



Note

S&SEA Rice Exports: Challenges in Relation with the new EU MRL

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Summary

This note aims to summarize some of the key challenges faced by the rice exporting SMEs from South and Southeast Asia due to the revision of the EU MRL's regulation. This note is based on views of a few selected rice exporting SMEs and relevant governmental ministries and agencies from 7 countries; which allows to understand how the new regulation could potentially impact their business & exports, the strategies they plan/will have to put in place to counter-act the challenges posed by this new regulation, and their specific needs to be able to comply with the new EU MRL. The aim is to help trade negotiators better understand the export challenges concerning MRL faced by the agricultural sector.

Introduction

In food products that have been treated, the traces left by pesticides are referred to as residues.

The levels of these residues must be low in order to ensure that food products are safe for consumer consumption. Therefore, MRL is the maximum level of pesticide residue that is officially accepted in or on food/feed when pesticides are applied appropriately. In addition, the European Commission is the principal body that fixes MRLs for all food and animal feed in the European Union. All crop and all pesticide MRLs can, therefore, be found on the MRL database on the Commission website (European Commission, 2018). In the EU, consumers have been exposed to pesticides because small amounts of its residues have been found on harvested crops. Due to this, from September 2008 onwards, the current Regulation came into force, which put down revised rules on pesticide residues.

The EU regulation on MRLs covers all agricultural products, which are intended for food or animal feed. For 315 fresh products, MRLs are listed, but these MRLs also relate to the same products after processing. The regulation also applies to pesticides, which are currently or have been previously used in agriculture in or outside the EU (around 1100). However, in a situation where a pesticide is not specifically stated, a general MRL of 0.01 mg/kg is applied. To guarantee that MRLs are as low as possible, applicants who want their products certified must submit scientific information about the minimum amounts of pesticides, which are necessary in order to protect the product and the residue level remaining after treatment. After that, the European Food Safety Authority will then verify if the levels of pesticide residue are safe for the consumption of European consumers including sensitive groups such as babies, children and

vegetarians. In the situation where there are noted risks especially to babies, children and vegetarians, the MRL application will be rejected and the pesticide will not be allowed to be used on the crop.

Identifying Challenges in Compliance

Awareness and monitoring of the EU MRL

Within the South & South East Asian (S&SEA) region the level of awareness for the EU MRL's of smallholder producers and exporters varied from country to country. In certain countries, exporters would be aware of the constraints, thus consequently would have less consignments rejected by the EU. In other cases due to the improper disseminations of information, exports and producers face a lot of difficulty when exporting. Globally (rice) exporters have to be test for the presence of GMO's, aflatoxin, pesticide, and inorganic arsenic. When exporting to the EU, tricyclazole, Carbendazim, Carbaryl, Fipronil, DDT, Deltamethrin, Chlorpyrifos (F), Carbofuran, Aldrin, Imidacloprid, and Aflatoxin are of the many pesticides that are being monitored.

The Pakistani rice exporters interviewed are familiar with the MRL requirements, for which appropriate action is taken such as testing and certification processes. Most exporting firms utilize the provided national facilities, such as the Pakistan Council of Science and Industrial Research or private labs. Those exporting brown rice at times face difficulty with certification as their residue levels were above the approved EU levels. Some exports made it a point to state that in the future if MRL requirements are further lowered, and global temperatures keep rising it would make difficult to be certified by the EU.

Vietnamese farmers although were generally aware of the requirements of the EU, they were not able to identify specific types of pesticides, and quantities that are permitted. For exporters who do not have a legal officer, it is difficult to keep up with the updates and revisions in the EU regulations, given that certain exporters are exporting to multiple markets and that there are additional standards imposed by certain importers. The general lack of awareness can be attributed to the fact that it is difficult for farmers and agro-enterprises to access the information on international standards, as they are not in Vietnamese and not available systematically on national portals.

Similar to the Vietnamese exporters, Sri Lankan exporters found that having varying MRL requirements for different markets made it difficult to meet standards, in addition to the lack of efficient mechanisms available which updates exporters on the latest requirements. Some of the Sri Lankan exporters, despite exporting to the EU, were not aware of the MRL requirements.

Cambodian rice farmers were generally aware of the EU MRL requirements as well which for the most part only apply to white rice grown in the regions close to the Vietnamese border. Cambodia's main rice export to the EU is fragrant rice, for which the use of chemicals is quite rare therefore the updated requirement do not truly impact the exporters. Farmers generally are informed and avoid the use of tricyclazole, which is the main focus of the EU MRL.

Stakeholder in the rice exporting process from Laos are generally aware of the EU MRL, however they find that the required levels are too low making them difficult to achieve. Lao producers need to send product samples to the importing country for testing and certification, which can be costly. Lao entrepreneurs disclosed that they do not monitor

the residue levels of the products, mainly for financial reasons.

Nepalese and Burmese small producers, and exporters on the other hand are not aware of the standards and limits on pesticide use which is not only affected their rice exports but also overall exports for fruits, vegetables and honey. Though, in Myanmar, testing facilities are available in the country.

Constraints Posed by the EU MRL Requirements

The constraints and challenges caused by the EU MRL are generally not exclusive and apply to many of the countries. Mentioned below are some of the overlapping challenges:

- i) High cost of testing and lack of competent laboratories;
- ii) Limited information dissemination;
- iii) Language barriers;
- iv) Storage and mishandling of produce.

High cost of testing and a lack of competent laboratories for testing and certifying of products nationwide was mentioned as an issue by the exporters interviewed from all the countries. In countries such as Pakistan and Myanmar where there are national labs available, the main issue is the high cost of testing which makes it inaccessible to SME exporters. In Vietnam, national laboratories are available however they have a very limited capacity and can only provide analysis for certain types of pesticides, therefore private laboratories have to be used which is often too expensive for SMEs. In Sri Lanka, Cambodia, Nepal, and Laos for the most part there no adequate laboratories which meet international standards. For exporters to receive certification, in most cases product samples have to be sent to the importing country or to Thailand,

which is costly and time consuming.

Inefficient and lack of proper information dissemination was an issue brought up by exporters from Pakistan, Vietnam, Sri Lanka, Myanmar and Nepal. Nepali exporters pointed out that lack of market information and timely research provided by government bodies restrict them from being competitive in the global market. Exporters also pointed out that as revisions happen regularly, as SMEs, they do not have the resources or legal teams to stay up to date with the latest regulations, especially given the fact that the EU is not their only market.

Exporters from Vietnam and Myanmar identified the problems cause by language. The problem that the Vietnamese exporters face is that regulations that they must comply with were provided on websites exclusively in English, whilst to be useful they should have been translated in local languages as well. For Burmese farmers the problem is specifically caused by the packaging of chemical and pesticides that is in foreign languages, which leads to gross overuse.

Pakistani, Nepali and Burmese exporters also brought up the issue of inadequate storage facilities, which diminished the quality of the product and lead to waste. If port facilities and cold storage in Myanmar were to be improved contamination of produce would be less likely, and which would increase the overall level of export in the country. Currently in Pakistan 15% of crops are lost due to mishandling and outdated practices. Among other infrastructural issues, in Nepal storage facilities contribute to hindering the process of improvement of quality.

Consignment rejection

Not many exporters interviewed reported to

everhaving a consignment rejected by the EU. However its is a reality in many places, for example more and more exporters face rejection in Vietnam when exporting to major markets such as the US and the EU who have stricter regulations over the years. . In Cambodia preventative measures were taken to avoid rejection such as banning the use of certain pesticides and chemical. Lao exporters reported to have faced rejection for vegetables, rice and coffee all due to high levels of pesticide residue however no further detail was provided.

As most of the exporters have not face rejection most did not have any plan for mitigation for the potential rejection of consignments. Pakistani exporters stated when tests come back higher than the EU threshold, they chose to export to different markets such as Africa, the Middle East and South East Asia which have more relaxed regulations. Similarly Burmese exporters stated having insurance and exporting to other markets could help in avoiding rejection.

Identifying needs and strategies to be implemented

Counter-acting the challenges posed and what needs to be done

Although not all of the aforementioned challenges posed by exporters were addressed, the Department of Plant Protection (DPP) of Pakistan discussed how it provides certain documentation for the SPS certifications. The DPP is hoping to develop agricultural research centers to spread awareness among farmers. The DPP needs to reorganize structurally to address their capacity constraints which includes legal reform, more laboratory tools and techniques, as well as increased information and

communication technologies.

The government of Vietnam has issued new policies for the rice export business which would reduce bureaucratic processes and allow for larger rice sourcing areas. Additionally the government is working on addressing some of the issues by translating and summarizing documents there are available on official websites, developing an email notification system for new regulations, and organizing trainings for exporters, processors, and farmers. According to government, associations of exporters and enterprises need to invest more into upgrading their production systems in order to achieve long term competitiveness

The Sri Lankan government in order to address the challenges faced by the exporters needs to improve the number of testing facilities and needs to increase the range of approved pesticides by the EU in Sri Lanka. Current initiatives that are being taken by the government include the adaptation of pesticide control measures and the introduction of the Sri Lanka Good Agricultural Practices (SL-GAP), which is intended to close the knowledge gap.

In Cambodia, the Ministry of Agriculture, Forestry and Fisheries (MAFF) proposed to ban all imports and use of pesticides and fungicides containing tricyclazole. The proposed plan also included education, as well as depot and retail shop to prevent the use of such chemicals. Additionally the Cambodian Agricultural Value Chain (CAVAC) initiated workshops to provide clarification to rice miller and exporters regarding the ban of tricyclazole.

The Nepali government made efforts to address the challenges faced by exporters, which includes banning pesticides that are harmful for humans,

plants and animals and investing in start of the laboratories for testing products. Currently the government is planning to organize awareness programs for producers and exporters, in order to improve their technical knowledge.

In order to counteract some of the challenges faced by exporters currently Laos is in the process of implementing a policy which bans the use of certain pesticides, provide tax and duty incentives to firms that use the least hazardous pesticides, as well as provide knowledge on production standards. In order to meet EU MRL standards in the future farms need to have farm technicians that can attend training courses, in parallel of the government need to create favorable conditions for exports.

In Myanmar there is a need to coordinate a strategy across the government ministries for what needs to be done to counteract the challenges. Currently the National Export Strategy (NES) is working on providing trade information services, which includes developing comprehensive guidelines by bringing in external experts, beyond government ministries.

Plans to take up discussions with EU bilaterally or in the WTO

Currently, almost all the countries have no plan to take up discussion with the EU bilaterally or in the WTO. The Cambodian government however has requested the EU to extend the deadline for effective implementation. Additionally, Sri Lanka is in the midst of discussions regarding trade issues for which MRL is a top of discussion between the Export Development Board (EDB), the Ministry of Development Strategies and International Trade (MODSIT) and the EU-Sri Lanka Joint Commission.



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