



Food and Agriculture
Organization of the
United Nations



TERRITORIAL MARKETS FOR SUSTAINABLE AGRICULTURE

Unleashing the potential of territorial markets for incentivizing
the adoption of sustainable agricultural practices

INTRODUCTION

Smallholder farmers are responsible for most of the world's food production and most of the investments made in agriculture. These farmers operate largely in a range of local and national markets that are embedded in territorial food systems, also known as "territorial markets".¹ Most food transactions take place in these markets, and they are crucial to ensuring that smallholders can access markets and sustain their livelihoods (CFS, 2016).

Improving access and inclusion for sustainable smallholder producers in territorial markets – including by recognizing and rewarding such producers for the variety and quality of products they offer – therefore has the potential to catalyse a shift towards sustainable food systems. From a consumer perspective as well, these markets serve as key retail outlets for access to food in particular fresh fruits and vegetables, fish, meat and staple foods.

But despite their importance and the critical role they can play in supporting sustainable farming practices, territorial markets are very

often neglected in sustainable development plans – usually due to information gaps or a lack of understanding of their potential. They are generally not included in national data on food market operations, and as a result there is no official, national-level data on this particular sector that can be disaggregated and analysed.

To address this, the Food and Agriculture Organization of the United Nations (FAO) developed and published a comprehensive methodology for the mapping of territorial markets (FAO, 2022). The methodology was used to conduct mapping processes for territorial markets in several countries – including Burkina Faso, Mali, Paraguay, and the United Republic of Tanzania – and the data collected through these mapping processes was in turn used to analyse specific dynamics across food retailers and consumers in the territorial markets involved. In particular, the analysis sought to understand how existing gaps hinder the prioritization of sustainably produced food products, and to explore the potential of territorial markets to drive change towards sustainable food systems.

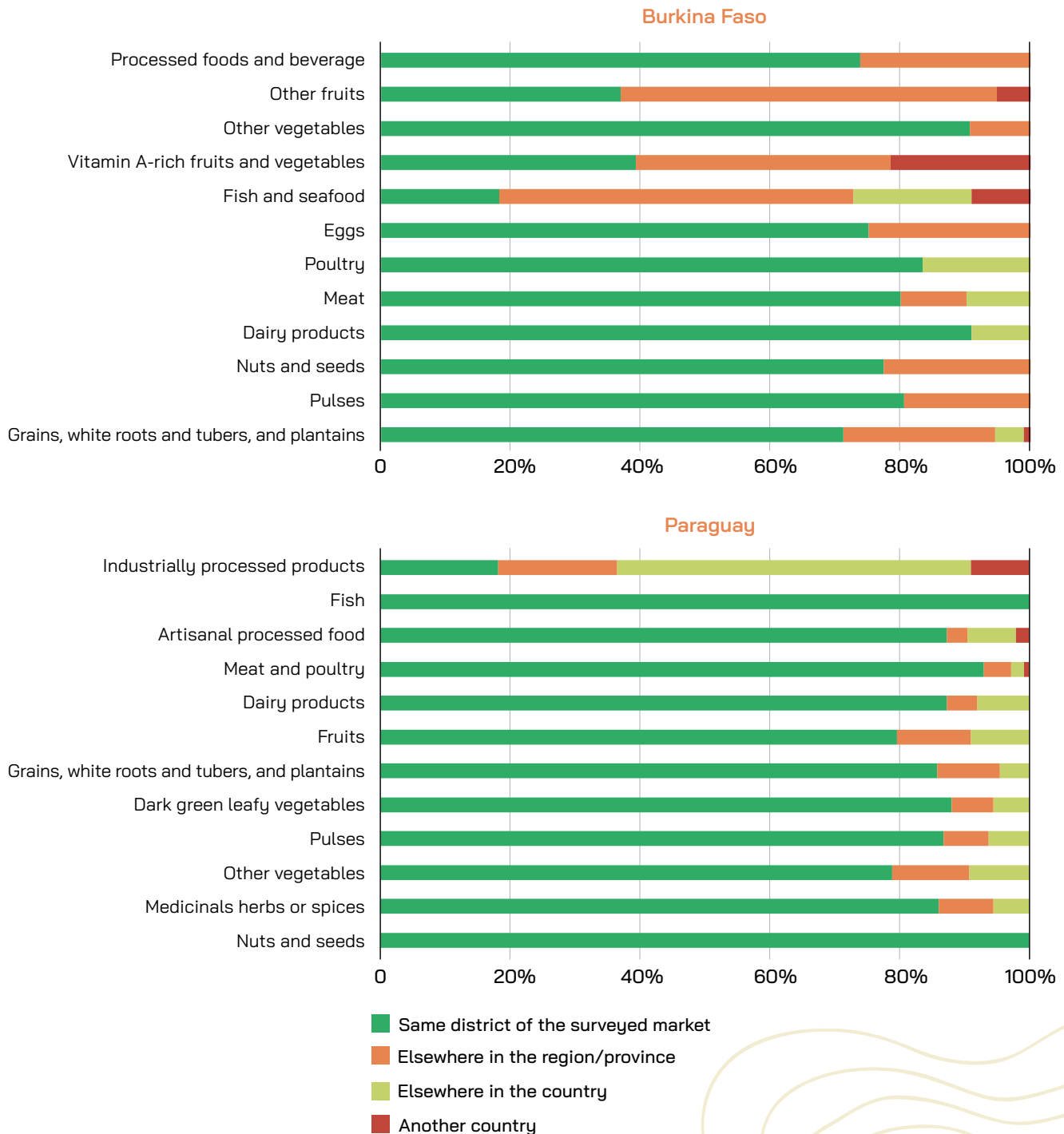
¹ Territorial markets are local or national food markets that are embedded in territorial food systems, in which the majority of products sold are produced within the same territory.

THE ROLE OF TERRITORIAL MARKETS IN LOCAL FOOD SYSTEMS

Territorial markets serve as critical sales outlets for local producers. In Africa's food sector for example, 80 percent of domestic food supplies are purchased in markets that are primarily made up of small and medium enterprises (SMEs), while only 20 percent remain within farm households

(for own consumption). As seen in Figure 1, most of the products that are sold in territorial markets are produced in the district where the market is located, thus confirming their importance to local food systems.

Figure 1. Geographical origin of products, by food group



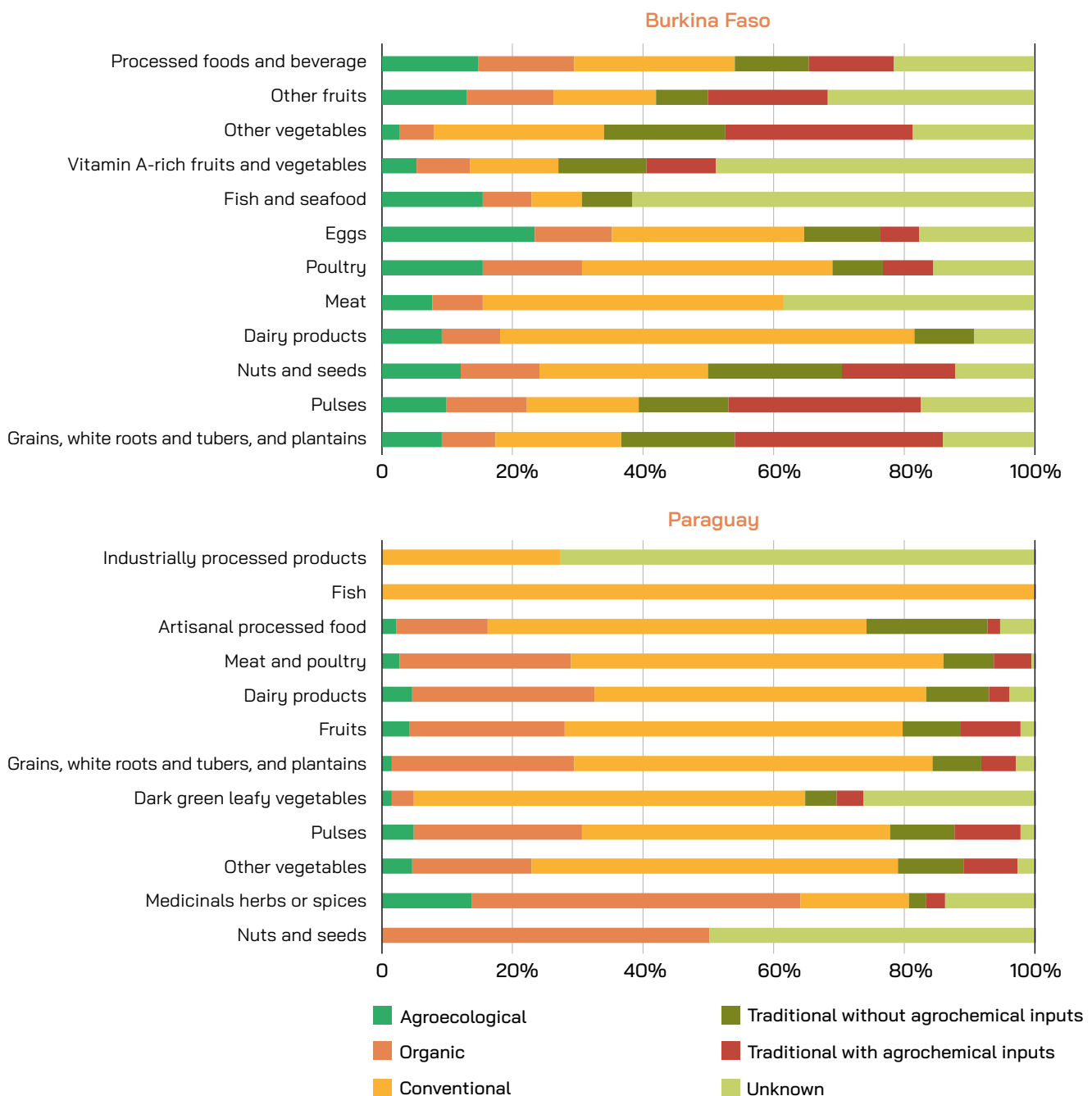
Source: Authors' own elaboration.

HIGHLIGHTING THE VALUE OF SUSTAINABLY PRODUCED FOODS

Locally sourced products are essential to sustainable food systems, and the advantages that territorial markets offer in connecting supply and demand at the local level are clear. But in many other ways, sustainably produced foods are more difficult to identify and assess, given the lack of traceability, certification and labelling systems – all of which limits understanding among consumers regarding the full value of such products. This not only impacts the benefits that sustainable producers may obtain through their participation in territorial markets; it also limits consumers to less informed choices in their purchasing.

As an example, Figure 2 shows production methods for territorial markets in Burkina Faso and Paraguay, by food group. Results indicate that for almost every food group, retailers who sell agroecological or organic products are a minority. More importantly, the share of retailers who are unaware of the production methods for their products is remarkable, exceeding 50 percent for some food groups such as fish and seafood (in Burkina Faso) and nuts and seeds (in Paraguay). Product traceability therefore remains a major issue in territorial markets.

Figure 2. Production methods, by food group



Source: Authors' own elaboration.

TURNING POTENTIAL INTO IMPACT

The establishment of product certification and labelling systems often has cost implications for producers. In many cases this hinders their implementation, whereas in others it may mean they are implemented as part of an upgrade and/or investment to access niche markets – hence resulting in products that are affordable only to middle – and high-income consumers. Nevertheless, several low-cost certification systems have emerged in recent years, in particular Participatory Guarantee Systems (PGS), as supported by the International Federation of Organic Agriculture Movements (IFOAM):

Participatory Guarantee Systems (PGS) are locally focused quality assurance systems. They certify producers based on active participation of stakeholders and are built on a foundation of trust, social networks and knowledge exchange (IFOAM, 2019).

The aim of this type of certification system is to create a local framework for production and consumption, whereby multiple stakeholders experiment with sustainable agriculture technologies while also collectively ensuring that the production techniques are adopted, by setting standards and verifying their compliance (i.e. through governance arrangements) (FAO/INRA, 2016; FAO and INRAE, 2020).

Originally emerging in the 1970s as an experiment in organic agriculture in the United States of America, Japan and Brazil, PGS are now found in 26 countries around the world. They offer an accessible and cost-efficient approach for making organic or agroecological products more easily identifiable to consumers, thus enabling them to make more informed food purchasing choices, while at the same time helping to ensure that producers are rewarded for the sustainable agricultural practices they adopt.

BOX 1

Solutions in action 1: Namibian Organic Association

Namibia is one of the most vulnerable countries to climate change impact. As part of a response to environmental degradation in the country, the Namibian Organic Association (NOA) was created in 2009, and functions as a member-based organization of organic farmers and consumers demanding healthy, high-quality, organic and eco-friendly food. To support farmers in accessing local markets and to guarantee sustainable organic practices and products, NOA organizes its system

around a locally adapted PGS. As of 2015, NOA's PGS consisted of a network of 11 certified farmers who cultivate about 30 000 ha organically. Since in-country demand for certified organic products was too small to justify the costs related to a third-party certification system, the NOA PGS was adopted as a low-cost certification mechanism. The PGS allows consumers to make informed purchasing decisions, while also ensuring farmers receive recognition for their sustainable farming practices.

Smith, M. & Barrow, S. 2016. *Namibian Organic Association's Participatory Guarantee System*. In: Loconto, A., Poisot, A.S. & Santacoloma, P., eds. *Innovative markets for sustainable agriculture – How innovations in market institutions encourage sustainable agriculture in developing countries*, pp. 37–56. FAO and INRA, Rome, 2016.

BOX 2

Solutions in action 2: Caritas in Cambodia

The province of Battambang is situated in the extreme northwest of Cambodia, and borders Thailand. It is one of Cambodia's poorest provinces, with many rural families lacking access to agricultural land and working as casual labourers. Most of the land is used to grow rice, and there are only a few farmers who grow a limited range of vegetables such as cucumber, bitter melon and long bean. Caritas Cambodia works with poor and marginalized people in the province to provide assistance and promote sustainable agriculture for improved livelihoods. By the end of 2017, the

organization had begun supporting three local PGS groups in Battambang: the Green Farmer Group (14 members), the Kasekor Chamroeun Phal (18 members) and the Kasekor Rungroeng (8 members). All three groups supply their PGS-certified products to markets in Battambang, where there is significant local demand for organic produce and farmers can get premium prices for their products. Caritas has also partnered with a local restaurant in Battambang, which buys PGS-certified organic produce from the farmers on a regular basis.

Moura e Castro, F., Katto-Andrighetto, J., Kirchner, C. & Flores Rojas, M. 2019. *Why invest in Participatory Guarantee Systems? Opportunities for organic agriculture and PGS for sustainable food systems*. Rome, FAO and IFOAM - Organics International. www.fao.org/documents/card/en/c/ca6641en



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