for national brand', AAP Media Release, 7/11/06

ACRONYMS

3R	Reduce Reuse Recycle
APS	Assured Produce Standard
AWBC	Australian Wine & Brandy Corporation
AWIS	Australian Wine Industry Stewardship
CAP	Common Agricultural Policy
CEN	European Committee for Standardisation
CGFDC	China Green Food Development Centre
CNCA	Certification & Accreditation Administration of the People's Republic of China
CREP	Corporate Responsibility for Environmental Protection
CSP	Conservation Security Programme
CSR	Corporate Social Responsibility
DEFRA	UK Department of Environment, Food and Rural Affairs
EC	European Commission
EEB	European Environmental Bureau
EFP	Environmental Farm Planning
EFSA	European Food Safety Authority
EISA	European Initiative for Sustainable Agriculture
EMAS	Eco-Management and Audit Scheme
EMS	Environmental Management System
EPA	Environmental Protection Agency
EPR	Extended Producer Responsibility
ETS	Emissions Trading Scheme
EU	European Union
EUREP	Euro-Retailer Produce Working Group
EurepGAP	EUREP Good Agricultural Practice
FISS	Food Industry Sustainability Strategy
FTC	US Federal Trade Commission
GAAMP	Generally Accepted Agricultural & Management Practices
GAP	Good Agricultural Practice
GFSI	Global Food Safety Initiative
GHG	Greenhouse Gas

GI	Geographic Indication
GMO	Genetically Modified Organism
GRP	Green Rating Project
HACCP	Hazard Analysis and Critical Control Point
ICM	Integrated Crop Management
IFA	Integrated Farm Assurance
IFM	Integrated Farm Management
IPP	Integrated Product Policy
ISO	International Organisation for Standardisation
LCBO	Liquor Control Board of Ontario
LEAF	Linking Environment and Farming
LIVE	Low Input Viticulture & Enology
LOHAS	Lifestyle of Health And Sustainability
MOU	Memorandum of Understanding
MRL	Maximum Residue Limit
NAESI	National Agri-Environmental Standards Initiative
NAHARP	National Agri-Environmental Health Analysis & Reporting Programme
NFSP	National Farm Stewardship Programme
NGO	Non-Government Organisation
OECD	Organisation for Economic Cooperation and Development
PMRA	Pest Management Regulatory Agency
REACH	Registration, Evaluation and Authorisation of Chemicals
SAI	Sustainable Agriculture Initiative
SQF	Safe Quality Food
SSFF	Strategy for Sustainable Farming and Food
SWP	Sustainable Winegrowing Practices
UK	United Kingdom
VOC	Volatile Organic Compounds
VQA	Vintners Quality Assurance
WRAP	Waste & Resources Action Programme
WTO	World Trade Organisation

TABLE OF CONTENTS

International Wine Industry Initiatives	6
EUROPEAN UNION	7
1.0 Introduction	7
1.1 Major Findings	7
1.2 Commission of the European Communities	8
1.2.1 Overarching Strategies	8
a) Environment 2010: Our Future, Our Choice	8
b) Renewed Sustainable Development Strategy	8
c) EU Common Agricultural Policy	10
d) Integrated Product Policy	10
1.3 EU Directives	12
1.3.1 EU Greenhouse Gas Emission Trading Scheme	12
a) Kyoto Protocol	13
1.3.2 Industrial Pollution Prevention and Control Directive	13
1.3.3 Packaging and Packaging Waste Directive	13
a) Packaging and Packaging Waste – Essential Requirements	13
1.3.4 Waste Framework Directive	14
1.3.5 EU Regulatory Framework for Chemicals	15
a) Maximum Residue Limits	15
b) Temporary Maximum Residue Limits	15
1.3.6 Habitat Directive	16
1.3.7 Birds Directive	16
1.4 Governments	16
1.4.1 Food Industry Sustainability Strategy	16
1.4.2 Strategy for Sustainable Farming and Food	16
1.4.3 Organisation for Economic Cooperation and Development	17
1.5 Retailers	17
1.5.1 Supplier Programmes	18
1.5.2 Trends	20
1.5.3 Agrochemicals	20
1.6 Consumer & Pressure Groups	20
1.6.1 Waste and Resources Action Programme (WRAP)	21
1.7 Corporate Social Responsibility	22
1.7.1 Communication from the EC - CSR	23
1.7.2 Eco-Management and Audit Scheme	23
1.7.3 Government Guidelines – Corporate Social Responsibility	24
1.8 Certification Schemes	24
1.8.1 Global Food Safety Initiative and Safe Quality Food 2000	24
1.8.2 EurepGAP	25
1.8.3 British Farm Standard – ‘Red Tractor’ Label	27
1.8.4 Sustainable Agriculture Initiative Platform	27
1.8.5 Linking Environment and Farming and the EISA	28
1.9 Future Directions	28
1.9.1 Climate Change	28
a) Transport Environmental Costs – ‘Food Miles’	31
1.9.2 Waste	32
1.9.3 Water	32
1.9.4 Biodiversity	32
1.9.5 Green Procurement	35
1.10 Conclusion	35
UNITED STATES OF AMERICA	36
2.0 Introduction	36
2.1 National Government	36
2.1.1 Farm Security and Rural Investment Act 2002	36
2.1.2 US Environmental Protection Agency ‘National Strategy for Agriculture’	37
2.1.3 Trade Policy	37

2.2	National Standards	38
2.3	Domestic wine industry environmental assurance programmes	38
2.3.1	Code of Sustainable Winegrowing Practices (SWP) – California	38
2.3.2	Lodi Rules for Sustainable Winegrowing	38
2.3.3	Washington Wine Quality Alliance	38
2.3.4	Oregon Low Input Viticulture and Enology Inc (LIVE Inc)	39
2.3.5	Napa Green Farm Certification Programme	39
2.3.6	Other ‘generic’ agricultural assurance programmes	39
2.4	Natural resource issues and the domestic wine industry	40
2.4.1	Air Quality and Greenhouse Gas Emissions	40
2.4.2	Urban Encroachment	41
2.4.3	Salinity	41
2.5	Non-government organisations and lobby groups	41
2.5.1	Co-op America	41
2.5.2	Environmental Defense	41
2.5.3	Sierra Club	41
2.6	Retailers	42
2.6.1	Supervalu Inc	42
2.6.2	Kroger Co	42
2.6.3	Costco	42
2.6.4	Safeway US	42
2.6.5	Wal-Mart	43
2.7	Consumers	44
2.8	Conclusion	44
CANADA		45
3.0	Introduction	45
3.1	Government	45
3.1.1	National level policy	45
3.1.2	Provincial Regulation	46
3.1.3	Liquor Control Board of Ontario (LCBO)	48
3.2	Domestic wine industry environmental programmes	48
3.3	Natural resource issues and the domestic wine industry	49
3.3.1	Packaging Waste	49
3.3.2	Wastewater	49
3.3.3	Greenhouse Gas Emissions	49
3.3.4	Agrochemicals	50
	a) Industry response to agrochemical issues	50
3.4	Certification Systems	51
3.5	Conclusion	51
ASIA		52
4.0	Introduction	52
4.1	Waste – The 3R Initiative	53
4.2	Organic Products	54
4.3	Japan	54
4.3.1	Basic Law on green purchasing	55
4.4	China	56
4.4.1	Green Food	56
4.4.2	ChinaGAP	57
4.5	India	58
4.5.1	Green Rating Project	58
4.6	Republic of Korea	59
4.7	The 3R Initiative in other Asian countries	59
4.7.1	Indonesia	59
4.7.2	Malaysia	59
4.7.3	Philippines	60
4.7.4	Singapore	60
4.7.5	Thailand	60
4.7.6	Viet Nam	61
4.8	Western Retailers	61
4.9	Conclusion	61

INTERNATIONAL WINE INDUSTRY INITIATIVES

Prior to discussions about emerging market assurance trends, it is important to also gain familiarity with environmental sustainability programmes being developed by the two international wine industry bodies – the OIV (International Organisation of Vine and Wine), and FIVS (previously known as the International Federation of Wine and Spirits, but now referred to by acronym only).

In 2006, FIVS endorsed a set of Global Wine Sector Environmental Sustainability Principles. The Principles are intended to be high-level, identifying a set of founding principles that all member countries should look to address in their respective assurance programmes. FIVS supports the following Principles:

- The selection of appropriate environmental sustainability programmes based on the programme's ability to satisfy the triple bottom line of economic, environmental and social sustainability. It is acknowledged that the triple bottom line threshold will vary between individual enterprises, and that enterprises will require flexibility in establishing programmes that enhance sustainability in their individual operating environments;
 - The identification of environmental sustainability activities using an environmental risk assessment. Priority should be given to risks of significance in individual geographic regions where wineries and vineyards are located;
 - Environmental risk assessment should consider but not be limited to:
 - Site selection (for new vineyards/wineries)
 - Variety selection (for new vineyards)
 - Soil condition
 - Water use efficiency
 - Wastewater
 - Human resource management
 - Biodiversity
 - Solid waste
 - Energy use
 - Air quality
 - Neighbouring land use
 - Agrochemical use
- A process of planning for environmental sustainability activities, implementation of the activities, assessment of their effectiveness and modification of the activity for application into the future. This process will be ongoing as a means of continuous improvement;
 - Wine sector environmental sustainability programmes should incorporate 'self-assessment' and other forms of evaluation to gauge environmental performance;
 - The improvement of extension and education opportunities about sustainability issues and to build awareness within the global wine sector; and,
 - The global wine sector should consider partnerships with both wine industry and natural resource management stakeholders to improve sector sustainability, including the adoption of preferential purchasing policies from suppliers able to demonstrate a similar stewardship ethic.

The OIV is currently developing a Sustainable Vitiviculture Guide to provide more specific practice recommendations consistent with the FIVS Principles. The Guide will be considered for adoption by the OIV in mid-2007.

The FIVS and OIV initiatives represent a collective approach to environmental improvement by the international wine industry. This provides a valuable tool for negotiating with the gatekeepers of wine markets, including retailers and regulators, to seek recognition for the environmental assurance activities of wine producing countries in lieu of requiring adherence or compliance to third party guidelines.

EUROPEAN UNION

1.0 Introduction

The European Union (EU) is an important market for Australian wine, especially as it includes Australia's biggest export market, with 37% of wine exports destined for the United Kingdom (UK) market.² Because of this, more attention has been focused on the UK than other EU countries for the purpose of this review. The UK also appears to take a leading role in the development and application of enabling legislation and programmes to implement EU Directives. However, because Environmental Directives are promulgated at the European Union level, the policy principles are common across all the European Union markets, although national enabling legislation may differ.

1.1 Major findings

European Union environmental assurance trends are being driven by:

- The 'intent' of European Union Directives and Integrated Product Policy;
- The need for major retailers to demonstrate Corporate Social Responsibility, which includes demonstrating performance on a range of environmental indicators and often assuming responsibility for the environmental performance of their supply chains; and
- Agricultural standards developed in markets in which Australian wine is sold, and that have widespread support from agricultural industries, retailers and government.

These drivers are summarized in Table 1.

Table 1. Drivers for environmental assurances in European markets.

Driver	Emerging assurance requirements
Intent of EU Directives	<ul style="list-style-type: none"> • Emission Trading Scheme Directive • Integrated Pollution Prevention and Control Directive • Packaging and Packaging Waste Directive • Waste Framework Directive • EU regulatory framework for chemicals • Habitat Directive • Birds Directive • Integrated Product Policy (IPP)
Corporate Social Responsibility (CSR) requirements	<ul style="list-style-type: none"> • European Commission's 'Eco-Management & Audit Scheme (EMAS)' • Communication from the EC concerning CSR • UK Dept for Environment, Food and Rural Affairs' 'Environmental Key Performance Indicators for Business' (Draft for consultation June 2005)
Agricultural Standards	<ul style="list-style-type: none"> • British Farm Standard's 'Assured Produce Scheme' • EurepGAP General Regulation – 'Integrated Farm Assurance' • 'Integrated Farm Management' advocated by the European Initiative for Sustainable Agriculture, which includes the UK's Linking Environment & Farming group

² Smart, C. (2006) 'God Bless America'. *Wine Business Monthly* April 2006, p43.

EUROPEAN UNION

1.2 Commission of the European Communities

1.2.1 Overarching Strategies

a) Environment 2010: Our Future, Our Choice

European environment policy is driven by 'Environment 2010: Our Future, Our Choice', the Sixth Environment Action Programme of the European Community, hereafter referred to as Environment 2010.

The programme's four priority areas for urgent action are:

- Climate Change
- Nature and Biodiversity
- Environment and Health and quality of life
- Natural Resources and Waste

Seven thematic Strategies are included in Environment 2010. These are:

- Clean Air for Europe (CAFE)
- Soil protection
- Sustainable use of pesticides
- Protect and conserve the marine environment
- Waste prevention and recycling
- Sustainable use of natural resources
- Urban environment

Environment 2010 and each of the thematic strategies and programmes are subject to mid-term evaluation by the end of 2006. The mid-term evaluation will look at the objectives of the programme, what has been done to fulfill these and how well the programmes have worked. Despite the outcomes of the review, it is expected that the four priority areas will remain.³

Specific environmental issues referred to in Environment 2010, which the Australian wine industry would do well to consider in developing any environmental management activities, include:

- Impacts on nature and biodiversity arising from pollution, introduction of non-native species, potential risks of releasing genetically modified organisms and general exploitation of the land and sea; and
- Soil is recognised as being a finite resource and the Soil Protection thematic strategy addresses pollution, erosion, land degradation, desertification and hydrogeological risks, which would include salinity.

b) Renewed Sustainable Development Strategy

Sustainable development is the overarching objective of all European Community policies. The Renewed Sustainable Development Strategy (SDS) was adopted by the European Union in June 2006. The Strategy sets objectives, targets and actions for several priority challenges until 2010. Many of the challenges are predominantly environmental.⁴ The key challenges are presented in Table 2.⁵

³ <http://europa.eu.int/comm/environment/nwprg/index.htm>, updated 4 July 2005

⁴ <http://europa.eu/environment/eussd/>, downloaded 09/02/07

⁵ 'Review of the EU Sustainable Development Strategy – Renewed Strategy', Note 10117/06 to Council of the European Union, Brussels, 9 June 2006

Key Challenge	Overall Objective	Suggested Actions of note
Climate change and clean energy	To limit climate change and its costs and negative effects to society and the environment	Consideration of reduction pathways for developed countries to cut emissions by 15-30% by 2020
Sustainable transport	To ensure that our transport system meets society's economic, social and environmental needs whilst minimizing their undesirable impacts on the economy, society and the environment	Make progress towards effective global solutions for the reduction of harmful impacts of international maritime and air traffic
Sustainable consumption and production	To promote sustainable consumption and production patterns	Propose extending performance labeling schemes from appliances and cars to other groups of environmentally harmful products, including products with high environmental impacts Support information campaigns with retailers and other organisations to promote sustainable products that stem from organics farming and fair trade as well as environmentally sound products
Conservation and management of natural resources	To improve management and avoid overexploitation of natural resources, recognizing the value of ecosystem services	Complete the Natura 2000 Network Implement the EU Biodiversity Strategy
Public health	To promote good public health on equal conditions and improve protection against health threats	Preparation and implementation of strategies and measures targeting lifestyle related health determinants such as drugs, tobacco use, harmful drinking, poor diet and physical activity
Social inclusion, demography and migration	To create a socially inclusive society by taking into account solidarity between and within generations and to secure and increase the quality of life of citizens as a precondition for lasting individual well-being	Reducing the negative effects of globalization on workers and their families
Global poverty and sustainable development challenges	To actively promote sustainable development worldwide and ensure that the European Union's internal and external policies are consistent with global sustainable development and its international commitments	Increase efforts to make globalization work for sustainable development... EU should be working together with trading partners to improve environmental and social standards...

EUROPEAN UNION

Corporate social responsibility was referenced in the original Sustainable Development Strategy, and has been given renewed focus in the latest version. The Renewed Strategy promotes an increase in awareness and knowledge of corporate social and environmental responsibility and accountability, in accordance with the European Alliance for Corporate Social Responsibility.

c) EU Common Agricultural Policy (CAP)

In June 2003, EU Farm Ministers adopted a CAP reform that established a 'Single Farm Payment', linked to the respect of environmental, food safety and animal welfare standards. In doing so, the EU severed the link between subsidy payments and production levels and aims to link farm support directly to consumer concerns and public priorities. Environmental protection is considered to be a key function of the CAP by 89% of EU citizens.

The CAP acknowledges pollution of the soil, water and air, fragmentation of habitat and loss of biodiversity as important environmental degradation issues arising from inappropriate agricultural practices.

As part of the CAP, the EU has supported agri-environmental schemes since their introduction in 1992. The schemes encourage farmers to provide environmental services for public benefit, above and beyond what is required of them through good agricultural practices and legal requirements. Such is the political priority, it is obligatory for EU Member States to offer agri-environment schemes, which include payments to farmers for making voluntary commitments to agri-environmental programmes.

d) Integrated Product Policy (IPP)

The European Commission is placing pressure on industry to improve the environmental performance of its products, as reflected in the Integrated Product Policy (IPP). The Commission adopted a Communication on IPP on 18 June 2003, outlining a strategy for reducing the environmental impact of products. IPP is part of the Commission's efforts to achieve the goals set down in the Environment 2010 and to fulfil the commitments made by the EU at the 2002 World Summit on Sustainable Development in Johannesburg.

The Communication on IPP concludes that the best framework for addressing a product's potential environmental impact is 'life cycle assessment'. The European Platform of Life Cycle Assessment project is working towards life cycle assessment best practice. The International Standards Organisation has already captured life cycle assessment in the ISO 14040 series.

The objective of IPP is to reduce the environmental impact of increased consumption by giving consideration to all stages of the product's 'life cycle'.

What is the product life cycle?

The life cycle of a product covers all areas – from the extraction of natural resources or growth of raw materials, through product design, manufacturing, assembly, marketing, distribution, sale, use and disposal of the product. Life cycle analysis is set down in the ISO 14040 series.

Environmental protection is considered to be a key function of the CAP by 89% of EU citizens

The CAP acknowledges pollution of the soil, water and air, fragmentation of habitat and loss of biodiversity as important environmental degradation issues arising from inappropriate agricultural practices

⁶ 'Review of the EU Sustainable Development Strategy – Renewed Strategy', Note 10117/06 to Council of the European Union, Brussels, 9 June 2006

⁷ http://europa.eu.int/comm/agriculture/capreform/index_en.htm

⁸ 'The Common Agricultural Policy Explained', Leguen de Lacroix, E., European Commission, 2004

⁹ 'The Common Agricultural Policy Explained', Leguen de Lacroix, E., European Commission, 2004

¹⁰ <http://europa.eu.int/comm/environment/ipp/>

¹¹ <http://europa.eu/environment/ipp/ica.htm> downloaded 20/02/07

IPP puts emphasis on three dimensions:

- “Life-cycle thinking” - pollution-reduction measures are identified across the entire product life cycle, from ‘cradle to grave’. That way action can be targeted at problematic stages in the life-cycle, at which point the product contributes to environmental degradation;
- Flexibility in the type of policy measure to be used, but with a preference for market-based measures (eg. taxes, product standards and labelling, and voluntary agreements); and
- Reducing the environmental impacts of products requires all stakeholders to take action in their sphere of influence. For example, manufacturers on the design and marketing of products, and consumers through product choices, product use and disposal habits.

Consistent with the European Commission philosophy of ‘life cycle’ thinking, products and services will need to reduce environmental impacts across their product’s life cycle by:

- Re-engineering or reworking products to deliver the same service with less resources;
- Cleaner, more efficient production processes; and
- Shifts in consumption towards goods and services with lower impacts.

The Communication on IPP is being enacted in three phases. The first phase, ‘Environmental Impact of Products (EIPRO)’, identified those products with the greatest environmental impact from a life cycle perspective consumed in the EU. This phase was completed in May 2006, and demonstrated that products from only three areas of consumption – food and drink, private transportation and housing – make up 70-80% of impacts of private consumption, and approximately 60% of total consumption expenditure.¹²

The second phase is ‘Environmental Improvement of Products’, which will attempt to identify possible ways to reduce life cycle impacts of those products identified as having the greatest environmental impact. The first three groups of products targeted, which are identified as being among those with the greatest environmental impacts, are passenger cars, meat and dairy products, and housing. The final report for these assessments is due at the end of 2007.¹³

The final phase of the enactment of the Communication of IPP is ‘policy implications’, during which the European Commission will seek to address policy measures for products identified as having the greatest potential for environmental improvement at the lowest socio-economic cost.¹⁴

IPP introduced a potentially ‘dangerous’ approach as the aim is to classify the products as “environmentally-friendly” or not. In this context, a series of tools are proposed to implement IPP: bans, taxes, eco-labels, standardisation, greening public procurement, etc. The danger arises from a product or brand labelled as ‘environmentally poor’ being unable to lose the stigma, even if improvements are achieved, whilst at the same time being burdened with environmental taxes.

The Commission has argued that the main driver behind the growth of green consumerism will be market forces, principally in the form of levers such as price reductions and better consumer information. The Commission wants to eliminate ‘market failures’ by ensuring that the price of products reflects their full cost, including environmental impacts. Likely mechanisms could include environmental taxes, subsidising certain practices and labelling of ‘environmental’ attributes.

To date, the European food and drink industry has been strongly opposed to this policy without obvious success and legislation on IPP is expected in 2007. The form of this legislation will be through other regulations adopting the strategy set down under IPP.

During the mid-term review, there is likely to be decision on whether to place more emphasis on eco-labelling and market instruments as outlined under IPP. The possibility of taxes as an ‘instrument’ is seen to be unsaleable by the European Commission at this stage but the other mechanisms – bans, eco-labels, standardization and green procurement - are likely to be pursued.

Despite strong opposition from the European food and drink industry, legislation on IPP is expected in 2007

Australian industry needs to be aware of the impact of refrigerants on our environmental footprint

¹² <http://ec.europa.eu/environment/ipp/identifying.htm> downloaded 20/02/07

¹³ <http://ec.europa.eu/environment/ipp/identifying.htm> downloaded 20/02/07

¹⁴ <http://ec.europa.eu/environment/ipp/identifying.htm> downloaded 20/02/07

EUROPEAN UNION

1.3 EU Directives

In lieu of standard environmental assurance requirements across the EU, it is probable that suppliers exporting to the EU will need to demonstrate how their product meets the intent behind EU Directives

In lieu of standard environmental assurance requirements across the EU, to meet retailer requirements, it is probable that suppliers exporting to this market will need to demonstrate how their products meet the intent behind EU Directives as they relate to the environment. Major EU Directives that have a direct impact on the wine industry are:

- Emission Trading Scheme Directive;
- Integrated Pollution Prevention and Control Directive;
- Packaging and Packaging Waste Directive;
- Waste Framework Directive;
- EU regulatory framework for chemicals;
- Habitat Directive; and
- Bird Directive.

During 2005 and 2006, most of the regulations were reviewed and revised. The European Commission suggests that the regulations need to become more outcome focused. An increase in focus may be accompanied by less regulation. European industry is skeptical of this and believes that regulation will become more onerous. What is clear is that the 'life cycle' approach to reduce environmental impacts is a key objective of the European Commission.

1.3.1 EU Greenhouse Gas Emission Trading Scheme

What is clear is that the 'life cycle' approach to reduce environmental impacts is a key objective of the European Commission

Climate change is likely to have greater emphasis and require increased industry responsiveness following the ratification of the Kyoto Protocol and more recently the interest in this subject by the G8.

Greenhouse gas emissions are being addressed under several European Directives. In January 2005, the European Union Greenhouse Gas Emission Trading Scheme (EU ETS) commenced operation.¹⁵ The scheme is based on Directive 2003/87/EC, which entered into force on 25 October 2003. This was later amended in October 2004 by Directive 2004/101/EC.

The Industrial Pollution Prevention and Control Directive has no direct impact on Australian producers, but outlines elements of waste policy that retailers in the EU may draw on in developing their own supplier guidelines

Article 30 of Directive 2003/87/EC on emissions trading requires the Commission to review the EU ETS, and lists a number of issues that should be addressed. Article 30 also provides that the Commission shall prepare a report to the European Parliament by 30 June 2006. The purpose of the review was to:

- Provide facts needed to analyse the functioning and design of the system with respect to a number of specific issues;
- Evaluate the impact of expanding the EU ETS to other sectors and gases, including refrigerants; and
- Understand the actual impact of the EU ETS on competitiveness.

Australian industry needs to be aware of the impact of refrigerants on our environmental footprint. It should also be noted that Greenpeace have an initiative to remove all current refrigerants and return to ammonia.

What is an environmental footprint?

Industry needs a certain amount of 'nature' to operate. 'Nature' provides raw materials and receives waste products. An industry's environmental footprint is that area of biologically productive land necessary to continuously provide the industry's resource supplies and absorb its wastes, using prevailing technology. <http://www.ecouncil.ac.cr/rio/focus/report/english/footprint/introduction.htm>

¹⁵ <http://europa.eu.int/comm/environment/climate/emissions.htm>

Transport is currently not included in the EU ETS, but it is expected that it will be recognised in the Emission Trading Scheme Directive. European industry perceives a risk that regulations will concentrate on industry transportation. From an Australian perspective, it is important to look at the environmental impact of shipping from Australia and transport within Australia to analyse the environmental impacts. This is closely linked to the issue of 'food miles' discussed in section 1.9.1a.

a) Kyoto Protocol

Although Australia and the United States have not ratified the Kyoto Protocol, they are likely to seek to meet its overall objectives, as distinct from targets. US President George Bush, in his address before the 2005 G8 summit in Gleneagles, strongly supported this sentiment.

The Kyoto Protocol lists emissions targets commitments for developed countries. Parties are required to demonstrate compliance with their actual emissions for the commitment period.¹⁶

Within Europe, environmental accounting is seen as an important tool to respond to Kyoto Protocol by both industry and governments. Global companies can use trade-offs in one country against another. In a similar fashion, environmental positives in one part of the business can be used to counter negatives in a different part. What is important is to be able to demonstrate initiatives/efforts in improving the overall environmental footprint.

1.3.2 Industrial Pollution Prevention and Control (IPPC) Directive

The IPPC Directive 96/61/EC establishes a framework requiring Member States to issue operating permits for certain installations carrying on industrial activities. The key objective of IPPC is to encourage waste best practice in approximately 400 food companies covered by its requirements. These companies must operate in a way that avoids waste, using best available techniques. The regulatory regime is particularly rigorous. Where waste is unavoidable, the regime requires that it is recovered or, if technically and economically impossible, that it is disposed of while avoiding or reducing environmental impact. This Directive has no direct impact on Australian producers but outlines elements of waste policy that retailers in the EU may draw on in developing their own supplier guidelines.

1.3.3 Packaging and Packaging Waste (PPW) Directive

The PPW Directive is implemented through Member State Regulations. For example in the United Kingdom, the Producer Responsibility Obligations (Packaging Waste) Regulations 1996 implement the recovery and recycling targets in the PPW Directive in the UK. Companies obligated under these Regulations, including those in the food industry, are required to:

- Register with the UK Environment Agency and submit data on packaging handled by the business;
- Recover/recycle target levels of packaging waste each year;
- Certify that the necessary recovery and recycling has been carried out; and
- Meet consumer information obligations if they sell packaging to the final user or consumer.

The Regulations currently require that by 2008 at least:

- 60% of packaging waste, by weight, will be recovered ;
- 55% will be recycled overall; and
- 60% of paper and glass, 50% of metals, 22.5% of plastic and 15% of wood will be recycled.

The activities of WRAP, outlined in section 1.6.1, make a significant contribution to the UK's implementation of this Directive.

a) Packaging and Packaging Waste – Essential Requirements

EU institutions accelerate agreement on technical harmonisation issues by agreeing "Essential Requirements" which define the results to be attained and the risks to be dealt with, and delegate to the European Committee for Standardisation (CEN) the task of specifying the technical solutions needed.

It is expected that transport will be recognised in the Emission Trading Scheme Directive. From an Australian perspective, it is important to look at the environmental impact of shipping from Australia and transport within Australia to analyse the environmental impacts

By 2008, 60% of packaging waste, by weight, will be recovered; 55% will be recycled overall; and 60% of paper and glass, 50% of metals, 22.5% of plastic and 15% of wood will be recycled

¹⁶ 'Understanding the CEN Standards on Packaging and the Environment; Some questions and answers', EUROPEN, April 2005

EUROPEAN UNION

Annex II to Directive 94/62/EC on packaging and packaging waste stipulates that all packaging placed on the market within the European Economic Area 1 must comply with the following Essential Requirements:

- Packaging weight and volume should be the minimum needed for safety and acceptance of the packed product;
- Noxious and other hazardous constituents of packaging should have minimum impact on the environment at the end of the product's life; and
- Packaging should be suitable for material recycling, energy recovery or composting, or for reuse if reuse is intended.

The EU Commission mandated CEN to draw up a set of standards and reports which would be "useful for the application of the Directive". Standards on packaging prevention, reuse, material recovery, energy recovery and organic recovery were adopted in 2000. These standards have since been reviewed and updated versions were adopted in 2004.

On 19 February 2005 the Commission published the references to the full set of standards in recognition of their status as "harmonized standards". The umbrella standard is EN 13427:2004 (Standard on Requirements for Use of European Standards in the Field of Packaging and Packaging Waste) and it guides users to those standards that are applicable to each kind of pack. There are pass/fail criteria for packaging and packaging waste identified, including:

- Packaging fails the reuse standard unless the producer can ensure not only that the packaging is capable of being reused, but also that a reuse system is available in the markets where the pack is used;
- The material recycling standard lays down various procedures which must be followed before the pack can be assessed as recyclable;
- The energy recovery standard defines certain types of packaging as recoverable in the form of energy as these packs are known to provide calorific gain; and
- The organic recovery standard lays down criteria for packaging to be regarded as organically recoverable, which relates not only to the biodegradability of the materials, but also to the absence of negative effects on the biological waste treatment process and on the quality of the resultant compost.

Packaging that complies with the standards is deemed to be in conformity with the Essential Requirements, and cannot be denied access to any country in the European Economic Area on grounds of nonconformity with the Directive. This means that the burden of proof has been reversed. Before the references were published, a producer who had been challenged by the enforcement authorities had to prove conformity with the Essential Requirements. Now it is up to the enforcement authorities to prove that the packaging has not been produced in conformity with the relevant standards.¹⁷

Packaging that complies with the standard is deemed to be in conformity with the Essential Requirements and cannot be denied access to any country in the European Economic Area on grounds of non-conformity with the Directive

1.3.4 Waste Framework Directive

The Waste Framework Directive 75/442/EEC is being reviewed within the action plan of the thematic strategy on Waste. Key to this review is deciding when a given output is a product or a resource and not a waste. This has important economic and environmental consequences for the food and wine industry.

¹⁷ 'Understanding the CEN Standards on Packaging and the Environment; Some questions and answers', EUROPEN, April 2005

1.3.5 EU Regulatory Framework for Chemicals

The main impact of the REACH proposal is on the chemical industry, however there is potential for future impact on food industries in the future

MRLs will be set at a European level, instead of Member States each setting their own MRL

The new Regulation includes the option for Member States to annually publish names of companies whose products exceed MRLs, and on residues generally

It is unlikely that the European Food Safety Authority will meet the deadlines set for the harmonization of new MRLs

On 29 October 2003, the European Commission adopted a proposal for a new EU regulatory framework for chemicals via COM (2003) 644, to be known as Registration, Evaluation and Authorisation of Chemicals (REACH). Under the proposed new system, enterprises that manufacture or import more than one tonne of a chemical substance per year would be required to register it in a central database.

The aims of the Regulation are to improve the protection of human health and the environment while maintaining the competitiveness and enhancing the innovative capability of the EU chemicals industry. Furthermore, REACH would give greater responsibility to industry to manage risks from chemicals and to provide safety information on the substances. This information would be passed down the chain of production.

While the main impact of this proposal is on the chemical industry, there is potential for impact on food industries in the future as these industries are large users of chemical additives and processing aids.

a) Maximum Residue Limits (MRLs)

Not strictly an environmental regulation, but nevertheless an issue that gets caught up in public health and environmental concern, is the treatment of MRLs for pesticides and agro-chemicals. Regulation (EC) NO 396/2005 of 23/2/05 on MRLs of pesticides in or on food and feed of plant and animal origin and amending Council Directive 91/414/EEC was published in the Official Journal (OJ L70/1) in March 2005.

The new Regulation was a political compromise agreed at the end 2004 and will streamline European pesticides legislation by replacing four existing Council Directives with a single Regulation. The core goal is to harmonise MRLs across Europe – some 1000 pesticides are in or out of use for around 160 crops. Following a transitional period, all MRLs will be set at a European level, instead of Member States each setting their own national MRLs as presently occurs. The European Food Safety Authority (EFSA) will be responsible for risk assessment, while the Commission and the Member States will be responsible for the risk management procedure by setting the MRLs, taking EFSA's opinion into consideration. Compromises implicit in the new Regulation include:

- Developing a methodology to assess cumulative and synergistic effects (R 6; Arts 14.2.b & 36.1c)
- Option for Member States to annually publish names of companies whose products exceed MRLs, and on residues generally (R 15; R 34; Art 30.3)
- Emphasising high level of consumer protection (R 5; R 27; Art 1)
- Adjusting definition of Good Agricultural Practice and mentioning integrated pest control (Art 3.2a)

The timeline for establishing an MRL will be approximately two years - similar to today.

b) Temporary MRLs

A list of temporary MRLs will be established for active substances for which a decision on inclusion or non-inclusion has not yet been taken. The Member States must notify the Commission of the national MRL or if no MRL is deemed necessary. However, the timing is short, allowing little time for refined assessments. It is clear that decisions will sometimes be based on incomplete data. However, the biggest problem is the political nature of MRL setting. Compromises will be needed as some Member States will have to accept higher MRLs than existing national levels.

It is unlikely that EFSA will meet the deadlines set for the harmonization of new MRLs. EFSA has very few resources in terms of personnel to complete the task and Member States have been slow and, in some cases, uncooperative in supplying information.

The template exercise for gathering national MRLs was due for completion by 30 March 2005 but is well behind schedule. The EFSA evaluation of critical MRLs was due to be completed and published by February/March 2006. Entry into force of temporary MRL Annex III together with relevant Chapters was due by October 2006.

EUROPEAN UNION

1.3.6 Habitat Directive

The Habitat Directive concerns the conservation of natural habitats and of wild fauna and flora. The preservation, protection and improvement of the quality of the environment are an 'essential objective of general interest' to the European Community. The Directive aims to contribute to ensuring biodiversity through the conservation of natural habitats of wild fauna and flora in EU Member States.

Article 3 of the Directive refers to the establishment of Natura 2000, a coherent ecological network of conservation areas comprising habitat types and species listed in Directive Annexes.¹⁸ Commitment to this initiative has been reaffirmed in the EU Renewed Sustainable Development Strategy.

1.3.7 Birds Directive

The EU Directive on the conservation of wild birds recognises that the preservation, maintenance or restoration of a sufficient diversity and area of habitats is essential to the conservation of all species of birds. It goes on to state that certain species of birds should be afforded special habitat conservation measures to ensure their survival and reproduction in their natural range.¹⁹

1.4 Governments

1.4.1 Food Industry Sustainability Strategy (FISS)²⁰

Produced by the UK Department of Environment, Food and Rural Affairs (DEFRA) the FISS applies to the food industry 'beyond' the farm gate. The Strategy recognises that farmers who adopt higher standards may be at a commercial disadvantage as they may have to compete with cheaper imports that don't have to meet the same standards. Therefore, there is emphasis placed on the need for consumers to understand what the baseline and higher level assurance schemes stand for. The Red Tractor scheme (see 1.8.3) is identified as the preferred baseline production standard, with higher level assurances including the Linking Environment and Farming (LEAF) scheme, among others.

This is a clear indication that the UK government may be able to exert indirect pressure on suppliers of foodstuffs to the UK market to meet their baseline assurance standard by raising consumer awareness of the assurances inferred by the Red Tractor and higher level schemes. The Australian wine industry can avoid adverse impacts of such a move through early adoption of an assurance scheme equivalent to the Red Tractor.

The FISS identifies CSR as one of two 'cross cutting considerations'. Cross cutting considerations are major concepts that are relevant but not unique to food industry sustainability, and that are the subject of important policy developments outside of the food industry.

1.4.2 Strategy for Sustainable Farming and Food (SSFF)²¹

Produced by the UK DEFRA, the SSFF complements the FISS in so far as the FISS addresses food production 'beyond' the farm gate, whereas the SSFF tackles the agricultural aspects of food production 'inside' the farm gate. The Strategy recognises that, given the global nature of sustainable development, the UK will want to promote the principles contained within the Strategy 'wherever our food is produced and processed'.

¹⁸ Council Directive 92/43/EEC on the conservation of natural habitats and of wild flora and fauna, European Communities, 1992

¹⁹ Council Directive 79/409/EEC on the conservation of wild birds, European Communities, 1979

²⁰ 'Draft Food Industry Sustainability Strategy', UK Dept of Environment, Food and Rural Affairs, Draft for consultation, April 2005

²¹ 'The Strategy for Sustainable Farming and Food – Facing the Future', UK Dept of Environment, Food and Rural Affairs, 2002

This is a clear indication that the UK government may be able to exert indirect pressure on suppliers of foodstuffs to the UK market to meet their baseline assurance standard

Given the global nature of sustainable development, the UK will want to promote the principles within their Strategy for Farming and Food 'wherever our food is produced and processed'

1.4.3

To date, wine has been less subject to environmental regulation than some other commodities because it is seen as inherently 'safe', generally does not use GMOs, and has not yet been targeted by NGOs

1.5

It is considered unlikely that retailers, as a group, will seek to create a single environmental standard or certification scheme solely for wine suppliers

The SSFF specifically identifies the following environmental impacts of agriculture:

- Emissions and climate change;
- Diffuse water pollution;
- Biodiversity;
- Controlled use of pesticides; and
- Waste, including packaging.

The Strategy also references, directly or indirectly, the concepts of ecosystem services and market-based instruments, eco-efficiency, 'polluter pays principle' and ecological footprint

Organisation for Economic Cooperation & Development (OECD)

The OECD has 30 member countries, including Australia, France, Germany, Japan, New Zealand the UK and the US. The EC also participates in OECD activities. The 'Polluter Pays Principle', which states that those causing the pollution should meet the costs to which it gives rise, can be attributed to the OECD.²²

The OECD Environmental Outlook strategy (2001) identifies the following as among the most important environmental challenges:

- Climate change;
- Loss of biodiversity;
- Urban air pollution;
- Sustainable management of fisheries, forests and agricultural land;
- Hazardous chemicals in the environment; and
- Groundwater pollution.

The OECD's Environment Programme 2003-2004 also flags the issue of ecosystem services with specific reference to biodiversity, referring to the 'creation of markets for the sustainable use of biodiversity products and services and on techniques to measure the full value of biodiversity services to both the economy and to ecosystems'.

Retailers

In Europe today, there is increasing evidence of broad-based government environmental policies that set long-term targets. Meeting these targets may give business certainty, and can promote innovation and business opportunity. Because of this, European businesses, including retailers, are increasingly beginning to expand their definition of success. A successful business is no longer just profitable, but is also able to predict and meet consumer expectations and deliver social, economic and environmental well-being. By anticipating this trend and developing and marketing their corporate responsibility, retailers believe that they may have an additional selling point, compatible with shifting customer aspirations that will also keep them aligned to legislative frameworks. Obviously, suppliers will need to be conscious of these demands.

It is considered unlikely that retailers, as a group, will seek to create a single environmental standard or certification scheme solely for wine suppliers. However, it is considered probable that suppliers will need to demonstrate how their products meet the intent behind EU Environmental Directives. This enables retailers to demonstrate that they have met their CSR requirements.

Supermarkets account for 80% of off-licence sales of wine in the UK. The bulk of this is sold through Tesco, Sainsbury's and Asda.²³

The three principle drivers for any retailer to impose environmental standards were identified as: to reduce Non-Government Organisation (NGO) pressure; to fulfill their CSR objectives; and for marketing purposes. To date, wine has been less subject to environmental regulation than some other commodities. The key reason for this is it is seen as an inherently 'safe' product, in general does not use genetically modified organisms (although the Republic of Moldova produces some wine from genetically modified grapevines), and has not yet been targeted by NGOs. Further, the Quality Manager of UK retailer Sainsbury's has indicated that because wine is a non-essential item, the demand for greater environmental assurance is not a high priority. Unlike an essential item, if a consumer doesn't support the production method, for environmental or other reasons, they simply won't purchase the product.

²² OECD Environment Programme 2003-2004, 2003

²³ The WRAP Wine Initiative: More Bulk. Less Bottle', WRAP, August 2006

EUROPEAN UNION

1.5.1

Supplier Programmes

Many retailers sell 'own-brand' products in addition to 'producer' or 'name' brands. In a UK wine market survey undertaken in 2004 by tmte group for the South Australian Wine Industry Association,²⁵ four out of eight major retailers indicated that they had a supplier programme for 'own-brand' products. In contrast to the voluntary programmes operated by Sainsbury, The Cooperative Group and The Thresher Group, Marks and Spencer's supplier programme is a mandatory requirement. Tesco did not participate in the survey.

The mandatory requirements for own-brand suppliers identified in the tmte group survey were:

- Disclosure of prosecutions for environmental breaches;
- General labeling requirements; and
- Green labeling requirements.

Further, preferred measures were:

- Demonstration of an environmental policy;
- Having an ISO 14001 certified Environmental Management System (EMS) in place; and
- Requiring own suppliers to have an environmentally focused programme.

Although 'producer' and 'name' brands are not subject to a supplier programme, retailers did express a preference for brand labels that:

- Demonstrated an environmental policy;
- Demonstrated specific environmental targets and objectives;
- Had an ISO 14001 certified EMS in place;
- Undertook stakeholder communication and employee training; and
- Required their own suppliers to have an environmentally focused programme.

When presented with a list of 23 social and environmental indicators and asked to rank by importance, the highest priority environmental issues identified by retailers in the survey were:

- Integrated Pest Management (IPM);
- Sustainable use of raw materials; and
- Contribution to biodiversity enhancement.

Supplier programmes are evidence of the retailer taking responsibility for the performance of its supply chain, and requesting environmental, amongst other, assurances from supply chain members. Supplier programmes to 'producer' or 'name' brand items are now emerging. The Sustainable Development Manager of Marks and Spencer stated that their supplier codes could extend to wine producers within five to six years. In 2005/2006, Marks and Spencer is also looking to extend its 'Field to Fork' standard to the thousands of farms that indirectly supply the chain with fruits, salads and vegetables. The 'Field to Fork' programme addresses traceability, minimal pesticide use, ethical trading, non-use of GMOs and food safety.²⁶ In early 2007, the retailer announced 'Plan A'.

It is considered probable that suppliers will need to demonstrate how their products meet the intent behind EU Directives relating to the environment

The highest priority environmental issues to retailers in the survey were Integrated Pest Management, sustainable use of raw materials and contribution to biodiversity enhancement

²⁵ 'The UK Wine Market: An environmental and social analysis for the Australian wine industry', tmte group, September 2004

²⁶ Marks and Spencer Corporate Social Responsibility Report 2005

Under Tesco's carbon rating initiative, manufacturers will be forced to comply or face losing trade

Marks and Spencer's Plan A – a 100 point 'eco-plan'²⁷

In January 2007, British retailer Marks and Spencer launched a 100 point plan setting out commitments for sustainability improvement activities from 2007-2012. The goals of Plan A are for Marks and Spencer to:

- become carbon neutral
- send no waste to landfill
- extend sustainable sourcing
- set new standards in ethical trading
- help customers and employees live a healthier lifestyle

Specific commitments include:

- committing to buy as much food from the UK and Ireland as possible...in addition to labeling food imported by air as ' flown'
- reducing their use of packaging by 25%
- using packaging materials from sustainable or recycled sources, for example cardboard, metal, glass and plastic
- ensuring produce farmers meet an independent environmental standard eg LEAF (Linking Environment & Farming) or FWAG (Farming & Wildlife Advisory Group)
- working with suppliers to reduce water use during the growing, production and manufacture of products
- mobilizing suppliers to reduce their carbon footprint

Despite their absence from the tmte group survey, Tesco is also likely to demand stricter supplier standards. They intend to have all suppliers complying with their 'Nature's Choice' programme by the end of 2007. Tesco has a three tier system with differing environmental standards:

- For product produced within the UK for sale in the UK;
- For product produced outside the UK for export to the UK (follow EurepGAP for fresh produce); and
- Local production for local consumption (where there are often problems in even fulfilling legal requirements).

Tesco's Nature's Choice

Products sold with Tesco's Nature's Choice label are compliant with a Code of Practice ensuring that 'production and produce handling systems are sustainable, environmentally sound and responsible.' A key element of the programme is for suppliers to develop wildlife and landscape conservation and enhancement policies and action plans. Issues addressed by Nature's Choice include rational use of pesticides, fertilizers and manure; pollution prevention; efficient energy, water and other natural resource use; recycling and reuse of materials.

As an indication of the importance Tesco places on biodiversity issues, the retailer also has a Wildlife Choice scheme to specifically monitor and promote biodiversity on farm. The scheme is currently being introduced into the supply chain and involves establishing and monitoring farm biodiversity management plans. www.tesco.com/everyLittleHelps/csrenvironmentdetail.htm

In February 2007, Tesco announced an initiative to give a carbon rating to all products sold in its stores, which will include the energy required for the manufacture and transportation of the packaging. Under this initiative, manufacturers will be forced to comply or face losing trade.²⁸

²⁷ "Marks and Spencer launches "Plan A" – a £200m 'eco-plan", Marks and Spencer Media Release, 15/01/07

²⁸ Reynolds, G., 'Tesco carbon rating to force greener processing', Food&DrinkEurope.com Newsletter, 6/02/07

EUROPEAN UNION

1.5.2 Trends

With all existing schemes, retailers do not consider that consumers will pay a higher price for a product just because it has an 'environmental' label. The value to the supplier, therefore, must come from being able to obtain contracts and make sales to the retailer. In continental Europe, food and drink companies and retailers do not use environmental performance as a point of differentiation as it is not seen as providing either increased sales or attracting higher prices.

Two additional areas where retailers are likely to put pressure on suppliers are biodynamic/organic-certification and packaging. Germany and Belgium already favour certain packaging materials or promote refillable packaging. However, this situation appears to be the result of government environmental policy-making rather than retailer decision. In France and the UK, retailers also ask food and drink companies to supply them with packed goods that fully comply with specific domestic standards on packaging and the environment.

1.5.3 Agrochemicals

The major retailers have differing positions on agro-chemicals. For example, British grocery chain Marks and Spencer, as a reaction to publication of pesticide residue data for its products, committed itself to phasing out any pesticides that may pose risks to health or the environment before they are officially banned. Most have taken a position of minimizing the use in products supplied and some have provided lists of allowable MRLs to suppliers. This is currently applied mostly to fresh product. The requirement of different MRLs by individual retailers that differ to the new harmonized system that will come into force in Europe could provide an impediment to trade. This would provide a similar problem to that currently seen in Canada where Canadian retailer LCBO (Liquor Control Board of Ontario) has different MRLs to those set down in Federal Regulations.

1.6 Consumer & Pressure Groups

The UK's Institute of Grocery Distribution research published in 2002 and the Food Standards Agency's 2001 Food Concerns Omnibus Survey Research showed that 'price', 'use by date', 'taste' and 'appearance' are the most dominant factors in consumer thinking. Wider sustainability issues, such as environmental impact, do not feature highly amongst factors affecting consumer choice, although there is some growing interest in organic products.²⁹

A consumer survey conducted by Mintel in 2006 and reported in 2007 confirmed the position of 'price' as the dominant factor in consumer thinking, finding that 41% of respondents would make 'green' changes only if it didn't cost them too much money.³⁰

The Mintel survey found that 60% of British adults are not fully aware of green and ethical issues, and 20% state that they are 'too busy to care'. A further 17% of adults claim to be suffering 'green overload'. The increasing incidence of media reports that detail the complexity of environmental issues and the difficulties that market operators face is leading to mixed messages and too much information. The result is that the consumer is 'switching off'. The Mintel findings indicate that consumers need to be presented with clear, simple messages.³¹

'Price', 'Use by date',
'Taste' and 'Appearance'
are the four most
dominant factors in
consumer thinking

Retailers do not consider
that consumers will pay a
higher price for a product
just because it has an
'environmental' label

Two major areas where
retailers are likely to put
pressure on suppliers
are biodynamic/organic
certification and packaging

²⁹ Draft Food Industry Sustainability Strategy, (April 2005), The Office of Lord Whitty, Minister for Food, Farming and Sustainable Energy

³⁰ Fletcher, A. (2007), 'Ethical food under threat from consumer confusion', Foodnavigator.com Europe 21/02/07, Decision News Media SAS

³¹ Fletcher, A. (2007), 'Ethical food under threat from consumer confusion', Foodnavigator.com Europe 21/02/07, Decision News Media SAS

The requirement of different MRLs by individual retailers that differ to the new harmonized EU system coming into force could provide an impediment to trade

There are many groups of environmental NGOs in Europe. Some of them have more influence due to their higher international profile. The most prominent NGO in Europe influencing decisions of the European Commission in Brussels is the European Environmental Bureau (EEB). The EEB appears to have become increasingly frustrated in the past year since the appointment of the new European Commission, which is seen as more “industry friendly”. The EEB perceives that the current Environment Directorate of the Commission does not have the same power and ambitions as previously. Indeed, it appears that the current Environment Directorate is looking more closely at outcomes and effective regulation rather than imposing regulations that do not work. There is some suggestion that regulations could be reduced as cross-cutting themes are adopted.

Some of the big British retailers are becoming increasingly discontented with the NGOs and are moving away from ‘knee jerk’ reactions in response to NGO lobbying. Retailers are well aware that NGOs are not ‘consumers’. Despite this, in response to a challenge from Greenpeace about timber used in their garden furniture, Marks and Spencer took the step of developing a Solid Wood Sourcing Policy and joined the Tropical Forestry Trust and Forest and Trade Network to assist with implementation of the policy.³²

1.6.1 Waste and Resources Action Programme (WRAP)

It appears that the current Environment Directorate is looking more closely at outcomes and effective regulation rather than imposing regulations that do not work

The issue of household wastes has become a target for improvement in the UK via WRAP (Waste and Resources Action Programme), a not-for-profit company established by the Government and devolved administrations, to create stable and efficient markets for recycled materials and products and to remove barriers to waste minimisation, re-use and recycling.

WRAP estimates that 35-40% of biodegradable household waste originates from purchases made in the four major food retailers. With Government support, WRAP has established a Retailers Initiative with major supermarket chains to explore how they might contribute to reducing waste from households through their supply chain relations, marketing and other consumer interaction activity. Under this initiative, WRAP is:

- providing technical support to retailers and their suppliers to identify opportunities for reducing the weight of primary packaging, and reducing the cost of production and transportation;
- conducting research on ways that primary packaging can be reduced and publishing the results, e.g. research on international best practice in packaging and product design; and,
- funding retailer-led research pilots and trials projects.

Retailers are well aware that NGOs are not ‘consumers’

In 2005, 92% of the UK retail sector signed up to the Cortauld Commitment.³³ Companies making the pledge include Asda, Boots, Bugdens, the Co-operative Group, Lonsis, Iceland, Kwik Save, Marks and Spencer, Morrison’s, Sainsbury’s, Somerfield, Tesco and Waitrose. Signatories commit to support WRAP in achieving the following objectives:

- to design out packaging waste growth by 2008;
- to deliver absolute reductions in packaging waste by 2010; and,
- to identify ways to tackle the problem of food waste.

³² *Marks and Spencer Corporate Social Responsibility Report 2005*

³³ *The WRAP Wine Initiative: More Bulk. Less Bottle*, WRAP, August 2006

EUROPEAN UNION

The response of retailers and producers to the EC's position on sustainable development has been to satisfy the requirements of CSR

The Australian wine industry needs to be cognizant of glass packaging innovations as they may require changes in our packaging

The WRAP Wine Initiative ³⁴

The Initiative aims to encourage more wine importers and retailers to import bulk wine and bottle it in lighter glass bottles that are manufactured in the UK. Wine consumption in the UK is recognised as a major contributor, through glass bottles, to the domestic waste stream. Green glass bottles, which dominate the wine bottle waste stream component, are unsuitable for the production of flint (clear) glass, which dominates UK manufacturing.

The UK waste stream contains approximately 1 million tonnes of green glass each year. Based on import figures and average bottle weight for Australian wine imports, WRAP has calculated that Australian wine is responsible for an estimated 120,000 tonnes of predominantly green glass into the UK waste stream annually.

The Wine Initiative will make a significant contribution to the UK's ability to meet its EU Packaging Directive target, and also helps UK retailers to meet their commitments under the Cortauld Commitment.

The options being investigated by WRAP are:

- The lightweighting of wine bottles currently being produced within the UK and in the country of origin for sale in the UK.
 - Increase bulk importation of wine (retailers own-label and brands from New World producers) and bottle in the UK in domestically manufactured bottles.
 - Where feasible, switch from coloured glass bottles to flint bottles produced and filled at source.
- Source: 'The WRAP Wine Initiative: More Bulk. Less Bottle', WRAP August 2006

The Australian wine industry needs to be cognizant of these developments as it may require changes in our packaging. In comparison to major international retailers, including Wal-Mart, Tesco and Marks and Spencer's initiatives to significantly reduce waste, Australian supermarkets are lagging behind. In 2007, Woolworths/Safeway and Coles jointly won the people's choice award in Environment Victoria's annual DUMP awards for 'needlessly packing fruit and vegetables, particularly organic products, on polystyrene trays and covering them with cling wrap'.³⁵

1.7

Subscribing to CSR is seen as an excellent tool to meet sustainable development objectives and avoid the introduction of heavy-handed regulation

The EC believes that CSR is receiving growing recognition because business image and reputation play an increasingly important role in the business competitive environment

Corporate Social Responsibility (CSR)

The European Commission has re-stated that sustainable development is to be the major initiative of the current Commission. The response of retailers and producers to this intention has been to satisfy the requirements of CSR. The UK Government's CSR update, published in 2004, describes CSR as essentially the business contribution to sustainable development. It identifies CSR as what companies do voluntarily over and above the minimum legal requirements for social and environmental performance, including environmental protection, equal opportunity, employment terms and conditions, and health and safety. A 'socially responsible' business would:

- Recognise that its activities have a wider impact on the society in which it operates;
- Take account of economic, environmental and social impacts of its activities across the world; and
- Seek to achieve benefits by working in partnership with other groups and organisations.³⁶

CSR requires balance between economic, environmental and social objectives, as opposed to emphasis on any single aspect such as environment. Subscribing to CSR is seen as an excellent tool to meet sustainable development objectives and avoid the introduction of heavy-handed regulation.

In March 2006, the European Commission established the European Alliance for Corporate Social Responsibility, as part of their strategy to position Europe as a 'pole of excellence in CSR'.

³⁴ 'The WRAP Wine Initiative: More Bulk. Less Bottle', WRAP, August 2006

³⁵ 'Big companies shamed for over-packaging', AAP Media Release, 5/02/07

³⁶ Draft Food Industry Sustainability Strategy, (April 2005), The Office of Lord Whitty, Minister for Food, Farming and Sustainable Energy

1.7.1

Communication from the EC concerning Corporate Social Responsibility: A business contribution to Sustainable Development

The Australian Government entered into an Eco-Efficiency Agreement with the Australian wine industry in 2002.

The European Commission initiated consultation on CSR in 2001 with the release of the Green Paper 'Promoting a European Framework for Corporate Social Responsibility'.³⁷

The EC believes that CSR is receiving growing recognition because business image and reputation play an increasingly important role in the business competitive environment, as consumers and NGOs request further information about the conditions in which products and services are generated and the sustainability impacts thereof.³⁸

The CSR Communication encourages the adoption of the Eco-Management and Audit Scheme and the European Eco-Efficiency Initiative as valuable CSR instruments. The Australian Government has also entered into Eco-Efficiency Agreements similar to those used in the EU. The three year Eco-Efficiency Agreement with the Australian wine industry was signed in 2002.

1.7.2

Eco-Management and Audit Scheme (EMAS)

Organisations registered under EMAS are legally compliant, operate an EMS and report on their environmental performance

The EMAS is the EU's voluntary instrument that acknowledges organisations that continuously improve their environmental performance. Environment 2010 encourages broader adoption of the EMAS, in addition to other initiatives encouraging companies to publish rigorous and independently verified environmental or sustainable development reports.

Organisations registered under EMAS are legally compliant, operate an environmental management system and report on their environmental performance through the publication of an independently verified environmental statement.³⁹

The EU recognises that EMAS participants 'may gain added value in terms of regulatory control, cost savings and public image'.⁴⁰ To be registered under EMAS, an organisation must:

- Conduct an environmental review of its activities, products and services and, in light of the results, implement an environmental management system;
- Carry out environmental auditing to assess environmental performance;
- Prepare an environmental statement containing results achieved against environmental objectives;
- Have the environmental review and/or the management system, audit procedure and environmental statement validated by an environmental verifier; and
- Forward the validated environmental statement to the competent body of the relevant Member State.

Reporting of environmental impacts will increase as markets seek greater transparency and accountability

ISO 14001 accredited Environmental Management Systems can be used as a first step towards EMAS registration, but require the modification of some features and some additional steps.

³⁷ European Commission COM (2001) 366

³⁸ Communication from the Commission concerning CSR: A business contribution to sustainable development, European Commission, COM (2002) 347 final

³⁹ http://europa.eu.int/comm/environment/emas/index_en.htm

⁴⁰ Regulation (EC) No. 761/2001 of the European Parliament

EUROPEAN UNION

1.7.3

Government Guidelines – Corporate Social Responsibility

The document does flag those issues that the UK market may come to associate with, and therefore seek additional information about, horticultural products such as winegrapes

In June 2005, the UK DEFRA produced a consultation draft titled 'Environmental Key Performance Indicators for Business: Reporting Guidelines for UK Business'. The guidelines aim to give directions to companies on how to report their environmental performance. The document also identifies environmental Key Performance Indicators for industry sectors and their supplier sectors.

The Guidelines acknowledge that the advent of new reporting regulations, including the EU Accounts Modernisation Directive, mean that the reporting of environmental impacts will increase as markets seek greater transparency and accountability.

The Significant Direct Key Performance Indicators identified for 'Growing of Crops, Market Gardens and Horticulture' in the UK are, in order of priority:

- Water use and abstraction;
- Greenhouse gases;
- Pesticides and fertilizers;
- Agriculture, which refers to reporting the amount of product harvested; and
- Acid rain, eutrophication and smog precursors.

Although neither these specific issues nor order of priority may be relevant to Australian horticulture, it does flag those issues that the UK market may come to associate with, and therefore seek additional information about, horticultural products such as winegrapes.

1.8

Certification Schemes

Standards from private industry and trade don't have a legal basis, but may be part of the contract between retailer and supplier or a precondition set by the retailer before a producer or grower is accepted as a supplier. As part of trade relations, retailer standards may become as important as the regulatory standards.

There are a number of standards that fall under this category.

1.8.1

Global Food Safety Initiative (GFSI) & Safe Quality Food 2000 (SQF 2000)

Although GFSI and SQF 2000 do not currently consider environmental issues, they are indicative of a possible international retailer-driven framework that could be applied to environmental assurance in the future. Detail on the GFSI and SQF 2000 is provided herein as evidence of the retail sector's ability to cooperate and develop harmonized compliance standards.

The GFSI is administered by the CIES – The Food Business Forum. The CIES is the only independent global food business network and serves the executive and senior management of 190 retailers and 190 supplier member companies in over 150 countries. Members include Tesco, Carrefour, Marks & Spencer, Somerfield, Waitrose, Albertsons, Kroger and Woolworths.⁴¹

⁴¹ www.ciesnet.com downloaded 01/03/07

GFSI and SQF 2000 do not currently consider environmental issues but they are evidence of the retail sector's ability to cooperate and develop harmonized compliance standards

It is important to recognise that, through the GFSI, the retail sector has demonstrated its ability to unite and develop compliance standards that are required of all suppliers to all participating retailers

1.8.2

While individual retailers may still impose requirements above and beyond EurepGAP, many have agreed to recognise EurepGAP certification as a minimum

It should be noted that in addition to the EurepGAP standards applied to fruit etc, a EurepGAP Integrated Farm Assurance standard has also been developed

The GFSI is a cooperative arrangement amongst large retailers that endorses private food standards when they comply with framework guidelines of the GFSI. The GFSI is supported by a taskforce representing over 70% of the worldwide food retail revenue.⁴² It is the first approach towards harmonisation in the field of private standards, ensuring food safety from 'farm to fork' while reducing the effort and cost required to secure numerous certifications. GFSI includes food safety but excludes standards on product quality, environment, social/ethical issues, animal welfare, sustainability and biotechnology. The GFSI aims to promote safe and legal food production and considers itself a platform for dialogue and cooperation with the public sector and will further engage in consumer education.

The GFSI recognises the SQF 2000 initiative, owned by the American-based Food Marketing Institute and managed by the SQF Institute. SQF 2000 is primarily a HACCP- and ISO 9000-based Quality Assurance System.⁴³ SQF 2000 has been used successfully by red globe grape growers in Western Australia to increase profits, reduce waste, increase premium levels and reduce packaging costs.

It is important to recognise that, through the GFSI, the retail sector represented by the CIES has demonstrated its ability to unite and develop compliance standards that are required of all suppliers to all participating retailers. It is not unrealistic to assume that this same united approach could be applied to the development of environmental assurances that would be enforced by all participating retailers. However, this would need to be preceded by significant consumer demand, including evidence that environmental considerations would influence purchasing activity, or by increasingly detailed 'environmental' and/or 'supply chain management' provisions within CSR reporting guidelines. It is significant to note that in 2006, the CIES developed its Global Social Compliance Programme.⁴⁵ In terms of attention to triple bottom line considerations, it is reasonable to assume that a CIES position on environmental performance is a distinct possibility.

EurepGAP

In recent years, there has been increased activity from groups of companies, particularly retailers and food industry. The Euro-Retail Produce Working Group (EUREP), with representation from the UK, the Netherlands, Belgium, and other European countries, has harmonised specifications on agricultural practices by creating the EUREP Good Agricultural Practice (EurepGAP). EurepGAP is a series of standards and procedures for Good Agricultural Practices currently focusing on fresh produce, flower and ornamentals, and livestock. It includes integrated crop and pest management as well as worker welfare standards.

While individual retailers may still impose requirements above and beyond EurepGAP, many have agreed to recognise EurepGAP certification as a minimum. The standards refer to processes (ie how produce is grown) and not to products. Independent growers who want to be EurepGAP certified, and hence be allowed to supply EUREP retailers, have to initially complete a self-assessment form, and then be assessed by a EUREP approved inspection body. If the grower passes the inspection, they receive EurepGAP certification.

The global accreditation body for EurepGAP is Joint Accreditation System of Australia and New Zealand (JAS-ANZ), based in Canberra. All EurepGAP benchmarking applications will be assessed by JAS-ANZ on behalf of the EurepGAP Secretariat.⁴⁶

⁴² www.ciesnet.com/programmes/foodsafety/global_food/main.htm

⁴³ www.sqf.com

⁴⁴ Cooper, K 'SQF: International quality that pays', *Food in Canada, Summer 2000*

⁴⁵ www.ciesnet.com downloaded 01/03/07

⁴⁶ www.jas-anz.com.au

⁴⁷ *The UK Wine Market: An environmental and social analysis for the Australian wine industry*, *tmte group, September 2004*

EUROPEAN UNION

It is considered unlikely that EurepGAP can be extended to include products such as wine. However, there may be a competitive advantage in producing wine from winegrapes that are EurepGAP certified

EurepGAP was initiated by retailers from the Netherlands and UK. EurepGAP does not currently apply to wine as processed product does not fall within the scheme. It is considered unlikely that the scheme can be extended to include products such as wine. However, there may be a competitive advantage in producing wine from winegrapes that are EurepGAP certified. For example, the Integrated Pest Management model that New Zealand uses to underpin the 'green' position of its wine is similar to what UK retailers are undertaking in the fresh produce sector and has been viewed very positively by retailers.

EurepGAP seeks to justify to consumers that the product has been produced in a safe, responsible and sustainable way. The standard integrates:

- Food Safety;
- Environmental Protection;
- Worker Health, Safety and Welfare; and
- Animal Welfare.

The EurepGAP Checklist for Fruits and Vegetables contains 200 questions identified as 'Major Must', 'Minor Must' and 'Recommended' for use in self assessment and formal third party audits. The EurepGAP Standard is currently undergoing revision, focussing on a number of key areas for consideration. Those that relate to the environment are:

- Integrated Crop Management - defining today's Good Practices more clearly;
- Environmental Issues - particularly environmental indicators and how to measure the progress achieved to date; and
- Certification Rules - how to customize the certification process.

It should be noted that in addition to EurepGAP standards being applied to fruit and vegetables, ornamentals and livestock, a EurepGAP Integrated Farm Assurance (EurepGAP IFA) standard has also been developed. Version 2.0 of the EurepGAP General Regulations – Integrated Farm Assurance was released in March 2005. The standard applies to agricultural production systems.

The objectives of EurepGAP IFA are to:

- Facilitate mutual recognition through transparent benchmarking;
- Boost worldwide participation in farm assurance;
- Encourage continuous improvement; and
- Provide performance and integrity measurement for assurance schemes (eg certification, accreditation).

EurepGAP IFA is supported by retailers including Sainsbury's (UK), McDonalds (Germany) and Somerfield (UK).⁴⁸

Since the development of EurepGAP, MexicoGAP, DanishGAP, ChileGAP, KenyaGAP and SwissGAP have also emerged. In May 2005, a Memorandum of Understanding on technical cooperation was signed between EUREP and the Certification and Accreditation Administration of the People's Republic of China to develop ChinaGAP.⁴⁹ This is addressed in section 4.4.2 of this document.

⁴⁸ www.eurep.org/Languages/English/index.html

⁴⁹ 'Chinese Government signed MOU to develop ChinaGAP', EUREP Media Release 23/05/05

1.8.3 British Farm Standard – ‘Red Tractor’ Label⁵⁰

The UK SSFF recommends that the Red Tractor should be the baseline standard that all food should attain

‘Red Tractor’ labelled products are produced by an alliance of farmers, processors, retailers and distributors who work cooperatively to maintain and raise standards

Growers who produce under the label of APS must follow the standards in the crop-specific protocols that form the basis of the scheme

The UK Assured Food Standards is an independent organisation established to manage the ‘Red Tractor’ trademark, which indicates compliance with the British Farm Standard. Assured Food Standards is owned by the food supply chain, representing the interests of the UK’s National Farmers Union, Ulster Farmers Union, Meat and Livestock Commission, Dairy UK and the British Retail Consortium. Observers include the DEFRA and the UK Food and Drink Federation.

‘Red Tractor’ labeled products are produced by an alliance of farmers, processors, retailers and distributors who work cooperatively to maintain and raise standards. The British Farm Standard harmonises several assurance schemes, including the Assured Produce Scheme (APS) that applies to ‘fruits, salads and vegetables’.

APS promotes safe and environmentally responsible production of produce through the use of integrated crop management (ICM). Growers who produce under the label of APS must follow the standards contained in the crop specific protocols that form the basis of the scheme. Upon reading the APS Generic Crop Protocols, it is clear that this scheme aligns very closely with the EurepGAP Checklist for Fruits and Vegetables. EurepGAP have issued a Notice of Intent to recognise equivalence between EurepGAP and APS.

Every ‘Red Tractor’ business is inspected by independent experts, ensuring that standards are complied with from ‘the farm to the pack’. ‘Red Tractor’ products can also be traced back to the source farm.

Following the Curry Commission of Inquiry after the 2001 foot and mouth crisis, the UK SSFF recommended that the Red Tractor should be the baseline standard that all food should attain. The UK government agrees with this position and the Red Tractor logo was subsequently relaunched with clear industry and government support.

Non-British products can use the ‘Red Tractor’ logo if their production conforms to the British Farm Standard. UK retailer Sainsbury’s has expressed a preference for ‘Red Tractor’ products.⁵¹ Tesco also uses the ‘Red Tractor’ logo on some of its own-brand products.⁵²

1.8.4 Sustainable Agriculture Initiative (SAI) Platform

The program provides a vehicle for participating companies to collectively demonstrate their ability to meet environmental and sustainability principles, instead of companies undertaking to do this individually

The SAI Platform is a programme developed by the food industry to actively support the development and communication of sustainable agriculture involving the different stakeholders in the food supply chain. Companies involved in the SAI Platform include Nestle, Unilever, Fonterra, McDonalds, Danone, Kraft, McCain Europe and Sara Lee.⁵³ Essentially, the programme provides a vehicle for participating companies to collectively demonstrate their ability to meet environmental and sustainability principles, instead of companies undertaking to do this individually.

The SAI Platform defines sustainable agriculture as ‘a productive, competitive and efficient way to produce agricultural products, while at the same time protecting and improving the natural environment and social/economic conditions of local communities.’

SAI Platform supports sustainable agricultural practices that embody the following principles:

- Provide the base for ensured food safety by producing high-quality agricultural products and by supporting innovations to improve their quality and safety;
- Secure adequate food supplies to meet current and future food demand, by producing high yielding and healthy crops and animals, while increasing efficiency and keeping resource and external input requirements as low as possible;
- Protect and possibly improve the natural environment and resources, by minimising any adverse effects from agricultural activities on soil, water, air and biodiversity, optimising the use of renewable resources and caring for animal welfare; and
- Support economically viable and responsible farming systems, enabling local communities to protect and improve their livelihood, safeguard their environment and improve their well-being.

⁵⁰ www.redtractor.org.uk/site/rt_home.php

⁵¹ J Sainsbury PLC, ‘Corporate Responsibility Report’, 2005 p66

⁵² ‘Red Tractor on British Cheese’, UK National Farmers’ Union Media Release, 15/12/04

⁵³ www.saiplatform.org

EUROPEAN UNION

1.8.5 Linking Environment and Farming (LEAF) & the European Initiative for Sustainable Development in Agriculture (EISA)

The Board of LEAF comprises representatives from government, farmers, supermarkets, environmental and consumer groups, educational institutions and industry bodies

LEAF is a UK charity established in 1991 to develop and promote Integrated Farm Management. The Board of LEAF comprises representatives from national government departments, farmers, supermarkets, environmental and consumer groups, educational institutions and industry bodies. The LEAF Marque certifies compliance with the LEAF Marque Standard.⁵⁴

LEAF is one of six national organisations that collectively form the European Initiative for Sustainable Development in Agriculture (EISA). Other members include the French Forum for Integrated Farming (FARRE), Luxemburg's FILL, Germany's FNL, Austria's OAFIP and Sweden's Odling i Balans. EISA is promoting Integrated Farm Management to the European Commission and other European legislative bodies as a basis for sustainable agriculture across Europe.⁵⁵ LEAF's IFM is acknowledged as a higher level assurance scheme in the UK SSFF. The APS audit standard strongly recommends that Red Tractor producers hold a copy of the LEAF Handbook for IFM.

1.9 Future directions

Table 2 summarises the priority issues arising in the strategies, policies and schemes reviewed herein. The top five issues are referred to in six or more documents and can be assumed to represent the environmental issues of significance in the Australian wine industry's EU markets.

Although chemicals do not feature in the top five issues with respect to environmental issues, they are a major issue with respect to food safety, which is a pre-eminent concern for all food producers.

1.9.1 Climate Change

The Australian industry, while not required to meet Kyoto Protocol emission targets, needs to collect robust data to enable comparisons with other food industry sectors, both in Australia and abroad

Climate change and energy use remain key issues that industry needs to demonstrate progress on. All EU Member States are committed, under the international Kyoto Protocol, to reduce greenhouse gas emissions by 2008-2012, relative to 1990. The climate change debate dramatically increased in profile in late 2006 with the release of the Stern Review on the Economics of Climate Change.

Australia is a signatory to the Kyoto Protocol but has not ratified the Protocol. Countries that import Australian wine and that have ratified the Protocol could potentially use this point to differentiate local product from Australian product. In response to Australia's resistance to a resumption of commercial whaling, the media reported that Japanese interests attempted to undermine Australia's case by highlighting Australia's unwillingness to ratify the Kyoto Protocol, inferring that Australia's interest in environmental management issues was not genuine.

However, as shown in Figure 1, Australia's contribution to global greenhouse gas emissions is small compared to, for example, that of the EU, US and China. The contribution of the Australian wine industry, either directly or indirectly, has not been quantified but would be expected to be small compared to other Australian sources. Complicating the issue is the sequestration potential of grape vines which, once again, has not been quantified, but which could offset emissions generated in other parts of the industry.

In July 2005, Australia, China, India, USA and South Korea established the Asia-Pacific Partnership on Clean Development and Climate. The Partnership aims to address climate change, energy security and air pollution, especially through the development and deployment of clean technology. The Partnership is consistent with Australia's efforts under the United Nations Framework Convention on Climate Change.

⁵⁴ www.leafuk.org/leaf/

⁵⁵ www.sustainable-agriculture.org/start.htm

Table 2. Issues identified in reviewed strategies, policies and schemes

	OECD	EU E2010	EU SDS	EU Dir	EU CAP	UK FISS	UK SSFF	EU IPP	UK Retailers	UK CSR
Climate change	✓	✓	✓	✓		✓	✓	✓		✓
Biodiversity	✓	✓	✓	✓	✓		✓	✓	✓	
Waste	✓	✓	✓	✓		✓	✓	✓		
Water	✓	✓			✓	✓	✓	✓		✓
Green procurement	✓	✓	✓			✓	✓	✓		
Air pollution	✓	✓			✓		✓	✓		✓
Chemicals	✓	✓					✓	✓	✓	✓
Sustainable agriculture/NRM	✓	✓							✓	
Eco-efficiency		✓				✓	✓	✓		
Product life cycle		✓				✓				
Polluter Pays Principle	✓	✓					✓	✓		
Soil		✓	✓		✓					
Food miles	✓					✓				
IPM									✓	

E2010 Environment 2010

SDS Sustainable Development Strategy

Dir Directives

CAP Common Agricultural Policy

FISS Food Industry Sustainability Strategy

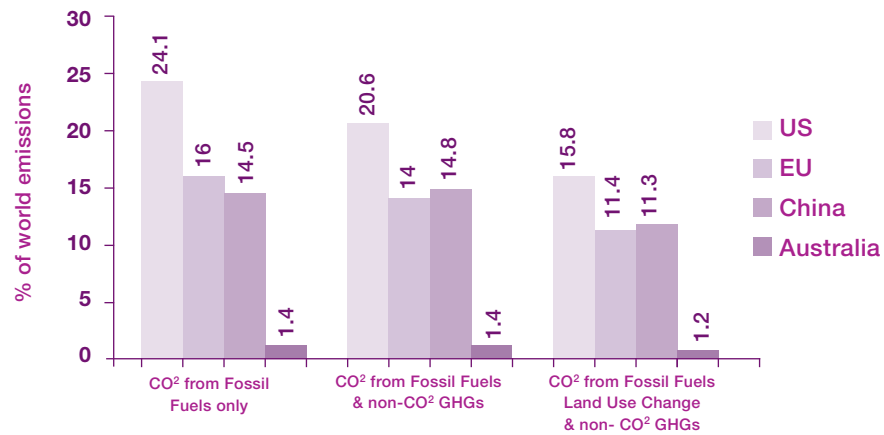
SSFF Strategy for Sustainable Farming & Food

IPP Integrated Product Policy

CSR Environmental Key Performance Indicators: Reporting Guidelines for UK Business

EUROPEAN UNION

Figure 1. Share of Global Emissions



Source: Baumert, K. & Pershing, J., 'Climate Data: Insights and Observations', Pew Centre on Global Climate Change, December 2004.

In a competitive marketplace where perceptions are as influential as fact, the Australian wine industry needs to address this issue to match assurances already being offered in the EU marketplace

Most EU Member States have set higher domestic goals of cutting carbon dioxide emissions than mandated under the Protocol. Energy efficiency is expected to play a large role in achieving this goal. Within Europe, the food industry is a major energy user, accounting for about 14% of UK energy consumption by UK businesses. The Australian industry, while not required to meet Kyoto Protocol emission targets, needs to collect robust data to inform aggregate performance calculations and to enable comparisons with other food industry sectors both in Australia and abroad.

Key Performance Indicators of energy efficiency identified under the UK FISS are:

- Total energy use by the food, drink (and tobacco) manufacturing industry;
- Energy use per unit of output in the food, drink (and tobacco) manufacturing industry;
- Total savings of CO² under food and drink manufacturing and retail sector Climate Change Agreements; and
- Savings of CO² per unit of output under food and drink manufacturing and retail sector Climate Change Agreements.

Climate change has not attained the high priority status in the Australian wine industry that it holds in EU markets. This could be explained by Australia's small contribution to global greenhouse gas emissions, of which only a fraction could be attributed to the Australian wine industry. However, this is changing with recent Australian research findings positing future climate scenarios for Australian wine regions and necessary adaptation measures. In a competitive marketplace where perceptions are as influential as fact, the Australian wine industry needs to address this issue to match assurances already being offered in the EU marketplace.

a) Transport environmental costs – ‘Food Miles’

Transport costs were identified as a key target by the European Commission. The ‘food miles’ debate is concerned with the environmental and social costs associated with transporting food from where it is produced to where it is processed, to the wholesaler, to the retailer or catering outlet and to the consumer.⁵⁶ It is argued by environmental and consumer groups that consumers have not had access to adequate consumer information about the origins of the food they buy, how far it has travelled, and the wider environmental and social impacts of food production, processing and transport, which would enable consumers to make more sustainable choices. The UK has estimated that the environmental, social and economic costs of food miles are very large. The external costs of greenhouse gas emissions, air pollution, noise, congestion, accidents and infrastructure associated with food miles are estimated at over £8 billion pounds each year, although considerable uncertainty is attached to this value. A consultancy hired to measure these costs recommended that future government policy should include sourcing more food locally and strengthening UK suppliers.⁵⁷

While the transportation of imported produce by sea accounts for only a fraction of total external costs of food miles, it will be important to quantify this cost

While the transportation of imported produce by sea accounts for only a fraction of total external costs, it will be important to quantify this cost.

In December 2006, the UK Department of Environment, Food and Rural Affairs released a report titled ‘Environmental Impacts of Food Production and Consumption’. The report found that there was insufficient research to conclude that locally-sourced food has less environmental impact than imported food. This is in recognition of the ‘wide variation in agricultural impacts of food grown in different parts of the world.’ These comments provide balance to opinions previously emanating from the UK, which is positive considering that the DEFRA will use this information to develop policy on reducing the impact of food production, processing, retailing and consumption on the environment.⁵⁸ UK Minister Stephen Byers has previously called for the application of taxes on food miles.⁵⁹

The same UK report also found that there is insufficient evidence to prove that organic agriculture is more environmentally friendly than conventional agriculture. Further on organic production, the Soil Association, a UK organic production certification body, has proposed an outright ban on airfreighting organic products, forcing processors and retailers to source local product to retain organic status. Other proposals include the labelling of food to indicate food miles.⁶⁰

The recent UK findings are consistent with a recent study by the Agribusiness and Economics Research Unit at Lincoln University, New Zealand, which noted that the concept of food miles is misleading because it fails to consider total energy use, particularly in the production process.⁶¹

European governments have clearly identified retailers as having a major role to play in reducing the negative externalities associated with food miles. They see the role as including:

- Improving efficiency and logistics, and reducing journey lengths wherever possible, but balanced by life-cycle judgements about the overall energy impacts of the alternatives;
- Building the market for locally sourced produce by supporting local food producers;
- Encouraging potential suppliers to reduce externality costs; and
- Using a life cycle analysis approach to provide consumer information on issues associated with food miles in their purchasing decisions – and therefore drive long term sustainability throughout the supply chain.

⁵⁶ Draft Food Industry Sustainability Strategy, (April 2005), The Office of Lord Whitty, Minister for Food, Farming and Sustainable Energy

⁵⁷ El Amin, A., ‘UK CO2 emissions from food transport jumps 6%’, FoodNavigator.com Europe Newsletter, 25/07/06

⁵⁸ El Amin, A., ‘UK research casts doubt on environmental claims’, FoodNavigator.com Europe Newsletter, 31/01/07

⁵⁹ Patton, D., ‘Food miles debate reignited by climate change report’, FoodNavigator.com Europe Newsletter, 31/10/06

⁶⁰ Reynold, G., ‘Airfreighting organic food faces UK ban’, FoodNavigator.com Europe Newsletter, 29/01/07

⁶¹ Gallacher, S., ‘Food miles – trade protectionism in another guise’, Minter Ellison Insights Newsletter, 9/10/06

EUROPEAN UNION

1.9.2 Waste

There are three key areas in which the wine industry can achieve more sustainable waste management throughout the supply chain:

- Packaging - the wine industry is a major user of packaging and carries substantial obligations, linked to EU rules, to undertake or to pay for recovery and recycling of packaging wastes;
- Food industry wastes - much of the industry's waste is biodegradable waste food and associated by-products that can have value when recycled or composted;
- Influence over household waste - much of the waste arising in the home starts as food industry products and packaging purchased from the major supermarkets. Recyclable materials are seen as a key mechanism to reduce this.

Waste management in the vineyard, including vine prunings and posts also need to be dealt with appropriately to improve overall supply chain performance.

Key Performance Indicators of waste management identified under the UK FISS are:

- Level of waste arising in the food and drink (and tobacco) manufacturing industry;
- Level of "food waste" across all sectors of the food industry;
- Food industry progress against recycling targets; and
- Food industry progress against recovery targets.

1.9.3 Water

Within Europe, key performance indicators of water efficiency are not yet established, but are likely to require the establishment of baseline water use for each food industry sub-sector

The food industry is a significant user of water, and as such, the sector contributes significantly to the demand being placed upon water resources. There are also issues associated with impacts on receiving environments for wastewater disposal. Water use in vineyards varies depending on seasonal conditions and the grape varieties being grown. Water use efficiencies can be obtained by adopting regional best practices, which may include soil moisture monitoring, selection of appropriate irrigation methods and mulching.

The challenge for the wine industry is to reduce its current levels of demand for water at all stages of the supply chain. By adopting 'best practice', efficiency gains can be achieved without compromising product quality or integrity.

Within Europe, key performance indicators of water efficiency are not yet established, but are likely to require the establishment of baseline water use for each food industry sub-sector, encompassing water use throughout the food supply chain and the setting of targets for improvement appropriate to each sub sector.

1.9.4 Biodiversity

The Australian wine industry could demonstrate commitment to biodiversity protection measures in the EU by contributing to the equivalent Australian system

The Natura 2000 network proposed under the EU Habitat Directive, and reaffirmed in the Renewed Sustainable Development Strategy, mirrors the Australian Government's efforts to establish a 'comprehensive, adequate and representative' National Reserve System in Australia. The Australian wine industry could demonstrate commitment to biodiversity protection measures in the EU by contributing to the equivalent Australian system.

The Australian Government has identified those environments, called 'bioregions', which are currently under-represented in the National Reserve System. These bioregions would benefit from additional 'off-reserve' management, including appropriate management of vegetation remnants located in vineyards and winery sites. Seven bioregions that are declared 'Very High' priority for the establishment of additional reserves are found in one or more GIs. An additional nine 'High' priority bioregions also coincide with one or more GIs. These are shown in Table 3.

Table 3. GI Zones in Priority Bioregions

Geographic Indication Zone	Priority Bioregion	Priority Rating
Central Western Australia	Avon Wheatbelt	Very High
The Peninsulas	Eyre Yorke Block	High
Mt Lofty Ranges	Eyre Yorke Block	High
	Flinders Lofty Block	High
Limestone Coast	Naracoorte Coastal Plain	High
Lower Murray	Naracoorte Coastal Plain	High
Western Victoria	Victorian Midlands	High
	Victorian Volcanic Plain	Very High
Gippsland	South East Coastal Plain	High
Central Victoria	Riverina	High
	South West Victoria Midlands	High
Port Phillip	South East Coastal Plain	High
	Victorian Volcanic Plain	Very High
North West Victoria	Riverina	High
	Victorian Midlands	High
Tasmania	Tasmanian Northern Midlands	High
Big Rivers	Broken Hill Complex	Very High
	Darling Riverine Plains	Very High
	Riverina	High
	NSW South Western Slopes	Very High
Southern NSW	NSW South Western Slopes	Very High
Central Ranges	NSW South Western Slopes	Very High
Northern Slopes	New England Tableland	High
	Nandewar	Very High
	Brigalow Belt South	Very High
	Darling Riverine Plains	Very High
Western Plains	Mulga Lands	High
	Broken Hill Complex	Very High
	Brigalow Belt South	Very High
Queensland	Brigalow Belt South	Very High
	South Eastern Queensland	High

EUROPEAN UNION

Conservation International has identified 25 regions identified as international 'biodiversity hotspots', which have gained widespread recognition. Of these, one occurs in Australia – the forests, woodlands, shrublands and heath of South West Australia. In 2003, the Australian Government declared fifteen 'National Biodiversity Hotspots'. The hotspots are areas that are particularly rich in plant and animal species and are under immediate threat from impacts including land clearing, pest species and other pressures. Nine of the fifteen hotspots coincide with GI zones. These are shown in Table 4.

Table 4. GI Zones in National Biodiversity Hotspots

A concerted effort by the Australian wine industry to participate in the management of nationally significant biodiversity areas could be marketed as the equivalence of the EU's own endeavours

Geographic Indication Zone	Biodiversity Hotspot name
South West Australia	Busselton Augusta
West Australia South East Coastal	Fitzgerald River Ravensthorpe
Central Western Australia	Central and Eastern Avon Wheatbelt
Greater Perth	Geraldton to Shark Bay Sand Plains
Fleurieu	Mt Lofty / Kangaroo Island
Mt Lofty Ranges	Mt Lofty / Kangaroo Island
Limestone Coast	South East of SA and South West VIC
Western Victoria	South East of SA and South West VIC
	Victorian Volcanic Plain
Central Victoria	Victorian Volcanic Plain
North West Victoria	Victorian Volcanic Plain
Tasmania	Midlands of Tasmania
Queensland (Granite Belt)	Border Ranges North and South
	Brigalow North and South
NSW Northern Slopes	Border Ranges North and South
	Brigalow North and South
NSW Northern Rivers	Border Ranges North and South
Queensland (South Burnett)	Brigalow North and South

In addition to important bioregions and Biodiversity Hotspots, some Threatened Ecological Communities, as listed under the Environment Protection and Biodiversity Conservation Act 1999, are situated within Geographic Indication Zones. The critically endangered 'Swamps of the Fleurieu Peninsula' ecosystem is located in the Fleurieu GI, and the endangered 'Brigalow' and 'Bluegrass dominant grasslands of the Brigalow Belt' overlap with GI regions in Queensland.

A concerted effort by the Australian wine industry to participate in the management of nationally significant biodiversity areas could be marketed as the equivalence of the EU's own endeavours.

1.9.5 Green Procurement

Green procurement is primarily an outcome of CSR, and requires businesses and government agencies to take responsibility for the environmental performance of their supply chains. This is done by requesting environmental assurances from supply chain members. For the Australian wine industry, the implications are twofold. Firstly, companies will need to consider their own procurement practices and what types of environmental assurances they should be seeking from their own suppliers. The South Australian Wine Industry Association's 'Sustainable Purchasing Toolkit' is one resource of use to companies interested in developing a green procurement process. Secondly, as a member of a supply chain with major overseas retailers at the apex, wine companies can expect to be required to meet the environmental assurance requirements of the retailer. Some of these schemes have been profiled herein. Individual companies need to identify the significant members of their supply chains, ascertain whether or not they have or are considering a green procurement programme, and move to meet or exceed those requirements.

1.10 Conclusions

The Australian wine industry needs a clear idea of directions that the European Commission is giving on environmental issues through its Directives and Regulations in the medium- to long-term. There are some good indications of where the UK government and retailers see the environmental future as outlined in the FISS and the SSFF.

Despite the emergence of issues such as 'food miles', it is unlikely that the European Union or indeed any other government will impose regulation that discriminates between domestic wine producers and Australia on the basis of environmental production methods. Such public policy aims, including environmental and social standards, while legitimate, could act as restrictive barriers to trade, and would contravene World Trade Organisation rules, which do not allow Governments to discriminate directly between imported products on the basis of production and processing methods.⁶² However, governments do have the ability to influence consumers and retailers within their countries, and therefore apply indirect pressures to suppliers of their domestic markets.

Despite the unlikelihood of Government regulation, retailers are still likely to seek assurances from suppliers that they are meeting certain standards of environmental production and are adopting continuous improvement principles. All the major retailers are concerned about their corporate image and CSR performance. This is a significant driver in seeking environmental assurances from suppliers. The emergence of product labelling initiatives based on 'carbon rating' and mode of transport used are of concern.

For certain products, particularly 'own brands', there are likely to be more stringent environmental assurance requirements. At this stage, no single auditable certification standard that satisfies all retailers appears likely, although the GFSI is evidence that such harmonisation is not impossible. The lack of a single standard is a potential concern as the Australian wine industry could see a proliferation of different standards to suit individual retailer requirements. It is anticipated that environmental principles endorsed by FIVS, accompanied by complementary guidelines under development by the OIV, will go some way to counter the burden of multiple assurance schemes.

What is therefore critical is for the Australian wine industry to demonstrate their environmental credentials and present a united front to retailers and regulators. To do this effectively, a common set of outcomes and performance indicators for environmental schemes needs to be established, preferably aligned to OIV and FIVS initiatives. This will ensure that the Australian wine industry is able to meet assurance demands from retailers looking to establish or maintain their position as 'good corporate citizens'.

⁶² *Draft Food Industry Sustainability Strategy, (April 2005), The Office of Lord Whitty, Minister for Food, Farming and Sustainable Energy*

UNITED STATES OF AMERICA

2.0

No US market requires environmental assurance for access

The Australian wine industry needs to contend with assurances provided and sustainability programs implemented by American wine producers

Introduction

The United States of America (US) is Australia's second largest wine export market behind the United Kingdom (UK), accounting for 30% of Australian export wine by volume, compared to the UK's 37%. Australian Wine and Brandy Corporation figures report that a total of 207 million litres of Australian wine was exported to the US in the year ending February 2006.⁶³

In 2004, there were 3,726 wineries producing 2.3 billion litres of wine in the US.⁶⁴ Domestic wines dominate the US market, accounting for 75% of consumption, with foreign wines making up the difference. Five countries account for 90% of foreign wines consumed in the US. By value, the top five imports are France (31%), Italy (28%), Australia (22%), Spain (5%) and Chile (4%).⁶⁵

Generic coverage of the US as a single market for Australian wine is difficult as each of the 50 States and the District of Columbia have separate regulations and the power to legislate the distribution and sale of alcohol.⁶⁶ However, none of these markets require an environmental assurance for access, and in many States, the heavily regulated status of the market reduces the consumer's ability to choose product based on preferences that may include environmental issues.

In addition to environmental assurance pressures that may arise directly from the market place, the Australian wine industry will also need to contend with the assurances provided and sustainability programmes implemented by American wine producers. Pressure may also arise from domestic media coverage of significant natural resource issues relevant to the American wine industry, that the market may come to associate with all wine producers.

The high-profile Californian wine industry, which accounted for 89% of 2004 US wine production, operates the 'Sustainable Winegrowing Practices' programme, including a 490 page self-assessment workbook of sustainable practices. Wine is also produced in New York (5%), Washington (2.9%), Oregon (0.4%), New Jersey (0.25%) and Virginia (0.13%).⁶⁷

2.1

National Government

2.1.1

Farm Security and Rural Investment Act 2002

In 2002, the Farm Security and Rural Investment Act 2002, known as the Farm Bill, came into force, providing a resource commitment to conservation on private lands. Under the legislation, landholders are reported to benefit from programmes providing voluntary assistance including cost sharing, land rental, incentive payments and technical assistance.⁶⁸ One of the key conservation provisions of the Farm Bill is the 'Conservation Security Programme' (CSP), a voluntary programme under which landholders are provided with financial and technical assistance to promote conservation and natural resource management on working lands.⁶⁹ Despite the fanfare surrounding the launch of the Bill, US\$3 billion has been removed from the CSP since then, including US\$1 billion removed in 2006 as a result of competing resource demands caused by Hurricane Katrina and the war in Iraq. This has resulted in an increasing number of disenfranchised American primary producers caught in a backlog of CSP applications that simply cannot be resourced.⁷⁰

Individual states also have rural land management-type legislation. For example, Michigan's Right to Farm Act affords nuisance protection to producers who follow Michigan's 'Generally Accepted Agricultural and Management Practices' (GAAMPs). There is a specific GAAMP for 'Livestock, Cropping and Farmstead Systems'.⁷¹

⁶³ Smart, C. (2006) 'God Bless America'. *Wine Business Monthly* April 2006, p43.

⁶⁴ Hodgen, D. (2005) '2005 US Wine Industry Outlook', US Dept of Commerce, Office of Health and Consumer Goods

⁶⁵ Hodgen, D. (2005) '2005 US Wine Industry Outlook', US Dept of Commerce, Office of Health and Consumer Goods

⁶⁶ Scott, J. (2006) 'USA – understanding the wine distribution system and potential – Part 1', *Wine Industry Journal* Vol 21 No 4, July/August 2006, p49

⁶⁷ Hodgen, D. (2005) '2005 US Wine Industry Outlook', US Dept of Commerce, Office of Health and Consumer Goods

⁶⁸ www.whitehouse.gov/ceq/ems.html downloaded 23/02/06

⁶⁹ www.nrcs.usda.gov/Programs/csp/ downloaded 15/08/06

⁷⁰ Andrew, J. O. on behalf of the Iowa Soybean Association, Presentation to the US Senate Standing Committee for Agriculture, Nutrition and Forestry, 07/06/06

⁷¹ www.maeap.org downloaded 23/02/06

2.1.2 US Environmental Protection Agency 'National Strategy for Agriculture'

On April 25 2006, the US Environmental Protection Agency (EPA) launched the 'National Strategy for Agriculture'. One of the goals of the Strategy is 'working with the agriculture sector – including production, processing and distribution – in developing and demonstrating environmental protection solutions that express the value of farmland environmental stewardship activities to the public'.⁷²

The domestic wine industry interprets this legislation as promoting partnerships between government and the agriculture sector for the purposes of improving regulatory compliance and increasing the adoption of sustainable agriculture practices. Further reading of the Strategy gives the impression that the current relationship between the US EPA and the agricultural sector is not particularly strong at present. Section III – Implementation of Goals – assures that, under the Strategy, the US EPA will:

- Consider market strategies for conservation to bring about larger scale environmental protection and resource management (Section III.B.b)
- Consider input from the agricultural sector in EPA rulemaking and strategic plans, in addition to other stakeholders already routinely involved (Section III.B.d)
- Enhance awareness in the agricultural community about agriculture's impact on the environment, EPA's programme and regulatory activities, and opportunities to interact with the Agency on issues of mutual concern (Section III.B.e)
- Continue development and maintenance of mechanisms and fora for improved communications with the agricultural community on all relevant agency actions at the national, state and local levels (Section III.B.f)
- Develop an effective communication strategy and marketing network to better communicate with agriculture, assist with technology transfer and show environmental results (Section III.C)
- Increase communication on issues related to agriculture and the environment (Section III.C.a)
- Centralise and disseminate results from EPA funded projects and agreements so that research and technology development results are readily available to the public (Section III.C.b)

These points raise two issues. Firstly, the lack of current and historic communication and cooperation inferred by several of the items listed above increases the risk of unrealistic environmental assurance demands on imports. If there is little knowledge of agricultural land management practices and lack of respect for the inherent stewardship ethic of many agricultural land managers in a government's own domestic market, then their import policies for agricultural product are less likely to be consistent with pragmatic and sustainable management of land under production.

Secondly, there are several references to government-driven marketing of environmental impacts and solutions arising from agricultural practices, which could give rise to increased consumer awareness and the development of enabling or equivalent state-based legislation. An increase in consumer awareness of sustainable agriculture may increase the demand for sustainable produced products.

2.1.3 Trade policy

The US Federal Trade Commission (FTC) has as one of its functions the prevention of false or misleading marketing claims, including environmental or 'green' claims. To facilitate this role, the FTC has released environmental marketing guides, called 'Green Guides', which apply to all forms of marketing of both products and services. The guides cover advertisements, labels, packaging inserts, promotional materials, words, symbols, logos, product brand names and marketing via the internet or email.⁷³

The US Federal Trade Commission has as one of its functions the prevention of false or misleading marketing claims, including environmental or 'green' claims

⁷² Section I, Goal 2, National Strategy for Agriculture, US EPA

⁷³ www.ansi.org/ downloaded 02/07/06

UNITED STATES OF AMERICA

2.2

The American National Standards Institute is currently developing a standard for Sustainable Agriculture

National Standards

The American National Standards Institute is currently developing a standard for Sustainable Agriculture. The standard will define methodologies for sustainable agricultural practices, taking into account the environmental, social, and economic principles of sustainability. The scope of the standard will include all agricultural products that can be produced using sustainable practices.⁷⁴ The standard is expected to be applied to tomatoes, forestry products and wine in 2007.

2.3

Domestic wine industry environmental assurance programmes

2.3.1

Code of Sustainable Winegrowing Practices (SWP) – California

The SWP programme was initiated in 2001 with a view to California earning the reputation of world-leader in the adoption of sustainable winegrowing practices. The programme is managed by the California Sustainable Winegrowing Alliance, a non-profit organisation. The goals of SWP are based on the proportion of the industry participating in the programme.

The SWP program was initiated in 2001 with a view to California earning the reputation of world leader in the adoption of sustainable winegrowing practices

The SWP has a 490 page self-assessment best practice workbook that includes 221 criteria against 13 themes. There are 4 categories of adoption for each criterion, with category 1 signifying practices considered to be the minimum for sustainability and regulatory compliance, and category 4 signifying practices that exceed regulatory requirements and contribute significantly to sustainability. Participants attend an initial workshop during which they complete the self-assessment for their operation. Participants can voluntarily submit their assessment results to contribute towards a vineyard and winery database. Confidential regional reports are also returned to regional grower and vintner associations.

In October 2004, the US Government's Natural Resources Conservation Service awarded the SWP a grant to develop air and water quality innovations, including a new air quality chapter in the self-assessment workbook.⁷⁵

2.3.2

Lodi Rules for Sustainable Winegrowing

The Lodi Rules are based on the Lodi Winegrower's Workbook and allows growers to have their vineyard certified as creating measurable improvements in environmental health of the surrounding ecosystem, society-at-large, and wine quality.⁷⁶ The Workbook was also the basis of the Californian SWP programme.

2.3.3

Washington Wine Quality Alliance

As part of a suite of broader quality assurances imposed by the Washington Wine Quality Alliance, participants also pledge to adopt Best Management Practices for sustainable grape production and environmental quality, as established by the Washington wine industry.⁷⁷ The environmental component of this scheme is not yet fully developed.

The Lodi Rules...allow growers to have their vineyard certified as creating measurable improvements in environmental health of the surrounding ecosystem, society-at-large, and wine quality

⁷⁴ www.ansi.org/ downloaded 02/07/06

⁷⁵ 'New ground-breaking report documents California SWP: USDA Awards \$475,000 grant to program', *Wine Institute News Release*, October 2004.

⁷⁶ http://www.lodiwine.com/lodirules_home1.shtml downloaded 15/08/06

⁷⁷ http://www.washingtonwine.org/sub_page.cfm?action=wwqa&page=21 downloaded 26/03/06

2.3.4 Oregon Low Input Viticulture and Enology Inc (LIVE Inc)

LIVE Inc recognises participating vineyards and wineries for their adoption of sustainable agricultural practices that are modelled on standards set by the International Organisation for Biological Control. The programme provides a list of prohibited and required vineyard practices and requires the implementation of a number of 'ecological options' linked to a points system. Growers must obtain at least 50% of the points to become certified.⁷⁸

LIVE Inc provides technical guidelines on:

- Vineyard floor management
- Biodiversity
- Cover crop and weed control
- Disease and pest management
- Canopy management for disease control and improved quality
- Powdery mildew control
- Botrytis control
- Other diseases and pests
- Administration
- Irrigation
- New plantings

2.3.5 Napa Green Farm Certification Programme

Launched in 2002, Napa Green is a voluntary programme that involves grapegrowers in farm planning to enhance the watershed and restore habitat, whilst meeting or exceeding county, state and federal regulations. Although the programme is supported by the local grapegrower and vintner organisations, it is facilitated and administered by the Napa County Resource Conservation District.⁷⁹ Napa Green has produced a workbook of Beneficial Management Practices and a Farm Plan template.⁸⁰

To gain Napa Green Certification, grape growers must commit to a number of initiatives, including:⁸¹

- 'Fish friendly' farming specific to vineyard lands;
- The health of the watershed;
- Project certification;
- Assessment of property and formulation of a 'farm plan';
- 'Beneficial Management Practices';
- Trying to decrease erosion and sedimentation into the river, including cover crops and sediment catch basins;
- Taking a 'global view' of the property;
- Healthy ecosystem around the vines; and
- Maintaining roadways appropriately.

2.3.6 Other 'generic' agricultural assurance programmes

The Ohio Agricultural Environmental Assurance Alliance is a public/private partnership established for developing an environmental self-assessment programme for Ohio's agricultural and horticultural commodities.

Michigan Agriculture Environmental Assurance Programme is a voluntary environmental assurance programme for Michigan farmers established as part of Michigan's overall pollution prevention strategy. There are three phases to full verification. The programme is used to reassure the public that farmers are using environmentally sound practices, helping to foster positive community and neighbour relations. Farmers use the programme to assess and correct environmental risks, and it can assist in minimising enforcement penalties. Verified farms are recognised as outstanding environmental stewards and are eligible for cost-sharing incentives, tax credits, low cost lending and reduced liability insurance premiums from participating companies.⁸²

Verified farms are recognised as outstanding environmental stewards and are eligible for cost-sharing incentives, tax credits, low cost lending and reduced liability insurance premiums from participating companies

⁷⁸ <http://www.liveinc.org/What.html> downloaded 26/03/06

⁷⁹ www.napavintners.com/community/comm-greencert.asp downloaded 16/08/06

⁸⁰ www.napavintners.com/news/release.asp?ID_News=26 downloaded 16/08/06

⁸¹ Davis, C. (2006), 'Friendly Farming', *Harpers Supplement: California*, May 2006, p29

⁸² www.maeap.org downloaded 18/08/06

UNITED STATES OF AMERICA

2.4 Natural resource issues and the domestic wine industry

The (American wine) industry is seeking to remain proactive to keep ahead of diverse state and local regulations being imposed in different wine-producing regions

The domestic wine industry recognises that much environmental management activity is being driven by retailers, both within the US and abroad. However, the industry is also seeking to remain proactive to keep ahead of diverse state and local regulations being imposed in different wine-producing regions. These regulations are effectively acting as a cap on productivity in the domestic wine industry.

Few winegrape growers in the US are aware of ISO certification, however packing houses that receive fresh produce have higher levels of awareness and are increasingly adopting ISO certification for different aspects of their operations. For those stewardship programmes that are used in the US wine industry, there is a need to market them carefully. For example, there are issues associated with marketing Integrated Pest Management because it can potentially raise more issues associated with chemical use and pest control practices in the vineyard. Similarly, publicity surrounding the good environmental performance of the domestic wine industry may draw attention to other issues associated with the 'triple bottom line', most notably labour and social justice issues, which may not be completely reconciled in the domestic industry as yet.

2.4.1 Air Quality and Greenhouse Gas Emissions

The San Joaquin Valley Air Pollution Control District adopted a new rule requiring a 35% reduction in emissions of volatile organic compounds, primarily ethanol, from wine storage and fermentation facilities

Air quality issues have become very prominent in California, with the San Joaquin Valley Air Pollution Control District adopting a new rule that requires a 35% reduction in emissions of volatile organic compounds (VOCs), primarily ethanol, from wine storage and fermentation facilities. The ruling impacts upon the 18 largest wineries in California's Central Valley.⁸³ In California, the rules relate primarily to ozone, which is defined as 'smog formed by VOCs and oxides of nitrogen', and particulate matter.

In addition to the new air quality rules, growers are also required to participate in the Conservation Management Practice programme that is designed to reduce dust generated by on-field agricultural operations.⁸⁴

Growers are also required to participate in the Conservation Management Practice program that is designed to reduce dust generated by on-field agricultural operations

The development of regulatory controls on emissions from winery and agricultural sources may be adopted in other states. In June 2006, Oregon joined a further 10 US states adopting California's standards for the reduction of greenhouse gas emissions from cars and trucks.⁸⁵ Five of these eleven states are also identified as states showing the best prospects for further growth in Australian wine sales – Washington, Oregon, Massachusetts, Connecticut and New York.⁸⁶

The emergence of air quality issues has resulted in the inclusion of a new Air Quality chapter in the Californian Sustainable Winegrowing Practices workbook.

A growing proportion of corporate America has become convinced that the public see global warming as a reality, and that Hurricane Katrina in August 2005 was very significant in changing public opinion.⁸⁷ The heat wave experienced across the US in July/August 2006 could have only served to emphasise this change in opinion. The conclusion drawn by many US businesses as a result of the observed shift in opinion is that it will result, sooner or later, in government action to control greenhouse gas emissions, most likely in the form of a carbon tax or Kyoto-like system of tradable caps on a company's emissions.⁸⁸

⁸³ Franson, P. 'New Air Quality Standards Challenge Large Central Valley Wineries', *Wine Business Monthly* April 2006, downloaded from *Wine Business Online* 9/06/06.

⁸⁴ Franson, P. 'New Air Quality Standards Challenge Large Central Valley Wineries', *Wine Business Monthly* April 2006, downloaded from *Wine Business Online* 9/06/06.

⁸⁵ 'Oregon adopts Californian emission rules', AAP Media release 24 June 2006

⁸⁶ Stanford, L. & Smart, C. 'Market Snapshot: Nine US States show great promise', *Wine Business Monthly* June 2006 p16

⁸⁷ 'Can business be cool?', *The Economist*, June 10th 2006 p61

⁸⁸ 'Can business be cool?', *The Economist*, June 10th 2006 p61

2.4.2 Urban Encroachment

People purchasing houses in Napa now have to sign a document that acknowledges that they are moving into an agricultural environment and that there will be agricultural practices occurring around their property

The Californian wine industry is dealing with urban encroachment issues and impacts on adjoining land use. Similarly, water allocation regulatory issues have also arisen.

The popular Californian wine region of Napa Valley is suffering from urban encroachment and the predictable conflict that arises from incompatible neighbouring land uses. People purchasing houses in Napa now have to sign a document that acknowledges that they are moving into an agricultural environment and that there will be agricultural practices occurring around their property. However, complaints are still made.⁸⁹ Further, an environmental group known as the Sierra Club successfully sued the Napa County authorities over regulations that governed hillside vine plantings. As a result, there is now a long list of stipulations about which areas can be planted, erosion control permits and environmental impact reports.⁹⁰

2.4.3 Salinity

Salinity is an issue for the wine industry in the Central Valley of California.

2.5 Non-government organisations and lobby groups

Non-government organisations (NGO) within the US have been credited with increasing the amount of funding being made available for environmental works, and industries have been reaping the benefits of this. There are dozens of environmental groups in the US, operating with different degrees of effectiveness, relevance and cooperation. To review each group in detail would potentially provide focus on issues and approaches that have not necessarily gained mainstream acceptance in the US.

2.5.1 Co-op America

Co-op America is a not-for-profit organisation founded in 1982 to 'harness economic power – the strength of consumers, investors, businesses and the marketplace – to create a socially just and environmentally sustainable society'. The Co-op America Business Network comprises socially and environmentally responsible US businesses that have passed a membership investigation into their familiarity with and commitment to social and environmental responsibility, and evidence of significant action arising from this commitment. The 'Co-op of America Seal of Approval' can be used by members.⁹¹

2.5.2 Environmental Defense

Environmental Defense have been recognised by the Californian wine industry as placing a value on working with industry and individual landholders on private land, as opposed to buying up public land for conservation purposes. Environmental Defense is a leading national non-profit organisation with 400,000 members. The organisation focuses on US environmental problems and to the nation's role in causing and solving global problems.⁹²

2.5.3 Sierra Club

Although a high-profile NGO, the fractured nature of the Sierra Club and the resultant autonomy of local chapters have weakened their lobbying capacity.

⁸⁹ Davis, C. (2006), 'Friendly Farming', *Harpers Supplement: California*, May 2006, p27

⁹⁰ Davis, C. (2006), 'Friendly Farming', *Harpers Supplement: California*, May 2006, p26

⁹¹ www.coopamerica.org/about downloaded 23/02/06

⁹² www.environmentaldefense.org/aboutus.cfm?subnav=aboutus&linkID=38 downloaded 25/03/06

UNITED STATES OF AMERICA

2.6

US retailers view sustainability programs as a means of capturing more market share and offering products at slightly higher prices

A new market segment has been identified in the US, labelled 'Lifestyle of health and sustainability'... defined as a \$US228.9 billion marketplace... (comprising) 30% of adults in the US

2.6.1

Retailers

As an indication of the major wine retailers in the US, the major retail outlets for E & J Gallo Wine Company brands are Wal-Mart, Costco, Safeway, Kroger and Albertsons. As of 2 June 2006, Albertsons has been acquired by Supervalu Inc.⁹³ The consolidation and growing power of wholesalers and large retailers like Costco and Wal-Mart has also been noted as a contributing factor in smaller wineries having difficulty in establishing a market in the US.⁹⁴

In terms of food retail, the US market share of the top four supermarkets has increased from 18% to 32.5% over a ten year period. However, the degree of concentration is much lower at the national level than at the individual market level where, for example, in most metropolitan markets, the top three retailers could be expected to have a combined 40-50% market share.⁹⁵

US retailers view sustainability programmes as a means of capturing more market share and offering products at slightly higher prices. It is also seen as an important tool for positioning products for the 'baby boomer' and 'millennial generation' market segments. Further, a new market segment has been identified in the US, labelled 'Lifestyle of health and sustainability' (LOHAS), which is now tracked for market research purposes. Identified by research conducted by Conscious Media Inc, the LOHAS market attracts consumers collectively known as 'cultural creatives'. LOHAS is defined as a US\$228.9 billion marketplace for goods and services focused on health, the environment, social justice, personal development and sustainable living. 'Cultural creatives' represent approximately 30% of adults, or 63 million people, in the US.⁹⁶

2.6.1 Supervalu Inc

Supervalu is the third largest retail company in the US, and has a leadership position in major US markets including Boston, Chicago, Las Vegas, Los Angeles, Minneapolis/St Paul, Orange County, Philadelphia, San Diego, St Louis and Washington DC. The company operates 2 500 stores in 48 States and the District of Columbia.⁹⁷ The company has no apparent position on environmental matters, but does support causes including hunger relief education, youth development, workforce development, social service and development of the arts.

2.6.2 Kroger Co

Kroger Co., like Supervalu, has no accessible evidence of addressing environmental matters. As at 20 May 2006, Kroger had 2 483 grocery retail stores across 31 states, and holds the number one or two position in 35 of the company's 44 major markets.⁹⁸

2.6.3 Costco

Costco is a membership warehouse club with 477 warehouses including 350 in the US and Puerto Rico, 68 in Canada, 17 in the UK, 5 in Korea, 4 in Taiwan, 5 in Japan and 28 in Mexico. An additional 12 warehouses are planned to be opened by the end of 2006. The only environmental position statement in Costco documentation can be found in the Costco Code of Ethics. Item 2 'Take care of our members' references the intention to 'provide products to our members that will be ecologically sensitive'.⁹⁹

2.6.4 Safeway US

Safeway had 1770 stores in western, south-western, Rocky Mountain and mid-Atlantic regions of the US.¹⁰⁰ Of these stores, 532 are in California.¹⁰¹ The company's Environmental Status Report 2006, released on 28 April, refers to their Environmental Affairs Department, however the activities of this department do not extend to any supplier programmes. Instead, the focus is on internal issues management – environmental impacts of real estate acquisitions, legislative compliance and waste reduction.

Safeway's corporate brand redevelopment will include an 'icon system' that simply communicates nutritional, convenience, safety and environmental product attributes to the consumer

⁹³ www.albertsons.com/abs_aboutalbertsons/ downloaded 23/08/06

⁹⁴ Smart, C. (2006), 'God Bless America', *Wine Business Magazine* April 2006, p44

⁹⁵ Rabobank Industry Note 141-2005 'US Food Retail: Survival of the Fittest', May 2005

⁹⁶ Minnesota Sustainable Communities Network http://www.nextstep.state.mn.us/res_detail.cfm?id=1394 downloaded 15/08/06

⁹⁷ www.supervalu.com/sv-webapp/news/new_supervalu.jsp downloaded 23/08/06

⁹⁸ www.thekrogerco.com/operations/operations.htm downloaded 23/08/06

⁹⁹ Investor Relations, www.costco.com downloaded 22/08/06

¹⁰⁰ <http://shop.safeway.com/superstore/sixframeset.asp?paye=investors> downloaded 23/08/06

¹⁰¹ 2006 Fact Book, Safeway Inc.

As an indication of topics of significance to Safeway, the company has implemented programmes to:

- Minimise waste and pollution from stores
- Participate in a number of recycling programmes, although not for glass
- Phase out the use of ozone-depleting refrigerants
- Several projects also in progress to reduce water use, reduce chemical use and improve recycling of waste streams

Safeway's corporate brands are currently being consolidated from 70 down to 10, and will be redeveloped to include an 'icon system' that simply communicates nutritional, convenience, safety and environmental product attributes to the consumer.¹⁰²

2.6.5 Wal-Mart

Wal-Mart is the world's largest retailer and the world's largest company, recording US\$312.4 billion in sales for the fiscal year ending 31 January 2006. In addition to stores across the US, Wal-Mart also has 2500 stores in other markets, including Argentina, Brazil, Canada, China, Costa Rica, El Salvador, Germany (Wal-Mart exited the German market in mid-2006), Guatemala, Honduras, Japan, Mexico, Nicaragua, Puerto Rico and the United Kingdom. Worldwide, Wal-Mart stores register 176 million customer visits each week.¹⁰³

Wal-Mart had 15% market share in the US in February 2004. The three largest traditional supermarkets in the US – Kroger, Albertsons and Safeway – were all affected by the low-pricing environment that has resulted from Wal-Mart's increasing presence in the food retail sector.¹⁰⁴

Wal-Mart is widely regarded as the most influential of retailers and has recently commenced a 'Global Sustainable Sourcing Initiative' following on from their recent push into organic products. In October 2005, the CEO of Wal-Mart committed the company to making zero waste, using 100% renewable energy and selling sustainable products. Given the scale of Wal-Mart, this undertaking is likely to impact on perceived best practices across all corporate sectors.¹⁰⁵ As one San Francisco Chronicle commentator points out 'As goes Wal-Mart, so goes an enormous chunk of the retail and manufacturing sectors. Like a whale through a krill swarm, its sheer mass paves the way'.¹⁰⁶ The Wal-Mart initiative will impact on the way that things are made, farmed, packaged, transported, displayed and sold.¹⁰⁷ Sub-goals of the Wal-Mart programme include:¹⁰⁸

- Establishment of a US programme within 18 months that gives preference to suppliers that aggressively reduce emissions;
- Reduction of solid waste from US stores and clubs by 25% within 3 years;
- Working with suppliers to reduce packaging, increase recycled content and expand recycling of packaging; and
- Elimination of PVC packaging from private label brands within two years.

An analysis of the environmental impacts of Wal-Mart revealed that approximately 90% of impacts occur within the supply chain. As a result, the company has established a number of 'business networks' in areas including 'waste', 'packaging' and 'food and agriculture' to work with suppliers and stakeholders to improve sustainability. Suppliers proactively working towards sustainability improvements have the potential to receive preferred access to Wal-Mart.¹⁰⁹

The business networks will also review larger-scale, systemic barriers to sustainability improvements and develop practical means of addressing these barriers. Responses could include seeking regulatory change, increasing public awareness, and working with suppliers to develop more sustainable products.¹¹⁰ Wal-Mart is also currently developing incentive plans and scorecards for their merchandise buyers to encourage more environmentally-preferable products.¹¹¹

¹⁰² 2006 Fact Book, Safeway Inc.

¹⁰³ www.walmartfacts.com/doyouknow/ downloaded 15/6/06

¹⁰⁴ Rabobank Industry Note 141-2005 'US Food Retail: Survival of the Fittest', May 2005

¹⁰⁵ Dixon, F. (2006), 'Wal-Mart – the new ethical pioneer?', Ethical Corporation July 2006, Website-only Special Report

¹⁰⁶ Morford, M (2006), 'For Wal-Mart, profit wears earthy green', San Francisco Chronicle 24 May 2006

¹⁰⁷ Scott, L., 'Wal-Mart 'Greening' could have huge impact', article written by Wal-Mart CEO for Greenpeace Business, <http://walmartstores.com/GlobalWMStoresWeb/navigate.do?catg=610> downloaded 13/06/06

¹⁰⁸ Dixon, F. (2006), 'Wal-Mart – the new ethical pioneer?', Ethical Corporation July 2006, Website-only Special Report

¹⁰⁹ Dixon, F. (2006), 'Wal-Mart – the new ethical pioneer?', Ethical Corporation July 2006, Website-only Special Report

¹¹⁰ Dixon, F. (2006), 'Wal-Mart – the new ethical pioneer?', Ethical Corporation July 2006, Website-only Special Report

¹¹¹ <http://walmartstores.com/GlobalWMStoresWeb/navigate.do?catg=355> downloaded 13/06/06

Wal-Mart is widely regarded as the most influential of retailers and has recently commenced a 'Global Sustainable Sourcing Initiative'

Wal-Mart has established a number of 'business networks' in areas including 'waste', 'packaging' and 'food and agriculture' to work with suppliers and stakeholders to improve sustainability. Suppliers proactively working towards sustainability improvements have the potential to receive preferred access to Wal-Mart

UNITED STATES OF AMERICA

2.7 Consumers

'Green consumerism' remains a marginal movement in the US, despite surveys indicating that three in four Americans call themselves 'environmentalists', and seven in ten consumers would gladly choose a 'greener product' over its 'less green' counterpart.¹¹² These findings are similar to those in the EU, where consumer demand was not found to be a driver for environmental assurances for products. The emerging band of 'cultural creative' consumers who collectively make up the 'Lifestyle of Health and Sustainability' (LOHAS) market segment is worth noting to assess whether or not they become a significant market force.

2.8 Conclusion

Although it is difficult to draw general findings on a market as large and diverse as the US, the key factor is that there are currently no requirements to provide environmental assurances in order to access US markets. However, the high profile domestic wine industry has established sustainability programmes and, as they dominate the US market, the domestic industry could use this as a competitive edge against imports that cannot demonstrate similar claims should their dominance be challenged.

The scale of the US market also leads to some interesting findings. Although only one major retailer, Wal-Mart, is embarking on a major company-wide 'environmental' programme that can be expected to extend to suppliers, that one retailer is the world's largest company and its activities will have major ramifications. Similarly, although only one single new market segment, the 'LOHAS', are predisposed to purchasing products based on 'environmental' considerations, that one segment represents a market of 63 million adults.

As a market that demonstrates considerable opportunity for growth in Australian imports, the provision of environmental assurances has the capacity to assist in market growth. The roll-out of the Wal-Mart programme will also need to be monitored for impacts on wine suppliers and flow-on effects to other retailers and supply chain stakeholders.

¹¹² Makower, J. 'Whatever happened to Green Consumers?', http://eartheasy.com/article_green_consumers.htm downloaded 05/01/06

CANADA

3.0 Introduction

Of the ten Canadian provinces tracked by the Australian Wine and Brandy Corporation (AWBC), four – Ontario, Quebec, British Columbia and Alberta – account for 92% of Australian wine shipments by volume and value.¹¹³ Canada accounts for 7% of Australian export wine by volume, compared to 30% to the US and 37% to the UK.

Domestic wine production in Canada is small, with Ontario and British Columbia accounting for 98% by volume.¹¹⁴

3.1 Government

Both Federal and provincial governments administer environmental regulations in Canada. Provinces have broad power to regulate environmental issues that occur within provincial boundaries, for example, industrial air pollutants. They also have the power to delegate responsibility for dealing with local problems to municipal and regional governments.

The Federal government has constitutional power to regulate inter-provincial and international environmental issues such as those that are subject to international treaties. The Federal government is also responsible for federally owned lands and works.

Both levels of government have powers of taxation that can be used to provide subsidies to clean industries and processes, including the exemption of clean fuels from generally applicable taxes. To date, however, most governments have been reluctant to employ the tax system to protect the environment.

3.1.1 National level policy

Broad agricultural/
environment policy
objectives in Canada
concentrate more
on maintaining
farm incomes than
environment programs

Broad agriculture/environment policy objectives in Canada concentrate more on maintaining farm incomes than environmental programmes. There is a push to separate environmental programmes from farm incomes, as it is believed this may impact adversely on the achievement of objectives for both.

At the national level, environmental programmes targeted at agriculture seek to:

- Achieve improvements in soil, water, air quality and the industry's impact on biodiversity
- Research and develop new on-farm beneficial management practices
- Make environmental information available for better land use planning and management

¹¹³ Stanford, L. & Smart, C. (2006), 'Market Snapshot: Bottled Shipments rising in Quebec', *Wine Business Monthly* April 2006, p16

¹¹⁴ www.canadianvintners.com downloaded 28/08/06

CANADA

Key environment programmes are listed below:

- Environmental Farm Planning (EFP) - Farmers with EFPs are eligible to apply for financial and technical assistance to implement beneficial management practices through the National Farm Stewardship Programme (NFSP) and Greencover Canada.
- National Farm Stewardship Programme (NFSP) - Landowners can receive financial and technical assistance to implement on-farm beneficial management practices to address environmental risk identified in their Environmental Farm Plans.
- Greencover Canada - Landowners can access a package of funding and technical assistance to help improve grassland-management practices, protect water quality, reduce greenhouse-gas emissions, and enhance biodiversity and wildlife habitat.
- National Agri-Environmental Standards Initiative (NAESI) - Producers will benefit from performance standards establishing the degree of desired environmental quality of air, water and soil in agricultural areas.
- National Agri-Environmental Health Analysis and Reporting Programme (NAHARP) - NAHARP provides objective, science-based indicators to inform decision-makers in agriculture and help improve policies and programmes aimed at addressing environmental issues faced by producers.
- Pesticide Risk Reduction and Minor Use Programmes - The Minor Use Programme assists producers in accessing more environmentally friendly and efficient pest management technologies.
- Shelterbelt Enhancement Programme - Farmers, agricultural communities and land managers have increased access to trees, weed-controlling materials and specialized mulch application equipment for the planting of Prairie shelterbelts.
- National Carbon and Greenhouse Gas Emission Accounting and Verification System - This system will be useful primarily to policy makers, economists, scientists, producer organizations, industry and others wanting information on how Canadian agricultural activities are affecting or could affect greenhouse gas emissions and removals.

Because the provincial governments can control aspects of wine sales, they are in a position to greatly influence practices adopted at all levels of the production chain

3.1.2 Provincial Regulation

In Canada, the Provincial governments control the import, distribution and retailing of alcohol to a greater or lesser degree. This is summarised in Table 1.¹¹⁵

Quebec has the highest consumption rate of all provinces for wine, followed by Alberta, Ontario, Nova Scotia and British Columbia.¹¹⁶ Because the provincial governments can control aspects of wine sales, they are in a position to greatly influence practices adopted at all levels of the production chain. For example, in Ontario, the Liquor Control Board of Ontario (LCBO) makes approximately 45% of sales in the \$8 billion Ontario beverage alcohol market. Its competitors include the privately-run Beer Store network, Ontario retail winery stores U-Brews and U-Vints, and cross-border shopping.

The system of Provincial monopolies for alcohol retailing has meant that there is less of a retailer push to adopt environmental programmes. The provincial control means that government objectives are more likely to be focused on provincial government priority issues such as agrochemical residues, clean air and water initiatives and waste minimization.

Therefore, there may be differences in priorities set by different jurisdictions. For example, in Ontario, the key environmental issue is the minimization and disposal of packaging waste. Ontario's Waste Diversion Act requires all companies that introduce packaging and printed paper into Ontario's consumer marketplace to share in paying 50% of the funding of Ontario's municipal 'Blue Box' waste diversion programmes. All Canadian provinces have imposed deposits on wine and liquor bottles, except for Manitoba, Ontario and Quebec. At present, only 25% of the products sold by the SAQ (Societe des Alcools du Quebec) are recovered. Like the LCBO, historically, the SAQ has not been subject to the deposit because it makes a large contribution to the "collecte sélective" (the Quebec equivalent of Ontario's Blue Box Programme).

¹¹⁵ Petkantchin, V. (2005), 'Is government control of the liquor trade still justified', *Montreal Economic Institute Research Paper "Regulation" Series*, October 2005

¹¹⁶ *Beverage Alcohol System Review: Inter-jurisdictional Research, Final Report, 24/03/06*

Table 5. Overview of beverage alcohol system in selected Canadian Provinces.

Source: Beverage Alcohol System Review: Inter-jurisdictional Research, Final Report 24/03/06

Province	Key System Characteristics
Nova Scotia	<ul style="list-style-type: none"> • Nova Scotia has a full government operation system with private sector involvement restricted to manufacturing and some limited retail sale • The Nova Scotia Liquor Commission (NSLC) is the sole entity authorized to purchase and import beverage alcohol. All warehousing and distribution is carried out by the NSLC • A small number of private retail stores are currently available and producers can receive a license to sell their products directly to the public • The Nova Scotia Liquor Commission owns and operates nine liquor stores that are accessible from within grocery stores (there are plans to introduce another 23 stores of this type within the next 18 months) • Nova Scotia has 123 retail points of sale, or one store for every 7,627 people
Ontario	<ul style="list-style-type: none"> • Ontario has a full government operation system for distribution and sale • Retailing is carried out by a mix of public and private operators: the Liquor Control Board of Ontario sells all types of alcohol products, while the privately-owned Brewers Retail Inc. owns and operates The Beer Store outlets and sells domestic and imported beer products, and privately owned winery retail stores sell only their own products • The LCBO is the sole importer of liquor products and operates five warehouses • The Brewers Retail Inc. operates five distribution sites • Licensing of private companies occurs for warehousing and distribution of domestic beer products, and for retailing of all beer products and domestic wine only • Ontario currently has 1,674 retail points of sale, or one store for every 7,431 people
British Columbia	<ul style="list-style-type: none"> • British Columbia has a partial government operation system of beverage alcohol distribution and sales - Government control extends all through Tier 1 and includes all wholesaling of beverage alcohol products and warehousing/distribution of spirits and all imported products • The Liquor Distribution Branch (LDB) is the only entity with authority to purchase either domestic or imported beverage alcohol products • Domestic breweries and wineries do some of their own warehousing and distribution. • The retailing of beverage alcohol for off-premise consumption is shared between government stores (including agency stores) and licensed private retailers • Over the past thirty years, the Government of British Columbia has slowly introduced new rules to allow private retailers to sell beverage alcohol products, including the introduction of the Licensee Retail Store (LRS) programme in 1985 • Recent changes (since 2002) have expanded the role of the LRS outlets – with a total increase in retail access points of 233 • British Columbia currently has 1,030 points of retail access or one store for every 4,037 people • The Government launched the Liquor Reform Project in 2003 and in 2004 and announced its intention to remain in the liquor retailing business
Quebec	<ul style="list-style-type: none"> • Government operation extends through all levels in the system for spirits and wine products • Grocery stores and corner stores also sell a limited selection of wine products (80% of wine is sold through Government-owned and operated liquor stores) • Beer has been available for sale in grocery stores since 1921; wine has been available for sale in grocery stores since 1978 • The inclusion of grocery and corner stores sales increases Quebec's total points of access to approximately 10,000 (one store for every 754 people – the second highest in the study)

CANADA

3.1.3 Liquor Control Board of Ontario (LCBO)

Ontario has 600+ LCBO outlets in comparison to 350 private wine retail outlets,¹¹⁷ the latter of which can only sell domestic wines.¹¹⁸

The LCBO environmental strategy has five specific goals:

- Reducing package waste generated by LCBO sales;
- Increasing the rate of material diverted from landfill to recycling and re-use;
- Improving all aspects of environmental management;
- Reducing consumption of energy and utilities at LCBO facilities; and
- Promoting re-use and conservation.

The LCBO has a number of environmental programmes and as per the environmental strategy, most are aimed at waste reduction. The LCBO also requires suppliers to minimize packaging. LCBO Sales and Marketing is working with suppliers to offer more products in alternative packaging, such as Tetra Pak® containers, PET (polyethylene terephthalate) plastic bottles and aluminium cans, which use less packaging and are less costly to recycle than glass.

LCBO introduced premium French Rabbit wines in Tetra Pak® packaging last summer as part of its environmental strategy to reduce packaging. LCBO claims this new container reduces packaging waste by about 90% over bottled wine and costs much less to recycle than coloured glass. Although LCBO claim that this was in response to consumer demand, it is more likely that it was a response to the Ontario government's directive for LCBO to reduce packaging waste.

The LCBO claims Ontario's Blue Box system is a highly cost-effective way of collecting LCBO containers for recycling. At least 64% of bottles sold through the LCBO are collected and recycled, primarily for use as construction material. This is one of the highest rates for all consumer packaging in the Blue Box system and makes LCBO containers one of the most important components of the programme. The LCBO is a major contributor to the Blue Box programme (more than \$30 million to 2005) and continues to contribute more than \$5 million each year. LCBO contributions also created a \$2 million fund to develop new markets for recycled glass to encourage higher levels of diversion.¹¹⁹

Most Maximum Residue Limits (MRLs) followed by LCBO are adopted from the US Food and Drug Administration Regulation of Canada. LCBO adopted an MRL of 0.100 mg/L for pesticide residues unless otherwise stated in the LCBO-QA Chemical Guidelines.

3.2 Domestic wine industry environmental programmes

There is no national environmental stewardship-type programme in place in the Canadian wine industry. The Wine Council of Ontario is developing a 'Sustainable Winemaking Ontario' programme, and launched 'Sustainable Winemaking Ontario – Part I, Understanding Requirements' in mid 2005.¹²⁰ The Part 1 component is a 2 page checklist to ensure operations are compliant with legislative requirements. The launch of the full programme, which has also been aligned with Canada's Environmental Farm Planning programme, is expected in the third quarter 2006.¹²¹

The Vintners Quality Assurance (VQA) scheme provides assurances of origin, quality production, content, varietal percentage, appellation and vintage, but does not include any environmental assurance component. VQA is a government-endorsed system with wine producers in Ontario and British Columbia currently permitted to produce VQA certified product.¹²²

¹¹⁷ Petkantchin, V. (2005), 'Is government control of the liquor trade still justified', *Montreal Economic Institute Research Paper "Regulation" Series*, October 2005

¹¹⁸ *Beverage Alcohol System Review: Inter-jurisdictional Research, Final Report*, 24/03/06

¹¹⁹ LCBO, <http://www.lcbo.com/entry.html>

¹²⁰ 'New Vintner Regulation Guidelines', *Wine Business Online* 15 June 2005,

www.winebusiness.com/Html/MonthlyArticle.cfm?dataId=38857 downloaded 28/08/06

¹²¹ 'The Ontario Wine Industry 2005/2006 Year in Review', June 2006, *Wine Council of Ontario*

¹²² www.canadianvintners.com downloaded 25/08/06

The Wine Council of Ontario is developing a 'Sustainable Winemaking Ontario' program and launched Part 1 in mid-2005

3.3

Natural resource issues and the domestic wine industry

The key environmental issues identified for the wine industry are packaging waste, wastewater treatment, greenhouse gas emissions and agrochemical residues

Like all food and beverage processing firms, the domestic wine industry must satisfy Canadian laws, such as Canadian Environmental Protection Act, the Canadian Environmental Assessment Act, and each relevant Province's legislation and regulations.

Many of the environmental issues that are important in Australia are not considered in Canada. Issues such as salinity and water use are not significant in the domestic industry. The key environmental issues identified for the wine industry are packaging waste, wastewater treatment, greenhouse gas emissions and agrochemical residues.

3.3.1

Packaging Waste

Waste reduction is a national issue. This is particularly so for large urban centres that are rapidly using their landfill capacity and are experiencing difficulty and expense in identifying and developing acceptable new landfill sites. Reduction of materials in packing cartons is seen by government as potentially providing both financial and environmental benefits.

There is a trade-off between the volume of packaging materials needed to identify brands and increase the attractiveness of a product, with the minimization of packaging for environmental and cost control benefits.

3.3.2

Wastewater

Environmental impacts from winery operations are also seen as a potential issue. Prior to plant construction, wineries, like any other manufacturing concern, must meet municipal zoning requirements. Provinces and municipalities have to be satisfied that adequate wastewater treatment systems will be installed.

3.3.3

Greenhouse Gas Emissions

The Canadian government is unlikely to stay within the Kyoto Protocol

In July 2006, the Montreal Exchange announced plans to start trading carbon dioxide emissions credits, modelled on the European Climate Exchange established in 2005. The trading scheme will be built on Canada's anticipated national policy to address climate change, expected to be released in late 2006. Although Canada ratified the Kyoto Protocol in 2002, achievement of targets is highly unlikely and the country is faced with billion-dollar expenditure to purchase carbon credits from other countries. As a result, the Canadian government is unlikely to stay within the Kyoto Protocol.¹²³

Greenhouse gas emissions also seem to be a prominent issue in Canada because of mining developments of oil sand resources, especially in Alberta.¹²⁴ Oil sand mining developments have given rise to public discussion about alternative energy sources and emissions arising from the burning of fossil fuels.

Reflecting the outcomes of so many other pieces of market research, whilst Canadians claim that they are increasingly worried about the environment, they remain the third highest energy consumers amongst 'rich' countries, behind Iceland and Luxembourg. Whilst heating needs no doubt contribute to energy consumption, Canada also has an unusually high demand for 'high fuel consumption' sports utility vehicles (SUVs) and light trucks, despite rising oil prices.¹²⁵

¹²³ 'Interpreting smoke signals' (2002), *The Economist*, July 22 2006, p49

¹²⁴ 'Fact Sheet: Oil Sands Fever' (2005), *The Pembina Institute* www.pembina.org

¹²⁵ 'Interpreting smoke signals' (2002), *The Economist*, July 22 2006, p49

CANADA

3.3.4 Agrochemicals

Many agrochemicals used in the viticulture industry in other countries are not registered for use in Canada because of the limited extent of Canadian viticulture

Agrochemicals are a sensitive issue in the Canadian market and have previously caused problems for importers. Many agrochemicals used in the viticulture industry in other countries are not registered for use in Canada because of the limited extent of Canadian viticulture.

The Minor Use Pesticide Programme was launched in June 2002. The Canadian Government has committed \$54.5 million over six years to develop and implement the programme - a joint initiative between Agriculture and Agri-food Canada (AAFC) and Health Canada's Pest Management Regulatory Agency (PMRA).

AAFC will use its \$33.7 million share of the programme funding to improve access to minor use pesticides and to conduct field trials. The PMRA will use its \$20.8 million share to improve its capacity to review submissions and reduce time lines for registration decisions on new reduced risk products.

A "minor use" pesticide refers to the crop-protection treatments - fungicides, insecticides, and herbicides - used on low acreage crops, or where pest control is only needed on a small portion of the overall crop acreage. These pesticides are usually used in such small quantities that manufacturers deem that the sales potential is insufficient for them to seek registration in Canada.

a) Industry response to agrochemical issues

CropLife Canada is the trade association representing the manufacturers, developers and distributors of plant science innovations - pest control products and plant biotechnology - for use in agriculture, urban and public health settings.

CropLife Canada's stewardshipfirst(TM) initiatives aim to responsibly manage the health, safety and environmental sustainability of the industry's products throughout their life cycle, including the recycling of empty pesticide containers and collection and disposal of unusable pesticides on the farm. This programme is designed to represent the industry's commitment and responsibility to the environment and public health, over and above legislative and regulatory requirements. CropLife Canada works in close partnership with federal and provincial governments, farmers, manufacturers, dealers and distributors to make these programmes work.

CropLife initiatives are designed to address public concerns and include:

- Reduction of environmental and health incidents in the warehousing and manufacturing sectors;
- Storing agricultural pest control products in certified warehouses under stringent environmental and health protection criteria;
- Well-trained employees in rural warehouses, improving morale and company pride;
- Fifty-five million empty pesticide containers have been removed from the rural environment, all recycled; and
- Cleaner, safer Canadian farms and farm communities with the removal of over 650,000 kg of obsolete products.

Relevant programmes under the CropLife initiatives include:

- Certified Crop Science Consultant (CCSC) – developed in conjunction with the universities of Guelph and Saskatchewan, the CCSC programme is mandatory for all manufacturers' staff making recommendations to growers. Training modules cover the following topics: Pesticides and their regulation; Product labels and use; Integrated Pest Management; Application technology; Human health; Pesticides and the environment; Safety and emergency response; Plant biotechnology; Pest management in urban areas; and Stewardship and sustainability. This programme provides an opportunity for crop protection professionals to receive formal credit for their expertise and demonstrate the professionalism of the industry.
- Grower Safety – CropLife Canada's Handling Guidelines for Growers covers the fundamentals of pesticide risk management on the farm. Some of the topics include: Reducing exposure; Procedures for mixing and loading; Avoiding spray drift; Spray equipment; and, Storage and emergency response.
- Maximum Residue Limit (MRL) Database – CropLife Canada members approved the development of an MRL database with associated US tolerances. The association's database provides information necessary for growers who are planning to export to the US. This allows growers to make informed choices on pesticide products before planting. Health Canada's Pest Management Regulatory Agency (PMRA) has reviewed all pesticide products listed in the CropLife Canada database for health, environmental safety and value. All products have been registered by the PMRA for use in Canada and the database has been made available to address trade-related issues with the US.
- Container Management – Since inception, this programme has removed and recycled approximately 55 million containers from farmsteads and the environment. The empty pesticide containers are collected from over 1,200 sites across Canada. Currently, producers across Canada voluntarily return approximately 70% of all containers shipped into the market, the highest percentage return rate in the world. The granulated plastic is recycled into fence posts for agricultural use, highway guardrail posts, or used for energy.
- Collection and Disposal of Obsolete Pesticides – This programme, funded equally by CropLife Canada and the Federal/Provincial governments, has collected and safely disposed of over 650,000 kg of obsolete pesticides. Through this national initiative, designated collection sites are set up so farmers can safely dispose of unused and obsolete crop protection products free of charge.

3.4 Certification systems

There is a push within Canada to use certification systems to enhance Canada's 'clean green image'. This appears to have been promulgated following the introduction of the strong traceability system for the beef industry in Canada following the BSE (ie 'mad cow') scare. However, apart from the possible introduction of a traceability system for organic produce, it is unlikely that other certification systems will be introduced.

3.5 Conclusion

It appears that in Canada, environmental issues are not at the forefront of consumer's minds with respect to wine production or retailing. The strong government regulation of the wine industry and retailing sector means that there is a virtual monopoly in many provinces. Therefore, consumers have less opportunity to demand different products based on environmental factors, even if they so desired. However, the role of the provincial governments, particularly in the key provinces of Ontario and Quebec, becomes more important, exemplified by the LCBO's introduction of Tetra Pak® in response to a waste reduction directive from the Ontario government.

The small scale of the domestic wine industry means that any associated environmental issues are not significant enough to attract the attention of federal and provincial governments, retailers or consumers. This means that pressure to reduce environmental impacts is less than that in major wine-producing countries, notwithstanding the nation-wide efforts to reduce packaging waste.

ASIA

4.0

Introduction

'Food safety', 'product integrity' and 'green production' are closely intertwined in many Asian programmes

There is a growing recognition that Asia may have to reassess its 'growth first' strategy, which assumes that the environment can be rehabilitated once development aims are achieved

Environmental issues in the food and beverage industry in the Asian region continue to be overshadowed by food safety. However, this does not preclude attention being given to environmental issues, as 'food safety', 'product integrity' and 'green production' are closely intertwined in many Asian programmes. This is especially the case in those markets that have been exposed to a series of food scares (avian influenza, mad cow disease, food poisoning) and false labelling incidents.

In response, governments have focused on food safety and product integrity issues. Waste minimisation, water quality and air quality are of increasing significance to governments of Asian countries. Further, food producers, processors and retailers are seeking to regain consumer trust by introducing traceability requirements and increasing the amount of information required on product labelling beyond that required by regulation. Retailers are also putting increasing pressure on their suppliers to guarantee product safety and develop traceability systems. In the wine industry, there is already evidence of importers seeking guarantees from producers about the composition of wine.

As Asian incomes continue to increase, consumers are putting greater pressure on the whole food chain supplying into Asia to develop better quality agrifood raw material, ingredients and final products in order to satisfy an increased demand for 'higher quality foods'.¹²⁶ Japan External Trade Organisation figures show that the total number of middle class citizens in Asia is rapidly increasing. This is a significant indicator for the emerging consumer society.

There is a growing recognition that Asia may have to reassess its 'growth first' strategy, which assumes that the environment can be rehabilitated once development aims are achieved.¹²⁷ The 'growth first' strategy is indicative of the low historical importance of environmental management issues in many Asian countries, and translates to an absence of environmental assurance requirements for imported products. The China Modernisation Report 2007 reports that the state continues to struggle to change official attitudes towards the environment after years of promoting economic growth at almost any cost. The struggle continues despite new policies including civil servant's career prospects being tied to their energy-saving achievements.¹²⁸

Within Asia there are some general concerns from governments on how to respond to environment or environment related themes.¹²⁹ These include:

- Social responsibility;
- Environmental aspects of products – with a particular emphasis on electrotechnical products;
- Supply chain security management;
- Food safety management; and
- Risk management.

There are also concerns that the traditional 'Western' responses to these issues have led to a proliferation of certifiable management systems and horizontal standards that don't fit easily with traditional industry-based structures.

¹²⁶ Commonwealth of Australia, 2004, *Subsistence to supermarket II: agrifood globalization and Asia, volume III, Asian agrifood demand trends and outlook to 2010*.

¹²⁷ *Promoting Reduce, Reuse and Recycle in South Asia*, Synthesis Report of the 3R South Asia Expert Workshop, Nepal, 30 August – 1 September 2006, p9

¹²⁸ *China failing on environment: report*, AAP Media Release, 30/01/07

¹²⁹ Pers. comm. Henry, J., Director, International and Standardisation Policy, Standards Australia

One of the big drivers within the Asian region to develop responses to environmental regulations has been external pressures arising from EU environmental legislation

One of the big drivers within the Asian region to develop responses to environmental regulations has been external pressures arising from European Union environmental legislation. For many products, the European Union has made demands that imports meet environmental requirements within Europe. The European Union has more than 260 items of environmental legislation based on existing regulations and standards.¹³⁰ To date the wine industry has been relatively insulated from many of these developments, because as a fermented product it is 'relatively' low risk to consumers from a health and safety perspective; and production and trade in wine from Asia is relatively small.

It is possible that, given the increasing influence and presence of major European and United States retail chains in Asia, some of the environmental assurance pressures that they are subject to in other markets will be reflected in their attitudes and requirements within Asia.

4.1 Waste - The 3R Initiative

The 3R initiative encourages the more efficient use of resources and materials and seeks international promotion for the creation of a Sound Material-Cycle Society

The Japanese Prime Minister Junichiro Koizumi proposed the 3R Initiative – focusing on the '3R's' of Reduce, Reuse and Recycle – at the 2004 G8 Summit. The 3R Initiative was formally launched at the Ministerial Conference on the 3R Initiative in April 2005 in Tokyo. The 3R Initiative encourages the more efficient use of resources and materials and seeks international promotion for the creation of a Sound Material-Cycle Society. It is seen by participants as an important step toward encouraging the more efficient use of resources and materials that increases economic competitiveness whilst decreasing environmental impact. The 3R Initiative is not Asia-specific. Twenty countries and eight international organisations participated in the Senior Officials Meeting in 2006. They were:

Brazil	Mexico	European Commission
Canada	Philippines	League of Arab States
China	Republic of Korea	Asian Development Bank
France	Russian Federation	UN Economic Social Commission for Asia/Pacific
Germany	Singapore	OECD
India	South Africa	Secretariat for the Basel Convention
Indonesia	Thailand	UN Centre for Regional Development
Italy	United Kingdom	UN Environment Programme
Japan	USA	Asia-Pacific Forum for Environment and Development
Malaysia	Viet Nam	

The 3R initiative is actively looking at policy solutions to waste minimization. These include:¹³¹

- an electronic waste manifest system, developed in the Republic of Korea, which provides real-time information on the monitoring of waste generation up to the final disposal stage;
- market mechanisms for recyclables;
- public awareness raising;
- legislation on the 3Rs and recycling;
- promotion of Extended Producer Responsibility (EPR);
- promoting public-private partnerships;
- enhancing recycle rates in partnership with waste pickers' associations and non-government organisations;
- information sharing systems;
- product design standards;
- establishing clear targets for waste reduction and recycling;
- a step-by-step approach for banning the disposal of untreated wastes into landfills; and
- schemes for the registration of recycling units possessing capacity for environmentally sound management.

¹³⁰ Collyer, R., Operations Director, Chamber of Commerce (Bedfordshire) Ltd., UK; *Environmental Regulations: Are They A Barrier to Trade, If They Are How Should They Be Used?*, Paper presented at APEC 6th Conference on Standards and Conformance, Da Nang, Viet Nam, 5-6 September 2006

¹³¹ Chair's Summary: Senior Officials Meeting on the 3R Initiative, March 6-8, 2006, Tokyo, Japan

ASIA

The 3R programme is still a new initiative that is yet to permeate regulators, industry and communities in most Asian member countries

Possible solutions for future solid waste management proposed include a deposit/refund system and the establishment of 'green customs charges' on items that will have high disposal costs

Based on the examples discussed, key elements to good practices were identified as follows:¹³²

- A holistic approach covering upstream (design and manufacturing) and downstream (waste management);
- A comprehensive approach to addressing material recycling and energy recovery;
- Effective/optimal cost sharing mechanisms for the 3Rs;
- Promotion of environmentally sound waste treatment (e.g., composting);
- Innovative measures (making good use of by-products from waste treatment, e.g., bio-gas and Clean Development Mechanism);
- Public-private partnership;
- Involvement of small and medium sized enterprises;
- Changing business models from commodity provision to service provision;
- Decentralized/community-based approach; and
- Linking the 3Rs to other policy goals, such as job and employment creation.

A 3R South Asia Expert Panel Workshop was conducted in Nepal in August 2006 to review the programme and present findings to the Environmental Ministers of South Asia at the South Asia Co-operative Environment Programme meeting.

The findings of the Expert Panel indicate that the 3R programme is still a new initiative that is yet to permeate regulators, industry and communities in most Asian member countries. The focus is very much on domestic industry solid waste management issues more so than issues associated with imports. However, there are some findings to note:¹³³

- There is insufficient political commitment to national programmes to reduce, reuse and recycle industrial wastes and there is a lack of national leadership institutions in the region;
- The successful implementation of the 3Rs in industrial waste management require the introduction of principles such as Extended Producer Responsibility; and
- Possible solutions for future solid waste management proposed include a deposit/refund system and the establishment of 'green customs charges' on items that will have high disposal costs.

4.2 Organic products

The wealthier parts of Asia, in particular Japan, have a much stronger demand for 'organic' products than Europe or the United States. This is linked to increased consumer concerns about food safety and increasing reports that 'organic' is seen as equivalent to 'safe and clean' food.¹³⁴ However, in some Asian countries, the desire for 'organic' food is counterbalanced by a distrust of certification systems and the integrity of label claims. There is no evidence of demand for 'organic' wines and it is primarily fresh/unprocessed foods that seek to position themselves in this market.

4.3 Japan

Japan is an emerging wine market with low rates of consumption. Australia is the sixth largest exporter of wine to Japan, with a 5% market share.¹³⁵ Japanese consumers have always been known for a willingness to pay a premium for high quality food and beverage products. As a result there is persistent media coverage on food products and their attributes. The question remains as to how vital environmental attributes are considered in the overall 'quality' matrix.

¹³² *Chair's Summary: Senior Officials Meeting on the 3R Initiative, March 6-8, 2006, Tokyo, Japan*

¹³³ *'Promoting Reduce, Reuse and Recycle in South Asia', Synthesis Report of the 3R South Asia Expert Workshop, Nepal, 30 August – 1 September 2006*

¹³⁴ *'Subsistence to supermarket II: Agrifood globalization and Asia, volume III, Asian Agrifood demand trends and outlook to 2010', Dept of Agriculture, Fisheries and Forestry*

¹³⁵ *Australian Wine and Brandy Corporation 2006*

Japanese law defines the Sound Material-Cycle Society as 'a society where the consumption of natural resources is minimised and the environmental load is reduced as much as possible'

Japan's objective is a 'zero-waste' society

The adoption of green procurement practices has become regulated in both Japan and Korea, with legislation to be used as a model for other Asian countries

Japan has championed the 3R initiative, triggered by serious problems arising from severe industrial pollution and waste management. To this end, a plan to establish a Sound Material-Cycle Society was formulated, under which a number of measures have been promoted. Japanese law defines the sound material-cycle society as 'a society where the consumption of natural resources is minimized and the environmental load is reduced as much as possible, by:

- restraining products from becoming wastes;
- promoting appropriate recycling of products when they have become recyclable resources; and
- securing appropriate disposal of the recyclable resources not recycled, which means their disposal as waste'.

Japan's Action Plan for a 'world-wide sound material-cycle society' includes:

- dissemination of its own experience and technologies to the world;
- the support of capacity building of developing countries and regional/global international cooperation;
- take a leadership role in international efforts to establish a sound material-cycle society based on the 3Rs; and
- to strengthen its domestic efforts towards the establishment of such a society.

Domestically, Japan's objective is a 'zero-waste' society. This has implications for packaging and production methods for products exported to Japan. Japan has stated it seeks to reform its waste treatment/recycling systems into those suitable for a sound material-cycle society and to advance technological development for the promotion of the 3Rs. This is to be achieved by activities including:

- Strengthening of efforts towards "environmentally sound products" which incorporate the 3Rs beginning with the planning and production stages, and expansion of the market for "environmentally sound products";
- Promotion of reduction of household wastes through introducing collection of waste treatment fees and other measures; and
- Promotion of the 3Rs in the industrial sector.

In addition to these policy measures, Japan is cooperating with the Asian Productivity Organization, to promote green productivity activities, including the greening of the supply chain in the Asia-Pacific region. The adoption of green procurement practices has become regulated in both Japan and the Republic of Korea, with the legislation to be used as a model for other Asian countries. In Japan, the law requires manufacturers or service providers to provide information about the environmental impacts of products that they offer for sale.¹³⁶

4.3.1 Basic Law on green purchasing

Article 5 of the law states that 'businesses and citizens shall endeavour to choose eco-friendly good as much as possible when buying or renting goods or receiving services'

Japan released a Basic Law on green purchasing in March 2004. The law identified 45 types of eco-friendly goods and services with procurement target guidelines for each.¹³⁷ The provisional translation of the law sets out criteria for eco-friendly goods including:¹³⁸

- Materials or parts/components used in the goods contribute to the reduction of environmental impact; and
- The whole or part of the goods can be easily reused or recycled, so that generation of waste can be limited.

Under the law, government and independent administrative institutions endeavour to choose eco-friendly goods. Further, the government, through educational and public relations activities, encourages businesses and citizens to 'deepen their understanding of the significance of a shift in demand towards eco-friendly goods'. Article 5 of the law states that 'businesses and citizens shall endeavour to choose eco-friendly goods as much as possible when buying or renting goods or receiving services'.¹³⁹

Article 12 of the law requires those who engage in the manufacture, import or sale of goods to endeavour to provide the necessary information to understand the environmental impact of the goods to those who purchase or acquire the goods.

¹³⁶ 'Promoting Reduce, Reuse and Recycle in South Asia', *Synthesis Report of the 3R South Asia Expert Workshop, Nepal, 30 August – 1 September 2006* p23

¹³⁷ 'Promoting Reduce, Reuse and Recycle in South Asia', *Synthesis Report of the 3R South Asia Expert Workshop, Nepal, 30 August – 1 September 2006* p23

¹³⁸ Provisional Translation – Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities

¹³⁹ Provisional Translation – Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities

ASIA

4.4 China

Australian wine reportedly has a good reputation in the market due to its 'clean and green' image

The China Modernisation Report 2007 ranks China 100 out of 118 countries in terms of environmental protection

Ecological modernisation indicators used in the official report include carbon emissions, sewage treatment and drinking water availability

China is Australia's seventh most important export market by volume.¹⁴⁰ Australia is the fourth largest exporter of wine to China by value, with a 9% market share in 2004, and the fifth largest by volume. Because of the large domestic wine industry, imports account for only 17.6% of the wine market. Of the 450 Chinese wine companies, four share 50% of the market. Wine consumption in China is correlated with those areas experiencing economic growth – Beijing, Guangzhou and Shanghai.¹⁴¹ In 2005, wine sales in China came to approximately 60 million cases.¹⁴²

Hong Kong is a significant wine export market in its own right, importing all wine consumed. Australia is the second largest exporter, supplying 3.5 million litres per annum. Australian wine reportedly has a good reputation in the market due to its 'clean and green' image.¹⁴³ Hong Kong imports 80% of its fresh produce from the Chinese mainland, and continues to level criticism at Chinese farming methods, especially with respect to pesticide use.¹⁴⁴ Such incidents have elevated food safety and quality assurance concerns amongst Hong Kong consumers.

China has been promoting policies blending market promotion, regulatory control, and public participation for the development of a circular economy, with cleaner production and waste management integrated into legislation since the beginning of the century.¹⁴⁵ While there is growing awareness in China of environmental issues, particularly surrounding air quality and water, there does not seem to be an extension of this into sustainable production of food and beverages. Testing of Chinese agricultural produce imported into Hong Kong returned excessive levels of illegal chemicals including DDT and lindane (a nerve poison).¹⁴⁶ There is also considerable distrust of the quality of organic certification schemes within China.

The China Modernisation Report 2007 ranks China at 100 out of 118 countries in terms of environmental protection, the same result as 2004, despite the government's pledge to make the environment its highest priority issue. 'Ecological modernisation' indicators used in the official report include carbon emissions, sewage treatment and drinking water availability.¹⁴⁷

4.4.1 Green Food

The Green Food programme aims to protect and improve the eco-environment by developing non-polluted, safe, high quality and nutritious food and promoting agricultural sustainable development

The blending of policies extends into the arena of food standards, with the 'Green Food' programme in China dating back to the 1990's. The rapid growth of China's economy and per capita income has led to changing market demands for food products. This growth in the period 1990-1999 was mirrored by rapid growth of 'Green Food'. By the end of the period, 1300 farm products were categorized as Green Food, compared with 127 in 1990.¹⁴⁸

The Green Food programme aims to 'protect and improve the eco-environment by developing non-polluted, safe, high quality and nutritious food and promoting agricultural sustainable development'.¹⁴⁹ This is clearly a blend of environmental, food safety and quality assurance parameters. Green Food development was launched by the government as an organized programme.¹⁵⁰ The China Green Food Development Centre (CGFDC) is the government-appointed sole authority for the authentication of Green Food and organic food.¹⁵¹

¹⁴⁰ Bailey, P. & Smart, C., 'China shines, but bulk the boss', WBM November 2006, p42

¹⁴¹ Australian Wine and Brandy Corporation 2006

¹⁴² Smart, C., 'The truth about China', WBM November 2006, p18

¹⁴³ Australian Wine and Brandy Corporation 2006

¹⁴⁴ Stafford, K., 'Hong Kong tightens import checks after latest China food scare', Medill – Global Journalism Program, April 21, 2006

¹⁴⁵ Chair's Summary: Senior Officials Meeting on the 3R Initiative, March 6-8, 2006, Tokyo, Japan

¹⁴⁶ Stafford, K., 'Hong Kong tightens import checks after latest China food scare', Medill – Global Journalism Program, April 21, 2006

¹⁴⁷ China failing on environment: report', AAP Media Release, 30/01/07

¹⁴⁸ People's Daily Online 20/02/04, 'Green Food Market Outlook Rosy', http://english.peopledaily.com.cn/200204/10/print20020410_93777.html downloaded 22/01/07

¹⁴⁹ China Green Food Development Centre, www.greenfood.org.cn downloaded 22/01/07

¹⁵⁰ Ruiji, H., 'Green Food in China', www.china.org.cn/ChinaToday/Today/ChinaToday/ct98/ct99-le-12.html downloaded 22/01/07

¹⁵¹ China combats trade restrictions with 'green food', www.atimes.com/china/DD02Ad03.html downloaded 22/01/07

Products and raw materials must meet the green ecological environment standard set by the Ministry of Agriculture as the basis for China Green Market Certification

3% of the food market, or 15 million tonnes of food, is categorised as Green Food, and demand far exceeds supply

Green Food is largely a response to 'increasingly formidable green barriers' imposed by countries importing products from China

The CGFDC has established a national network to monitor the environment of food production sites, production processes and quality, packaging, storage and transportation of products. A set of 'from the land to the dinner table' quality controls are included in the programme,¹⁵² reflecting the European 'field to fork' and 'farm to fork' ethic. Green Food products are specifically regulated by 80 clauses of state requirements.¹⁵³ Products and raw materials must meet the green ecological environment standard set by the Ministry of Agriculture. Cropping, animal raising and food processing must use green food operating procedures identified by the Ministry, and products must meet the green food hygiene standard.¹⁵⁴ This is the basis of the China Green Market Certification. In 2004, the network monitored 3.28 million hectares of agricultural land and waters. The CGFDC has developed technical standards on the safety of Green Food, in addition to registering China's first trademark for Green Food in China, Hong Kong and Japan.¹⁵⁵

Three percent of the food market, or 15 million tonnes of food, is categorized as Green Food, and demand far exceeds supply.¹⁵⁶ Green Food consumption is increasing, especially in China's large and medium-sized cities. Surveys conducted in Beijing and Shanghai have shown that 79-84% of residents look for Green Food.¹⁵⁷ As a further indicator of environmental awareness, an opinion poll of Shanghai residents cited 'disregard for the natural environment' as one of the top four 'most uncivilized' aspects of the city.¹⁵⁸

Green Food is largely a response to 'increasingly formidable green barriers' imposed by countries importing products from China. China's tea exports to the European Union decreased by 37% in one year on the back of import criteria that jumped from 6 to 62 categories. Further, UN figures reveal that annually US\$7.4 billion worth of Chinese exports of agricultural and other products are impeded by the growing 'green barrier'.¹⁵⁹ Green Food is seen as a critical path forward to overcoming these barriers, whilst at the same time boosting the viability of a dwindling arable land resource, which is decreasing by 530,000 hectares per annum.¹⁶⁰

4.4.2

ChinaGAP

ChinaGAP information provided by the China Quality Certification Centre indicates the expectation that ChinaGAP will improve access for Chinese exports to the EU

In 2003, the Certification and Accreditation Administration of the People's Republic of China (CNCA) engaged experts to review the 'good agricultural practices' (GAP) of the world. The result of the review was the identification of EurepGAP as the 'most comprehensive GAP and certification system that covers the most product lines and is applied most extensively'. As such, the decision was made to develop ChinaGAP, based on EurepGAP.¹⁶¹ The partnership arrangements established to develop ChinaGAP resulted in a Memorandum of Understanding (MOU) for technical cooperation being signed in May 2005 between EUREP and the CNCA.¹⁶²

In April 2006, a second MOU was signed between the two parties to initiate the formal benchmarking process between ChinaGAP and EurepGAP and to cover the rules of surveillance of ChinaGAP once full recognition has been achieved.¹⁶³ ChinaGAP information provided by the China Quality Certification Centre indicates the expectation that ChinaGAP will improve access for Chinese exports to the EU.

¹⁵² 'The Green Food Project', www.chinagateway.com.cn/English/1923.htm downloaded 22/01/07

¹⁵³ 'China combats trade restrictions with 'green food'', www.atimes.com/china/DD02Ad03.html downloaded 22/01/07

¹⁵⁴ 'The Green Food Project', www.chinagateway.com.cn/English/1923.htm downloaded 22/01/07

¹⁵⁵ 'People's Daily Online 20/02/04, 'Green Food Market Outlook Rosy',

http://english.peopledaily.com.cn/200204/10/print20020410_93777.html downloaded 22/01/07

¹⁵⁶ 'People's Daily Online 20/02/04, 'Green Food Market Outlook Rosy',

http://english.peopledaily.com.cn/200204/10/print20020410_93777.html downloaded 22/01/07

¹⁵⁷ Rulili, H., 'Green Food in China', www.china.org.cn/ChinaToday/Today/ChinaToday/ct98/ct99-le-12.html downloaded 22/01/07

¹⁵⁸ 'Pyjamas in public a problem in China', AAP Media Release 21/09/06

¹⁵⁹ 'China combats trade restrictions with 'green food'', www.atimes.com/china/DD02Ad03.html downloaded 22/01/07

¹⁶⁰ Rulili, H., 'Green Food in China', www.china.org.cn/ChinaToday/Today/ChinaToday/ct98/ct99-le-12.html downloaded 22/01/07

¹⁶¹ Zhigang, Y. (2005), 'China's new approach to Good Agricultural Practices', paper presented to the 6th Global EurepGAP Conference, Paris, 2005

¹⁶² 'Chinese Government signed MOU to develop ChinaGAP', EUREP Media Release 23/05/05

¹⁶³ 'ChinaGAP ready to start EurepGAP benchmarking procedure', EUREP Media Release 12/04/06

ASIA

4.5 India

India has a strong domestic wine industry, importing less than 25% of wine sold. Australia currently supplies 25% of imports. The majority of Indians cannot afford wine, and consumption rates are low. However, there is an emerging middle class that represents a potential for growth in wine sales.¹⁶⁴

Environmental considerations have been integrated into decision making at all levels since 1992 and the draft National Environment Policy of 2005, which incorporates the concept of the 3Rs, is currently under consideration. Major strategies and activities include:¹⁶⁵

- the Charter on Corporate Responsibility for Environment Protection (CREP), through which stakeholders commit to participatory action beyond mandatory levels;
- a registration scheme in which recyclable waste is channeled only to entities which can process it in an environmentally sound manner; and
- promotion of cleaner technologies and waste minimisation circle concept. Technology and Information sharing are key to the success of 3R initiative.

Most Indian cities are suffering from severe air pollution and many rivers are heavily polluted.¹⁶⁶ Although several pieces of environmental legislation have been enacted in India since 1974, monitoring mechanisms are ineffective due to a lack of financial and human resources.¹⁶⁷

4.5.1 Green Rating Project

The GRP is the first instance of an NGO in a developing country undertaking to rate industry on their environmental performance

The Green Rating Project (GRP) is a high profile Indian programme that issues an environmental rating to industry sectors. Development of the GRP commenced in 1995 and is administered by the Centre for Science and Environment, an Indian non-government organisation. The GRP is the first instance of an NGO in a developing country undertaking to rate industry on their environmental performance.

The GRP targets Indian industry and does not apply to companies exporting to India. However, it does indicate an awareness of corporate social responsibility and transparency. To date, only four industry sectors have been subjected to the GRP – the pulp and paper, automobile, chlor-alkali and cement industries. The programme involves voluntary disclosure of information and data by companies, which is then subjected to rigorous technical scrutiny.¹⁶⁸

The GRP has had some success. It is responsible for moves towards 'greening of supply chains' in the automobile industry, changes towards regulation of volatile pollutants around the world, and for increasing industry transparency in India, which was previously unheard of.¹⁶⁹

¹⁶⁴ Australian Wine and Brandy Corporation 2006

¹⁶⁵ Chair's Summary: Senior Officials Meeting on the 3R Initiative, March 6-8, 2006, Tokyo, Japan

¹⁶⁶ Centre for Science and Environment, India, www.cseindia.org downloaded 23/01/07

¹⁶⁷ Centre for Science and Environment, India, www.cseindia.org downloaded 23/01/07

¹⁶⁸ Centre for Science and Environment, India, www.cseindia.org downloaded 23/01/07

¹⁶⁹ Centre for Science and Environment, India, www.cseindia.org downloaded 23/01/07

4.6 Republic of Korea

With Korea's domestic wine industry virtually disappearing, Australia has become the fifth largest exporter of wine to Korea. Australia's 'clean and green' image is reportedly significant to the Korean consumer. With one of the highest per capita incomes amongst Asian countries, Koreans are extremely brand conscious and appreciative of luxury products.¹⁷⁰

In Korea, efficient use of natural resources is considered the key to sustainable development. The following have promoted a sound material-cycle economy:

- volume-based waste collection, resulting in reduction of waste and raised awareness on the 3Rs;
- EPR, implemented since 2003 through application to 21 categories with mandatory targets for product recovery and recycling;
- regulation for promoting recycling of construction waste;
- reduction of food waste, implemented through an NGO campaign as well as policy;
- government procurement of eco-friendly products;
- voluntary agreements on the 3Rs, implemented by the cooperation between the government and the private sector; and
- environmental industry, expected to serve as one of the driving forces for economic development.

The Korea Eco-Products Institute was established to enhance and promote national green purchasing initiatives. The Green Purchasing Law adopted in 2004 and enacted in 2005 obligates Korea's 20,000 public institutions to purchase environmentally-friendly products, or 'eco-products'.¹⁷¹ The Institute also manages the Korea Eco-Label programme, which is based on product life cycle analysis. The programme does not yet apply to food products.

The Institute also manages the Korea Eco-Label programme, which is based on product life cycle analysis. The programme does not yet apply to food products

4.7 The 3R Programme in other Asian countries

4.7.1 Indonesia

Indonesia is a small market, consuming 1 million litres of wine, in which Australia is the majority supplier with a 50% market share. Despite the tropical conditions, there is also a small number of wineries being established in Indonesia.¹⁷²

Waste management activities in Indonesia are hampered by a lack of awareness, limited budgets, a lack of compliance, and limited access to waste treatment facilities for micro, small, and medium enterprises.¹⁷³

4.7.2 Malaysia

Australia is the number one wine exporter to Malaysia, holding a 45-50% market share.¹⁷⁴

The legal framework and programmes dealing with municipal waste are set by local governments. The National Recycling Programme 2000 was launched in 2000 to make recycling a habit amongst the population. Malaysia's National Strategic Plan for Solid Waste Management 2005 will aim for cost recovery and include legal and institutional frameworks. Waste minimization is recognized as one of Malaysia's priority issues with all strategies aiming to enhance awareness, strengthen partnerships, and develop institutions.¹⁷⁵

¹⁷⁰ Australian Wine and Brandy Corporation 2006

¹⁷¹ 'Promoting Reduce, Reuse and Recycle in South Asia', Synthesis Report of the 3R South Asia Expert Workshop, Nepal, 30 August – 1 September 2006 p23

¹⁷² Australian Wine and Brandy Corporation 2006

¹⁷³ Chair's Summary: Senior Officials Meeting on the 3R Initiative, March 6-8, 2006, Tokyo, Japan

¹⁷⁴ Australian Wine and Brandy Corporation 2006

¹⁷⁵ Chair's Summary: Senior Officials Meeting on the 3R Initiative, March 6-8, 2006, Tokyo, Japan

ASIA

4.7.3 Philippines

The wine market in the Philippines is small but growing and imports all of its wine. Australia holds a 7% market share in a market dominated by the US, ahead of Spain and France.¹⁷⁶

The Philippines' Ecological Solid Waste Management Act specifies the:

- achievement of a recycling rate of 25% or above by 2006 and increasing thereafter;
- waste segregation at source and collection;
- establishment of material recovery facilities;
- eco-labeling; and
- green procurement.

Recycling rates are increasing across the country, and have already reached 25% in metro Manila. Problems in implementing the 3Rs include the cost of recycling and transport, difficulty in combating the smuggling of e-waste and other waste, and insufficient markets, information, cooperation, and facilities.¹⁷⁷

4.7.4 Singapore

All wine consumed in Singapore is imported, with Australia and France together controlling 70% of the market. Australia is the top exporter by volume, whereas France is the top exporter by value.¹⁷⁸

High economic and population growth in Singapore resulted in rapid increases in waste generated. Singapore's strategy towards 'Zero Landfill and Zero Waste' includes:¹⁷⁹

- a volume reduction through incineration;
- promotion of recycling in industry and in the community;
- the reduction of waste going to the landfill; and
- waste minimization i.e. minimization of waste at source such as promoting reusable bags to reduce usage of plastic bags and introducing a packaging agreement.

4.7.5 Thailand

Australia is the third largest wine exporter to Thailand with a 20% market share. Wine is a relatively expensive product in Thailand and, unlike other markets, is not considered to be a fashionable beverage by younger Thais.¹⁸⁰

The implementation of the 3R Initiative in Thailand has resulted in a national integrated waste management plan and several pieces of legislation. 3R activities have progressed substantially among industries, NGOs, and Thai society. Various international technical cooperation programmes are being implemented in collaboration with the Governments of Japan, Germany and United Nations agencies. Positive Thai 3R practices include take-back schemes for end-of-life products, waste exchange programmes, and a green purchasing network. As a result the ratio of recycling has increased and the amount of landfill waste has decreased.¹⁸¹

The Thai Green Purchasing Network was founded in 2004 under the Greening the Supply Chain Model of the Thailand Environment Institute. The Institute is responsible for the definition of green purchasing and procurement, in addition to gathering information and raising public awareness of green products.¹⁸²

¹⁷⁶ Australian Wine and Brandy Corporation 2006

¹⁷⁷ Chair's Summary: Senior Officials Meeting on the 3R Initiative, March 6-8, 2006, Tokyo, Japan

¹⁷⁸ Australian Wine and Brandy Corporation 2006

¹⁷⁹ Chair's Summary: Senior Officials Meeting on the 3R Initiative, March 6-8, 2006, Tokyo, Japan

¹⁸⁰ Australian Wine and Brandy Corporation 2006

¹⁸¹ Chair's Summary: Senior Officials Meeting on the 3R Initiative, March 6-8, 2006, Tokyo, Japan

¹⁸² 'Promoting Reduce, Reuse and Recycle in South Asia', Synthesis Report of the 3R South Asia Expert Workshop, Nepal, 30 August – 1 September 2006 p23

4.7.6 Viet Nam

Viet Nam has introduced various policies and instruments to promote the 3Rs. The 2005 Law on Environmental Protection contains 14 articles on the 3Rs that include:¹⁸³

- the import of scrap materials;
- economic instruments including preferential taxation;
- technology transfer; and
- promotion of environmental industry.

4.8 Western retailers

Despite operating the detailed Tesco Nature's Choice programme in the UK, there is no evidence to suggest a similar programme is employed for suppliers of product to their Asian outlets

Several of the larger US and European retailers are venturing into Asia. Major players in China include France's Carrefour, the USA's Wal-Mart, and Germany's Metro Group.¹⁸⁴ Based on the supplier guidelines and environmental standards that these retailers implement in their home markets, it follows that the companies may choose to implement similar standards in their Asian operations.

Wal-Mart opened their first Supercentre in China in 1996, and as at December 2006, the company operates 71 outlets nationally. The company espouses the same environmental goals for its Chinese operations as it does for its US stores. Contributions to environmental activity comprise donations to local projects for tree planting, green energy demonstrations and water storage. Despite 90% of all product sold in Chinese stores being sourced from China, there is no evidence of suppliers having to meet any environmental standards for products. In May 2006, Wal-Mart withdrew from the South Korean market, leaving operations in China as the company's only Asian presence.¹⁸⁵

Tesco has a presence in Thailand, China, Japan, Malaysia, South Korea and Taiwan. Despite operating the detailed Tesco Nature's Choice supplier programme in the UK, there is no evidence to suggest a similar programme is employed for suppliers of product to their Asian outlets.

4.9 Conclusion

The identification of emerging environmental assurance trends in Asian markets is complicated by a number of factors, including the heterogeneity of markets within the region, the disparity between government 'environment' programmes and widespread consumer behaviour, and ongoing concerns about food safety issues that take precedence over environmental considerations and are still a long way from being resolved.

As in other markets, environmental assurance parameters are likely to apply to fresh produce before they are applied to processed products such as wine. However, the emerging environmental themes of concern are still valid, albeit the timeframes over which these become an issue for wine companies exporting to Asia is likely to be longer than other markets. Waste management and food safety issues associated with agrochemicals appear to be the highest profile relevant issues in these markets. Concerns about impacts of imports on broader issues such as biodiversity and climate change were not detected during this review.

The impact that EU assurance standards have had on the development of assurance standards in Asia, especially China, is notable, and is similar to findings for the US market. Emerging environmental assurance trends in the EU appear to be the global benchmark that other markets are either seeking to attain, or striving to meet. In lieu of any formal environmental assurance systems in other markets, satisfaction of EU requirements would appear to be the most likely strategy for securing market access on the grounds of environmental performance in markets around the world.

¹⁸³ Chair's Summary: Senior Officials Meeting on the 3R Initiative, March 6-8, 2006, Tokyo, Japan

¹⁸⁴ 'Local companies dominate in retail', WBM November 2006, p29

¹⁸⁵ www.wal-martchina.com/english/community/4_environment.htm downloaded 29/01/07



National Wine Centre

Botanic Road, Adelaide SA 5000 (PO Box 2414, Kent Town SA 5071)

Telephone: 08 8222 9255 Facsimile: 08 8222 9250 Email: wfa@wfa.org.au

ABN 38 359 406 467