

## Voluntary standards: Impacting smallholders' market participation

Voluntary standards are rules, guidelines or characteristics about a product or a process. They are not mandatory regulations, but are used voluntarily by producers, processors, retailers and consumers. These voluntary standards are usually developed by private sector actors (e.g. firms or consortiums), representatives of civil society, or public sector agencies.

Voluntary standards are part of a growing trend in global markets. As a result, FAO and member countries are being asked to respond adequately to the opportunities and challenges presented by business models that could foster both increased food security and better market access for small-scale producers.

FAO reviewed the current evidence of the impact of voluntary standards on smallholders' ability to participate in markets and found that it is limited mainly to three standards: GLOBALG.A.P., fairtrade and organic. Moreover, most studies focus on coffee and horticulture products, and cover only a handful of countries: Costa Rica, Kenya, Mexico, Peru and Uganda.

### Recommendations

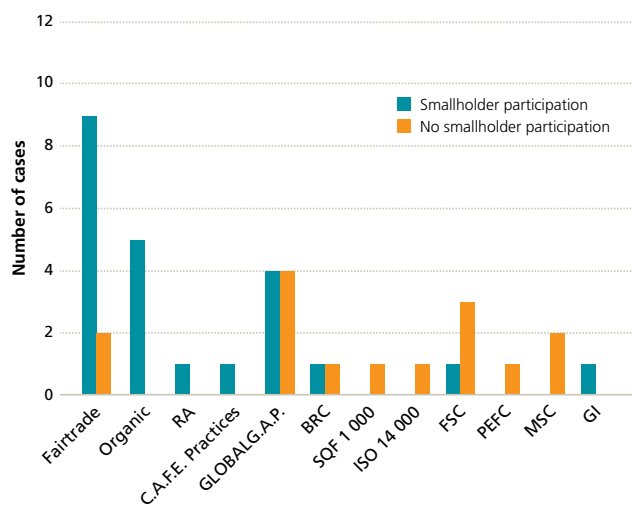
The effects of voluntary standards are influenced by already existing farmer capacity, institutional context and the value chain structure for each commodity. This leads to immediate and medium-term cost/benefit outputs and outcomes, which influence how smallholders are able to participate in certified markets. We see four important trends:

### Key messages

- Equitable and sustainable supply chain linkages, increased access to assets, and support for cooperative development are incentives for complying with standards.
- Both public and private actors have comparative advantages for supporting voluntary standards and are most effective when combined.
- Governments can provide services – infrastructure and proper legislation – that facilitate the inclusion of smallholders in certified value chains.

- The ability of exporters and farmers to meet standards requirements largely depends on assets, knowledge of certification and pre-existing relationships with certified value chains. However, upgrading is possible when the standards act as market incentives (e.g. long-term contracts) for small-scale producers to adopt better practices.
- Economies of scale are common in certified markets and small-scale farmers need to act collectively. The decisions made by retailers, manufacturers and importers are fundamental to the impact and success of voluntary standards. There is some evidence of smallholder exclusion, particularly in private food safety standards where these are de facto mandatory for entering the market.
- In most sectors and countries, compliance with standards and certification does increase costs but also increases farmgate prices. Some evidence of increased profitability was found for fairtrade and organic certification. This was because of different combinations of increased prices, increased yields or decreased costs.

## Which voluntary standards are the most inclusive?\*



Source: FAO, 2013.

\* These data are based on 30 of 123 cases in the study that specifically addressed smallholder inclusion.

- National institutions (e.g. conformity assessment infrastructure, extension, legislation) that can support farmers' compliance with those standards that have a market demand is a necessary but insufficient condition for increasing smallholder participation in markets.

## Policy implications

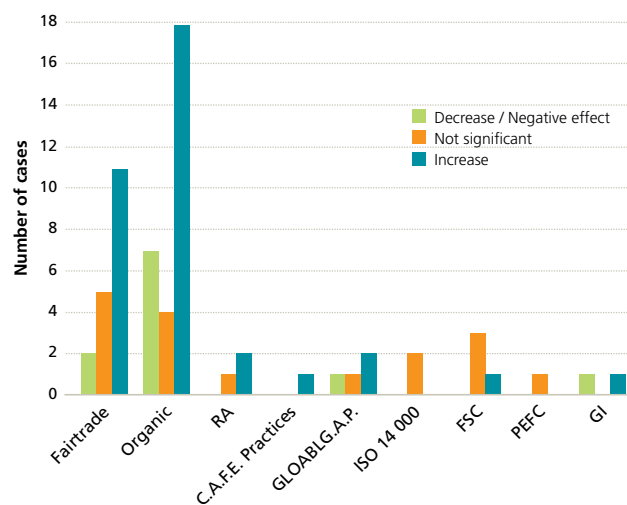
The narrow focus of the current evidence and the diverse ways in which voluntary standards work in different subsectors demonstrate that, how standards influence smallholders' market participation, is extremely context specific. Therefore, **national policy priorities and market signals communicated through value chains should be guides to policy decisions that promote or discourage voluntary standards for different subsectors.**

Most voluntary standards require smallholders to be organized into groups in order to participate in their schemes. Therefore, smallholders need to form associations or cooperatives, or become involved in contract farming. **Policies that can support equitable contract farming schemes and cooperative development should be encouraged.**

**Implementing voluntary standards involves multiple stakeholders, which means that the public sector can and should be encouraged to be involved.**

The most positive impacts are to be found when public and private initiatives interact, which might occur in the following ways. First, national-level standards that are domestically appropriate and are harmonized with international standards may increase the ability of smallholders to comply (e.g. ChileG.A.P.). Second, voluntary standards need well-functioning support systems (certification, accreditation, testing facilities and farmer advice) that can

## Do smallholders profit from standards?\*



Source: FAO, 2013.

\* The measure is profitability per ha or per kg of product. These data are based on 48 of 123 cases that included a profitability calculation (either perceived or calculated profit).

reduce costs and increase uptake by smallholders. Third, governments can be consumers of certified products through their public procurement practices.

## Conclusions

Voluntary standards are numerous and diverse. They work within existing institutional frameworks and market relationships to deliver impacts. They bring some price increases for farmers, but also incur increased production costs. Smallholders may be excluded from voluntary standards systems if they are not organized into larger groups through cooperatives or contract farming schemes that collaborate to achieve certification. The public sector can support voluntary standards by partnering with NGOs and the private sector to provide support services to farmers, and by improving the national food quality and safety systems and institutions.

## Reference

FAO. 2013. *The impact of voluntary standards on smallholders' market participation in developing countries*. Forthcoming literature study. Rome.

## Acronyms

**BRC** – British Retail Consortium; **C.A.F.E.** (Coffee and Farmer Equity) Practices; **FSC** – Forest Stewardship Council; **GI** – Geographic indication; **MSC** – Marine Stewardship Council; **PEFC** – Programme for the Endorsement of Forest Certification Schemes; **RA** – Rainforest Alliance; **SQF** – Safe Quality Food 1 000