

# Import Rejections of Agricultural and Food Products from East Asia: Issues and Future Challenges

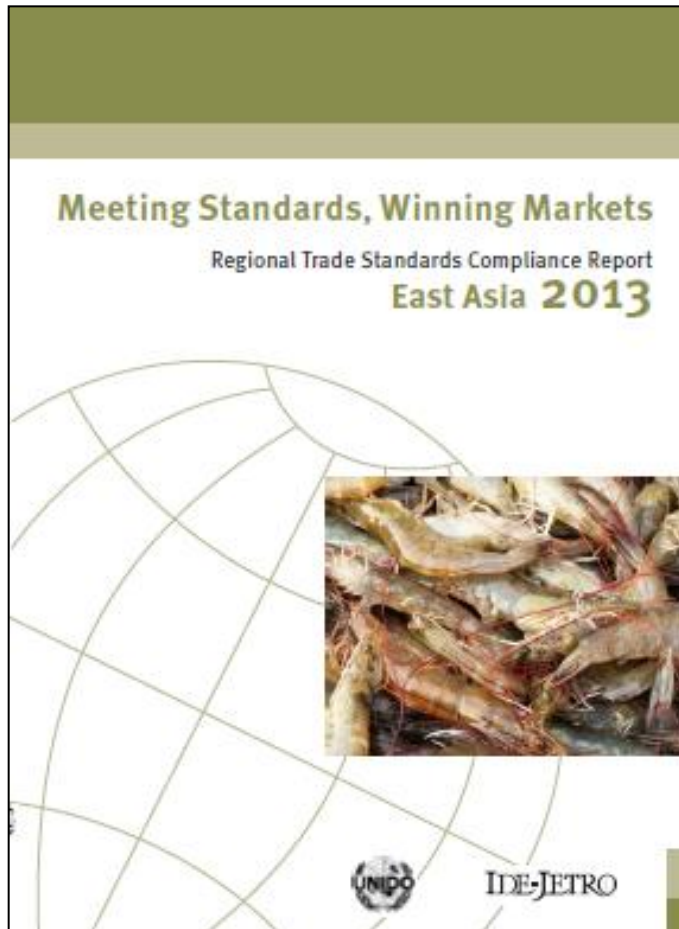


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# Regional Trade Standards Compliance Report (TSCR) – East Asia 2013



- ◆ In collaboration with UNIDO
- ◆ The aim to complement the overall global trend seen in the global report and provide East Asian perspectives
- ◆ The report covers the following countries
  - ASEAN, China, Japan, and Korea
- ◆ It analyzes the rejections of imports data from four important markets: Australia, EU, Japan, and US.

# Challenges of Import Rejections

- ◆ In 2010, an estimated US\$123 million worth of agriculture and food products (fish and fishery products, nuts and seeds, herbs and spices, and fruits and vegetables) were rejected at the borders of four markets (Australia, EU, Japan, and US).
- ◆ The reasons for these rejections are because these did not comply with the food safety regulations in these markets.
  - In particular, residual traces of agricultural chemicals and veterinary drugs
- ◆ The border rejections are just a tip of an iceberg.
  - A larger amount of potentially exportable goods are rejected within the supply chain
- ◆ Given that agriculture and food product exports are significant components of exports of developing countries, strengthening their compliance capacities is a critical issue for their development.

# Import Rejection Data

## ◆ Data obtained from:

- Australia
- EU
- Japan
- US

## ◆ Time Coverage:

- 2002-2010 (Japanese data from 2006 onward)

## ◆ Dimensions of data

- Product
- Country of Origin
- Reasons for Rejection

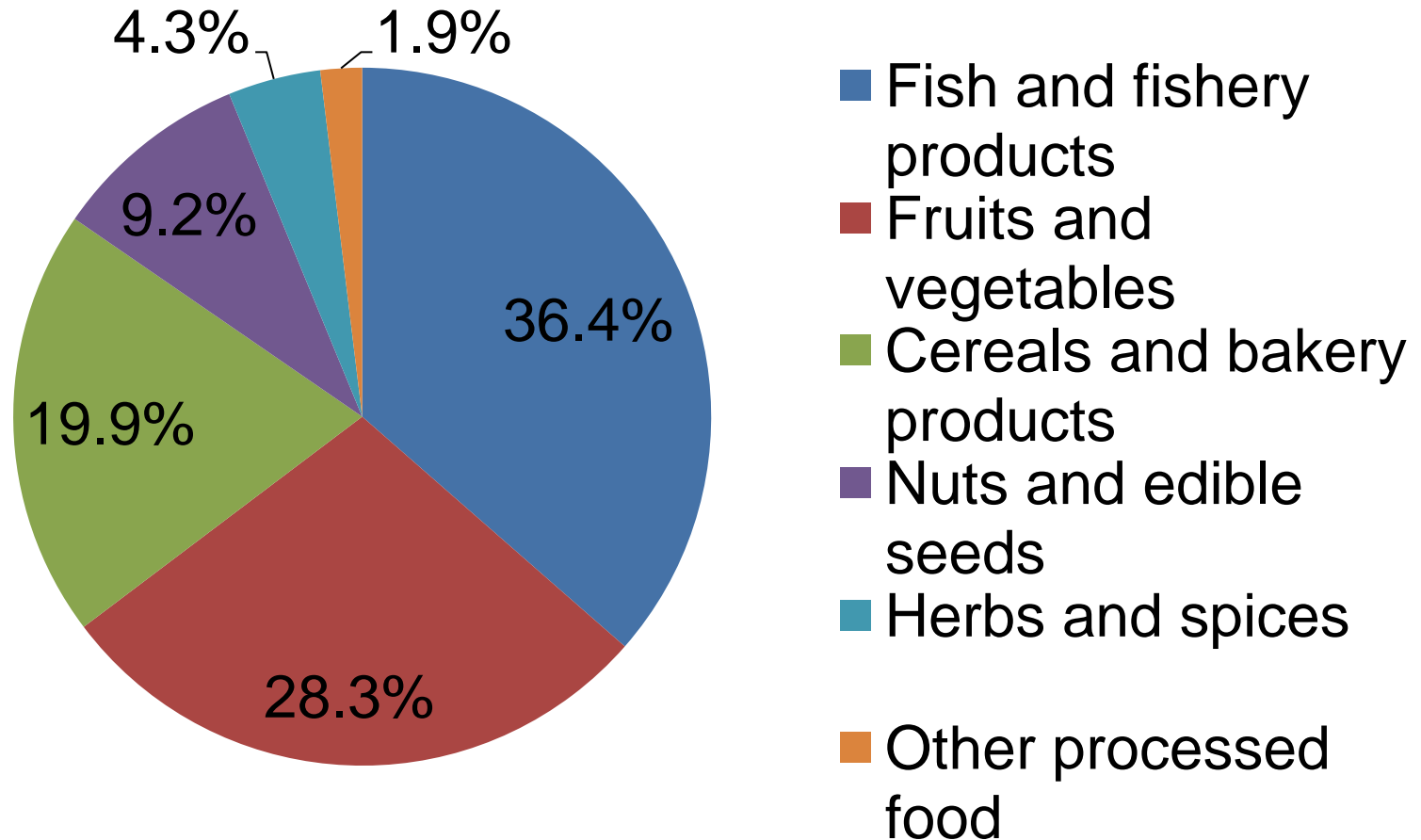
# Indicators for Port Rejections

- ◆ Number of rejections
  - Simple sum of number of rejections
- ◆ Unit rejection rates
  - Number of rejections per US\$1 million of imports to take account of difference in trade volume
- ◆ Relative rejection rates
  - Ratio of a country's share in total rejections to its share of imports

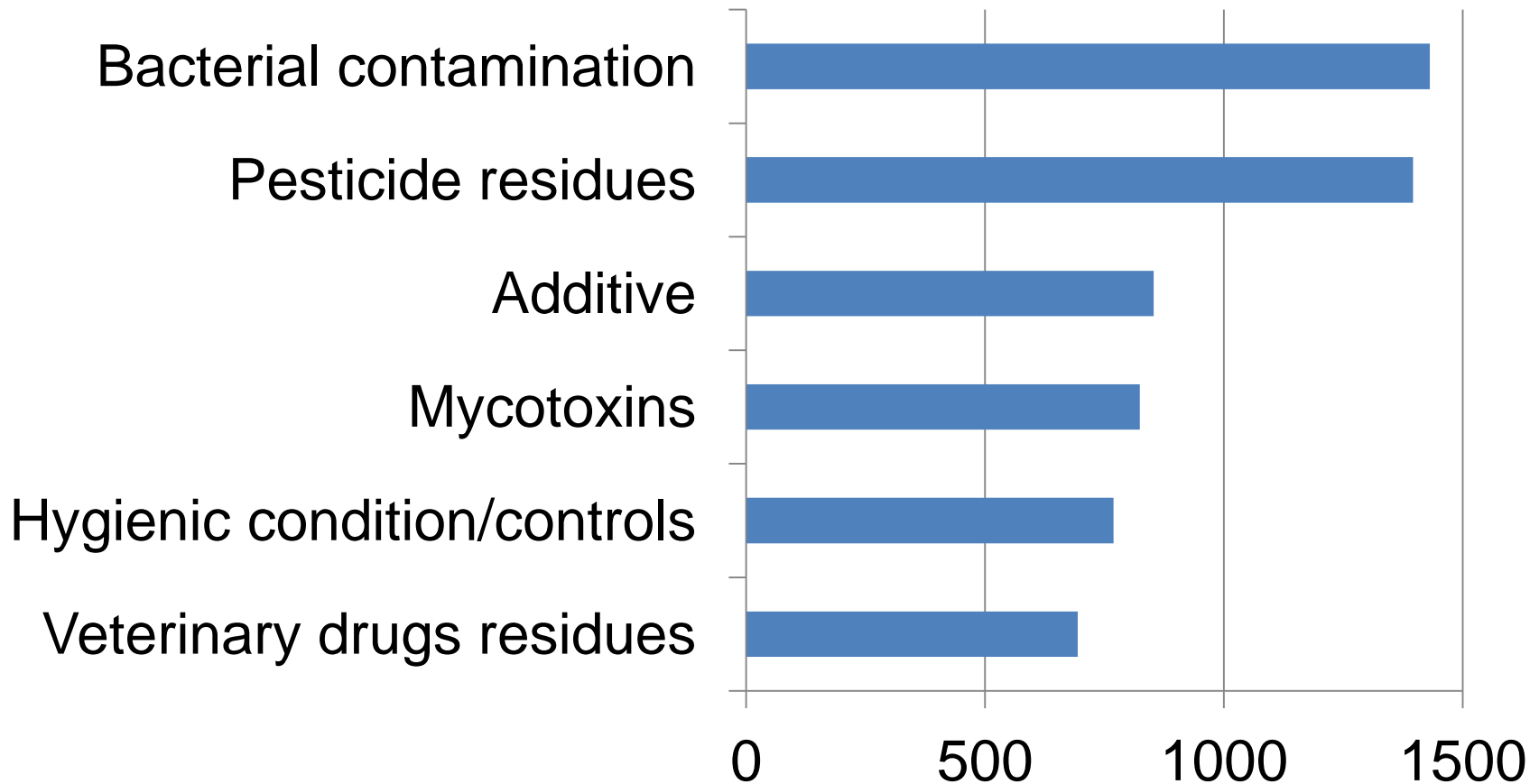
During 2006-2010, 5 East Asian countries appear  
in Top 10 countries with reported cases of  
Japanese import rejections

Rank	Country	Cases
1	<b>China</b>	1,646
2	US	804
3	<b>Vietnam</b>	563
4	<b>Thailand</b>	548
5	Ghana	338
6	Ecuador	202
7	<b>Indonesia</b>	188
8	Italy	184
9	<b>South Korea</b>	180
10	Canada	138

# More than 1/3 of rejections are fish and fishery products



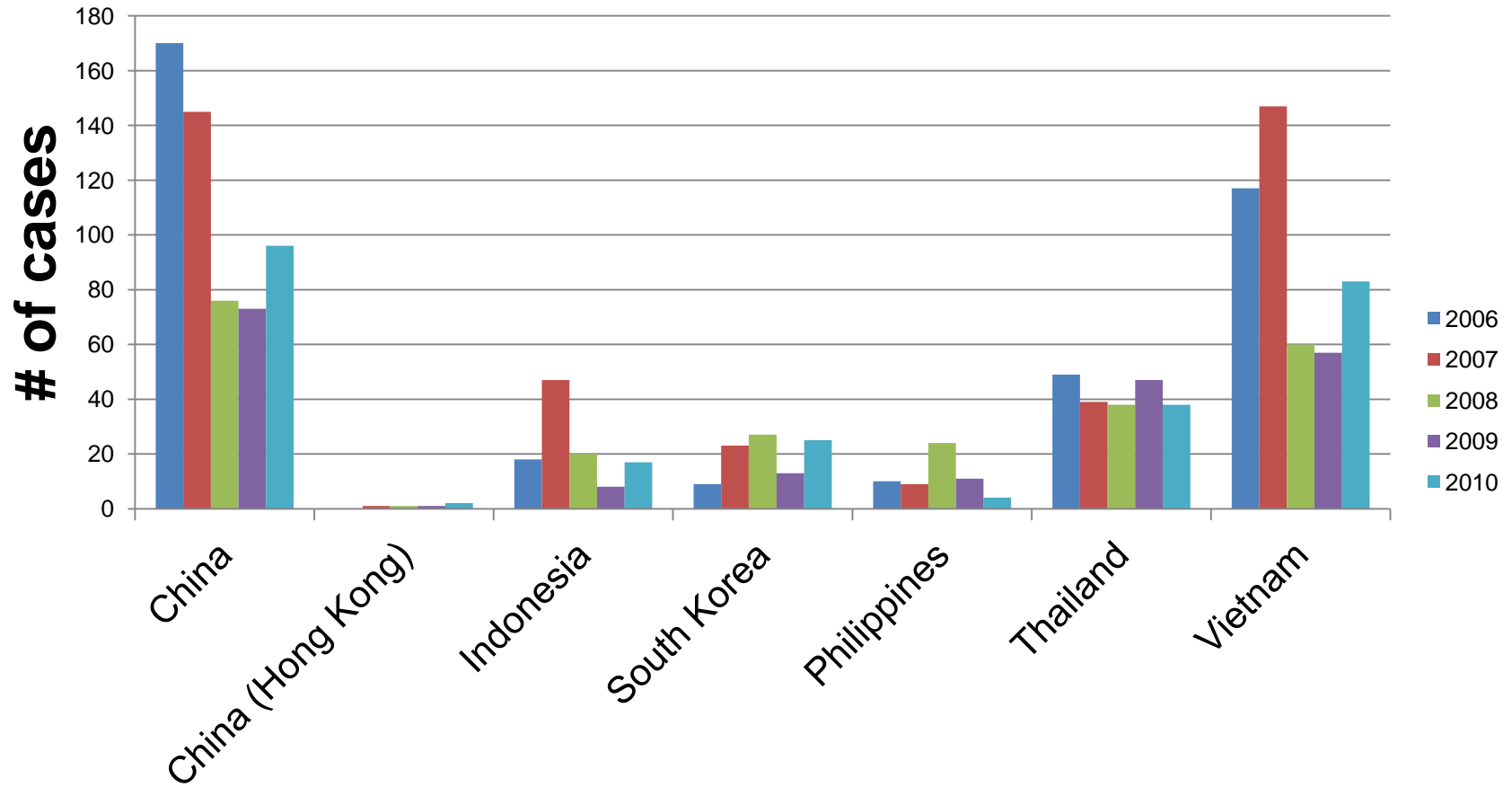
## Bacterial contamination and pesticide residues top the causes for rejections during 2006 and 2010 in the Japanese Market



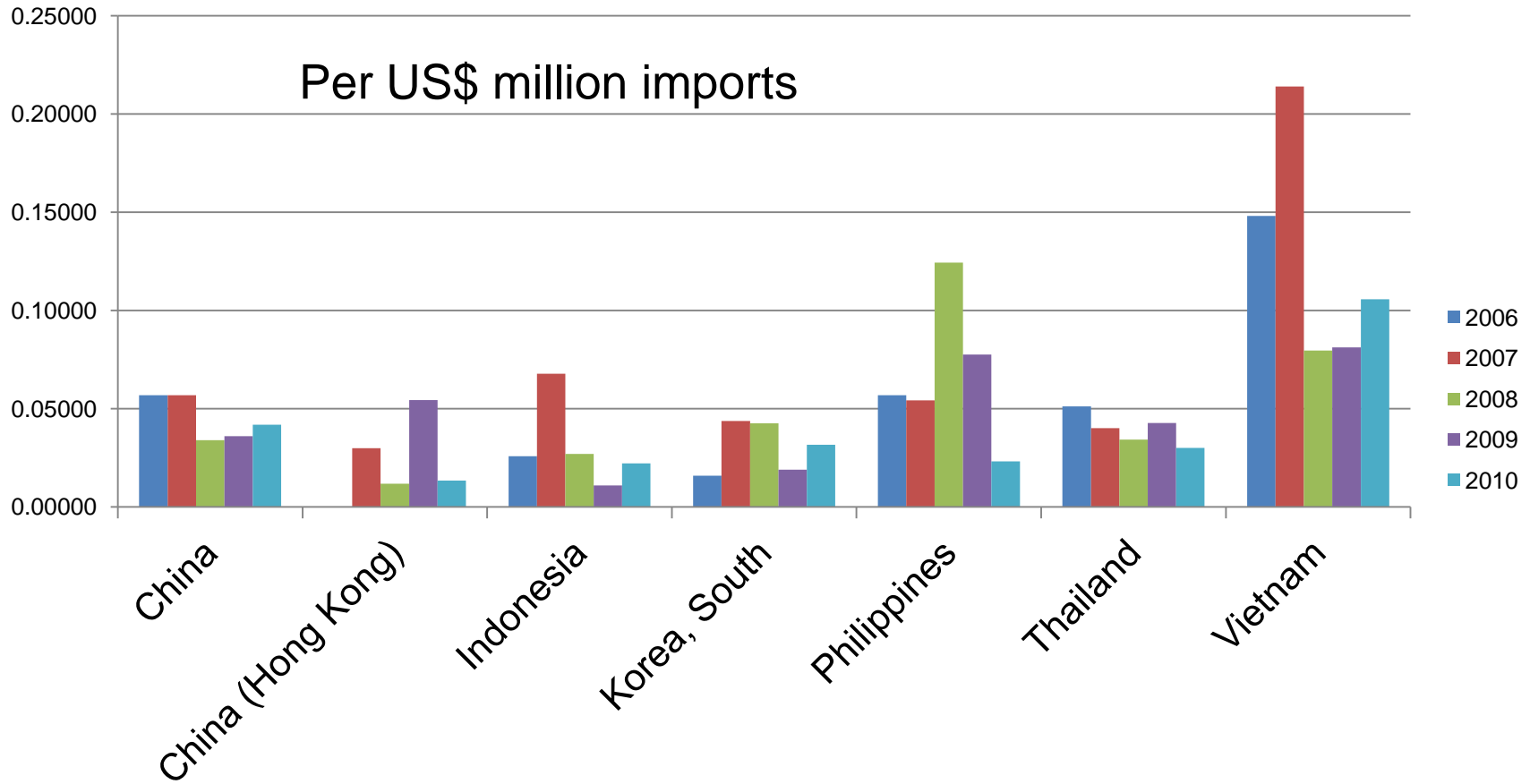


**Example:**  
**Fish and Fishery products in  
the Japanese Market**

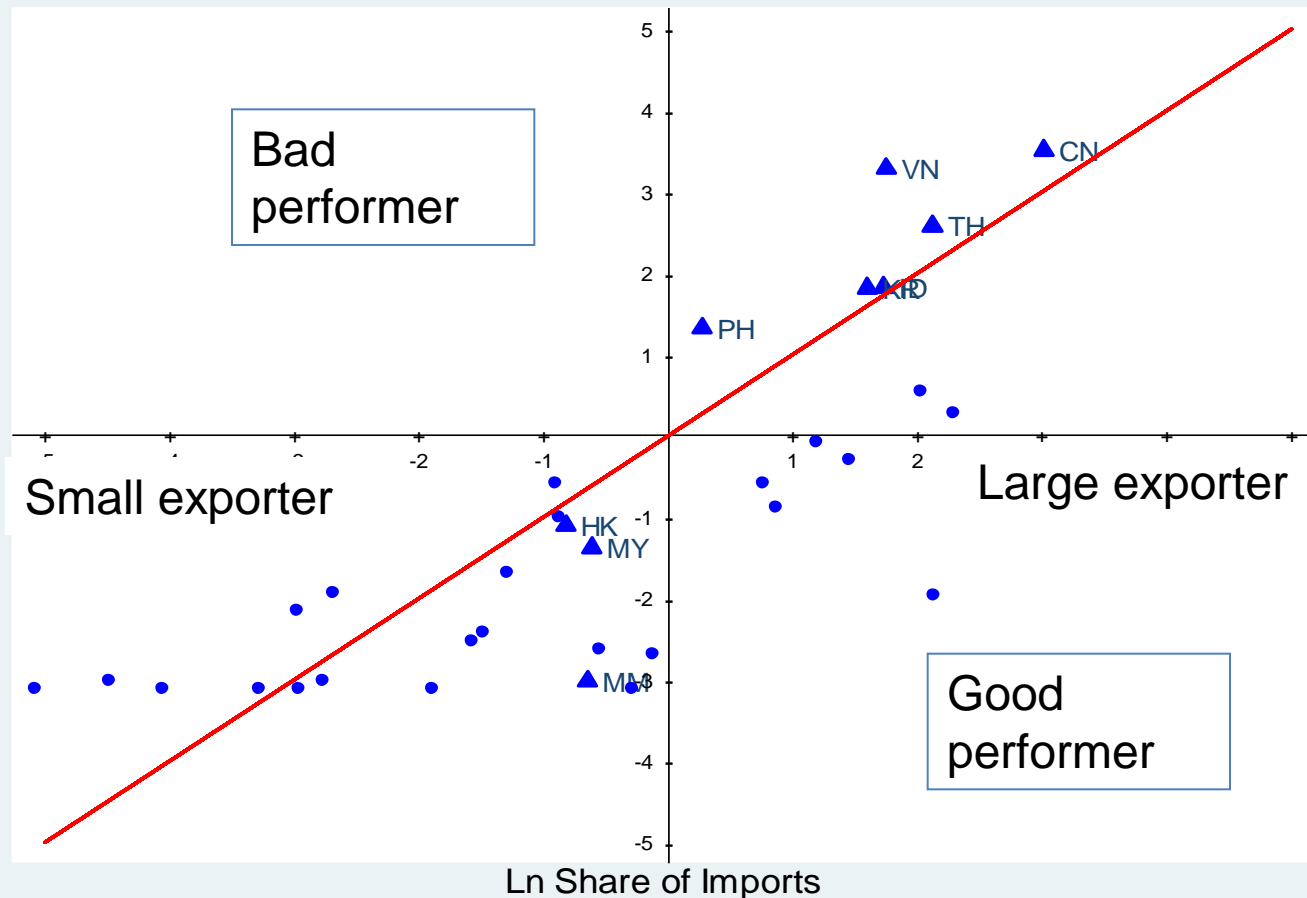
# Fish and fishery products imported from China are detained the most



# But, fish and fishery products imported from Vietnam are detained **more frequently** in Japan compared to other countries

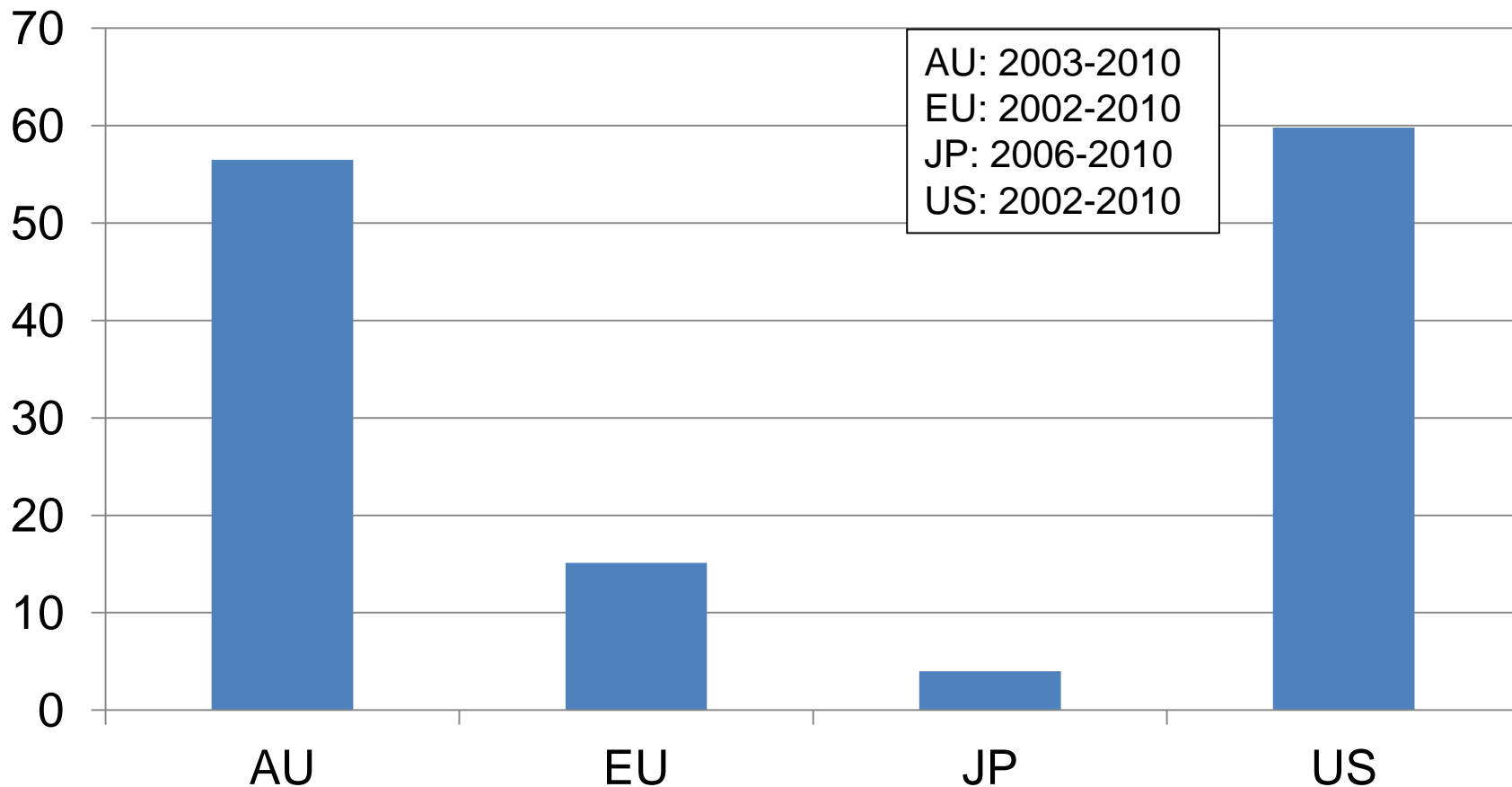


# Relative performance of East Asian countries in fish and fishery sectors (Japanese market, 2006-2010)

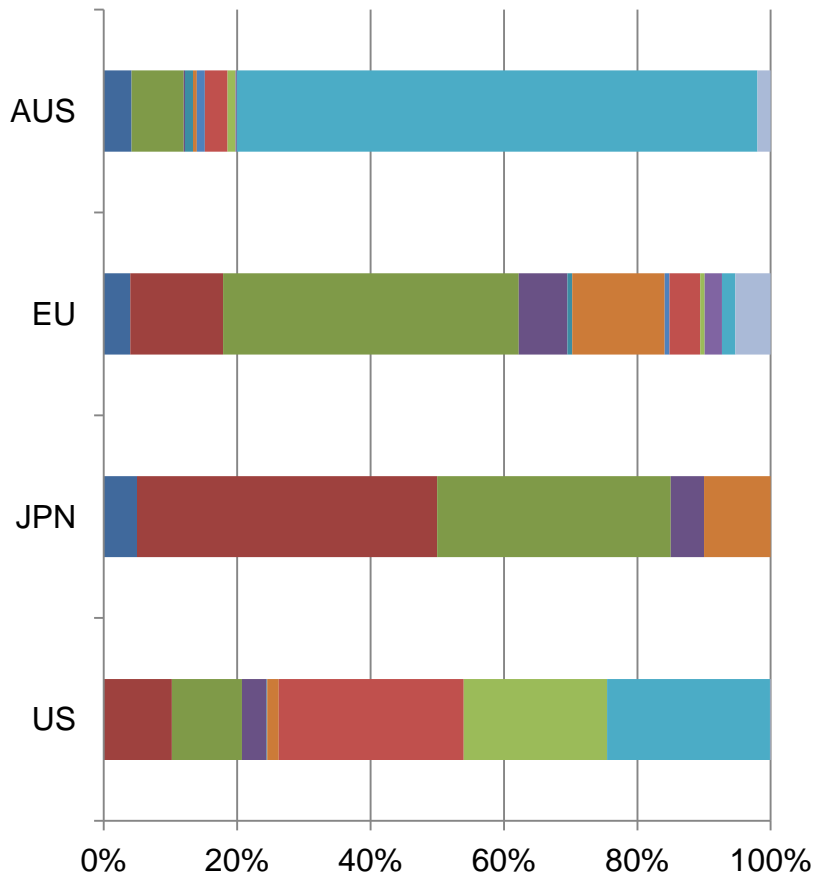


East Asian countries are represented by the triangle marker and other countries by dots

# Average Number of Detentions of Malaysian Products in 4 markets

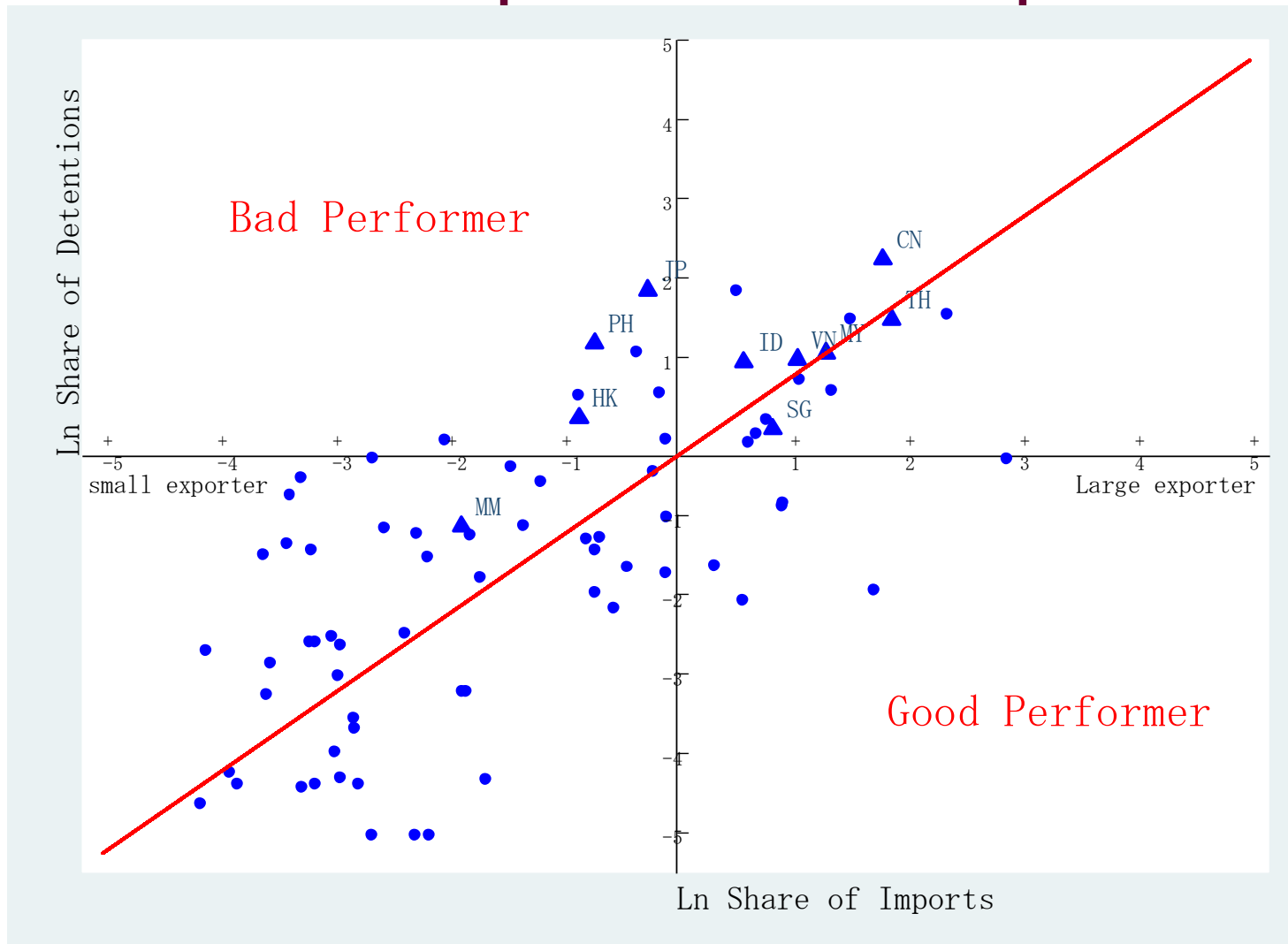


# Reasons for Rejections



- ◆ In the Australian market
  - Labeling is most often cited
- ◆ In the EU market
  - bacterial contamination and additives
- ◆ In the Japanese market
  - additives and bacterial contamination
- ◆ In the US market
  - labeling, adulteration/missing documents, and hygienic control/conditions

# Malaysia's relative performance in Australia is on par with its export share



# Malaysia's relative performance in EU is better than its export share





# Malaysia's relative performance in Japan is better than its export share



# Malaysia's relative performance in US is better than its export share

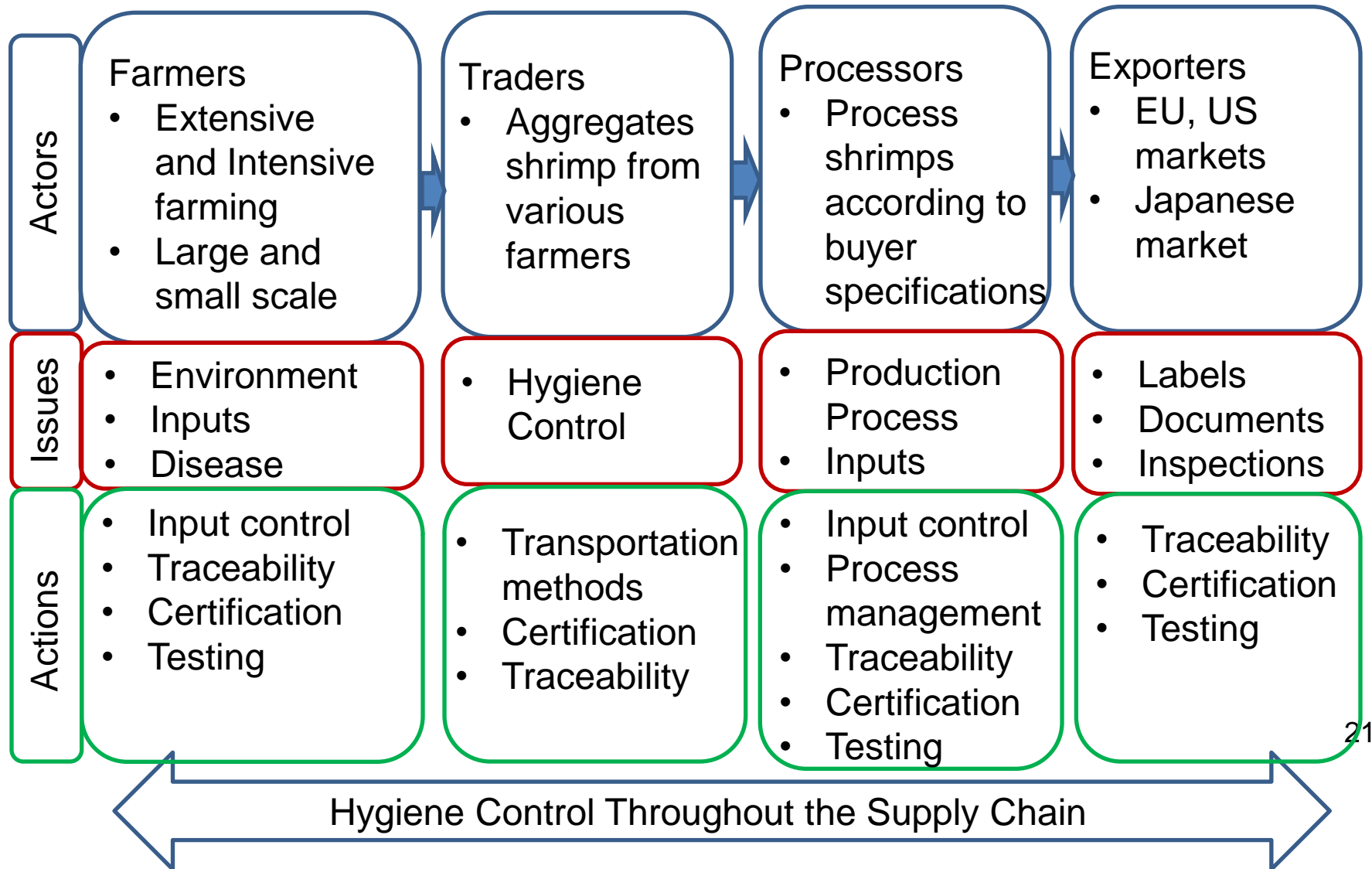


# We focused on the following supply chain for detail analysis

- ◆ Case studies of pangasius and shrimp industries in Vietnam conducted by Aya Suzuki (Tokyo University) and Vu Hoang Nam (Foreign Trade University) with assistance from VASEP and other local researchers in the summer of 2012
- ◆ Case studies of frozen vegetables and eels exports from China conducted by Nanae Yamada (IDE) and Romio Mori (JETRO) in the summer of 2012

# Vietnamese Shrimp Case

# Supply Chain of Cultured Shrimp in Vietnam



# Problem Areas for Cultured Shrimp Industry in Vietnam

- ◆ Improper use of feeds and inputs
  - Detections of ethoxyquin, trifluralin, and enrofloxacin
- ◆ Aggregation of shrimp from various ponds
  - Shrimp is prone to diseases, therefore, better to buy from many different farmers to minimize the risk→less likely to vertically integrate→traceability difficult to implement

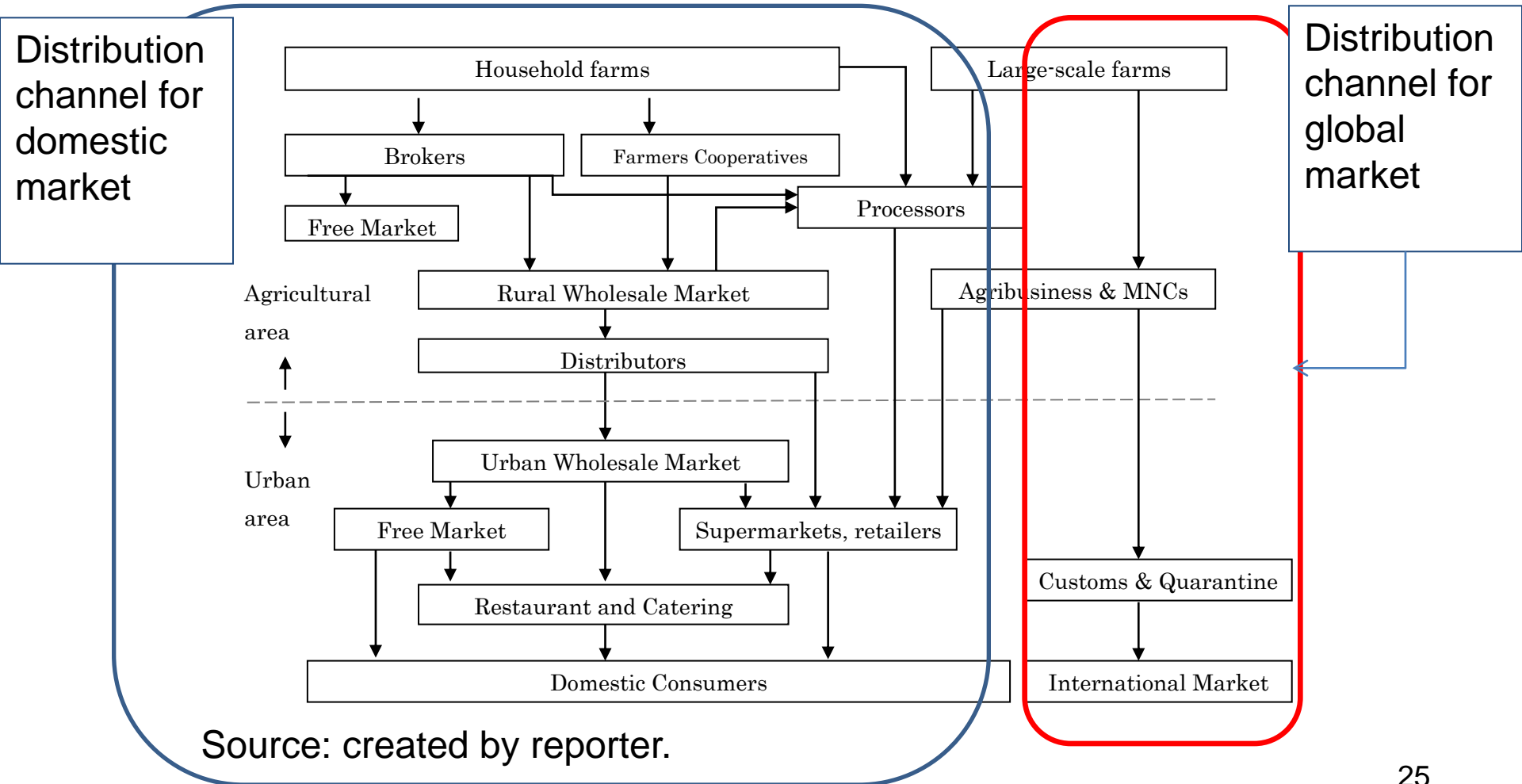
## Responses by the Vietnamese authority and firms

- ◆ Strengthening inspections by public agency
  - the National Agro-Forestry-Fisheries Quality Assurance Department (NAFIQAD) under the Ministry of Agriculture and Rural Development (MARD).
  - Stringency of inspection following that of EU
- ◆ Banning substances that are banned in importing markets
- ◆ Plans to develop VietGAP
- ◆ Larger firms are introducing some form of traceability system to tighten their control on supply chain.
- ◆ Larger firms vertically integrating, although maintain contract farms outside.

# Chinese Frozen Vegetable Case



# Vegetable distribution system for domestic/global market in China



# Solutions adopted by the Chinese government

- ◆ **Compartmentalization:**
  - permit exports only from certified farms and processing manufacturers
- ◆ **Increased and strengthened inspection throughout the production process**
- ◆ **Promoted the development of agribusiness and vertically integrated agricultural system by assisting lead firms**

# Inspection system for export vegetables

- ◆ Contract farm/ Direct-managed farm
  - Control by administrative regulation: Farm registration/ Traceability system establishment
  - Input control by firm
  - Voluntary sample testing before harvesting by firm
- ◆ Processing
  - Voluntary sample testing before processing/finished products by firm
  - Quality control by HACCAP, ISO
- ◆ Customs & Quarantine
  - Sample testing by CIQ & firm before shipping
- ◆ Similar system is in place for eel

# Summary of Findings from Case Studies

- ◆ Largest knowledge gap exists at the farmer's level, making the supply chain management difficult
- ◆ Increasingly vertically integrating to ensure traceability
  - The implication is bifurcation of the sectors into export and domestic markets.
- ◆ More strict food safety standards in China and Vietnam are adopted/considered along with:
  - Better agricultural practices, strengthening of inspections, providing testing services, better control of allowed substances
- ◆ Some producers find it difficult to
  - Keep up with changing requirements in importing countries
  - Obtain multiple certificates
- ◆ Some countries find it beneficial to have MNCs in food processing sectors for technology transfer.

# Thank You

- ◆ Regional Trade Standards Compliance Report (TSCR) – East Asia 2013
  - [http://www.ide.go.jp/Japanese/Publish/Download/Collabo/UNIDO\\_2013.html](http://www.ide.go.jp/Japanese/Publish/Download/Collabo/UNIDO_2013.html)
- ◆ For details on case studies, please see the following IDE Working Papers:
  - Aya Suzuki and Vu Hoang Nam “Status and Constraints of Costly Port Rejection: A Case from the Vietnamese Frozen Seafood Export Industry” IDE Discussion Papers series No.395, March 2013.
    - <http://www.ide.go.jp/English/Publish/Download/Dp/395.html>
  - Nanae Yamada and Shuyan Sui “Response of Local Producers to Agro-food Port Rejection: The Case of Chinese Vegetable Exports” IDE Discussion Papers series No.390, February 2013.
    - <http://www.ide.go.jp/English/Publish/Download/Dp/390.html>
  - Romio Mori, Kaoru Nabeshima and Nanae Yamada “Food Safety Control System of Chinese Eel Export and its Challenges”, IDE Discussion Paper No. 418, May 2013.
    - <http://www.ide.go.jp/English/Publish/Download/Dp/418.html>