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How the market for standards shapes competition in the market for goods: Sustainability standards in the cut flower industry

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WORKING PAPER

How the market for standards shapes competition in the market for goods: Sustainability standards in the cut flower industry

Lone Riisgaard

DIIS Working Paper 2009:07

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ABSTRACT

Sustainability initiatives have proliferated in many industries in recent years. This has led to a plethora of standards that exist in parallel to each other seeking to address more or less the same social and environmental issues. Sustainability standards are not neutral tools but institutional mechanisms that differ in the way they seek to implement their objectives and in the impact they have on intended beneficiaries and other value chain actors. In this paper I explore the emergence of multiple standards seeking to regulate the social conditions in the production of cut flowers aimed at the EU market. I investigate developments in the focus and function of these standards and the effect of standards and standard harmonization attempts on the terms of competition in the cut flower value chain. The analysis shows that the harmonization of flower standards has a potential to 'lift the standard bar' by transforming risk management standards into product differentiation standards. The paper also shows how the market for standards can shape competition in the market for flowers by altering the terms of participation in the growing market segment for 'sustainable' flowers. Through the new standard harmonization initiative Fair Flowers Fair Plants, Dutch growers are now able to compete in the market for socially labelled flowers which before was restricted to Southern producers.

LIST OF ABBREVIATIONS

ETI	Ethical Trading Initiative
EU	European Union
FFP	Fair Flowers Fair Plants
FIAN	FoodFirst Information and Action Network
FLO	Fairtrade Labelling Organizations
FLP	Flower Label Programme
GVC	Global Value Chain
HEBI	Horticultural Ethical Business initiative
ICC	International Code of Conduct for Cut Flowers
IG BAU	Trade Union for Construction, Agriculture and Environment, Germany
ILO	International Labour Organization
IUF	International Union of Food and Agricultural Workers
KFC	Kenya Flower Council
MPS	Milieu Programma Sierteelt
MPS-A,B & C	MPS environmental registration certificates
MPS-SQ	MPS Socially Qualified
NGO	Non-Governmental Organisation
UK	United Kingdom
US	United States

1. INTRODUCTION

Private standards in horticultural and agro-food value chains have evolved considerably over time, in the functions they perform, in their institutional structure, but also in the issues they seek to regulate and how this regulation is exercised. As established standards have evolved, new standards emerge regulating new issues or new combinations of issues (for example bananas that are at the same time certified Fairtrade and organic). With the proliferation and development of standards, there has also been an evolution of new institutions setting standards and assessing conformity, including standards-setting bodies, auditors, and certification and accreditation agencies (NRC, 1995; Hatanaka et al., 2005). More broadly, an audit 'industry' and audit 'culture' have been constructed and nurtured serving to proliferate the role that standards play as a mode of regulation. At the same time, there has been a shift from an economy of quantities to an economy of qualities spurring the proliferation and increased importance of standards focusing on sustainability issues (Power, 1997; Henson and Humphrey, 2008; Busch, 2000; Busch and Bain, 2004). It is these 'sustainability' standards that I focus on in this paper, and more precisely standards that cover the social aspects of the cut flower production process (although most standards cover both social and environmental issues, my focus is on the social aspects related to employment).

The implementation of private sustainability standards such as the ones for horticultural produce needs to be seen in the social and economic context in which these value chains operate. The changing nature of consumption patterns in northern countries has increased the importance of branding and product differentiation shifting focus from price-based competition toward quality, innovation and value-added as key performance criteria for suppliers. Underlying this trend is the increasing salience of credence[1] factors among the growing number of middleclass consumers who are no longer solely concerned with price, quality and safety, but also about the social and environmental conditions under which products are produced (Reardon et al., 2001; Ponte and Gibbon, 2005).

The proliferation of 'sustainability' initiatives constitutes a new form of regulation where private actors such as NGOs and industry associations are involved in negotiateing standards for labour and the environment, and for monitoring compliance to these standards. These new systems of regulation have expanded rapidly across industries of interest to critical western consumers such as garments, toys, forest products, oil and gas, agricultural products, chemicals and electronics (Gereffi et al., 2001; Utting, 2002; O'Rourke, 2006). These new and private systems of regulation however remain highly disputed, particularly since the intended positive impact on producers, workers and the environment is by no means guaranteed. Standard initiatives have been criticised for implementing a Northern agenda on Southern producers and workers, for not being sensitive to local specific conditions, and for providing consumers with a false sense of problem solving (Barrientos et al., 2003; Utting, 2005; O'Rourke, 2006; Blowfield & Dolan, 2008). Others, on the other hand, argue that such private initiatives are more efficient than traditional labour or environmental regulation and moreover suit the current global production system (see for instance Bernstein, 2001). An interesting but underexplored feature of sustainability standards is their differential impact on different value chain actors (see Bain, 2005; Hatanaka et al., 2005) and how standards can affect the terms of competition between participants.

The cut flower industry is a particularly in-

[1] Credence attributes in products are 'aspects that cannot be known to consumers through sensory inspection or observation-in-consumption' (Reardon et al., 2001).

teresting example of the emergence and proliferation of standards that seek to regulate the social and environmental conditions of production. The character of cut flower production and trade has set the frame for some highly criticized working conditions in the industry. The largest developing country exporters (Kenya and Colombia) in particular have been favourite targets for campaigns demanding better environmental and social conditions both locally and in Europe and North America. In 2006, developing countries supplied 22 percent of EU imports of cut flowers and foliage and 60 percent of US imports, and their share is increasing[2].

The seasonal nature of the cut flower trade, with demand peaking at European/US festivals such as Valentine's, Mother's day and Easter and lowest demand during the European/US summer, makes labour demand in production highly uneven. Seasonality is a major force behind the employment of large numbers of temporary workers at times of peak demand. The increase in sales to large retailers has further intensified the need for a flexible workforce to meet the ever-changing requirements of retailers, whose orders are often adjusted on the day of delivery (Hale & Opondo, 2005; Riisgaard, 2009). The perishability of the product means that workers often have to work long hours to complete critical tasks such as harvesting and spraying, but it is the heavy use of chemicals that constitutes the main health hazard to workers and the surrounding environment and communities. The floricultural sector makes intensive use of crop protection agents and fertilizers. This has to do with the nature of the high-productivity production process, the fact that growers tend to specialize in the cultivation of a few flowers or a single one (which increases the risk of attacks by diseases and pests), and the fact that certain export markets (notably Japan) demand the complete absence of any living insect or mite in imported flowers (van Liemt, 2000).

The industry has reacted to the criticized working conditions by adopting a range of private social and environmental standard initiatives since the mid 1990s. Initially, the codes mostly covered technical issues such as chemical usage and environmental management. The social components of codes relating to workers' welfare are a more recent addition (cf. Barrientos et al., 2003). The majority of standard initiatives have been conceived and formulated in Europe, but in recent years a variety of standard initiatives have also been developed in producer countries. Cut flower export trade associations in Kenya, Uganda, Zambia, Zimbabwe, Ethiopia, Ecuador and Colombia have all developed their own social standards (CBI, 2005; Dolan & Opondo, 2005). In all, at least 20 different social and or environmental standards (international and national) exist for cut flower export (CBI, 2005; Riisgaard 2007 & 2009).

In the flower industry, we thus have a standard landscape with many schemes existing in parallel, sometimes in competition and sometimes in cooperation, and with attempts at harmonization. These standards are not neutral mechanisms but institutional mechanisms that differ in the way they seek to implement their objectives and in the impact they have on intended beneficiaries and other value chain actors. In this relation the paper examines two issues. First, it explores overall trends in cut flower standards aiming at identifying whether (in terms of labour issues) there is a move towards more stringent standards or the reverse. Secondly, the paper explores how competition in the market for flower standards can shape competition in the market for flower goods. The two issues are explored via a broad mapping of standard functions and focus and via two case studies of standard convergence around a specific flower base code (the International Code of Conduct for Cut Flowers).

[2] Market shares for developing countries vary between flower types e.g. in the EU developing countries carnations has a share of (61%), foliage (46%) and roses (39%) (CBI, 2007).

In the remainder of this paper, I first present theoretical discussions of standard 'parallelism' and of the role of standards in GVCs (section 2). In section 3, I relate these discussions to flower standards and the flower value chain. Section 4 presents two case studies that explore attempts at convergence around the International Code of Conduct for Cut Flowers.

The analysis presented in this paper relies on primary material gathered from 20 semi-structured interviews with representatives from flower standard schemes and other industry actors with follow up email and phone communication (see Appendix 1 for interview key). To supplement the analysis, I have further analysed materials produced by the standard initiatives themselves, including internal documents, web pages and press releases. Finally I have reviewed reports produced by industry stakeholders, multilateral agencies and donor organisations as well as published articles in academic journals and trade magazines.

2. STANDARDS AND GLOBAL VALUE CHAINS

2.1. Standards and GVC Coordination

The key role of standards in agricultural value chains is to facilitate their governance across space and the coordination between firms by transmitting credible information on the nature of products and the conditions under which they are produced, processed and transported (Humphrey and Schmitz, 2001; Ponte & Gibbon, 2005; Henson and Humphrey, 2008).[3] The global value chain approach developed by Gereffi and Korzeniewicz (1994) refers to an analytical framework that examines the crossnational activities of firms exploring how linkages between production, distribution and consumption of products are globally interconnected.

Apart from reducing transaction costs, the literature on global value chains identifies two distinct motives for explicit coordination in value chains (the focus here is on direct coordination of activities between enterprises, not on overall chain governance). The two reasons are risk manageent and product differentiation (Henson and Humphrey, 2008).[4] There is a constant search for ways to reduce the costs of coordination offered through the codification of information required to conduct a transaction (Nadvi and Wältring, 2004; Gereffi et al., 2005; Gibbon and Ponte, 2005; Nadvi, 2008). Standards codify arrangements for handling risk and product differentiation. At the same time, standards shift the obligations and the costs of meeting the standard upstream from the buyer to the seller (Hatanaka et al., 2005; Hughes, 2005 & 2006; Henson and Humphrey, 2008; Nadvi, 2008; Ponte, 2008).[5]

According to Henson and Humphrey (2008), the two motives for value chain coordination correlate to two functions that private standards perform in relation to value chains. Following the categorizations of Aragrande et al. (2005), Henson and Humphrey thus distinguish two categories of standard in agrofood chains. '*Risk management standards'*

[3] Nadvi (2008) examines if compliance with standards leads to a lower level of explicit coordination of ties between global retailers and lead firms and their developing country suppliers. He concludes that regarding process standards results are mixed: 'On process standards, it is less clearly apparent that codification through standards implies a necessary move in the governance pendulum from greater to less (explicit) coordination by lead firms.' (Nadvi 2008: 332, italics inserted by me). According to Nadvi the effect depends very much on the specific standard, the form of compliance monitoring and the risks for lead firms associated with compliance failure.

[4] Humphrey and Schmitz (2001) argue that firms control risk through providing non-standard levels of assurances about factors such as reliability of delivery, product quality, product safety, production processes, etc. Such assurances require inter-firm coordination. Standards, at the same time, provide a mechanism for the transmission of information where buyers look to purchase non-standard products, normally as a means to competitive advantage through product differentiation.

[5] Without an established quality standard, the buyer would have to search out companies that meet its quality requirements and possibly pay a premium for requiring a non-standard level of quality. With the standard, it is the supplier that has to gain certification and bear the risk that the investment in certification may not produce a return.

where the predominant role is to provide a level of assurance that a product is in compliance with defined minimum product and/or process requirements. And *'product differentiation standards'* where standards are mainly aimed at differentiating the firm and/or its products in the 'eyes of the consumer' most often through a consumer label. According to Henson and Humphrey, it is possible to categorise most private standards into one of these two categories, although they recognise that some private standards have dual functions.

Henson and Humphrey (2008) argue that risk management and product differentiation standards operate variously along the continuum of a particular attribute (the issue governed by the standard) relative to a defined minimum level. 'Thus, risk management standards are employed to ensure that a product is endowed with at least the minimum acceptable level of the attribute, as demanded by the market and/or required by regulations'. Beyond this minimum level, standards act to differentiate the product according to this same attribute. As the positions of the minimum along the spectrum of possible levels differ across attributes, they expect the relative role of risk management and product differentiation standards to diverge. Therefore, risk management standards tend to predominate for food safety, where the minimum level is high and there is little scope for differentiation. On the other hand, the minimum level is low for attributes such as worker rights or animal welfare, leaving substantial scope for differentiation and, hence a major role for product differentiation standards. Henson and Humphrey argue that while product differentiation plays a larger role within so called sustainability standards, risk management plays a larger role in food safety standards. However, the standard landscape and thus the ratio between risk management and product differentiation is far from static. Historically, risk management standards have focused predominantly on food safety attributes, but threats to brand image arise from a variety of sources, and the scope of 'risk control' standards therefore has tended to expand. Henson and Humphrey suggest that there is an upward trend in the minimum level as consumer expectations and/or regulatory requirements are enhanced. 'This suggests that the territory currently governed by product differentiation standards will cede ground to risk management standards, while product differentiation standards will shift their focus to attributes where there remains substantive scope for differentiation.' (Henson and Humphrey, 2008).

2.2. Value Chain Actors, Standards and Power

Different actors inside (and outside) the value chain prioritise risk management or product differentiation differently and gain different benefits from standards. For buyers (or branded producers), standards can form part of company strategies, with risk management tackling issues of regulatory compliance and brand protection, while product differentiation is one of the strategies used for gaining market shares. For buyers, the key role of standards is to reduce information costs, especially in the context of concerns about the credence characteristics of products and qualitybased competition. But standards also function to redistribute these costs along value chains, from dominant buyers (notably retailers) to their suppliers. Therefore, from a global value chain perspective, quality standards shift the power balance further downstream. The cost of complying with yet another quality standard is often borne solely by the supplier and the expansion of third party auditing[6] has pushed the cost of monitoring towards the producer (Bain, 2005; Hatanaka et al., 2005; Hughes, 2005).

But producers can however also gain a comparative advantage over non certified

[6] First-party auditing represents forms of internal corporate self-regulation. Second-party auditing involve industry associations in verifying compliance while third-party certifications have non-corporate coordinating bodies monitoring compliance.

producers via compliance to standards. Some producer organisations develop their own standards. These are used to distinguish agricultural commodities from particular regions or based on particular production systems. The Kenya Flower Council standard, the Colombian 'Florverde' standard and the Ecuadorian 'Flor de Equador' are all examples where standards are designed to assure buyers that flower producers (members of particular producer associations) in these countries are meeting or exceeding current buyer expectations. Standards (and particularly labels) from producer associations can also be seen as an effort to establish brands further up the value chain, enhancing the market power and returns of participants (Duguid, 2003). If a producer association is successful in developing a label that consumers want, retailers (despite their leading role in the value chain) will be forced to source from the label owners, thus, reducing their sourcing options and power (Henson & Humphrey, 2008; Humphrey, 2008). As a result, retailers have an interest in undermining the product differentiation labels of producers or, alternatively, in gaining control over them (the same mechanism can be argued to prevail for other nonretailer standard initiatives). Producer organizations also have an interest in elaborating (or benchmarking to) standards that are invisible to consumers, because they provide assurances to retailers about conformity to specific quality requirements and at the same time they allow producers to control the benefits and costs associated with certification against the standard.

But other actors related to the value chain also have an interest in standards. This includes stakeholders like NGOs, trade unions and business associations and also actors involved in the 'business of standards' such as standard setting bodies, auditors and certification agencies. The interests of these actors may be different and sometimes conflicting. Some actors are mostly interested in the influence obtainable through controlling (or partly controlling) a sought after standard, while other actors are more interested in the economic rents that can be extracted from participating in standard setting, monitoring and certification.

2.3. 'Parallelism', 'Forum Shopping', Competition and Collaboration

The diverging interests of different actors and the role that standards play in how lead-firms are governing value chains make standards highly contested arenas. Consequently, we often see a wide range of standard schemes working in parallel to develop, promulgate and implement standards aiming to achieve more or less the same ends. Abbott and Snidal (2006) term this 'parallelism', describing the sometimes supportive, sometimes competitive relations among independent standard schemes working in parallel within roughly the same issue area. As they observe, parallelism opens up opportunities for forum shopping in two senses. Actors (both NGOs and firms) can choose to participate in alternative standard schemes to address the problem, while standard schemes themselves can 'shop' for business by competing for participation on different margins (e.g., content of rules, use of consumer pressures, mergers among schemes) (Abbott & Snidal, 2006).

This argument is picked up by Macdonald (2007) in her discussion of sustainability standards in the coffee industry where she argues that the landscape of parallel standard schemes opens up a large discretionary space for buyers in which they can define the substance and scope of how they respond to activist demands for sustainability in production. According to Macdonald this has consequences for the ability to realize consistent forms of empowerment for workers and producers in developing countries because the discretionary space allows multiple systems to coexist in parallel with consistent forms of empowerment only being achieved by those participating in 'niche' supply chains (Macdonald, 2007).

This position seems to support the notion that parallelism is counter productive in terms of empowerment and thus leads to a race towards the lowest standards (at least within mainstream markets). Another study, also on coffee standards, by Raynolds et al. (2007) reaches a similar conclusion. Looking at the five major consumer labels in coffee they ask if these initiatives largely hold the bar (i.e. halting the decline in social and environmental conditions caused by receding state regulations), or if they actually raise the bar (bringing about improvements in social and environmental conditions). While they do find that some standard initiatives raise the bar, they conclude that standards that seek to raise ecological and social expectations are likely to be increasingly challenged by those that seek to simply uphold current standards (Raynolds et al., 2007). A similar conclusion is reached by Mutersbaugh in his study on harmonisation in fairtrade and organic standards. He finds that there is a drive towards global standards and that this spurs a tendency towards 'a "lowest common denominator", minimizing protections in national standards and displacing more comprehensive network-based standards' (Mutersbach, 2005: 2039).

Ingenbleek and Meulenberg discuss competition between parallel standards As they put it, competition is 'a battle between those that find themselves doing "good" and those that find themselves doing even "better".' (Ingenbleek and Meulenberg, 2006). They find that standard organizations experience competition from both existing and new standards, but they also find that collaboration is on the rise. That is, standard organizations may collaborate with and align themselves to other standard organisations in different ways (Fairtrade for example collaborates with organic in certification of exotic fruits). In some cases, standard organizations choose not to compete, but rather to adjust their standard to the requirements of a dominant standard (e.g. GLOBALGAP).

The second facet of 'forum shopping', mentioned above, relates to the notion that standard schemes themselves can 'shop' for business by competing for participation (Abbott & Snidal, 2006). Ingenbleek and Meulenberg (2006) examine the strategies that standard organisations pursue to put their sustainability objectives into practice. In their comparison of ten sustainability standard schemes, they find that many strategic differences between schemes can be traced back to two types of standard organizations: those weighing principles over size, and those weighing size over principles. The most essential difference is thus found in the trade-off between the principles of sustainable production and the size of the program, i.e. the number of farmers that adopt the standard. This is consistent with Macdonald's (2007) claim that high principles (or in her words, 'consistent forms of empowerment' (2007: 808) will only be achieved in marginal standard schemes.

According to Ingenbleek and Meulenberg, standard schemes follow either a differentiation or a lowest cost strategy when targeting markets. In a differentiation strategy (pursued by schemes that weigh principles over size), a standard scheme enables primary producers to differentiate themselves from mainstream producers on the basis of sustainability and communicate this is to the end-consumer. Standard organizations that weigh size over principles apply lower sustainability requirements in their standards, and thus require relatively lower investments from farmers than differentiators. Farmers producing under such standards add value to retailing and or processing firms because they increase their brand image and protect these firms to some extent from the attacks of action groups. However these standards are not communicated directly to the end-consumers.

The difference in strategies of standard schemes identified by Ingenbleek and Meulenberg can be related to the difference between product differentiation and risk management standards pointed out by Henson and Humphrey (2008). Thus, standard organi-

zations weighing principles over size use product differentiation standards, and those weighing size over principles use risk management standards.[7]

This distinction between product differentiation standards (standard schemes weighing principles over size) and risk management standards (standard schemes weighing size over principles) indicates that some standard initiatives seek to raise the bar (bringing about sustainable improvements in social and environmental conditions) while others largely seek to hold the bar (i.e. halting the decline in social and environmental conditions). In the critical literature on sustainability standards there seems to be general consensus on the fact that multistakeholder standards using third party auditing and involving local actors in standard implementation lead to better social and environmental results (see for example Utting, 2005; O'Rourke, 2006; Barrientos and Smith, 2007; Blowfield & Dolan, 2008; Riisgaard, 2009).

In terms of the social content and outcome of standards, a distinction has been drawn between standards that focus on 'enabling rights' versus standards that focus on 'protective rights' (Rodriguez-Garavito, 2005). Where 'protective rights' refer to issues such as health and safety, minimum wages, overtime etc., 'enabling rights' refer to rights such as freedom of association and the right to collective bargaining – rights that enable the workers to define and fight their own battles. A similar division is developed by Barrientos and Smith (2007), who distinguish between standards which focus on 'outcome standards' versus standards that focus on 'process rights'. Process rights, for example the principles of freedom of association and no discrimination, describe intrinsic principles of social justice that enable workers to claim their rights. These process rights provide a route to the negotiation of and access to other entitlements and specified conditions of employment, such as a health and safety policy, minimum wages, working hours and deductions for employment benefits such as health insurance and pensions. These entitlements and specified conditions of employment are labelled outcome standards (Barrientos & Smith, 2007). See Table 1 for an illustration of the concepts linked in the discussion so far (although obviously some standards fit less well in these ideal typical categories).

In a comprehensive study of the effects of social standards amongst suppliers to members of the Ethical Trading Initiative[8], it was found that while standards were having an effect on outcome standards, they were having little or no effect on process rights and furthermore failed to reach the most marginalised (often female) workers such as casual, migrant or subcontracted workers (Barrientos

Table 1. Types of standard schemes

Type 1 standard schemes	Type 2 standard schemes
Schemes weighing size over principles	Schemes weighing principles over size
Focus mainly on risk management	Focus mainly on product differentiation
Focus on protective rights (outcome standards)	Focus on enabling rights (process rights)

[7] Ingenbleek and Meulenberg are much less explicit about the risk management functions and instead put more emphasis on the low cost and size prioritization of some standard schemes.

[8] The ETI is a UK initiative to promote and improve the implementation of corporate codes of practice which cover supply chain working conditions.

& Smith, 2007; see also Nelson et al., 2007 for similar findings). The fact that most standards have more impact on outcome standards (protective rights) than process rights (enabling rights), is related to the way standards are audited and reflects the dominance of a technical compliance perspective characterised by checklist auditing and self-assessments which is less capable of identifying process rights (Barrientos & Smith, 2007). A serious challenge for standard initiatives that seek to promote enabling rights is that they demand more resource intensive and costly monitoring procedures (for example using participatory interview techniques and participation of local stakeholders). Furthermore, not all value chain actors are interested in promoting enabling rights, thus the scaling up of initiatives focusing on enabling rights is a big challenge.

3. SOCIAL AND ENVIRONMENTAL STANDARDS IN CUT FLOWERS

3.1. The Landscape of Flower Standards

In table 2, I have provided the basic features of standards aiming to advance social or social and environmental conditions in the production of cut flowers. The Table lists a total of 13 standards and this does not include unilateral retailer codes (all major UK retailers have their own; e.g. Tesco's 'Nature's choice'). Furthermore the Table only includes selected national standard initiatives and only standards that have some element of social issues (for example it excludes organic standards).

The first standards that emerged in the industry were mainly set by buyers or producer groups and tended to be weak on social issues and rely mainly on internal monitoring. During the 1990s, there was a development towards the use of third party monitoring and the emergence of new multi-stakeholder initiatives. Standards furthermore have tended to broaden from only covering cut flowers to including pot plants and foliage.

As illustrated in Table 2, there are many standards operating in parallel in more or less the same issues of social and environmental conditions of flower production. As we shall see below, these standard schemes place themselves differently according to the distinctions outlined in Table 1. Nevertheless the extent of parallelism in flowers standards has spurred competition, collaboration, and attempts at harmonization. Competition is present, for example, between the three consumer labels Fairtrade Labelling Organization (FLO), Fair Flowers Fair Plants (FFP) and Flower Label Program which all sell 'fair' flowers to consumers in Europe. Collaboration is widespread, particularly in the form of alignment. Thus several producer associations have benchmarked their standards to the GLOBALGAP standard, and at least five standards claim to be based on the International Code of Conduct for Cut Flowers (ICC). Additionally, a very ambitious harmonisation attempt has been unfolding in the flower sector in the last four to five years in the form of the Fair Flowers Fair Plants (FFP) initiative which will be given specific attention later in this paper.

Flower standards can be argued to diverge on five key dimensions (see Table 3). These dimensions include the characteristics listed in Table 1 as well as monitoring procedures, actors involved in standard setting and how the standard is communicated: 1) private business standards (elaborated by buyers or producer groups) versus collective private standards (elaborated by multiple stakeholders including NGOs and/or trade unions); 2) third party monitoring versus first or second party monitoring; 3) standards focusing mainly on risk management (and size) versus standards focusing mainly on product differentiation (and principles); 4) standards that are communicated to consumers (consumer labels) versus business-to-business standards; 5) standards focusing on protection rights versus standards

Table 2. Social and environmental standards in cut flowers

Standard	Origin and structure	Release	Characteristics and cooperation
Northern sectoral			
GLOBALGAP (flowers and ornamentals)	Coalition of mainly British supermarkets	2003	Good agricultural practices with a small section on worker health, safety and welfare
Milieu Programma Sierteelt (MPS)	Dutch growers and auctions	1995	Environmental management (MPS A, B, C) with optional social qualification (MPS-SQ –based on the ICC code) and MPS-GAP (benchmarked to GLOBAL-GAP). MPS-A together with MPS-SQ has been benchmarked to FFP
Veriflora	American growers and retailers	2005	Environmental and social certification system
Southern sectoral (examples)			
Kenya Flower Council (KFC) Code of Practice	(KFC) Association of Kenyan flower exporters	1998	Environmental and social certification system benchmarked to GLOBALGAP and with a recognition agreement with Tesco's 'Nature's choice' from 2006. KFC is certified to ISO 65 guidelines
FlorVerde	Asocoflores (association of Colombian flower growers)	1998	Environmental and social certification system. Is benchmarked to GLOBAL-GAP
FlorEcuador	Expoflores (association of Ecuadorian flower growers)	2005	Environmental and social certification system
Multistakeholder or NGO consumer labels			
The Fairtrade Labelling Organization (FLO) (flowers and plants)	Fairtrade labelling organisations and fairtrade producer networks	2006	Principles of fairtrade including a minimum price and a fairtrade premium, Until 2006, fairtrade flowers were certified by Max Havelaar cooperating with FLP and MPS
Flower Label Program (FLP)	German importers and whole¬salers, NGOs and trade unions	1996	Environmental and social certification system benchmarked to the ICC base code
Fair Flowers Fair Plants (FFP)	Union Fleurs (the Inter- national Floricultural Trade Association), NGOs and unions	2005	Environmental and social labelling scheme based on both the ICC and MPS-A criteria
Rainforest Alliance (flowers and ferns)	Environmental NGO	2001	Certification system for conservation of biodiversity and sustainable livelihoods
Multistakeholder base codes (no certification system)			
International Code of Conduct for Cut Flowers (ICC)	Developed by a coalition of European NGOs and the International Union of Food and Agricultural Workers (IUF)	1998	Base code with criteria on human rights, labour conditions and basic environ-mental criteria.
The Ethical Trading Initiative (ETI)	An alliance of UK companies, NGOs and trade unions	1998	Social base code (not re¬stricted to cut flowers).
The Horticultural Ethical Business initiative	Kenyan flower growers and labour NGOs	2003	Base Code on Social Accountability for The Flower Industry based on the ETI

Table 3. Key dimensions of diversity

Standard	Number of certified growers*	Business standard	Collective standard	Third party auditing	First / second party auditing	Mainly risk management	Mainly product differentiation	Protective rights/ Outcome standards	Enabling rights/ Process rights	Business to Business	Consumer label	Presence in EU market	Presence in US market
Retailer codes	?	x			x	x		x		x**		x	
GLOBAL-GAP	?	x		x		x		x		x		x	
MPS-(A,B,C,GAP)	3800	x		x		x		x		x		x	
MPS-SQ	115	x		x			x		x	x		x	
Veriflora	39	x		x			x	x			x		x
Kenya Flower Council	50	x			x***	x		x		x		x	
FlorVerde	108	x		x		x		x			x	x	x
Flor-Ecuador	92	x			x	x		x		x		x	x
Fairtrade (FLO)	42		x	x			x		x		x	x	x
Flower Label Program	58		x	x			x		x		x	x	
Fair Flowers Fair Plants (FFP)	165		x	x			x		x		x	x	
Rainforest Alliance	35		x		x		x	x			x		x
ICC	-		x	-	-		x		x	x		x	
ETI	-		x	-	-		x		x	x		x	
HEBI	-		x	-	-		x		x	x		x	

* As appear on standard websites as of November 2008. Unfortunately the number of certified growers does not say anything about the volume or value of certified flowers. In developing countries the largest farms are most often certified and often to multiple standards.

** Some retailer codes like Tesco's 'Nature's choice' is a consumer label.

*** KFC also has a gold standard which requires third party auditing. Nine farms are certified to the gold standard

focusing on enabling rights[9]. Furthermore, some standards are national in scope (mainly those created by developing countries producer associations) while other standards are international. Some standards are aimed solely or mainly at the EU market, while others target the US market.

In this paper, I focus on standards that are aimed at the EU market since this is where we see the largest proliferation of standards. Furthermore, most standards are aimed either at the EU or the US market and the two sets of standards differ in history and content. While flower standards emerged in the mid 1990s for the EU market, standards aimed at the US flower market appeared later. Another difference concerns the relative weight put on social versus environmental issues. Neither Veriflora nor Rainforest Alliance (two standards aimed particularly at the US market) are very stringent on social issues but focus mainly on environmental concerns. Organic standards have increased in popularity over the last years in the US market, while organically certified flowers have only just begun to emerge in the EU market.

Of the standards aimed at the EU, MPS, GLOBALGAP and retailer codes are by far the biggest in terms of number of producers certified. It is not known how many producers are certified to GLOBALGAP or retailer codes, but any producer exporting to British retailers will have to be certified[10]. MPS has almost 4000 certified growers – although most to their environmental or GAP schemes only. These standards are business standards (MPS is owned by the Dutch auctions and flower growers which produce more than half the flowers sold in the EU[11], while GLOBALGAP was initiated by a group of large European retailers[12]). These standards are business to business standards and thus are not communicated directly to consumers.

In terms of market coverage, social and environmental standards have become mainstream in flowers. A rough estimate puts between 50% and 75% of flowers imported into the EU as adhering to one or more of the standards mentioned in Table 3. However the vast majority of these standards are business to business standards (governed by business and not communicated to the consumer). As illustrated in Table 3, these standards also tend to focus mainly on risk management and while most now use third party monitoring and mention freedom of association and the right to collective bargaining, most still focus on protective rights, not enabling rights. In terms of the earlier discussion on whether standards seek to raise the bar on social issues or keep the bar, Table 3 suggests that large standards (in terms of number of producers certified) do not aim at raising the bar. The standards that aim at raising the bar (here seen as collective standards using third party certification and focusing on enabling rights) are mainly consumer labels operating in niche markets. Thus the current state of affairs seems to confirm the findings from other commodities related in section 2 (Mutersbaugh, 2005; Macdonald, 2007; Raynolds et al., 2007).

The standards that are communicated through a consumer label characterise a much smaller portion of the market (no exact figures exist, but an estimate puts their market share between 5% and 10% depending on the

[9] In Table 3, I label standards as 'focusing on enabling rights' when they contain specific procedures aimed at enabling workers, such as demanding elected worker committees, using participatory social auditing techniques and inclusion of local worker NGOs and trade unions in implementing and monitoring.

[10] UK is the second largest European consumer off flowers after Germany and in the UK the majority of flowers are now sold by retailers (CBI, 2007).

[11] In February 1995 MPS was turned into a national association of all the Dutch flower auction houses, the Federation of Agricultural and Horticultural Organisations, Netherlands and the Glasshouse Cultivation (http://www.my-mps.com/asp/page.asp?sitid=437) (accessed 29.01.2009).

[12] Retailers sell an estimated 25-30% of flowers in the EU (CBI, 2007).

country).[13] The standards (aimed at the EU market) that communicate through a consumer label tend to be collective standards focusing mainly on product differentiation and enabling rights/process rights (conversely, for the US market, consumer labels tend to focus more on protection rights/outcome standards).

However the share of consumer labelled flowers has been rising quite rapidly over the last years (sales of Fairtrade flowers, for example, increased by 66% from 2006 to 2007).[14] Furthermore, the ambitious harmonisation initiative carried out by Fair Flowers Fair Plants (FFP) (as will be illustrated later in this paper), has potential to significantly increase the market share of labelled flowers.[15] Thus it can be argued that standards seeking to raise the bar on social issues are becoming more important. At the same time it is important to differentiate within the 'high bar' category and ask for whom is the standard seeking to raise the bar. This will be illustrated in case study 1 later in this paper where I look at standards from a trade union perspective.

3.2. Cut Flower Standards and Value Chain Structures

The way the value chain is structured influences the types of standards that are demanded and consequently changes in value chain structure can influence the incentive to adopt particular standards. It also means that actors' position in the value chain affects their interests in relation to standards. Consequently, before I move onto discussing the two case studies, I will briefly introduce the dominant value chain structures and their relation to standards. Although most standards are beginning to cover foliage and pot plants, most sustainability certification still takes place in cut flowers wherefore in this paper I limit myself to looking at that particular value chain.[16]

The cut flower value chain is undergoing structural shifts in its EU distribution channels as supermarkets increasingly source directly from suppliers in developing countries, thereby cutting out wholesalers and the Dutch auction system (Thoen et al., 2000; CBI, 2007). Simply put, the flower value chain for import into the EU entails two distinctive strands (the direct strand and the auction strand). The Dutch flower auctions (owned by the Dutch flower growers) have historically been the most important channels through which flowers are distributed to European wholesalers and retailers. But lately the proportion of flowers imported into the EU that goes through the Dutch flower auctions has diminished, and direct sourcing by large retailers is increasing, although the auctions still remain the most significant way that cut flowers reach European wholesalers and retailers (in 2006, the auctions had an estimated 40% market share of flowers) (CBI, 2007). To counter the move away from the auctions, the auctions have developed a 'direct sales' facilitator (The Intermediary Office) that connects a buyer directly with a producer. This department is still relatively small, but is has been estimated that it may cover 30% of auction turnover by 2020 (CBI, 2007).[17]

[13] This estimate is based on figures from the Flower Label Program (which has a 3% market share in Germany) as well as on estimates provided by representatives from Fairtrade Labelling Organization and Union Fleurs (interviews 7 & 19, 2008).

[14] www.fairflowers.net/flowers.html accessed July 2008

[15] The forecasted potential of FFP is based on a rapid increase in FFP participants (with a 414% increase from 2007 to 2008). FFP listed 3,587 participants on October 10, 2008. Of these, 165 were producers, 235 traders and 3,187 sales outlets. The forecast is also based on the following: FFP certified products can be traded through the Dutch auction system; and FFP is backed by very influential industry actors (Flower News 12 2008b).

[16] For pot plants the role of the garden centers and lumberyards is much stronger than in the flower chain with more direct high volume deals between growers and retailers. Extra EU imports are much lower for pot plants than cut flowers and foliage. At the Dutch auctions 37% of turnover is pot plants while 63% is cut flowers and foliage (Hemert, 2005; CBI, 2007).

[17] The auctions also have a remote buying service where traders purchase products online. The share of electronic sales had increased dramatically since its introduction (CBI, 2007).

The Dutch auctions basically function as a distribution centre, absorbing large quantities of flowers that are re-packed and sold to buyers (mainly wholesalers) from all over the world. The auction strand is characterised by relatively loose trading relationships because of the market-based type of coordination, at the auction point, which makes explicit governance along the whole chain difficult to achieve. For that reason, social standards so far have not played a significant role for flowers sold through the auction. Until 2007, the only standard that was differentiated at the auction clock was MPS-A,B,C (the environmental standards owned by Dutch growers, who also own the auctions). While a range of different standards are required to enter direct retailer chains, social and environental standards are not currently a requirement to access the Dutch auctions.[18] As a result, few farms supplying only the auctions are certified to standards other than MPS-A, B or C.

The Fair Flowers Fair Plants (FFP) harmonisation attempt, however has managed to negotiate an agreement with the FloraHolland auctions (FloraHolland represents 98% of the turnover at the Dutch auctions). From January 2007, the auctions started indicating FFP certification at the clock front and in their supply systems. This is the first time that auction buyers are able to differentiate products that are certified to a social standard or a consumer label (interview 9, 2008).[19] Given the market share of flowers that go through the auction, this development could increase the overall market share of labelled flowers.

The direct strand of the value chain is governed closely by the buyers (mainly large retailers, but also flower shop franchises)[20] who set specific criteria concerning product quality, price and logistics but also concerning production processes. Social and environmental standards are one of the governance tools through which retailers seek to reduce risks, minimize costs and differentiate their products. Certification to social and environmental standards is most often a requirement for producers exporting through this channel and since different buyers prefer different standards, it is not unusual for producers to be certified to several different standards.

4. TWO FLOWER CASE STUDIES

In this section I present two case studies which although very different, describe attempts at convergence around a particular set of criteria namely those of the International Code of Conduct for Cut Flowers (ICC). The first case study is about how the ICC became the main reference for the social content of most standards aimed at the EU market. Adoption of this base code however has been interpreted differently with different consequences for stakeholders such as trade unions. The second case study is on the Fair Flowers Fair Plants (FFP) initiative which aims at converging existing standards to the FFP label through benchmarking to the FFP criteria. This case study exemplifies how developments in standards can influence the competitive advantages of different value chain actors. Before presenting the two case studies, the standard schemes involved are briefly presented:

The Flower Label Programme was created in 1996 as a business-to-business code between German importers association and the Association of Flower Producers and Export-

[18] Nevertheless around 55% of flowers supplied to the auctions comply with an MPS standard (interview 9, 2008).

[19] According to an FFP representative, the 'F' at the auction is more of a symbolic mark since the clock system is too simple and too fast to use this as a differentiator. However it is much more important in electronic sales which now accounts for 40% of the turnover at the auction (Interview 5, 2008).

[20] Large retailers have an estimated market share of 25-30% in the EU (the biggest share is in the UK with 60-70 %. The UK is the biggest flower consumer in the EU). Another development is the growth of franchise florists (or florist chains) also capturing market shares rapidly. A study on France (the fourth biggest market in the EU) shows the market share of franchise florists to be 20% in 2005 (CBI, 2007; Filho, 2008). Internet flower sale is also on the rise and many will offer a choice between certified and non certified flowers.

ers of Ecuador (EXPOFLORES) but in 1999 it developed into a multi-stakeholder organisation with NGO and trade union representation. The Flower Label Program is now a consumer label based on an environmental and social certification system benchmarked to the ICC base code. The Flower Label Program certified flowers are sold through florists in Germany, Switzerland and Austria.

The Fairtrade Labelling Organizations International (FLO) is a non-profit association involving 23 member organizations including labelling initiatives and producer networks. FLO develops Fairtrade standards and provides support to Fairtrade certified producers through a producer support system. FLO awards a fairtrade label to products that have been produced in developing countries according to principles of fairtrade, including a minimum price and a fairtrade premium that the producer in agreement with worker representatives must invest in projects enhancing their social, economic and environmental development. For flowers, the premium is now set at 10% of the FOB (free on board) price.[21] FLO certified flowers are sold mainly in supermarkets and flower chains including Tesco, Sainsbury and Interflora.

Fair Flowers Fair Plants (FFP) is an international initiative aimed at creating a harmonised, global standard for flowers and plants. FFP was initiated in 2002 by Union Fleurs (the International Flower Trade Association uniting national producer, importer and traders organisations) and a demand from Union Fleur members to harmonize the plethora of social and environmental initiatives in the sector (interview 5, 2008). But early in the process NGOs, unions and other standards were involved, particularly MPS and the Flower Label Program. FFP is a consumer label launched in 2005, present so far in seven European countries (Sweden, Germany, France, UK, Netherlands, Denmark and Switzerland) in supermarkets, florists and flower chains. FFP consist of a social and an environmental part and demands that growers are certified to a standard that is equivalent to the ICC (for the social part) and to MPS-A (a Dutch environmental standard) for the environmental part.

Milieu Programma Sierteelt (MPS) is a business to business standard system owned by the Dutch auctions and Dutch growers associations. It was developed in 1993 and certifies companies to MPS-A, B or C depending on their environmental performance on a range of indicators. In the later years the MPS scheme has gradually expanded and now offers a range of certificates including MPS-GAP (benchmarked against GLOBALGAP), MPS-SQ (certificate for social aspects developed in close cooperation with Dutch NGOs and unions), MPS-Quality and MPS-QualiTree (quality care certificates) and finally Florimark Production (awarded when a company complies with all MPS certificates).[22]

The International Code of Conduct for the Production of Cut Flowers (ICC) was developed by a coalition of European NGOs and the International Union of Food and Agricultural Workers (IUF) in 1998. The ICC is a base code (it does not have a standard organisation behind it) that can be adopted by any standard scheme. It contains criteria on human rights, labour conditions and basic environmental criteria

4.1. Case Study 1: Trade Union Empowerment and the Developments of the International Code of Conduct for the Production of Cut Flowers (ICC).

The ICC code has formed the basis for the social content of many other standards (MPS-SQ, FLO, Flower Label Program, FFP, HEBI and the KFC code). Most of these belong to the group of standards aimed at raising the bar. However within this category of standards there are different interpretations of

[21] (http://www.fairtrade.net/flowers.html.).

[22] (http://www.my-mps.com/asp/page.asp?sitid=503).

how to raise the bar. There are also differences in what kind of bar should be raised and who should reap the benefits. As will be illustrated in the following discussion, this has quite different implications for local trade unions and NGOs.

The ICC represented the beginning of trade union involvement in private standard setting in flowers. Preceding its involvement with the ICC, the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) had tried to run traditional organising campaigns in flower producing countries. These were ultimately found to be based on insufficient union strength at national level. At the same time, a plethora of standards (mostly unilateral) were emerging that favoured employers instead of unions. In this context, the IUF decided to challenge unilateral business codes of conduct (weak in content, scope and monitoring), constructively engage in private standard setting and build its own multi-stakeholder model standard, the ICC (interview 12, 2008 & interview 13, 2006).

This base code was established by an alliance (the International Flower Coordination)[23] between the IUF, IUF affiliates and several NGOs. The ICC aim at guaranteeing that flowers have been produced under socially and environmentally sustainable conditions and provide a concise statement of minimum labour, human rights and environmental standards for the international cut-flower industry. It is based on ILO core labour standards, with implementation mechanisms designed to include the meaningful participation of workers, local organisations and unions (ICC, 1998; interview 12, 2008).

The ICC formed the centrepiece of a campaign to regulate work and employment in flower production. Initially, importers in Germany were targeted, with success, to accept the ICC. In 1999 the Flower Label Program standard was benchmarked against the ICC. Shortly after the German campaign, the Dutch MPS initiative was targeted and this led after several years of discussions to the development of the MPS Socially Qualified standard (MPS-SQ) also based on the ICC (ILRF 2003, interview 1 & 12, 2008). The ICC has also indirectly formed the basis for the FLO Fairtrade standard for flowers[24] and the social criteria for certification to the FFP label is the ICC.

Even though several standard schemes are based on the ICC code, the interpretation of how to involve NGOs and trade unions differ significantly between standard schemes. A section on implementation in the ICC code, on the involvement of NGOs and unions states: '1. To overview the implementation of the Code of Conduct an independent body, accepted by all parties involved (for example trade unions, NGOs, employers), shall be formed. 2. This body will set the terms for an independent process of verification of compliance with the Code of Conduct.' (ICC, 1998)

Adjoining the ICC code are the ICC guidelines which interpret how the code should be read. The first version of the guidelines[25] does not elaborate on the participation of NGOs and unions. In 2003 FIAN Germany, Switzer-

[23] The ICC was negotiated by the IUF, the Flower Campaign Germany (Bread for the World, FIAN, terre des hommes), IG BAU (Trade Union for Construction, Agriculture and Environment, Germany), FNV (Trade Union Confederation, Netherlands), OLAA (Organisatie Latijns Amerika Activiteiten, Netherlands), INZET (Netherlands), Fair Trade Center (Sweden), the Flower Coordination (Switzerland) and Christian Aid (UK) (ICC, 1998).

[24] FLO started certifying flowers as a pilot project on two farms in Kenya in 2004. At that time Max Havelaar Switzerland was the only certifier of Fairtrade flowers and they used MPS-QS or the Flower Label Program certification as a requirement to join the Max Havelaar programme while Max Havelaar coordinated the premium (interview 11, 2008). When other FLO organisations started to express interest in fairtrade certified flowers, FLO decided to centralise the certification procedure through FLO and FLO-CERT (the certification arm of FLO). Thus in December 2005 FLO took over the flower scheme from Max Havelaar and benchmarked the Flower Label Program and MPS-SQ schemes (thus indirectly the ICC) against FLO standards and the result was the FLO standard for flowers (Interview 10, 2008).

[25] http://www.flowercampaign.org/code-of-conduct/implementation accessed 29.01.2009

land and Holland updated the guidelines of the ICC[26] which now state that 'during the audit, a trade union and/or NGO representatives are present as observers' (Both ENDS, 2005).

This particular way of securing local trade union and NGO participation in the actual audits constitute a unique strategy the equivalent of which, to my knowledge, is not seen in any other private social or environmental standard scheme. In section 2, I related findings which strongly suggested that social auditing while having an effect on the more visible aspects of standards, such as health and safety and working hours (outcome standards), it is having little or no effect on more embedded process rights issues such as discrimination and freedom off association (Barrientos & Smith, 2007). Seen in this light, audit shadowing by local NGOs and trade unions might help to remedy this serous shortcoming of social auditing.

But even though this 'high bar' base code has been adopted by several standard schemes, the way they adopted it differs. MPS-SQ and later FFP have institutionalised audit shadowing as recommended in the ICC guidelines version II. In the Flower Label Program participation of unions and NGOs is guaranteed in the institutional structure of the organisation and is implemented in the auditing procedures as follows: 'Workers, trade unions and NGOs have the right to join the inspections.' (FLP guidelines, 2007)[27]. However the Flower Label Program does not inform unions and NGOs automatically about the inspections, nor do they pay allowances for observers. Basically unions and NGOs are just free to ask if they can join the inspections (interview 6 & 7, 2008).[28]

The FLO standard for Flowers and Plants for Hired Labour[29] (although indirectly based on the ICC), does not mention the inclusion of trade unions or NGOs (interview 10, 2008). In FLO, the only issues explicitly concerning trade unions are the provisions in the FLO generic standard for hired labour relating to the right to organize and to collective bargaining. This way FLO can be a medium for collective bargaining, since the growers are expected to respect these rights, but there is no institutionalized connection to trade unions – neither in the standard organization or in implementation. As commented by a FLO representative, 'FLO standards don't really have anything to do with unions, the weight in FLO standards is put on other issues such as the trade contracts and the premium committee' (interview 10, 2008).

The discussion on how different standard schemes (all seemingly based on the ICC code) interpret the requirement in the ICC code on NGOs and trade union involvement illustrates that when standards choose to align themselves to a base code, interpretation is important and has consequences for stakeholders (in this case for trade unions and NGOs). FFP, MPS-SQ and the Flower Label Program are based on internationally-recognised minimum labour standards and institutionalise active inclusion of local NGOs and unions in standard setting and monitoring (although the Flower Label Program in a much weaker form). The FLO Fairtrade standard is also based on internationally recognised minimum labour standards, but emphasis is not placed on active inclusion of local NGOs and unions but on active inclusion of workers (through the premium committees)

[26] The ICC founders disagreed on whether or not audits had to be done with the participation of local trade union and NGO observers (Interview 14, 2008). The updated version was mailed around to all the ICC partners. No objections were received so from that time on most partners accepted the guidelines version two (published by Both Ends in 2004/5) (Interview 14, 2008)

[27] http://www.fairflowers.de/fileadmin/f...sch/FLP_Guidelines_Version_4_2008.pdf (accessed 25.02.2009).

[28] Contrary to this, FFP and MPS-SQ pay the expenses of the observers. The Flower Label Program does however always ask unions to participate when they arrange worker seminars and furthermore they often consult unions before first audits and conduct unannounced visits as response to complaints.

[29] http://www.fairtrade.net/fileadmin/us...owers_and_Plants_HL_March_2007_EN.pdf (accessed 03.01.2009).

and on addressing terms of trade through contractual requirements.

This first case study has several implications. First, it shows that when harmonisation occurs via adoption of a base code (like the ICC) then the standard schemes that are adopting it have a large discretionary space for interpretation, with different consequences for stakeholders like trade unions. Secondly, there is a need to differentiate among different standards that seek to 'raise the bar' on social issues. For production-end stakeholders, it matters whether the standard focuses on active inclusion of local NGOs and unions (empowering these stakeholders and potentially addressing more locally embedded and hidden problems like for example discrimination or exploitation of subcontracted, casual or migrant workers) or whether the standard focuses on addressing the terms of trade (aiming at empowering producers via contractual requirements) and active inclusion of workers (via involvement in spending the premium). However, it is also important to keep in mind, that in practice (as illustrated in Riisgaard, 2009), the outcome for different local stakeholders varies not just according to standard content but also according to practical and local interpretations of standard implementation and according to the relative strength and positioning of local stakeholders.

4.2. Case Study 2: Harmonisation of Standards – Fair Flowers Fair Plants (FFP)

At the beginning of the millennium, the number of parallel standards in the flower industry had reached a level where both producers and traders were demanding that their international coordinating body Union Fleurs take action to harmonize them (interview 5, 2008). At the same time, Union Fleurs' members felt a need to be able to communicate to the consumer which flowers where 'fair' flowers (given that most existing standards were of the business to business type) (interview 19, 2008). Thus a combination of risk management and product differentiation needs can be identified. To enhance credibility, NGOs, unions and other standard initiatives (particularly MPS and the Flower Label Program) were involved early in the process (interview 19, 2008). The aim of FFP was to harmonise existing standards, but they discovered that it was not possible to convince the existing standard schemes give up their own standards. Therefore, FFP decided on a label idea based on existing standards benchmarked to the criteria of FFP (namely the ICC and MPS-A). This way, it would be possible to keep all existing standard schemes but harmonize them through benchmarking to the FFP criteria and unite them under one consumer label (interview 1-5, 2008).

This modular approach is interesting because in theory it makes it possible to unite very different standard schemes and have multiple standard organizations capable of certifying, while only communicating one harmonized label to the consumer. Having multiple standards benchmarked to the FFP criteria in theory means that FFP will be able to capture producers that are already certified to other standards. This modular approach is also interesting in relation to the distinctions between standard functions discussed in section 2. FFP demands that growers are certified to a standard that is equivalent to the ICC (for the social part) and to MPS-A for the environmental part. This way FFP is combining a product differentiation standard (the ICC) with a risk management standard (MPS-A) and at the same time combining a standard that weighs principle over size focusing on enabling rights (the ICC) and a standard that weighs size over principle (MPS-A). FFP is growing rapidly and if growth continues, this modular strategy will possibly lead to existing risk management standards (like the producer association standards) being transformed into product differentiation standards. It also means that FFP might have found an answer to the dilemma of how to scale up 'high bar' standards.

However, harmonising existing standard

schemes under one FFP consumer label has turned out to be difficult. So far there are still three existing (and competing) consumer labels for flowers in the EU market (FLO, the Flower Label Program and FFP) and FFP has only accepted one certification agency, namely ECAS (which is the certification arm of MPS) and benchmarked one standard (MPS). In practice this means that MPS/ECAS currently occupies the very privileged position of being the only standard and certification agency benchmarked to FFP. While the inclusion (and currently privileged position) of MPS has spurred disagreement with other standard schemes (as we shall see below) it has also meant that FFP has been able to sign in a lot of MPS certified producers (thus taking advantage of the size strategy of MPS). The cooperation with MPS also means that FFP have been able to strike a historical deal with the Dutch auctions (as explained in section 3, the auctions own MPS and now identify FFP certified flowers at the auction clock).

The fact that MPS-A was chosen as the environmental criteria for FFP has also led to serious disagreement amongst existing standard schemes in the sector (interviews 1-8, 2008). As mentioned, the Flower Label Program was very active in the development of the FFP scheme, and it expected that it would be asked to certify the social part of FFP (interview 7, 2008). As FFP evolved, it was decided that any existing standard could apply to be benchmarked against FFP criteria. Certification agencies could likewise apply to be benchmarked against FFP minimum conditions for certification agencies and become accepted to carry out audits for FFP (interview 1-6, 2008). The disagreement over the structure of FFP culminated in 2005 when the Flower Label Program board decided to leave FFP one month before its official release (interview 5, 7 & 8, 2008).[30] This happening left the Flower Label Program severely crippled[31] and the Flower Label Program is considering re-entering into dialogue with FFP if certain conditions are met, including that the Flower Label Program is accepted as a consumer label in Germany, Austria and Switzerland; that the environmental part of FFP is based on transparent environmental standards (not MPS-A); and that the Flower Label Program members are represented in the governing body of FFP (FLP document January 2008).

Like the Flower Label Program, the three biggest developing country producer organizations; Expoflores (Ecuador), Kenya Flower Council (Kenya) and Asocolflores (Colombia) were initially very favorable towards the FFP initiative. They had all applied to be benchmarked against FFP (both as standards and as certification agencies) but all three producer organizations have postponed their application until clarification is reached on the role of MPS in FFP (interview 5, 2008). According to Kenya Flower Council, the problem with FFP is that for the environmental part they demand benchmarking to MPS-A which is another (and competing) standard scheme. In the opinion of KFC, FFP needs to be an overall label based on principles independent of all actual standards schemes and until this has been achieved the KFC benchmark application is on hold. Asocolflores also demand equal rules for all and furthermore insist on the use of internationally accredited certification agencies (interview 18, 2009).

The disputes between FFP and the Flower Label Program and producer association stan-

[30] The Flower Label Program strongly disagreed with a EU subsidy application sent by Union Fleur and supported by the Dutch government on behalf of FFP. They particularly disagreed with the fact the Flower Label Program was not mentioned as another certifying agency – only MPS/ECAS was. Furthermore, MPS was also to receive some funding which the Flower Label Program considered unfair competition (interview 7 & 8, 2008).

[31] The break with FFP also led to internal disagreements in the Flower Label Program. The association of German florists (FDF) and the association of German flower importers and wholesalers (BGI), both co-founders of the Flower Label Program stepped out of the Flower Label Program and joined FFP. The trade union IG-BAU, decided to leave their position in the board vacant while they joined FFP (where they are board members) (interview 7 & 8, 2008). Recently IG-BAU has decided to re-occupy their position on the board in an attempt to foster dialogue and mediate between FFP and the Flower Label Program (interview 7, 2008).

dards shows how inter-standard competition and conflicting interests need to be balanced carefully if harmonization attempts are to be successful. The board of FFP has responded to the criticism levied against it by setting up a committee that will work on developing FFP's own environmental definitions (based on a system equivalent to but not dependent on MPS-A) thus making FFP more transparent and independent from existing standard schemes.[32] But this development has just begun in 2008 and is expected to take some time to be effective (interview 1-5, 2008). Recently, several organizations have applied to be benchmarked against FFP. The Italian Fiore Giusto has applied to be benchmarked both as a standard and as a certification agency and the certification agencies Forest Garden Products based in Sri Lanka and RINA SpA based in Italy have applied to be benchmarked as certification agencies (Flower News, 2008a & 2008b). FFP is hoping that this together with the remaking of the environmental criteria will resolve the disagreements and that other standards and certification agencies will follow suit.

4.3. Discussion of Case Studies

The case studies illustrate four main points. First, the FFP harmonization attempt points to the sharp competition and conflicting interests amongst standard schemes. Second, FFP is shown to open new competitive strategies for European wholesalers and Dutch flower growers. Third, the harmonization of flower standards has shown potential to 'lift the bar' by transforming risk management standards into product differentiation standards. And forth, it matters whether harmonisation occurs via adaption of a base code (like the ICC) or via benchmarking (like FFP).

FFP is the result of standard parallelism in the flower sector. The difficulties that FFP faces in harmonizing existing standards are a sign of the sharp competition and conflicting interests amongst standard schemes and standard actors. FFP is based on a modular structure which seeks to sign up producers certified to existing standards by enrolling existing standard schemes under the FFP label. Existing standard schemes however have their own interests to defend depending on whether they mainly use risk management standards or product differentiation standards with a consumer label.

For standard schemes which focus mainly on product differentiation and have a consumer label like Fairtrade (FLO) and the Flower Label Program it is important to defend the identity and legitimacy connected to the consumer label. Thus Fairtrade has not been interested in cooperating with FFP and prefers to compete for flower outlets and consumers. Unlike Fairtrade the Flower Label Program has been declining in size and is trying to negotiate a role for itself in FFP where: a) it can retain its identity (through double labelling); b) it obtains power within the organizational structure of FFP (demanding direct representation in the governing body of FFP); and c) it competes on equal terms with other standard schemes within FFP (by demanding that the environmental criteria of FFP are made independent of MPS).

Concerning risk management standards, MPS has already chosen to cooperate with FFP. MPS has reached a very privileged position within FFP (although this will probably change in the future) and a resulting increase in demand for certification to MPS standards (interview 6, 2008). The developing country producer association standards on the other hand have put cooperation on hold. They are however interested in benchmarking (particularly if they, like KFC, to a large degree depend on the EU market and the auction channel) because this will give them a comparative advantage over non certified producers while reducing the costs of standard com-

[32] FFP is currently using the definitions (which inputs are allowed and in what quantities) of MPS and these are not transparent. Because MPS is a patented system it is not disclosed how the definitions are set and it is not clear how ratings are decided and calculated for different inputs.

pliance and make them less dependent on foreign certification agencies. What they hope for is that the environmental criteria of FFP are made independent of MPS to avoid and what they perceive as unfair competition between standard schemes within FFP.

There are indications that FFP will increase in size. The number of FFP participants has increased rapidly by 414% from 2007 to 2008.[33] The fact that important stakeholders in the cut flower industry like Union Fleur (uniting producers and traders covering an estimated 80-90% of the EU flower market) and the Dutch auctions chose to support FFP also has important implications for the competitiveness of FFP and this relates to the second point I wish to discuss (interview 19, 2008).

The FFP harmonisation attempt is the first time that traders (via Union Fleurs) have been involved in setting social and environmental standards.[34] If we look at importers and wholesalers, this broad group of value chain actors had previously been excluded from standards setting and only traders operating in the 'direct' value chain strand could trade labelled flowers. With FFP, importers and wholesalers have played a role in shaping the governance structure of the standard and this has given them the possibility of playing a more prominent role in exploiting economic rents from standards – because traders in the auction strand are now able to trade labelled flowers (interview 20, 2009).

Interestingly, FFP has also changed the competitive strategies available to the Dutch flower growers (who account for half of total production value in the EU and around 35% of all flowers sold in the EU) (CBI, 2007). The Dutch flower growers have been threatened by increasing imports of flowers from developing countries. Moreover, most Dutch growers are co-owners of the auctions and are obliged to sell all their produce through the auctions.[35] Before FFP, the only social consumer label available to developed country growers was the Flower Label Program aimed almost solely at the German florist market (the label only has one certified producer from a developed country while the Fairtrade label is only available to developing country producers). Thus before FFP came into existence there was a market (small but growing rapidly) for socially certified flowers, which the Dutch growers were not able to enter: a) because of restrictions inherent in existing standards and b) because they are obliged to sell through the auctions where previously product differentiation by a label was not possible. For the Dutch growers, FFP offers an opportunity to enter the market for flowers differentiated by social certification – in January 2009, 120 out of the 167 certified FFP producers were from the Netherlands.[36]

Also the Dutch auctions gained from the new FFP initiative. The auctions in recent years have been under increasing pressure from 'direct' sales where importing wholesalers sell directly particularly to large retailers and flower franchises. One of the demands in the direct strand apart from large volumes, stable supply and high performance logistics, is certification to social and environmental standards. Until FFP came into existence, the auctions were not able to deliver this and by allowing identification of FFP certification at the clock, the auctions are hoping to regain some of lost flower trade.[37]

[33] On October 10th 2008 FFP listed 3587 participants. Of these 165 were producers, 235 traders and 3187 sales outlets (Flower News 12, 2008b).

[34] German traders are involved in the Flower Label Program but the initiative is limited to the German (and to a lesser extent the Austrian and Swiss) market.

[35] 79% of the Dutch flowers and 83% of pot plants are traded through the Dutch auctions (Hemert, 2005).

[36] http://www.fairflowersfairplants.com/en/find-participants.aspx accessed 12.01.2009

[37] A concrete example of the auctions losing market share to value chain strands that channel certified produce is the case of the Swiss flower market. In the past almost a 100% of flowers destined for Switzerland were channeled through the auctions whereas now only around 10% goes through them because the market has been taken over by Fairtrade (interview 3, 2008).

The third point I wish to discuss is whether parallelism has spurred a race to the bottom in flower standards. The answer seems to be no. For standards aimed at the EU market, risk management standards such as retailer codes and GLOBALGAP still dominate in number but amongst other standards, in general there are indications of a 'race to the top'. If FFP gains currency with consumers and other standards schemes (particularly the not very stringent developing country producer association standards) benchmark to FFP, then the benchmarking process can raise the bar of existing risk management standards by turning them into product differentiation standards. Certainly from the perspective of local NGOs and trade unions it would open up possibilities of empowerment (for these organisations but hopefully also for the workers which interests they purport to represent) due to the FFP demand for audit shadowing by local NGOs and trade unions. While room for some optimism, most standards still do not address the terms of trade (such as low prices and increasing quality demands or retailer practises such as just in time ordering) which constrain suppliers' ability to comply with social standards (Hughes, 2001; Oxfam, 2004; Barrientos & Smith, 2007).[38] Contrary to the EU case studies, in the US standards are at the moment converging around the lowest common denominator at least when it comes to social issues and empowerment of workers and trade unions.

Finally, the two case studies discussed in this paper suggest that it matters whether harmonisation occurs via adaption of a base code (like the ICC) or via benchmarking (like FFP). Concerning the former method, the standard schemes that are adopting it have a large discretionary space for interpretation. Benchmarking on the other hand implies that the standard organisation issuing the authorization (e.g. FFP) decides the limits of interpretation and in the case of FFP secures that active inclusion of local NGOs and unions is followed.

5. CONCLUSION

The analysis carried out in this paper suggests cautious optimism about developments in flower standards where we see a trend towards the scaling up of 'higher bar' standards. At the moment in the cut flower industry less stringent standards are still predominant, but so called 'higher bar' standards are gaining importance and are entering new value chain strands (the 'traditional' Dutch auction strand). The harmonization initiative Fair Flowers Fair Plants (FFP) has potential to scale up 'higher bar' standards by benchmarking risk management standards to the FFP criteria thereby multiplying the practice of active inclusion of local NGOs and trade unions in monitoring standard compliance. By doing so it empowers these stakeholders and potentially addresses more locally-embedded and hidden compliance issues such as discrimination or freedom of association. However, most flower standards still do not address the terms of trade (e.g. low prices, increasing quality demands, and retailer practises such as just in time ordering) which constrain suppliers' ability to comply with social standards.

This paper also shows how the market for standards can shape competition in the market for goods by altering the terms of participation in the growing market segment for 'sustainable' products. This is related to the functions that some standards play in GVCs as product differentiators. Flower standards may affect competition in the market for flower goods via altering the terms of participation between value chain actors and between value chain strands. For developed country producers, the new label FFP offers an opportunity to enter the market for flowers

[38] FLO Fairtrade standards do to some degree address terms of trade and the Ethical Trading Initiative has established a project group on purchasing practices which addresses the way in which retailers purchase constrains suppliers ability to meet codes of practice (http://www.ethicaltrade.org/Z/actvts/exproj/purchprac/index.shtml#docs accessed 04.02.2009)

differentiated by social certification. This market segment was formerly restricted to developing country producers whom, if certified, could gain a competitive advantage vis à vis developed country producers and vis à vis non certified developing country producers. The entrance of FFP thus effectively alters the terms of competition in the market segment for sustainability labelled flowers where developing countries now have to compete with developed country producers.

Finally, this paper shows that the market for standards can affect competition between specific value chain strands. Thus, the auction strand and the actors participating in this strand can now for the first time offer products certified to a sustainability label. Before the entrance of FFP, product differentiation by a social label was restricted to 'direct' value chain strands which in this respect had a competitive advantage vis a vis the auction strand.

In a previous study (Riisgaard, 2009), I argued that retailer-driven strands offer more room for labor organizations (because of the standard demand) than the traditional auction strand. The development of FFP to some degree challenges that earlier conclusion; however it is still early to conclude on the impact of FFP and currently the majority of sustainability standards are still found outside the auction strand. Nevertheless, the findings of this paper highlight the dynamic nature of both standards and value chains and consequently a need to regularly revisit the relationship between them and how this might relate to labour opportunities and strategies.

At the moment in the cut flower industry, so called 'higher bar' standards are growing and entering new value chain strands. 'Fair labelled flowers' in the minds of many consumers will spur images of 'a fair deal' for Southern workers and Southern producers. However, in practice, while Fair Flowers Fair Plants has real potential to further worker empowerment, the deal for Southern producers is perhaps less clear since they now have to compete with developed country producers for whom certification is perhaps less of a challenge.

The direction of and degree to which the market for standards will shape the terms of competition in the market for flowers in the future will depend on developments in the demand for sustainability labelled products and the success of particular standard initiatives, together with other commercial considerations. Nevertheless, it remains a serious shortcoming in most GVC research that alterations in the terms of competition are attributed only to dynamics relating to the market for goods (in the form of value chain restructuring, changes in demand, upgrading etc) – changes in the market for standards will need to be taken into consideration more systematically than is currently the case.

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APPENDIX I

Interviews with the representatives from the following organizations were conducted between July 2008 and January 2009 (apart from interview 13 which was conducted in 2006):

Interview 1: OLAA (FFP), Amsterdam 13.08.2008
Interview 2: Both Ends (FFP), Amsterdam 13.08.2008
Interview 3: Secretariat of the FFP review committee, Amsterdam 13.08.2008
Interview 4: FNV Bondgenoten (FFP), Amsterdam 13.08.2008
Interview 5: FFP, Honselersdijk 14.07.2008
Interview 6: MPS/ECAS, Honselersdijk 14.07.2008
Interview 7: FLP, Cologne 08.09.2008
Interview 8: FIAN and FLP, Cologne 08.09.2008
Interview 9: FloraHolland (Quality Division), Honselersdijk 14.07.2008
Interview 10: FLO (Bonn), phone 29.09.2008
Interview 11: Former FLO (East Africa), questions answered in writing 19.09.2008 & 22.09.2008
Interview 12: IUF (Global), Geneva 17.10.2008
Interview 13: IUF (Africa), Kenya 12.04.2006
Interview 14: OLLA (FFP), phone, 17.11.2008
Interview 15: Jens Holst A/S (Danish wholesaler), Copenhagen 18.11.2008
Interview 16: Kenya Flower Council, phone 20.11.2008
Interview 17: Expoflores, phone via interpreter 08.12.2008
Interview 18: Asocolflores, phone 28.01.2009
Interview 19: Union Fleurs (and Swedish wholesaler) phone 13.12.2008
Interview 20: Jens Holst Holland (wholesaler) phone 31.01.2009