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Innovative markets for sustainable agriculture:

Exploring how innovations in market institutions encourage sustainable agriculture in developing countries

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The impact of voluntary, social & environmental, standards on smallholder access to markets

- One of the key findings: International voluntary standards have a positive impact on smallholder access to markets when local institutions have the capacity to support smallholder adoption of standards
  - NGOs who provide support services
  - Extension Services (public and private)
  - Public policies (e.g., subsidies)
  - Sector-specific characteristics/Corporate culture
  - Local certification bodies
  - Easily accessible testing laboratories
- Specifically for organic standards: national legistation in both exporting and importing counties

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A collective research project

FAO and INRA Collaboration

- **2013** – Open call for proposals for innovations linking sustainable practices with markets
  - ✓ 87 proposals, 15 case studies selected.
  - ✓ Prioritized cases written by the innovators themselves.

- **2014-2015** - field visits, interviews with authors and other stakeholders, document analysis, and peer-review.
  - ✓ Analysis based on institutional innovations and actors' roles in performing functions in innovation systems
  - ✓ 12 cases on agro-ecological practices and 3 using good agricultural practices.
- **2015 – International Researcher-Practitioner Workshop Bogotá, Colombia.**

- **2016** – Policy Brief and Book Published
  - Researcher-Practitioner Workshop Chiang Mai, Thailand to develop a Practitioner's Guide

Food and Agriculture Organization of the United Nations

policy brief

How do markets encourage the adoption of sustainable practices?
The role of institutional innovations in developing countries

Introduction

Incentives and enabling measures encourage farmers to adopt sustainable agricultural practices. They include improving farmers' education and technical training, implementing strategies for reducing the costs of inputs, enacting organic farming legislation that protects product integrity, and providing financial incentives for adoption of sustainable practices. Market demand for sustainable products can also constitute a significant incentive. Improving access to such markets can provide revenue to farmers who then invest in the sustainability of their production systems, improving food security for consumers in their communities. However, increased revenues are not the only market incentive; revising the rules of the market and expanding access to markets are also powerful incentives. In this brief, FAO presents lessons learned from experiences in 15 developing countries where developments in markets have enabled farmers to transition to sustainable practices. The brief provides recommendations on what these innovative systems need to grow and prosper.

Results

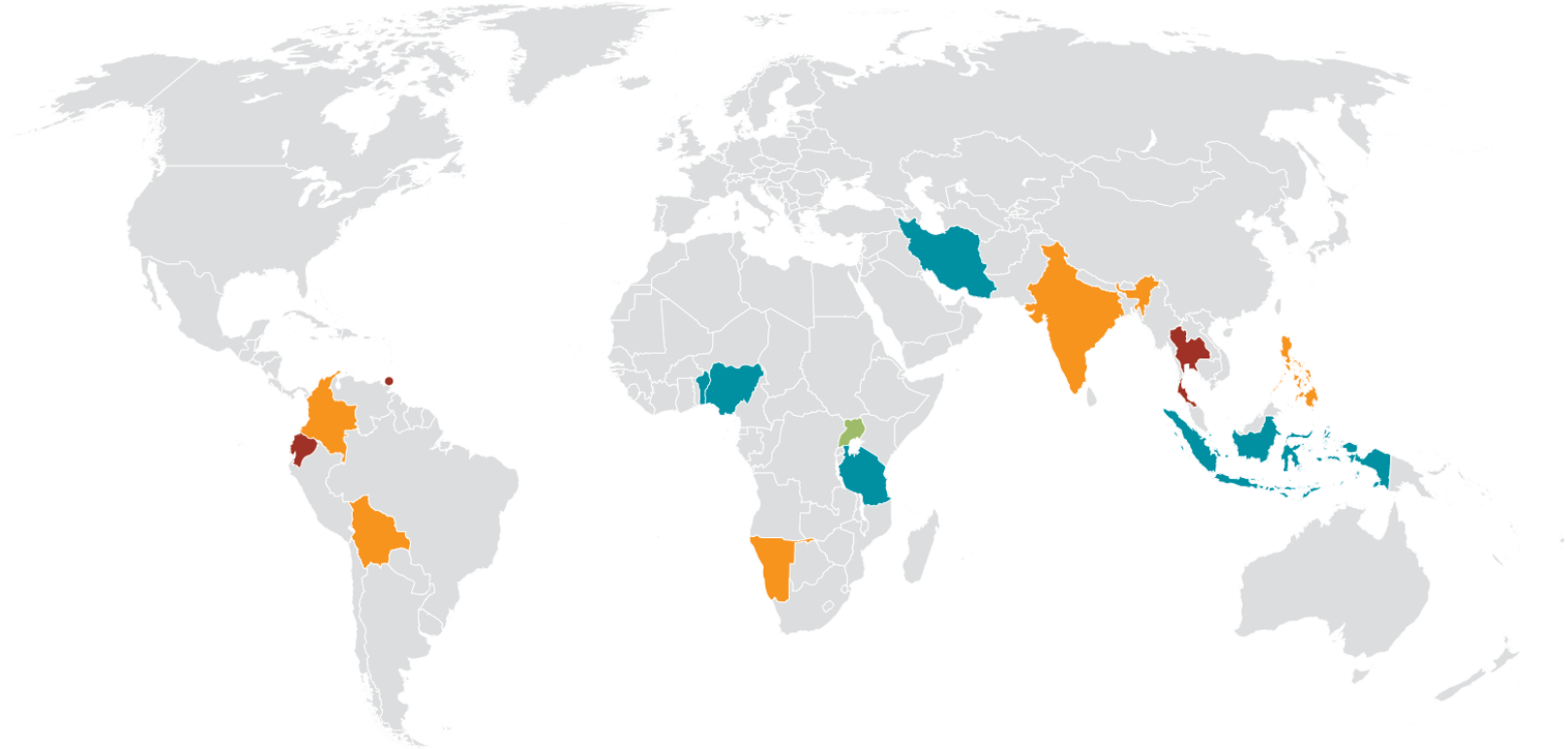
In 2013–2014 FAO undertook a survey of innovative approaches that enable markets to provide incentives for the adoption of sustainable practices in developing

Key messages

- A wide range of actors in developing countries are inventing new forms of interaction and organization (called institutional innovations) to supply local markets with sustainable agricultural products.
- Participatory guarantee systems, multi-actor innovation platforms and community-supported agriculture are exciting institutional innovations that deserve attention.
- Social and institutional innovations are as essential as technological innovations in transitions to sustainable food systems, and they require policy support.
- Even when innovations are led by private actors, partnerships with public actors and civil society have an important role in creating linkages between farmers and markets.
- Autonomy, reciprocity and recognition of the diverse types of knowledge that are fostered through institutional innovations all create incentives for the adoption of sustainable practices.

INSTITUTIONAL INNOVATIONS ARE NEW RULES AND FORMS OF INTERACTION. THEY HELP REDEFINE SUSTAINABLE PRACTICES FOR THE LOCAL LEVEL AND BRING TOGETHER FOOD SYSTEMS ACTORS THAT HAVE NOT TRADITIONALLY WORKED TOGETHER.

Figure 1: **Location and typology**



Multi-actor innovation platforms (IPs)	
Benin	The Songhai Model of integrated production
Indonesia	*Partisipasi Inovasi Petani* (PIP) project: A participatory model for promoting farmer-driven innovation
Islamic Republic of Iran	Using Farmer Field Schools on Integrated Pest Management to support sustainable production and marketing
Nigeria	Impact Assessment of Community-Based Farming Schemes in Enhancing Sustainable Agriculture
Uganda	Role of Cooperatives in Linking Sustainable Agricultural Practices with Markets (KACE)
United Republic of Tanzania	Sustainable Agricultural Practices by Smallholder Tea Farmers

Participatory guarantee systems (PGS)	
Bolivia (Plurinational State of)	Ecological fairs in La Paz, Cochabamba and Tarija
Colombia	*Familia de la Tierra* PGS
India	PGS and Smallholder Markets: Idea of Trust and Short Market Chains
Namibia	The Namibian Organic Associations' Participatory Guarantee System
Philippines	The Innovative Institutional Approach: Quezon Participatory Guarantee System
Uganda	Facilitating Social Networks through FreshVeggies PGS

Community-supported agriculture (CSA)	
Ecuador	Reinforcing Local Systems of Healthy Food of Sierra Centro
Thailand	Moral Rice Programme, Dharma Garden Temple
Trinidad and Tobago	The Brasso Seco Paria Community Make Agrotourism their Business

What are 'Institutional Innovations' ?

- **Institutional innovations are:**
- new rules and forms of interaction.
- They help redefine sustainable practices for the local level and bring together food systems actors that have not traditionally worked together.

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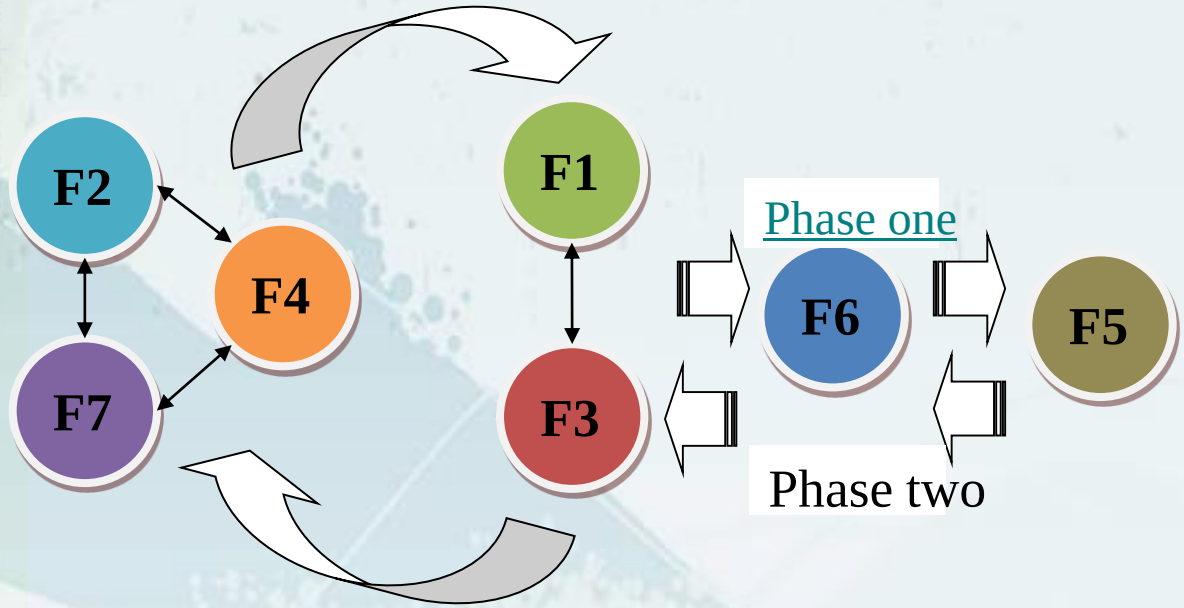
Muliti-actor Innovation Platform



Legend:

F1 = entrepreneurial activity

F2 = knowledge creation

F3 = knowledge creation trough networks

F4 = guidance of the search

F5 = market formation

F6 = resources mobilizations

F7 = creation of legitimacy

- Begins with partnerships located within local research, training or extension bodies and includes farmers
- Uses national and international knowledge to promote organic or sustainable agriculture practices
- Initial legitimacy comes from outside of the group, then builds internally
- The focus is on specific technologies and farmer-led experimentation
- A new local market is created as an outlet for supply: on-farm sales
- Changes seen in the rules for training, extension, production, and the allocation of responsibilities among these actors

Recommendation 1

- **Promote interactive learning to create and spread knowledge where farmers have multiple roles**
  - **Farmer-led research**
  - **Learning-by-doing**
  - **Engaging non-traditional actors in research**

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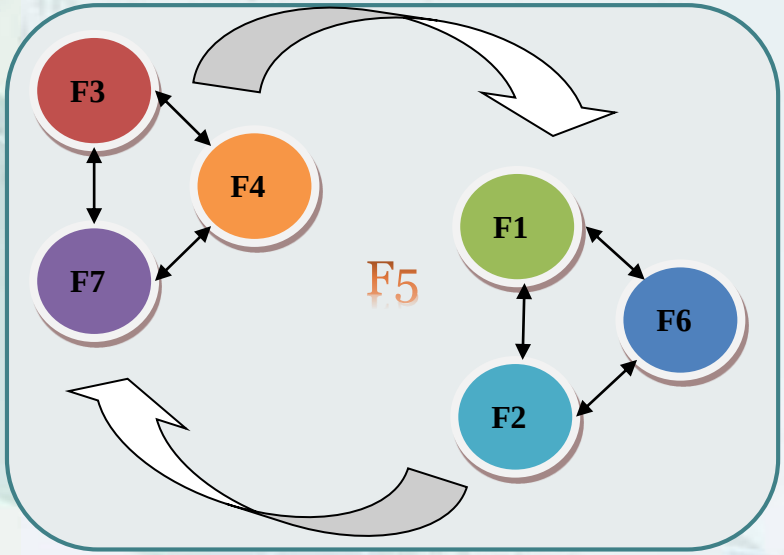
How does the PGS innovation work?



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- Begins with partnerships between between farmers, consumers and intermediaries (including service providers, organic movements)
- Uses local and national knowledge (and harmonized international organic standards)
- Initial legitimacy comes from within the group, then outside recognition
- The focus is on an alternative form of certification (based on free or low-cost peer review) and farmer-led experimentation
- New local markets are created based on direct contact with consumers: farm visits, farmers'markets, internet sales and supermarkets used
- Changes seen in the rules for organic production, internal organization and the sharing of roles and responsibilities among different people within the groups

So what is innovative about the PGS?

- Research
- Inputs
- Support services/extension
- Farming
- Processing

- Certification
- Commercialization
- Farmer-led Research
- Inputs
- Support services/extension
- Farming
- Processing
- Certification
- Commercialization
- Retail
- Responsible Consumption

- Retail
- Responsible consumption

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Recommendation 2

- **Public support to strengthen farmers' capabilities in strategic market negotiation**
  - *physical spaces for markets by organizing monthly or weekly markets for sustainably produced products*
  - *national fairs and exhibitions for high-quality food*

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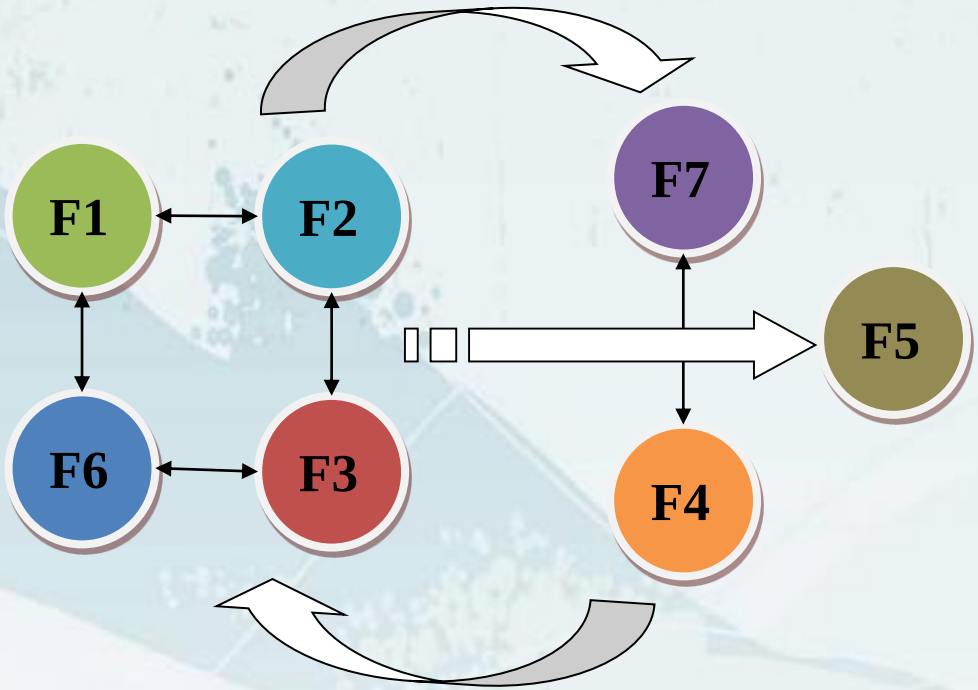
Community Supported Agriculture



Legend:

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F7 = creation of legitimacy

- Begins with grassroots entrepreneurial activities to resolve a community concern by relying upon community-based knowledge, and diffusing this through existing networks.
- Resources are mobilized from within the community.
- The CSA practices are reinforced through internal improvements over time, focalizing more on the purpose of the initiative and building both internal and external legitimacy
- Market formation, often in the form of bringing the market into the community, is a result of these reinforcement mechanisms
- Change seen in the rules for how the community creates a protected space to market their products within the local communities

Recommendation 3

- **Support communication and trust relationships between farmers, intermediaries and consumers by financing innovative, multi-stakeholder, participatory projects in the fields of research, tourism, community development and education.**

How do market mechanisms incentivize the adoption of sustainable practices?

- Greater communication between producers and consumers
  - Identifying/communicating market demand for specific 'qualities' of the products (e.g., safe, organic, GAP)
- Multi-Actor Innovation Platforms and Community Supported Agriculture:
  - The incentives are found in the creation of local networks that integrate knowledge (creation and sharing), markets, resources and policy support at multiple levels (municipal, national, international trade)
- Participatory guarantee systems: Alternative certification mechanisms reduce costs of compliance with standards
  - Small farmer inclusion in the value chain is critical - not only as a producer, but also as an auditor and researcher – increases trust
- Shifting roles and sharing responsibilities between producers, consumers, researchers, intermediaries and public officials – **reciprocity rather than only solidarity**

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Recommendation 4

- **Scale-up and legitimize innovative initiatives initiatives through political frameworks and constitutional recognition of ongoing initiatives**

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Conclusions

- Incentives for adopting sustainable practices can come from the autonomy created when local actors develop innovative rules for market interactions.

- Local actors rely upon social values (e.g., trustworthiness, health (nutrition and safety), food sovereignty, youth development, farmer and community livelihoods) to adapt sustainable practices to local contexts and create new market outlets for their products which are core components of institutional innovations.

- Even when private actors (farmers, consumers, cooperatives, firms, etc.) are leading the innovations, partnerships with public actors and civil society are fundamental for legitimating political and physical spaces where sustainable agricultural knowledge, practices and products are exchanged through market interactions.

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