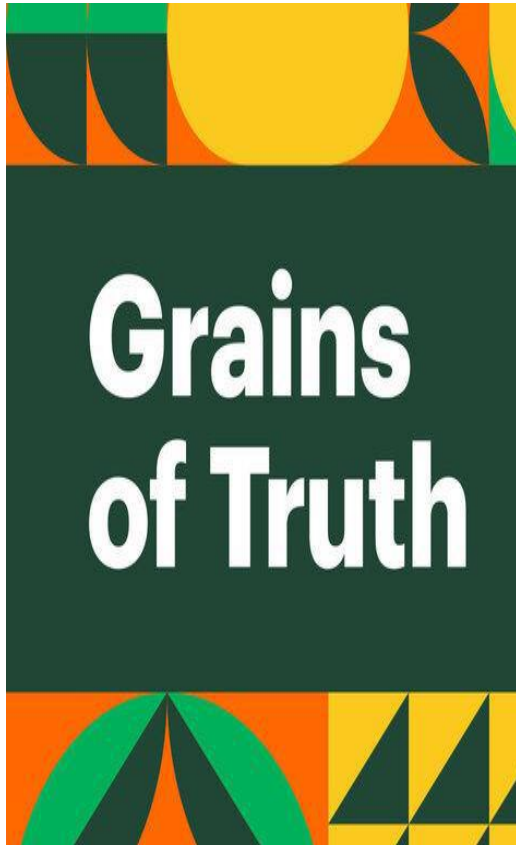


Impact of private public certification schemes and labels on smallholder participation in trade

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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

Policies and Regulations; From Farm to Fork, The European Green Deal

Combating Climate Change,
increasing Biodiversity and
protecting the Environment

Accessible and
Affordable Healthy and
Sustainable Food

Increasing Agro-
ecological Production

Reduction
of Pesticides



Control & Compliance



Public Private Certification Schemes



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



HREDD Standards
← Mandatory Compliance,
Prevent/Mitigate/Address

Mandatory
EU Corporate
Social
Responsibility
and
Responsible
Business
conduct

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

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



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

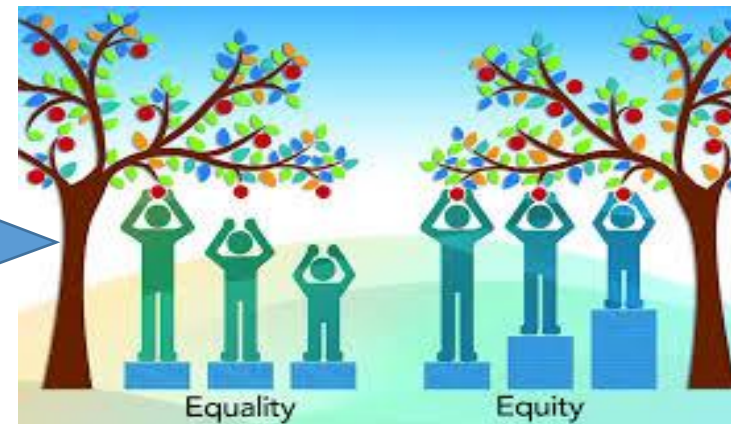
Risks of Smallholder Exclusion;
Increasing Financial Burden,
Commercial Risks, lack of private
public support and investments

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



Smallholders feeding the world, driving rural development and employment



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

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

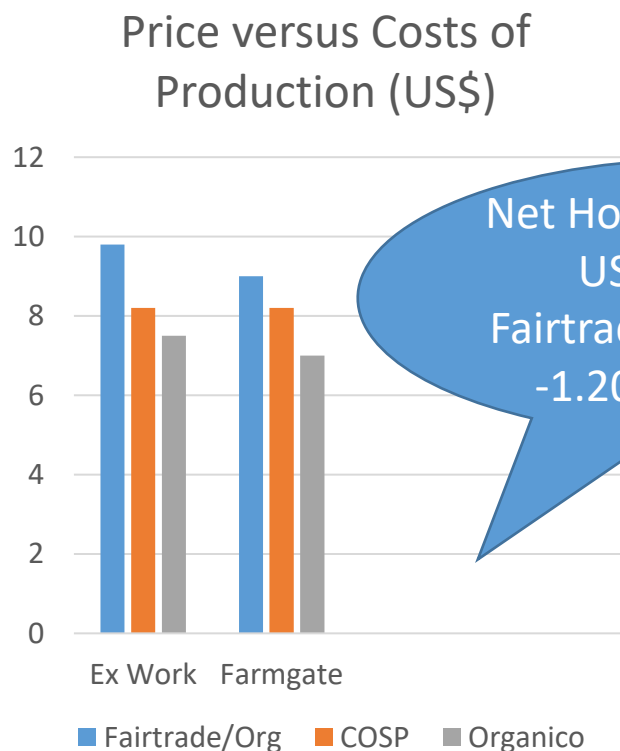


Group certification enable participation, economy of scale in services, control and management of multiple schemes

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

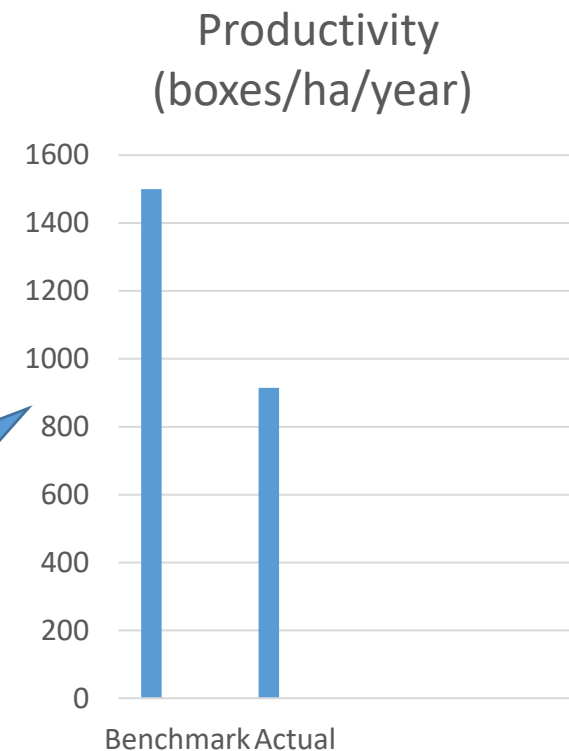
Negative impact on household income, rural employment, Human Rights, Migration, Biodiversity and the Environment

Exclusion of Banana Smallholders; Case study Dominican Republic



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

Smallholders only
achieve 60% of
productivity
benchmark due to
climate change



Exclusion of Banana Smallholders; Case Study Dominican Republic

Smallholder
Farmers
Income does
not cover the
costs of
Independent
Organic
Certification
(US\$ 3,850)

	5 Hectare Farm (Org./Fairtrade)	10 Hectare Farm (Org./Fairtrade)	6 Hectare Farm (Org./Fairtrade)	6 Hectare Farm (Organic)
Boxes/Month	381	762	458	458
Farm Income US\$	305	610	366	-550
Farm Income US\$ (minus CC Financial Costs, 34%)	201	403	242	-674
Farm Income US\$ (minus CC+SS self employment costs 21%)	159	318	191	-725
LW Benchmark	319	319	319	319
Living Income and/or Gap US\$	-160	-1	-128	-1,044

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

6 Hectare Farm	Organic Turnover (US\$ 7/box)	Organic Fairtrade Turnover (US\$ 9/box)
5,492 Boxes/Year	US\$ 38,444	US\$ 49,428
Turnover Euros	Euros 36,522	Euros 46,957
Max. Turnover Group Certification members	Euros 25,000	Euros 25,000

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

Increase in migration to urban areas and abroad, young people unwilling to stay in agriculture



Living Income and Wages, a Human Rights and precondition to fulfill and have access to other Human and Environmental Rights

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

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

EU and
Consumers
Aspiration

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

Increases access to Sustainable and Healthy Food

Fairness in Trade

Climate change adaptation and environmental protection

Enhanced Biodiversity

Respect for all Human and Environmental Rights

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

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

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



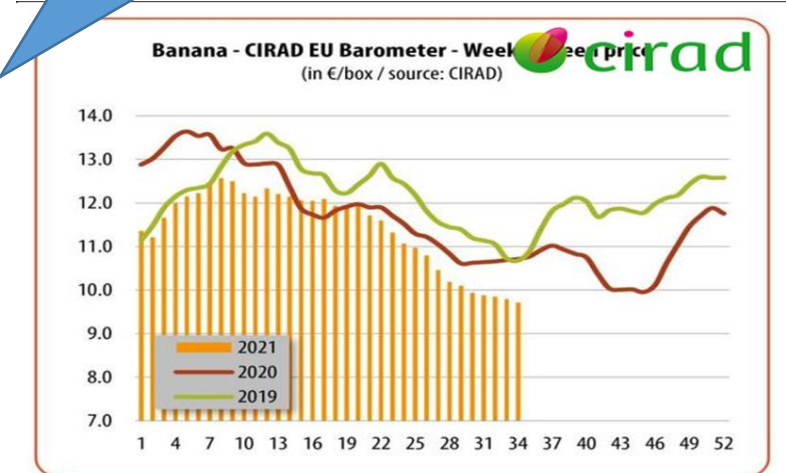
Impact of private public certification schemes and labels on smallholder participation in trade

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



Organic, HREDD and
increasing standard
requirements, banana price
decreases, climate change,
rising costs and increasing
competition (oversupply) in
sustainable markets by
bigger players

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



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

