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Costa Rica



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Better marketing opportunities for family farming and small-scale agriculture firms

**Costa Rica's Institutional Food Supply Program, a public initiative
to promote local food production systems**

Summary and key figures

In response to a request from the country's authorities, the Country Office in Costa Rica of the Food and Agriculture Organization of the United Nations (FAO) has contributed to improving and strengthening the marketing services provided by the State to small and medium-scale farmers in Costa Rica. In particular, FAO has focused on the services provided to farmers by the National Production Council (CNP), an institution under the stewardship of the Minister of Agriculture and Livestock. It is in this context that FAO has supported, among other initiatives, the improvement of the Institutional Food Supply Program (PAI, acronym in Spanish), administered by the CNP. The PAI is responsible for supplying public entities with food products of agricultural, agro-industrial, aquaculture and fishing

origin. Since 2008, public entities have been obliged to source food products through the PAI, which, in turn, must be supplied with national products from small and medium-scale producers.

Through the improvement of marketing services and the institutional capacities of the CNP, currently chaired by the head of the Regional Network of Public Food Supply and Marketing Systems (SPAA), FAO has helped to strengthen the PAI, which has tripled its sales in the last six years. Today, the PAI generates nearly 24 000 jobs, partners with 273 agribusinesses that supply raw materials for food processing and has sales totalling USD 112.1 million, accounting for 41 percent of the country's public food purchases.

Implementation period:	Phase 1: Design and implementation of a pilot project with marketing support instruments: From August 2011 to January 2013. Phase 2: Strengthening of institutional technical capacities through exchanges with other countries in the region: From November 2018 to June 2020.
Location:	Costa Rica, throughout the country.
N.º of indirect participants:	23 800 jobs (small producers, employees, others) generated by the Institutional Food Supply Program (PAI).
Executor:	FAO / Ministry of Agriculture and Livestock (MAG) / National Production Council (CNP).
Financing institution:	FAO.
Investment:	USD 70 000.
Partnerships:	Regional Network of Public Food Supply and Marketing Systems (SPAA) / Regional System of Intelligence and Monitoring of Agricultural Markets (SIMMAGRO) / Integrated Agricultural Marketing Program (PIMA).
Key words:	Solidarity market, public procurement, local food systems, social responsibility, public investment, endogenous socioeconomic development.



The Institutional Food Supply Program offers a fair trade opportunity for small and medium-scale agriculture firms and agro-rural companies

The Costa Rican agri-food sector plays an important role in the national economy, contributing approximately 15 percent of the country's Gross Domestic Product and occupies second place in the generation of national employment.

Considering this situation, the country's authorities have placed a special emphasis on strengthening the internal market and facilitating the marketing of agri-food products by small and medium-sized farmers. These priorities are explicitly established in the State Policy for the Agri-Food Sector and Territorial Rural Development (2010–2021), as well as in the Policy Guidelines for the Agricultural, Fishing and Rural Sector (2019–2022) and the Sectoral Plan (2019–2022).

As part of this effort, a reform was carried out in 2008 of the Institutional Food Supply Program (PAI), which is administered by the National Production Council (CNP) under the stewardship of the Ministry of Agriculture and Livestock (MAG). Since then, the PAI is no longer seen as *"merely an instrument to meet the demand of Public Entities for agri-food products, but expressly as a solidarity market, a space for micro, small and medium-sized agribusinesses to grow"* (CNP, PAI Management Summary, 2018). In this regard, it is understood that the public purchase of food offers a stable market opportunity, at fair prices, and constitutes an important instrument for boosting local economies. Institutional food supply is now regarded as a program that is interrelated with other public services to improve the income of the target population (micro, small, medium-sized producers and agro-rural companies) and the sustainability of their production systems.

In this scenario, the FAO Country Office in Costa Rica has focused its efforts on supporting the country's government in the design and improvement of public

policies for agri-food marketing, focusing on three main supply chains: i) the PAI; ii) farmers' markets; and iii) the National Center for Food Supply and Distribution (CENADA), Costa Rica's first wholesale market. In addition, FAOCR has participated in an important process of improvement of the School Feeding Program, which in 2017 introduced changes in school menus to address the problem of obesity. More recently, in the program's ongoing second Phase, FAO has contributed to the strengthening of the PAI through the exchange of experiences and knowledge between public procurement programs in six countries of the region (Barbados, Brazil, Costa Rica, Ecuador, Jamaica and Mexico), thereby reaffirming its support for this marketing mechanism.

This document focuses on systematizing FAO's support for the CNP and, in particular, the PAI, while incorporating some of the actions it developed in other marketing spaces.



Strengthening the Institutional Food Supply Program

In 2008, the Institutional Food Supply Program was strengthened with the approval of Law N.º 8700, which reformed Law N.º 2035 through the following changes to Article 9, among others (CNP, Management Summary of PAI, 2018):

- Ratifies and affirms the principle of exclusivity, understood as the obligation of public institutions to purchase agricultural food supplies directly and exclusively from the CNP.
- Defines micro, small and medium-sized agricultural, agro-industrial, fishing and aquaculture producers as the CNP's priority suppliers. In this regard, the PAI's mission is defined as supporting small and medium-sized producers in their productive and social development and guaranteeing the supply of affordable, quality, and safe food that contributes to the country's food security.
- It is clearly stated that the CNP cannot relinquish or delegate this responsibility in any way.
- In exceptional cases, the CNP may purchase products from large suppliers (companies, consortiums etc.) to ensure the supply of products that priority suppliers are unable to produce, or while priority suppliers are being prepared by the CNP to replace them when appropriate.

Establishing the supply of public marketing support services for family farming and small and medium-sized agri-rural businesses

The FAO faced a dual challenge to:

- » Identify, design and launch, on a pilot basis, a portfolio of marketing services that facilitate the integration of agricultural and rural Micro, Small and Medium-sized Enterprises (MiPyME) in the PAI and other marketing chains.
- » Develop and strengthen the institutional capacities of the PAI, through internal actions and exchanges with other countries, within the framework of South-South cooperation.



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Participants

Over 270 suppliers, representing nearly 24 000 jobs

During 2019, the PAI was supplied by 273 agribusinesses that employed, directly or indirectly, 23 800 people (self-employed producers, employees of agro-rural companies, among others). The portfolio of suppliers is mostly comprised of micro and small enterprises and social organizations (76 percent). They are located in all regions of the country and mainly supply fruits, vegetables, and meats.

Figure 1.
PAI suppliers according to size (2017).

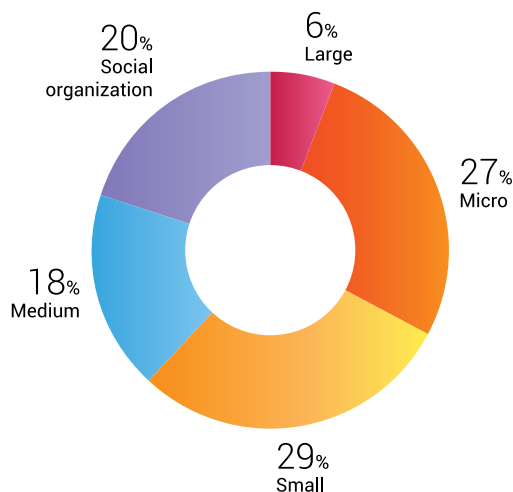


Figure 2.
PAI suppliers according to location (2018).

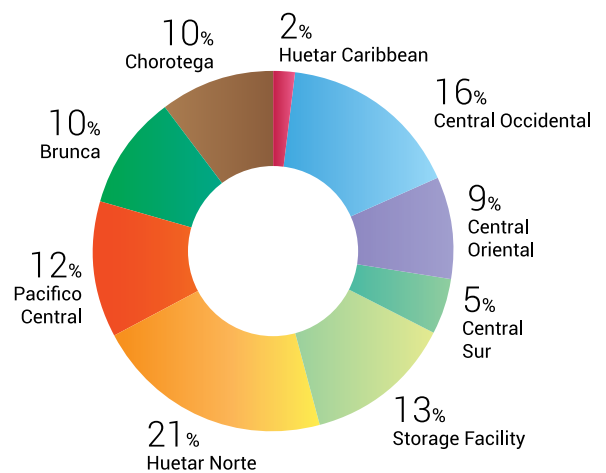
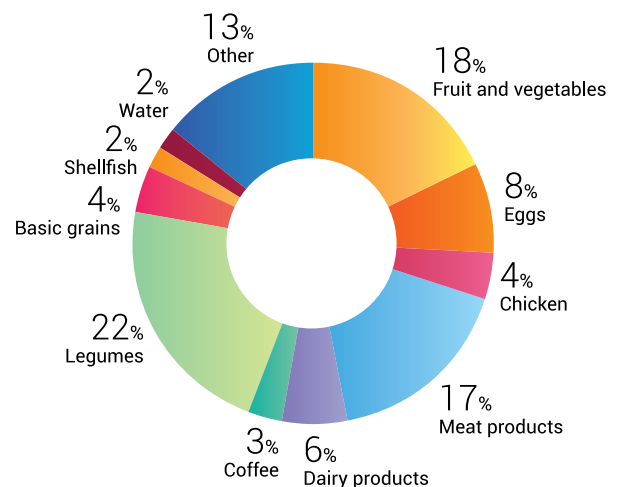


Figure 3.
PAI suppliers according to sector (2018).



Source: Agro-commercial Department, PAI.

Participatory design of a program developed with and for small and medium-sized producers

In order to respond to these challenges, FAO promoted a dialogue with the CNP and producers' associations to identify their demands and priorities, as well as existing institutional capacities. As a result, a portfolio of public marketing support services, adapted to local demand, institutional capacities and the strategic guidelines of State policy, was agreed and implemented at the pilot level. The process was based on the actions described below.

Main actions

Phase 1.- Design and start-up

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| <p>1 Identification and characterization of the demand and needs of users in terms of marketing services. As a starting point of the work, interviews and focus groups are carried out in different regions of the country to identify needs. The potential population is characterized and quantified, by type of producers and companies.</p> | <p>The main demands of producers and producers' associations were:</p> <ul style="list-style-type: none"> » Better access to information on prices, products and markets. » Improvement of the PAI operations. » Need for standards and procedures for the classification and traceability of agricultural products. » Support for the association of agricultural producers. » Need for education and training to improve the marketing of their products. |
| <p>2 Design of a portfolio of marketing support services tailored to user demand and needs, and to the institutional context. Generation of complementary information.</p> | <ul style="list-style-type: none"> » Market study and food commercialization. » Information on prices, products and markets. » Classification and traceability of products and redesign of the PAI. » Education and training of farmers. |
| <p>3 Launch of the new support services and training of the human and institutional capital necessary for their implementation. The services are provided in three chains (PAI, farmers' markets, CENADA).</p> | <ul style="list-style-type: none"> » Start-up, on a pilot basis, of three marketing support services (Information system; certification in Good Agricultural Practices (GAP); product classification). » Design of a web page. » Training of officials and producers in GAP, and in informed decision-making (for farmers' markets). » Technical advice from FAO to the CNP authorities for the implementation of the portfolio of prioritized services at the institutional level. |

Phase 2.- Institutional strengthening

- 4 Visibility and strengthening of the PAI. » Exchange of experiences to strengthen technical capacities, with the support of the Regional Network of Public Food Supply and Marketing Systems (SPAA).



The validation of marketing support services and strengthening of the program

- » **Product classification.** The pilot project was carried out with three production chains: the vegetable, fruit and livestock chains. In each chain, a group of farmers and producer associations that supply the PAI were taught to classify their products using existing classification protocols and a produce inspection guide. A team of technicians was also trained in this classification process.
- » **Certification in Good Agricultural Practices (GAP).** This certification is aimed at small and medium-sized producers that supply produce to farmers' markets. It is based on a protocol with minimum compliance levels in the different phases and audit reports. Technical staff received training to provide advice and information related to GAP, and a GAP Guide was developed.
- » **Development, together with other public institutions, of the Agri-Food Market Information System (SIMA).** The CNP, with the support of FAO, has developed SIMA, a platform that aims to convert market information into a useful tool for identifying business opportunities, reducing uncertainty and making informed decisions. This system integrates the information systems of both the CNP and the Integrated Agricultural Marketing Program (PIMA). It includes standardized price collection methodologies, incorporates the product quality variable in the collection of information, and provides a new methodology for calculating reference prices for the PAI. It also offers a versatile and dynamic reporting system, providing information on prices, products and markets, which is tailored to the needs of the different actors in the chain (producers, agribusiness suppliers, technicians, institutional customers and consumers).
- » **Integration of the CNP into the Regional Network of Public Food Supply and Marketing Systems (SPAA).** Established by FAO in 2015, today the SPAA network groups 15 countries. The CNP joined in 2016 and has headed the network since 2019.
- » **Strengthening of the technical capacities of CNP staff** in the management of price information systems, crop projections and market intelligence. This training process, aimed at members of the CNP technical teams, is based on exchanges between the member countries of the SPAA network, considering, in particular, the experiences of Mexico and Brazil.



Today, the program sells food products worth USD 112 million, tripling its sales in the last six years

As a result of the institutional strengthening and the implementation, supported by FAO, of the new marketing services, there has been clear growth of the PAI in recent years. Thus, in the period 2013–2019, the number of suppliers increased by 210 percent, and sales rose by 366 percent, representing 41 percent of the institutional food market. In addition, 92.5 percent of the suppliers are micro, small or medium-sized companies.

Development of the PAI: Key figures		
	2013	2019
No. of direct and indirect jobs	-	23 800
No. of suppliers	88	273
Total sales	USD 30.6 million	USD 112.1 million
% PAI/Total institutional demand	18.4%	41.0%

Behind these figures, there is a set of benefits for small-scale farmers and their associations as follows:

- » The increase and stabilization of the income of suppliers, who can access fairer prices, with an intermediation margin that only covers the administration costs of the PAI (the differential between the producer price and the purchase price paid by the public entities is 9.9 percent).
- » The systematization of the marketing process and the management of online orders.
- » The insertion of producers in a systematic process of improvement, which will allow them to be integrated into other marketing chains.
- » The revitalization of the local economy due to the generation of employment in the different links of the chain (23 800 jobs).
- » Strengthening of the associativity of small producers at the local level, which actively participate in the decision-making of agribusinesses.
- » Strengthening of agribusinesses through: i) their tax and pension formalization; ii) obtaining health certificates and marketing permits for their products; iii) improvement of the infrastructure for the storage and processing of food products; and iv) value added innovation, among others.

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Success factors

Political will and creation of spaces for dialogue and coordination

- » The political will of the CNP's authorities to change the Council's management model, and to generate marketing alternatives for small-scale producers and local agribusinesses, has been essential for the development of the program.
- » The creation of spaces for dialogue to listen to and identify the needs of producers and their associations was important, since this facilitated the design of public services that give effective responses and generate greater impacts at the social and economic level.
- » The strengthening of spaces for intersectoral and inter-institutional coordination, with the participation of government institutions, the social and productive sector, as well as intermediate governments and producer associations, was crucial to joining efforts in the development and design of proposals to improve the PAI.
- » The presence of technical teams, at the territorial level, to monitor the development of the program and ensure its proper functioning (governance at the territorial level) is necessary to strengthen production and marketing.



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Replicability and scalability

The development of the program and the strengthening of producer associations

The support of FAO has clearly contributed to the scaling up of the program, promoting the participation of more local producers and strengthening the associative fabric and economic capacity of producer associations. Thus, cooperatives have been able to obtain financing to improve their value-added processes, move up the value chain and exchange experiences to improve the production capacities of other farmers.

Through the Regional Network of Public Food Systems (Red SPAA), coordinated by FAO, which currently groups 15 countries, valuable feedback has been generated on the programs in different countries. This helps to facilitate the replication of good practices and innovative solutions, improving the institutional management of each member and the sustainability of the processes.

Four main recommendations

- » **Direct dialogue with producers generates trust.** Producers involved in the PAI should be considered partners and not simply as suppliers of products. Establishing a closer link with producers is essential, which is why an emphasis was placed on the development of meeting spaces for planning actions, evaluating processes and generating reports.
- » **Inter-institutional coordination is key to generate better and larger-scale impacts.** The projects involved in this experience focused their efforts on improving the governance of public institutions and generated coordinated and consensual interventions, thereby optimizing human, technical and technological resources, and achieving concrete positive changes in the beneficiaries.
- » **Information is essential in decision-making.** The contribution of FAO to the development of the Integrated Agricultural Market Information System (SIMA) was essential. Today, the system continues to function and contribute to the decision-making processes of authorities, consumers and producers.
- » **Adequate support for public programs facilitates their scalability.** Strengthening public programs by improving their design and tools, with adequate support from FAO, contributes to their scalability.



Scale, inclusion, intersectorality and generation of information

- » Support for a large-scale, inclusive public program that allows small and medium-sized agriculture firms to access a market that guarantees fair prices and income stability.
- » Strengthening institutional capacity in a space for regional exchanges through the Network of Public Food Supply and Marketing Systems (Red SPAA).
- » Support for a public program that acts as a link between production and consumption, and promotes: i) inclusive food supply in public programs; ii) diversification of diets; iii) the revitalization of the local economy; and iv) the improvement of living conditions of thousands of families.

Gender

- The equal participation of men and women in all the proposed activities was promoted.
- Women run most of the food production enterprises.
- Income opportunities are generated for women and youth who participate in the PAI.

Social inclusion

- The PAI is an inclusive program at both ends of the chain: it buys from micro and small businesses, and it provides good quality local food to vulnerable populations (children, those with illnesses, among others).

Social participation

- Identification and characterization of the demand and needs of producers, in terms of marketing services.
- Development and coordination of proposals to improve the PAI management model with the participation of local producers.

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- **Notes:** [Nota 1](#); [Nota 2](#); [Nota 3](#); [Nota 4](#)
- **Videos:** [Video 1](#)