Electronic Certification in the context of Agricultural Trade

Jonathan Koh

STDF Seminar on Electronic Sanitary and Phytosanitary Certification
Geneva, WTO
28 June 2016
AGRICULTURAL TRADE
Global trade in food has grown almost threefold in value terms over the past decade, and rates of growth are projected to continue to rise further.

By 2050 the world’s population will reach 9.1 billion, 34% higher than today. Nearly all of this population increase will occur in developing countries; about 70% are expected to be urban, up from 49% today.

To feed this larger population, food production will need to increase by 60% from the 2005–07 baseline to 2050.

An estimated annual average of US$83 Billion of net investment in developing country agriculture will be required to deliver this production increase.

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

CHALLENGES OF AGRICULTURAL PRODUCTS

PERISHABILITY
time and temperature sensitive

BALANCE
between
FACILITATION & CONTROL

PRODUCT AND PROCESS STANDARDS
Technical Regulations (SPS, private standards)

LOGISTICS
Special ware-housing & infrastructure requirements
TYPICAL TRADING REQUIREMENTS

BUY

Prepare for export
- Establish sales contracts
- Order goods
- Advise on delivery
- Request payment

Export
- Transport procedures
- Establish transport and deliver goods
- Provide waybills, goods receipts, status reports

SHIP

Transport
- Regulatory procedures
- Obtain import/export licences
- Provide customs declarations
- Provide cargo declarations
- Apply trade security procedures
- Clear goods for imports/exports

PAY

Prepare for import
- Financial procedures
- Provide credit rating
- Provide insurance
- Provide credit
- Execute payment
- Issue statements

Trading Requirements For Agricultural Products

Legal Compliance (Pre-declaration)  Transport management  Clearance management  Interface

Licensing  Compliance  Transport  Storage  Customs clearance  Payment/taxes

Shipment of goods  Unloading of goods  Release of goods

Customs  Quarantine  Sanitary and phytosanitary  Standards and consumer protection  Radiology  Ecological
EXPORT-IMPORT BUSINESS PROCESSES for AGRICULTURAL PRODUCTS
EXPORT-IMPORT DOCUMENTATION

- Importers/exporters
  - Trade permit preparation
  - Title registry
  - Marine cargo insurance
  - Trade finance

- Carriers
  - Title registry

- Freight forwarders
  - Trade documentations
  - Marine cargo insurance

- Chambers of commerce
- Customs
- Directorate General of Foreign Trade
- Excise
- Banks
  - Trade Finance
  - Regulatory reporting
- Insurance companies
  - Marine cargo insurance
Typical documents requirements:
1. Commercial Invoices 
2. Packing List 
3. Letter of Credit / Bills of Lading 
4. Sea Waybills / Air Waybills / House Air Waybill 
5. Certificate of Origin 
6. Import / Export Declaration 
7. Import / Export Licence
Additional documents and requirements for agrifood trade
• SPS certificates
• Inspection and fumigation certificates
• Quarantine certificate
• Other laboratory test certificate

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

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

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

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

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

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

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

---

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

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

<table>
<thead>
<tr>
<th>Export products (Trading partner)</th>
<th>Bangladesh</th>
<th>Cambodia</th>
<th>Lao PDR</th>
<th>Myanmar</th>
<th>Nepal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Jute Bags (to India)</td>
<td>Maize (to China)</td>
<td>Maize (to Thailand)</td>
<td>Rice (to West Africa)</td>
<td>Cardamom (to India)</td>
</tr>
<tr>
<td><strong>Number of days required</strong></td>
<td>4</td>
<td>2.5</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td><strong>Documents required</strong></td>
<td>(i) Pro-forma invoice</td>
<td>(i) Phytosanitary</td>
<td>(i) Phytosanitary</td>
<td>(i) Shipping instructions</td>
<td>(i) Letter from Customs to</td>
</tr>
<tr>
<td></td>
<td>(ii) Packing list</td>
<td>certificate application</td>
<td>application form</td>
<td>National Registration</td>
<td>Food Quarantine Office</td>
</tr>
<tr>
<td></td>
<td>(iii) Oil content certificate</td>
<td>(ii) Commercial invoice</td>
<td>(ii) Packing list</td>
<td>Card</td>
<td>Clearing agent</td>
</tr>
<tr>
<td></td>
<td>(iv) Certificate of Origin</td>
<td>(iii) Export license</td>
<td>(iii) Customs certification</td>
<td>(iii) Sealed case file from</td>
<td>Food Quarantine Office</td>
</tr>
<tr>
<td></td>
<td>(COO)</td>
<td>(iv) Business license from</td>
<td>(iv) Customs Declaration</td>
<td>Customers head office -</td>
<td>Customs Office</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vientiane Capital</td>
<td>Form</td>
<td>Export Declaration</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agriculture Department</td>
<td></td>
<td>Export License</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(v) Commercial contract</td>
<td></td>
<td>Invoice</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>among importer and exporter</td>
<td></td>
<td>- Packing list</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(vi) Pro-forma invoice</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stakeholders involved</strong></td>
<td>Exporter or representative</td>
<td>Exporter</td>
<td>Exporter or representative</td>
<td>Exporter</td>
<td>Exporter</td>
</tr>
<tr>
<td></td>
<td>Department of Agricultural</td>
<td>Ministry of Agriculture</td>
<td>Vientiane Capital</td>
<td>Ministry of Agriculture</td>
<td>Clearing agent</td>
</tr>
<tr>
<td></td>
<td>Extension (DAE)</td>
<td>Forestry and Fisheries</td>
<td>Agriculture Division -</td>
<td></td>
<td>Food Quarantine Office</td>
</tr>
<tr>
<td></td>
<td>Clearing and Forwarding (C&amp;F)</td>
<td>(General Directorate of</td>
<td>Agriculture Quarantine</td>
<td></td>
<td>Customs Office</td>
</tr>
<tr>
<td></td>
<td>Agent</td>
<td>Agriculture)</td>
<td>Section</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Direct costs</strong></td>
<td>$10</td>
<td>$58 to $730</td>
<td>-</td>
<td>More than $300</td>
<td>$5</td>
</tr>
</tbody>
</table>

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

1. Importing
2. Exporting
3. Application
4. Processing & Inspection
5. Issuance

Exporter

Authority

Authority
MANUAL CERTIFICATIONS

Example of Situation in South and South-East Asia

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

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

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

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

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

**Additional paperwork**: The testing are usually the least integrated entities with trade control agencies (e.g. customs) resulting in poor coordination. This can create confusion over the documentation required for export or import. If the laboratory tests fail, the entire process may need to be restarted.
ELECTRONIC SANITARY AND PHYTOSANITARY (SPS) CERTIFICATION
Electronic SPS Certification is the authenticated, non-repudiatative and secure electronic transmission of sanitary and phytosanitary certification data, including the certifying statement, from the competent authority of the exporting country to the competent authority of the importing country.
ADVANTAGES OF ELECTRONIC CERTIFICATION AND PAPERLESS TRADE

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

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

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

Productivity
- Single view of all relevant information
- Searchable database with all certificates
- Simple maintenance of forms
Thank You for your attention