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## ► To cite this version:

Allison Marie Loconto, Anne Sophie Poisot, P. Santacoloma, Marcello Vicovaro. Innovative markets for sustainable agriculture: Exploring how innovations in market institutions encourage sustainable agriculture in developing countries. Workshop On sustainable Value Chains For Sustainable Food Systems, Food and Agriculture Organization (FAO). INT. Programme des Nations Unies pour l'Environnement (UNEP)., Jun 2016, Rome, Italy. 16 diapos. hal-02742728

**HAL Id: hal-02742728**

**<https://hal.inrae.fr/hal-02742728>**

Submitted on 3 Jun 2020

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**10YFP SFSP Workshop**  
**Sustainable Value Chains for Sustainable Food Systems**  
**June 8-9, 2016 | Rome, Italy**

# **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



Agribusiness and Food Industries Series

3

Impact of international voluntary standards on smallholder market participation in developing countries  
*A review of the literature*



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.

document

- 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 legislation in both exporting and importing countries

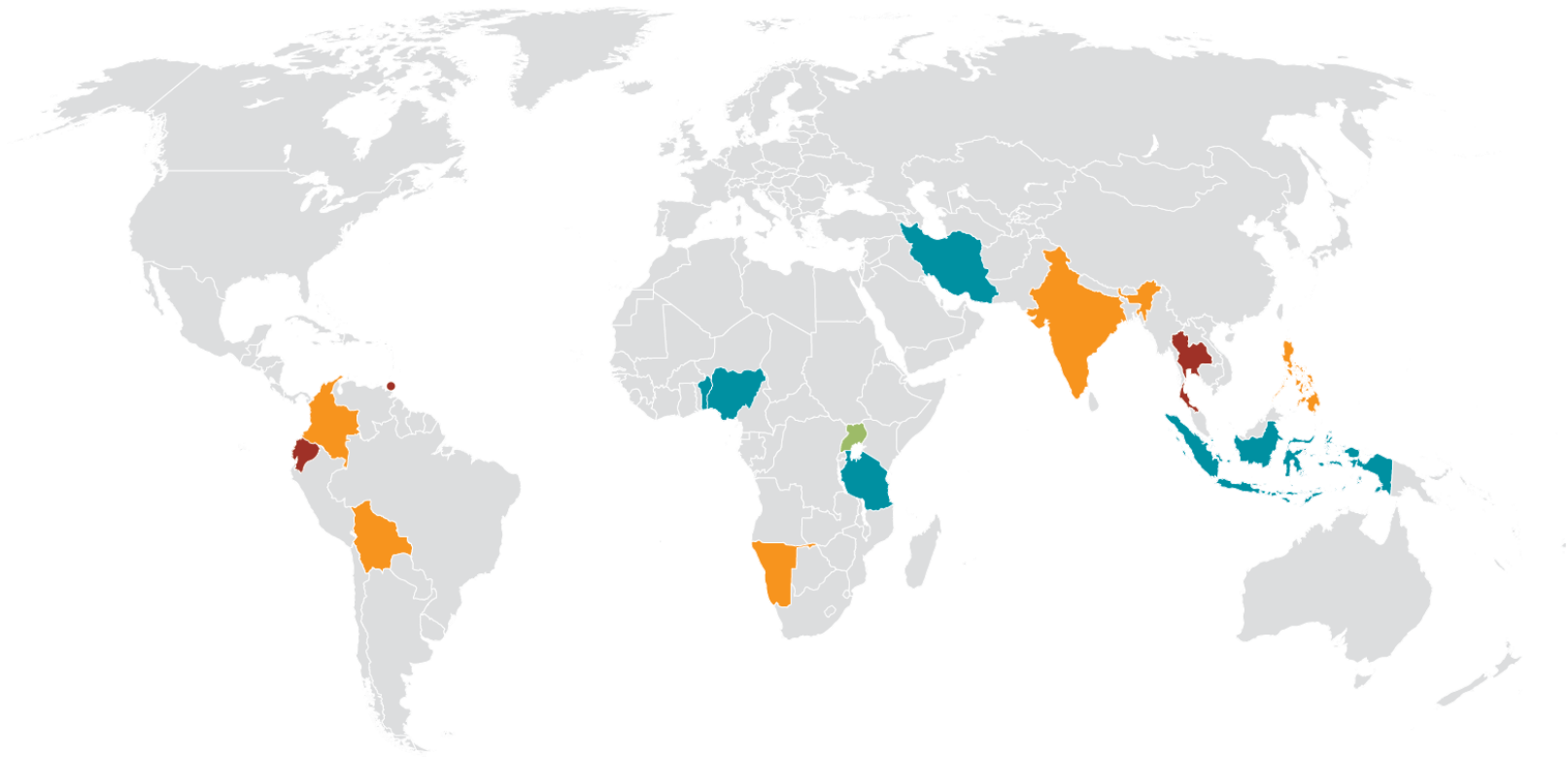
# A collective research project

## 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



Figure 1: Location and typology



Multi-actor innovation platforms (IPs)		Participatory guarantee systems (PGS)		Community-supported agriculture (CSA)	
Benin	The Songhai Model of integrated production	Bolivia (Plurinational State of)	Ecological fairs in La Paz, Cochabamba and Tarija	Ecuador	Reinforcing Local Systems of Healthy Food of Sierra Centro
Indonesia	<i>Partisipasi Inovasi Petani</i> (PIP) project: A participatory model for promoting farmer-driven innovation	Colombia	<i>Familia de la Tierra</i> PGS	Thailand	Moral Rice Programme, Dharma Garden Temple
Islamic Republic of Iran	Using Farmer Field Schools on Integrated Pest Management to support sustainable production and marketing	India	PGS and Smallholder Markets: Idea of Trust and Short Market Chains	Trinidad and Tobago	The Brasso Seco Paria Community Make Agrotourism their Business
Nigeria	Impact Assessment of Community-Based Farming Schemes in Enhancing Sustainable Agriculture	Namibia	The Namibian Organic Associations' Participatory Guarantee System		
Uganda	Role of Cooperatives in Linking Sustainable Agricultural Practices with Markets (KACE)	Philippines	The Innovative Institutional Approach: Quezon Participatory Guarantee System		
United Republic of Tanzania	Sustainable Agricultural Practices by Smallholder Tea Farmers	Uganda	Facilitating Social Networks through FreshVeggies PGS		

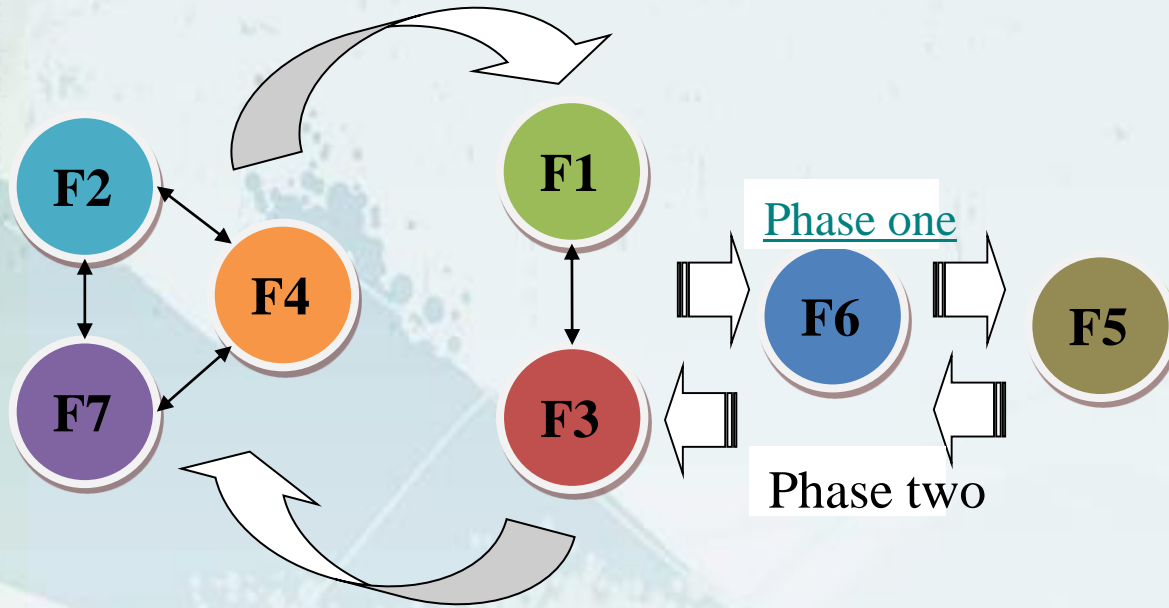
# What are ‘Institutional Innovations’ ?

- **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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# Multi-actor Innovation Platform



- 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

## 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

# 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**

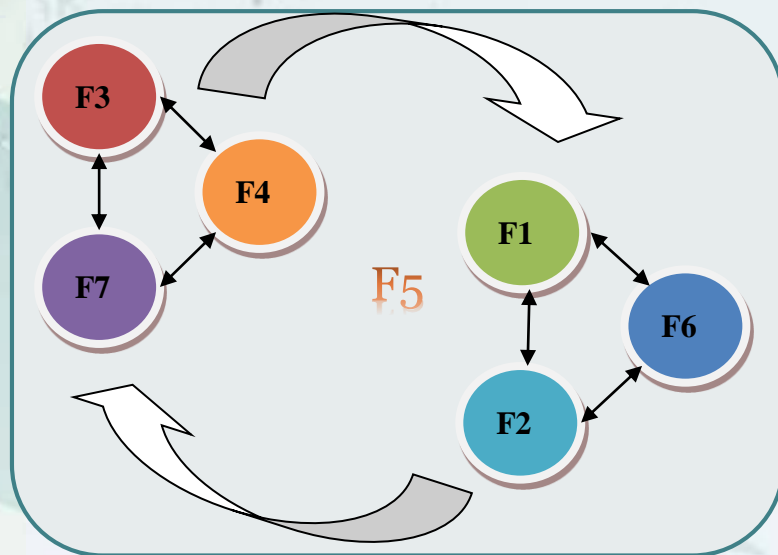


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# How does the PGS innovation work?



## 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 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?

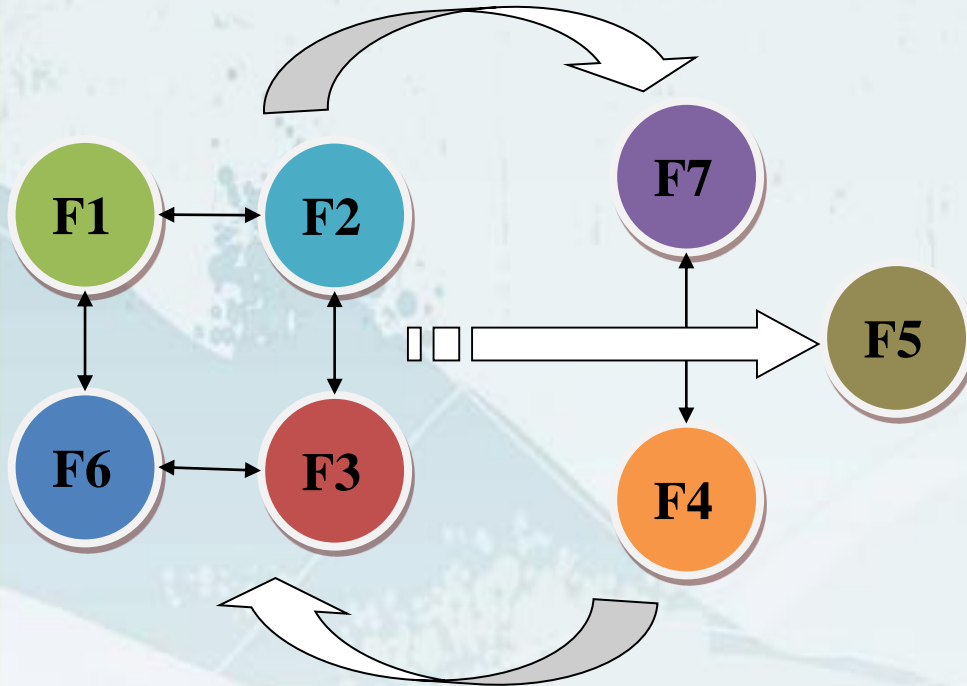


# Recommendation 2

- **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*



# Community Supported Agriculture



- 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

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

# 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 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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