

# THE RISE, EFFECTS AND FUTURE OF VOLUNTARY STANDARDS

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INCLUSIVE AND SUSTAINABLE AGRIBUSINESS AND TRADE  
Value Chains for Inclusive Agribusiness, Trade and Rural Development

ITC STAFF TRAINING WORKSHOP 22-24 JANUARY 2018

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# Background

## Why do we talk about voluntary standards (VS) in this workshop?

- Standards are key elements of food systems governance
- They may offer opportunities or constraints to actors within the food systems

### Outline of the presentation

1. **Emergence and rise of VS** : Why and when they emerge? Who is involved ? What are their objectives?
2. **Effects of VS**: The case of the effects on the inclusion of small farmers in the market
3. **Evolution of VS**

# 1. EMERGENCE AND RISE OF VS

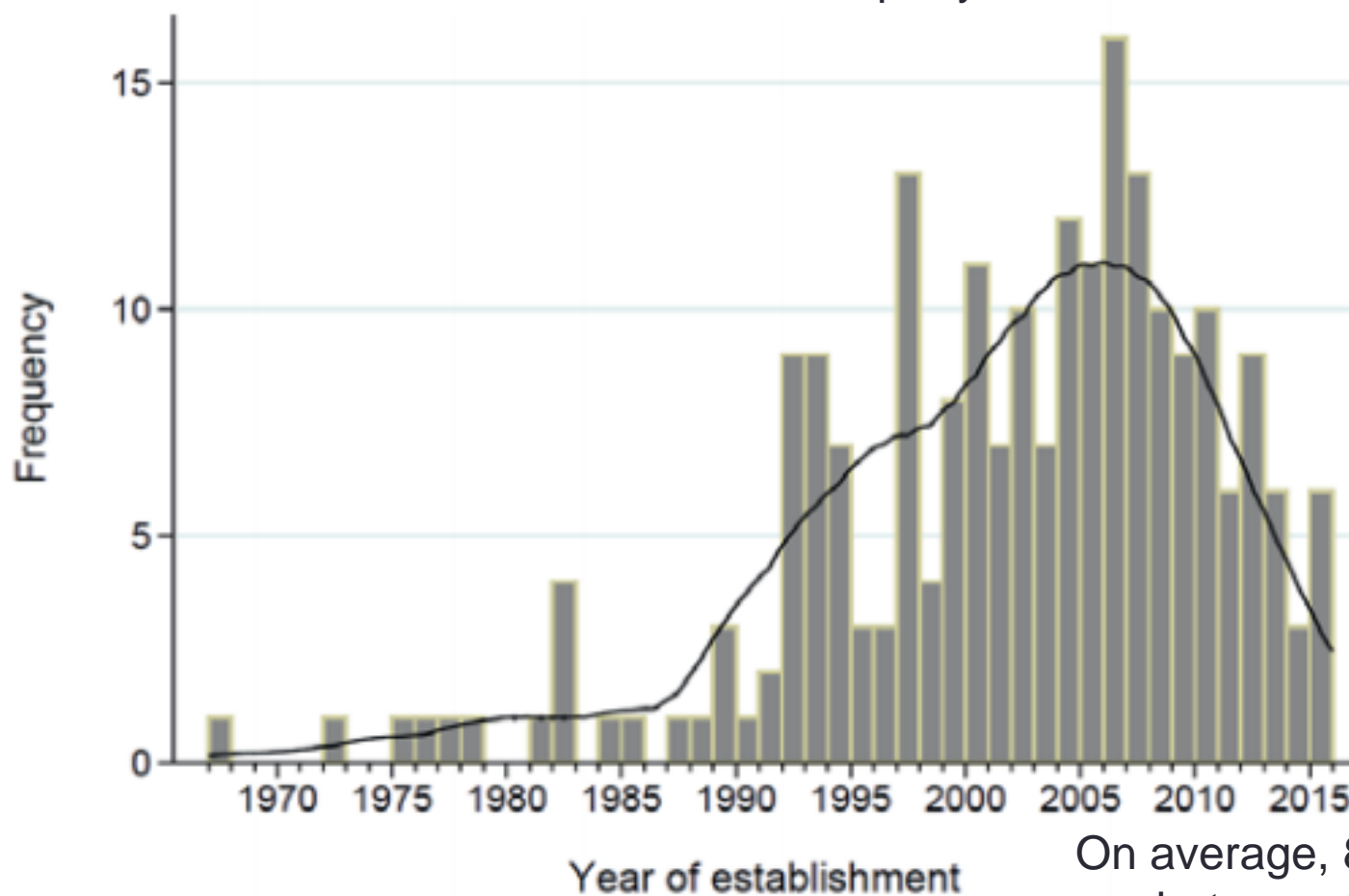
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# Emergence of VS

- WHY ?** Critics from civil society  
Rise of sanitary crisis and increased concern among consumers  
State-level governance deficiencies
- WHO ?** Various actors are involved in the creation and management of voluntary standards: international NGOs, private companies, consumer organizations...
- WHEN?** First standards: Organic (1960s) & Fairtrade (1980s)  
Global GAP (1997)  
2000s: Rise of voluntary sustainability standards (VSS)

# Rise of VS

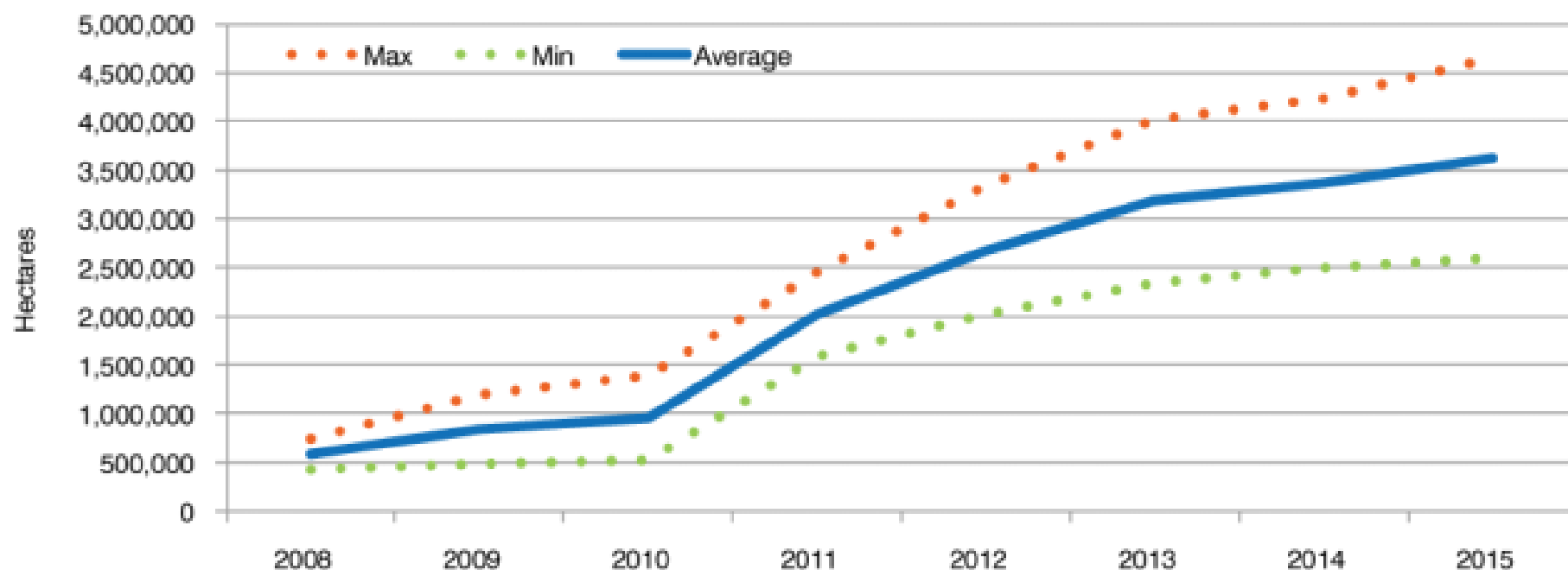
Number of VSS created per year



On average, 8 new VSS per year between 90s and 2000s !

# Rise of VS

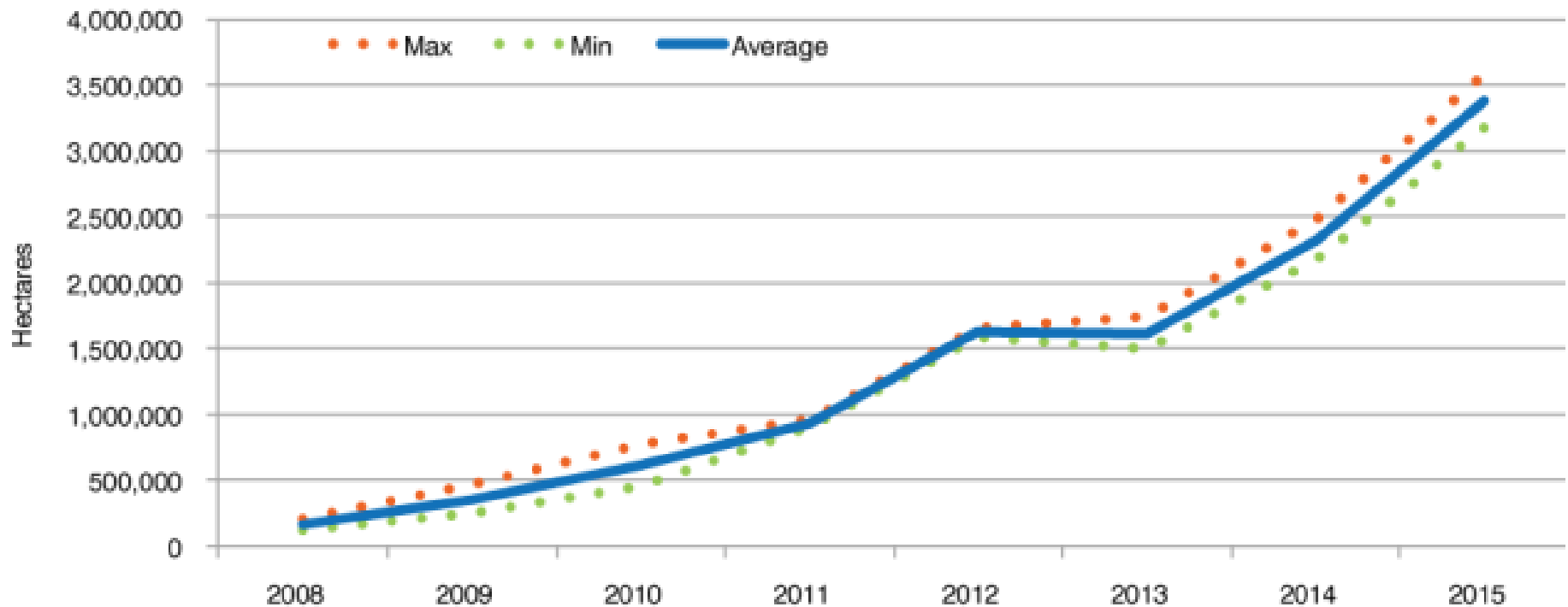
Example: Coffee VSS-compliant area



**Source:** FiBL-IISD-ITC survey, 2017. VSS: 4C, Fairtrade International, organic, Rainforest Alliance/SAN and UTZ.

# Rise of VS

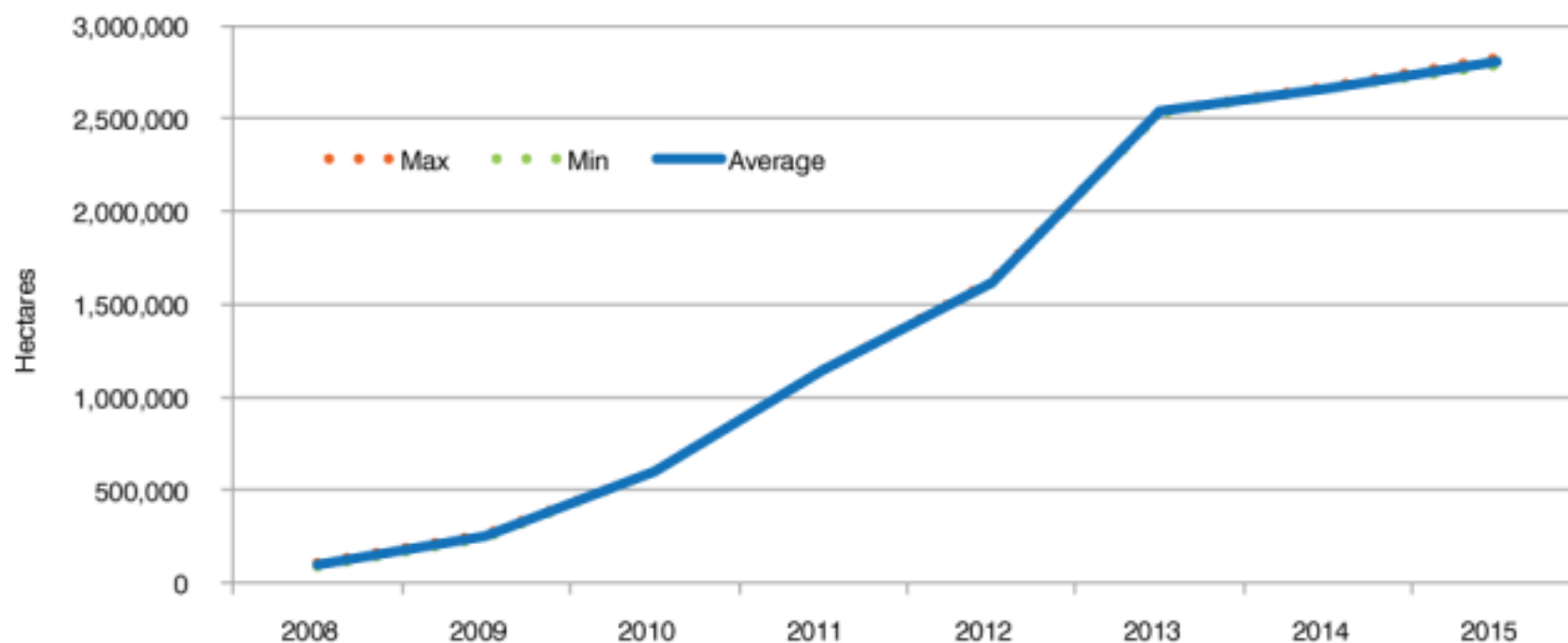
Example: Coton VSS-compliant area



**Source:** FiBL-IISD-ITC survey, 2017. VSS: Better Cotton Initiative, Cotton Made in Africa, Fairtrade International and organic.

# Rise of VS

Example: palm oil VSS-compliant area



**Note:** For Rainforest Alliance/SAN, data has been available since 2013. Please note that due to the dominance of RSPO, multiple certifications do not play a major role.

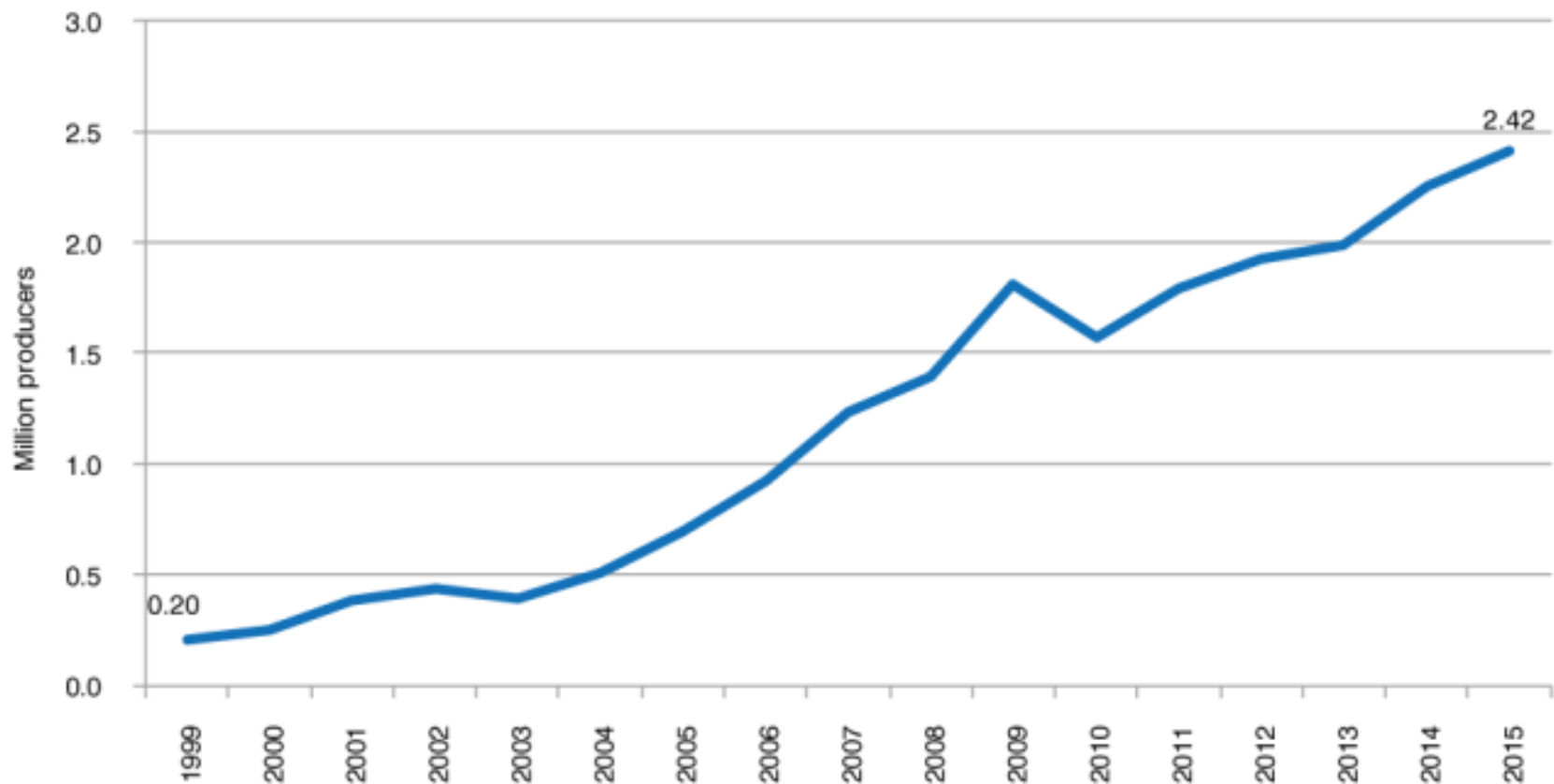
**Source:** FIBL-IISD-ITC survey, 2017. VSS: organic, Rainforest Alliance/SAN and Roundtable on Sustainable Palm Oil (RSPO).

Lernoud and al. 2017 The State of Sustainable Markets – Statistics and Emerging Trends. ITC, Geneva.



# Rise of VS

Example: number of organic farmers between 1999-2015

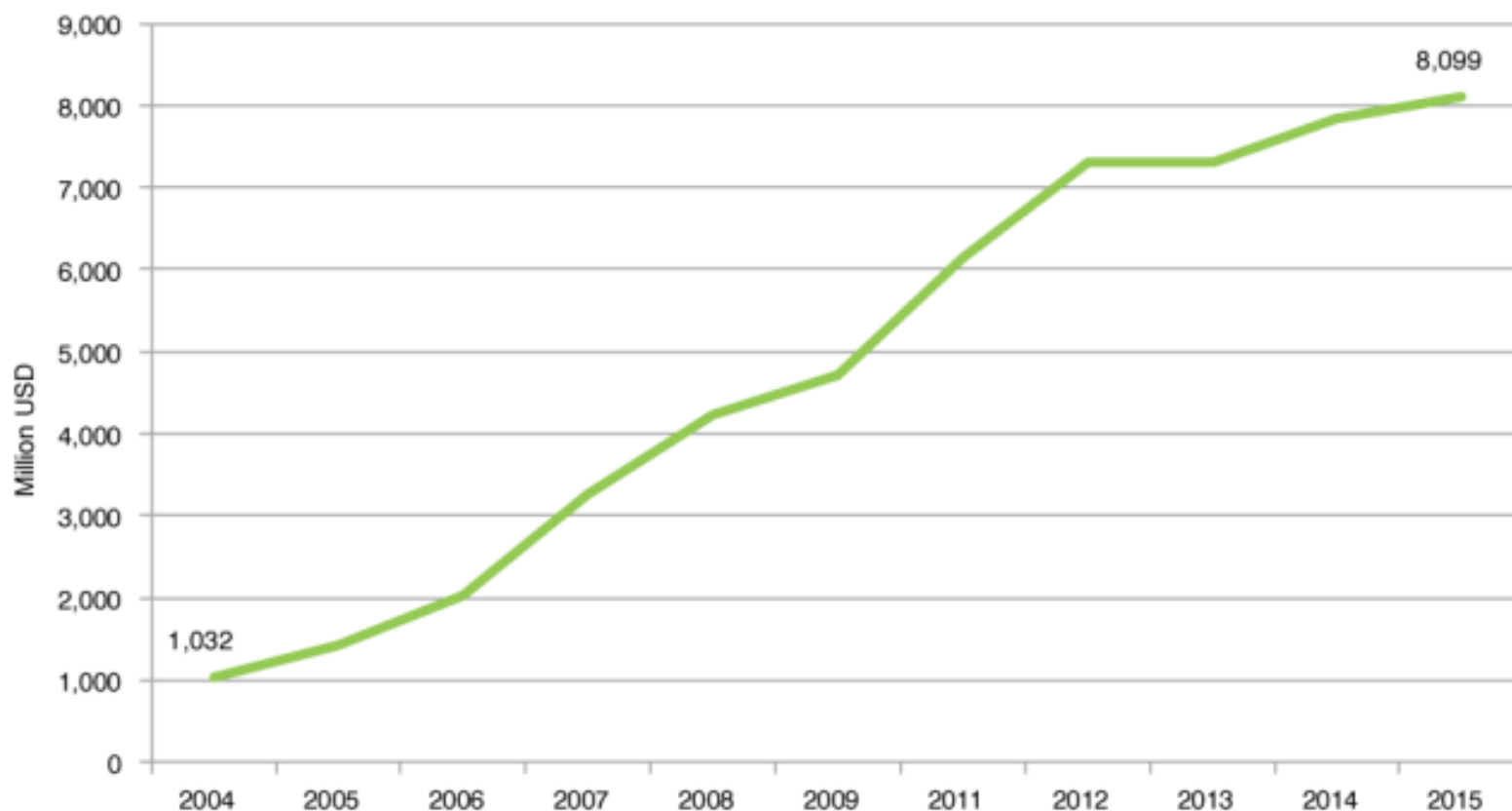


**Source:** FiBL, 2017 (Willer and Lernoud 2017).

Lernoud and al. 2017 The State of Sustainable Markets – Statistics and Emerging Trends. ITC, Geneva.

# Rise of VS

Example: retail sales of FTI commodities (million USD) between 2004 and 2015



**Source:** Fairtrade International 2005–2016 (data missing for 2010). Original data in euros; the 2015 annual average exchange rate from the Statistical Data Warehouse of the European Central Bank was used.

# Definition and rationale

*“Sustainability standards are market-based tools, designed to address the most pressing sustainability challenges within a given sector or industry. They establish criteria that producers, processors and other supply chain actors must meet to bring about positive social, environmental and economic impacts”. (WWF & ISEAL 2017)*

VSS schemes include: standardization, certification (often third-party audit) and accreditation of auditors, labelling.

**Theoretical & empirical justification of VSS:** To deliver transparent information about non observable quality, such as social & environmental conditions of production (Potemkin goods)

- For business buyers: VSS reduce transaction costs linked to uncertainty of quality while ensuring substitutability between suppliers
- For consumers: VSS aim to signal quality with a label

## 2. EFFECTS OF VSS

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## 2. Effects of VSS

- Evidence is still weak, un consensual & context-specific  
(Blackman & Rivera 2010, FAO 2012, COSA 2013, DeFries, and al. 2017)
- Complexity to assess the causal impacts of VSS is linked to:
  - Multi-certification
  - Importance of pre certification situation
  - Complexity of the interaction context/standard
- Focus of the presentation: Effects of VSS on the ability of food chains to include small farmers

**Do VSS favor inclusive value chains for tropical products?**

## 2. Effects of VSS on the ability of small farmers to participate in global markets

### **Determinants of adoption of standards : evidence is mixed**

#### Some evidence

- Forming association or cooperatives is necessary for small farmers to have access to standards (FAO 2012)
- Farm size is a key determinant of compliance to standards
- Safety standards are the most likely to exclude small farmers (Schuster& Martens 2013)(Lemeilleur 2015)
- Because of the fragmentation of certified markets, buyers require multiple-certifications. Costs of compliance are increasing for farmers who bear certification costs (Fiorini and al. 2017)
- Inclusion of farmers that already participate in global markets or that already have the means to demonstrate compliance or make the investments to do so → what about the others categories of farmers? (landless farmers, women, poorest ?)

## 2. Effects of VSS on the ability of small farmers to participate in global markets

**Determinants of adoption of standards : evidence is mixed**

### Institutional determinants

- Pre-existing buyer-supplier relations influence the ability of VSS to positively impact smallholder adoption (FAO 2012)
- Governments &/or NGOs should provide services that make the adoption easier for small farmers (ITC 2010, FAO 2012)

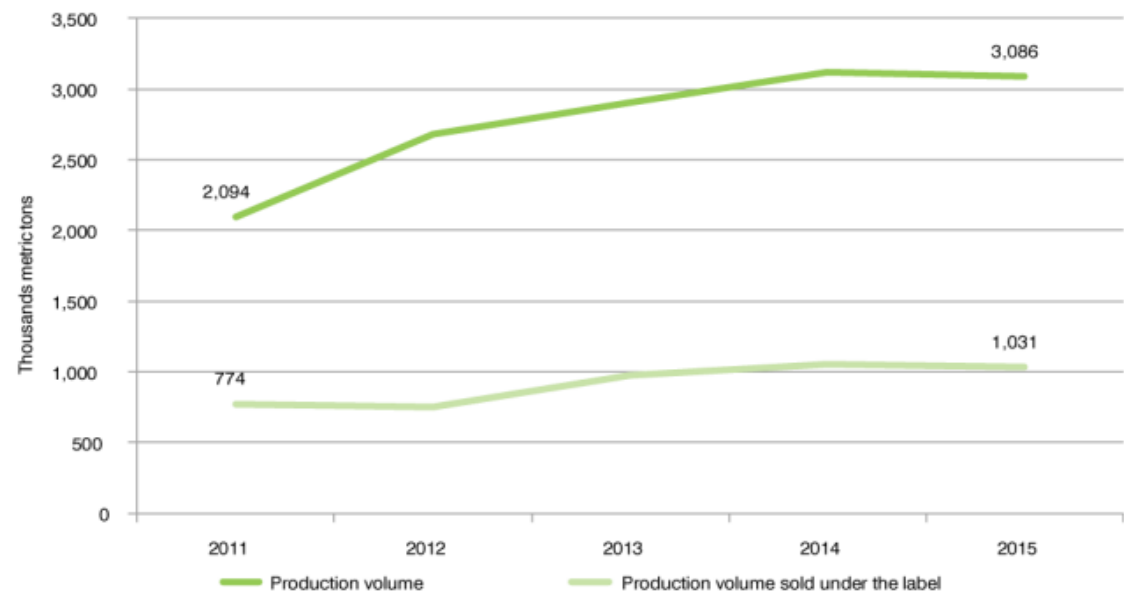
## 2. Effects of VSS on the ability of small farmers to participate in global markets

### VSS adoption is not synonymous to participation to certified market

Inclusion in global markets depend on demand for certified products

“ If too many suppliers are certified and there is insufficient demand for certified goods, the benefits of FT will be diluted with few suppliers able to sell more of their produce through FT channels. [...] This process of rationing can have unintended negative consequences, with newer entrants or suppliers from poorer areas finding it difficult to access FT markets ” (ODI 2017)

Figure 28: Fairtrade International: Production volume and production volume sold under Fairtrade label, 2011–2015





## 2. Effects of VSS on the ability of small farmers to participate in global markets

### Participation in global markets does not automatically results in effects

- Few evidence about small farmers upgrading, trend towards vertical integration (FAO 2012) (Martens and Swinnen 2009)( Schuster & Maertens 2013)
- Farm gate prices tend to increase with certification but costs as well.
- Gaps in literature:
  - <> Effects on long term poverty and food security
  - <> Spill over effects of VSS on no-compliant (positive / negative)
    - Examples

### 3. EVOLUTIONS IN THE VSS LANDSCAPE

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# 3. Evolutions in the VSS landscape

- Multiplication of VSS and fragmentation of markets
- **De-commoditisation to Re-commoditisation** (Daviron & Vagneron 2011)
- Rise of sceptics among consumers
  
- **Examples of evolution in VSS**
  - Fusion of VSS: RA and UTZ , Fair for life and ESR
  - Improvement of transparency of impact (ISEAL code of conduct for monitoring and evaluation)

# THANK YOU FOR YOUR ATTENTION

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Questions? Comments?