Impact of private public certification schemes and labels on smallholder participation in trade

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Consumer Expectations driving force behind policies and regulations

- 53% of Consumers find it easy to access sustainable and healthy food
- 47% of Consumers find it challenging to access sustainable and healthy food, due to high prices (48%) or they don’t know what sustainable/healthy means (25%)
- Consumers associate healthy food with the nutritional value of food, organic and non processed food
- Consumers associate sustainable food with good environmental management (51%), organic (42%) and locally produced (34%)
- Consumers make governments (46%), food distributors (37%), themselves (23%) and young people (15%) responsible for food being more healthy and sustainable
- Consumers are increasingly worried about pesticides (81%) and packing material (78%) contaminating the environment

Source: EAT-Globescan, Global Consumer Research on Healthy and Sustainable Food Systems, September 2021
Policies and Regulations; From Farm to Fork, The European Green Deal

Accessible and Affordable Healthy and Sustainable Food

Combating Climate Change, increasing Biodiversity and protecting the Environment

Increasing Agro-ecological Production

Reduction of Pesticides

Public Private Certification Schemes

Control & Compliance
Private public certification contribution to sustainability and poverty reduction

150 Sustainability Labels, what changed?

- Standards and Assurance Requirements guiding the operationalization of sustainable practices
- Sustainability schemes and regulations have created awareness amongst consumers and producers
- They mobilize investments and price/premium incentives
- They contribute to an increased supply chain dialogue and transparency

Impact and effectiveness on inclusive smallholder participation and poverty reduction however require:

- Existence of strong farmer organizations with bargaining power and support services to their members
- Access to private, public support (Governments/NGOs, Businesses)
- Access to finance
- Access and sales to improved markets (price, premium)
- Inclusive participation in Standard consultation and setting
Private public certification contribution to sustainability and poverty reduction

Challenges affecting contribution and impact;

- Oversupply (over 50%) of sustainable food in all schemes and labels
- Increase participation and competition of producers of scale
- Declining market prices and incentives
- Increasing costs of sustainable production (Climate Change, Covid)
- Over promises and lack of evidenced proof of impact
- Weak and/or inadequate EU sustainability regulations

Conditions to increase effectiveness;

- Inclusive Supply Chain Dialogue
- Supply Chain alignment on Strategy
- Supply Chain investment in sustainability
- Public Private support services
- Market demand
Policies and Regulations; EU Corporate Social Responsibility and Responsible Business Conduct

Businesses are expected to assess, respect, and address negative impacts on human and environmental rights in their operations and supply chains.

HREDD Standards
Mandatory Compliance, Prevent/Mitigate/Address

Root Causes of HER Violations; Low Income/Wages, decades of Unfair Purchasing Practices

Mandatory EU Corporate Social Responsibility and Responsible Business Conduct

Benzines are expected to assess, respect and address negative impact on human and environmental rights in their operations and supply chains.

Only Mandatory for a few large businesses, no investment nor long term relationship guarantee, high risks of cut and run

Risks of Smallholder Exclusion; Increasing Financial Burden, Commercial Risks, lack of private public support and investments

IHC 2022
Angers - France
Policies and Regulations; EU Organic Regulation 2018/848 on production and labelling

Increasing control and fair competition, from equivalence to full compliance

Same set of Rules and Regulations will not lead to more Equity nor Fairness, but to increased inequality

<table>
<thead>
<tr>
<th>European Smallholder Farmers</th>
<th>Southern Smallholder Farmers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relatively short Value Chains, higher value captured by farmers</td>
<td>Long Value Chains, multiple southern/northern intermediaries, low value captured by farmers</td>
</tr>
<tr>
<td>Access to Finance, Technology and Information</td>
<td>Limited Access to Finance, Technology and Information</td>
</tr>
<tr>
<td>Non Tropical Crops less impacted by Climate Change</td>
<td>Tropical Agricultural Crops highly impacted by Climate Change</td>
</tr>
<tr>
<td>Strong commercial entities, growing demand for local food, access to subsidies</td>
<td>Low Bargaining power, weakened even more by upcoming organic regulations</td>
</tr>
</tbody>
</table>

Smallholders feeding the world, driving rural development and employment
Smallholders in the Global South taking the lead in Organic Farming

- 24% of Organic Land
- 87% Organic Farmers
- 2.6 million Smallholder Farmers, 5,900 Producer Organizations in 58 Countries
- 10% of Bananas are Exported Organic
- 5% to 10% of export Bananas are produced by Smallholders
- 55% of Organic Bananas, mainly produced by Smallholders (81%) in the DR, followed by Peru (30%) produced mainly smallholders

Group certification enable participation, economy of scale in services, control and management of multiple schemes

Limits on farm size and group membership, increased focus on control (ICS, Sampling), lead to more costs and exclusion

Negative impact on household income, rural employment, Human Rights, Migration, Biodiversity and the Environment
Exclusion of Banana Smallholders; Case study
Dominican Republic

Price versus Costs of Production (US$)

- Net Household Income
  - US$ 0.80/box Fairtrade-Organic
  - US$ -1.20/box Organic

Productivity (boxes/ha/year)

- Smallholders only achieve 60% of productivity benchmark due to climate change
## Exclusion of Banana Smallholders; Case Study Dominican Republic

<table>
<thead>
<tr>
<th></th>
<th>5 Hectare Farm (Org./Fairtrade)</th>
<th>10 Hectare Farm (Org./Fairtrade)</th>
<th>6 Hectare Farm (Org./Fairtrade)</th>
<th>6 Hectare Farm (Organic)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boxes/Month</td>
<td>381</td>
<td>762</td>
<td>458</td>
<td>458</td>
</tr>
<tr>
<td>Farm Income US$</td>
<td>305</td>
<td>610</td>
<td>366</td>
<td>-550</td>
</tr>
<tr>
<td>Farm Income US$ (minus CC Financial Costs, 34%)</td>
<td>201</td>
<td>403</td>
<td>242</td>
<td>-674</td>
</tr>
<tr>
<td>Farm Income US$ (minus CC+SS self employment costs 21%)</td>
<td>159</td>
<td>318</td>
<td>191</td>
<td>-725</td>
</tr>
<tr>
<td>LW Benchmark</td>
<td>319</td>
<td>319</td>
<td>319</td>
<td>319</td>
</tr>
<tr>
<td>Living Income and/or Gap US$</td>
<td>-160</td>
<td>-1</td>
<td>-128</td>
<td>-1,044</td>
</tr>
</tbody>
</table>
Exclusion of Banana Smallholders; Case Study Dominican Republic

Smallholders (producing 60% of the Banana Boxes considered achievable in the DR) turnover is above the maximum turnover as defined by the EU, Farmers Household Income is negative.

Exclusion; back to conventional, or simply the end of family farming, increased poverty and migration.

<table>
<thead>
<tr>
<th>6 Hectare Farm</th>
<th>Organic Turnover (US$ 7/box)</th>
<th>Organic Fairtrade Turnover (US$ 9/box)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,492 Boxes/Year</td>
<td>US$ 38,444</td>
<td>US$ 49,428</td>
</tr>
<tr>
<td>Turnover Euros</td>
<td>Euros 36,522</td>
<td>Euros 46,957</td>
</tr>
<tr>
<td>Max. Turnover Group Certification members</td>
<td>Euros 25,000</td>
<td>Euros 25,000</td>
</tr>
</tbody>
</table>
Impact of low smallholder income and exclusion on human and environmental rights

Low Income and Wages;

- Decreasing Prices
- Climate Change
- Increasing Production Costs
- Covid
- Unfair Purchasing Practices
- Unfair Value Distribution

Salient Human and Environmental risks and Violations;

- Poor standards of living
- Low wages
- Poor labour, health and safety conditions
- Forced Labour, increase presence of migrant labour
- Land degradation
- Decreased biodiversity in and above the ground
- Poor investments in Climate Change

Living Income and Wages, a Human Rights and precondition to fulfill and have access to other Human and Environmental Rights
Impact of private public certification schemes and labels on smallholder participation in trade

### EU organic and HREDD regulations, private public certification schemes/labels

<table>
<thead>
<tr>
<th>Benefits</th>
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<tbody>
<tr>
<td>Increases access to Sustainable and Healthy Food</td>
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<tr>
<td>Fairness in Trade</td>
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<tr>
<td>Climate change adaptation and environmental protection</td>
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<tr>
<td>Enhanced Biodiversity</td>
</tr>
<tr>
<td>Respect for all Human and Environmental Rights</td>
</tr>
</tbody>
</table>

### EU and Consumers Aspiration

Certification Schemes/Labels converting aspirations into standards

### Conditions for Impact;

1. Standard consultation and setting with smallholders, adapted to local context
2. Access to finance and support from governments, NGOs, businesses
3. Strong Farmers Organizations and Services
4. Access to improved markets, prices and premiums

### Limited or no consultation, poor adaptation to local context

- Limited access to finance and no guarantee for support
- Organizations weakened by Organic upcoming Regulations
- Oversupply, increasing competition, no price guarantees
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Organic Regulation 2018/848

2.6 million smallholders, 5,900 organizations, representing a high number of the 87% organic farmers located in the global south

Same set of rules for farmers living, producing and trading in very different social, economic, environmental and agronomic realities; Increased inequalities and EXCLUSION

No Fair, inclusive and competitive environment, risk of reducing the production and offer of healthy and sustainable food, no fair return for those that produce the food
Impact of private public certification schemes and labels on smallholder participation in trade

Banana smallholders, Minority in Global trade, Majority in producing Organic and Fairtrade Bananas; Smallholders historically driving Social and Environmental Justice

Smallholder exclusion; Avoid mayor harm and Achieve EU and Global Ambitions, starting with recognizing the important role smallholder play in sustainability and poverty reduction, including the fulfilment of Human and Environmental rights

Organic, HREDD and increasing standard requirements, banana price decreases, climate change, rising costs and increasing competition (oversupply) in sustainable markets by bigger players
Impact of private public certification schemes and labels on smallholder participation in trade

Call for Action; Laws, regulations and standards need to be revised and adapted to secure inclusiveness and meaningful Smallholder participation