



Fair and sustainable agricultural supply chains

Addressing issues such as food and nutritional security, poverty reduction, job creation and adapting to climate change

The growing liberalization of markets in the South and the abandonment of the main policy instruments supporting agriculture have increased competition between smallholders in developing countries and farms in industrialized countries. That competition is exacerbated by subsidization and support for that type of farming in Western countries. In the South, local smallholder production of milk, grains and poultry (to name a few) is particularly affected by that competition. In Mali, for example, 90% of the national consumption is based on milk imported from the European Union, sold 30% less than the milk produced locally⁽¹⁾. On local and international markets, a large and widely dispersed population of smallholders also faces competition from dominant actors (shopkeepers, local and international intermediaries, agribusiness, supermarket centers, etc.) who control the markets and supply chains for agricultural raw materials. Cacao is a prime example in this regard: two couverture-chocolate makers control over 60% of the market, and 65% of the world market for chocolate-based products and sweets is in the hands of ten producers with internationally recognized brands! Local and international agribusiness and large retailers are

able to impose prices and strict requirements in terms of volume, standardization and traceability, which weakens the position of smallholders in supply chains for crop and livestock farming. Those economic systems have a negative environmental, economic and social impact: they too often involve unsustainable use of natural resources and unequal distribution of the wealth generated through the supply chains, leaving the vast majority of smallholder families in the South trapped in poverty and food insecurity.

And yet smallholders have shown that they play a key role in food and nutritional security and in the provision of high-quality foods: 70% of agricultural products consumed worldwide are produced by smallholders. Smallholder farming has often proven to be effective when it comes to creating jobs and reducing poverty in rural areas, and to making use of degraded land, preserving biodiversity and sustainably managing natural resources. Smallholder agricultural systems are adaptable and resilient, and essential for maintaining the ecological and socioeconomic balance in rural areas and for ensuring food and nutritional security both locally and worldwide.

⁽¹⁾ SOS Faim Belgique, Campagne « N'exportons pas nos problèmes », 2019.

In a world where globalized trade is generating social and economic inequality and environmental imbalances, the role of smallholder farming in maintaining balance now and in the future needs to be better recognized and supported through the promotion and development of “fair” and “sustainable” agricultural supply chains:

- “Fair” because they allow for better sharing of added value between the different actors involved in the supply chains for crop and livestock-farming products, so that smallholders (who are the most vulnerable) can receive fair remuneration for their work;
- “Sustainable” because they support the much needed transformation of agricultural and food systems in order to offer high-quality products produced using agroecology and organic techniques that are healthy for smallholder families and consumers, that help preserve natural resources and biodiversity and that maintain business and decent jobs in rural areas;
- “Sustainable” because they allow professional smallholder organizations to fully participate within more transparent supply chains in order to equalize the balance of power between economic actors for the benefit of smallholder families and consumers.



1st challenge : supporting the transition to agroecology and organic farming

Many smallholder families in the South are faced with an ecological crisis where they live, with increasing degradation of cultivated land and pastures [not to mention land that has been completely abandoned], especially in areas subject to heavy population pressures. Some of those families have adopted practices promoted by the green revolution, which have proven to be of limited use when it comes to maintaining and sustainably increasing yields. They find themselves dangerously dependent on external synthetic inputs and are often unable to generate sufficient profits. The ecological crisis and the current limitations of conventional intensification make them even more vulnerable to climate shocks [drought, violent events, etc.]. Health problems are also growing for producers, consumers and the environment, while societal demand for food quality, food safety and environmental protection is increasing throughout the world. **In light of those issues and major challenges such as food, jobs and adapting to climate change, changes need to be made to production systems, land and resource management, and food systems.**

The promotion and consolidation of sustainable agricultural supply chains is therefore dependent on the transition to agroecology, and on organic farming. Organic farming is an intermediate stage that helps reduce the use of external synthetic inputs and that helps smallholders become more independent. Those production-system transformations are facilitated by the consolidation of supply chains.

Products from agroecology and organic farming also offer an important comparative advantage for smallholder organizations and families, allowing them to position themselves on certain markets for premium products, particularly urban markets and markets for export.

AVSF provides assistance on a daily basis to help individual farms and entire regions transition to agroecology through the joint construction of smallholder innovations, such as field-schools, where smallholders can test and validate combinations of agroecology techniques to boost production and reduce the use of [or even completely abandon] synthetic chemical inputs. Access to seeds, loans, organic inputs, equipment, small machinery and local veterinary services are all ways to encourage the adoption of such practices. Diversity of production, which is a key component of agroecology, is therefore essential when it comes to limiting risks, such as becoming too dependent on a single market or suffering losses from climate shocks. It is also essential when it comes to protecting the environment as well as plant and animal biodiversity. By combining crops for export with crops for self-consumption or sale on local and regional markets, diversity promotes food autonomy and helps diversify sources of income.

2nd challenge : creating or consolidating strong producer organizations in different regions, markets and supply chains

The producer organization (PO) serves as the principal means of strengthening the involvement of smallholders in all agricultural and food supply chains, capturing more added value from their production and ensuring fairer redistribution of the wealth created.

By banding together, smallholders can demand and ensure greater control over production factors, collect higher volumes with economies of scale, and share and reduce risks relating to production and trade. The organization allows them to gain power and transparency in price negotiations in markets and to sometimes shorten supply chains through more direct relationships with buyers and consumers. It facilitates access to markets that best promote what makes smallholder farming unique, particularly in premium supply chains offering guarantees as to the origin of the products.

Banding together allows producers to carry out joint initiatives, from improving quality to processing and ensuring better promotion of production to create and maintain added value in their region. By pooling and professionalizing strategic services (loans, inputs, small machinery, etc.)^[2], the organization helps reduce production costs. But the integration of processing services, or export services, within POs is not systematic: it requires a level of investment and technology that is sometimes outside the financial and technical reach of certain POs. In such cases, the challenge is to draw up contracts and maintain effective and balanced partnerships for the processing, certification, commercialization and export of their products.

When POs effectively manage a grouped commercialization service, for the local market or for export, the PO members naturally receive a greater share of the wealth created within the supply chains. But commercialization and direct export sometimes run into problems, such as the difficulty POs have obtaining the required certification (high costs, complex procedures), insufficient product volumes and a lack of control of the international market. The PO must then be economically efficient and have sufficient negotiation skills so that the contractualization and sale to private buyers and exporters are relevant in the long run. Otherwise it risks facing unfavorable and opaque commercial practices on the part of those buyers: lack of floor prices, non-compliance with volume commitments, no difference in price depending on the quality of the products, imposed exclusivity, etc. Those practices are all the more frequent because the companies are sometimes in an oligopoly situation^[3].

In addition to allowing for a more equal balance of power between the different actors in the supply chains, the PO is indispensable when it comes to ensuring that smallholders are represented. It is an essential tool for defending the interests of smallholders through the negotiation of more favorable practices and policies at local, national and international level with local authorities (land-use policy, obtaining a location for selling goods to the public, budgeting infrastructure or technical assistance, etc.), governments and the private sector.

Far from being obsolete, POs are key actors when it comes to local development, in their major functions of producing and feeding communities, generating income for families and rural jobs, sustainably managing natural resources and banding together to promote greater equality and transparency in commercial practices and public policies.

3rd challenge: transforming food systems and encouraging local trade

The transition to agroecology also involves **taking action upstream and downstream of supply chains and completely transforming food systems with different local stakeholders.**

Encouraging food systems to become more local is inherent to the transition to agroecology, with the development of short supply chains playing a role too.

AVSF supports the creation of commercial relations that are more direct between the POs that it assists and consumers, through the creation of smallholder markets focusing on agroecology and organic, boutiques and kiosks dedicated to local smallholder products and direct connections between smallholder organizations and public procurement (supplying school cafeterias, etc.). The result is active participation of other fundamental actors alongside producers, whether consumers or local communities. Synergies and bonds of solidarity get stronger between towns and rural areas, the profession of “smallholder” is reasserted and markets for agroecology products are progressively secured. A more local focus is also beneficial because there is less competition from abroad and a smaller environmental footprint owing to the limited need for transport.

Promoting plant and animal products from the transition to agroecology or organic farming on those local markets involves the creation of guarantee systems to assure customers and consumers that strict specifications have been complied with (in terms of crop or livestock-farming practices, processes, product quality and traceability, etc.), and to ensure higher remuneration for producers thanks to higher sale prices compared with conventional products. AVSF therefore encourages and supports efforts to seek certification.

On local markets, Participatory Guarantee Systems (PGS) are better adapted and less expensive than international labels.

PGSs have a local focus and involve the direct participation of producers, POs, consumers and other local actors (such as local authorities) in defining specifications and verifying compliance with those specifications. External certifications, which are more expensive and granted by authorized third-party organizations, are used for fair-trade and organic products (most often for export) to ensure compliance with standards in the countries where the products are being sent.

When the market allows it, it is a good idea for POs to seek organic certification for their production as a way of guaranteeing quality and traceability, and adding significant value to the products they export.

AVSF supports the organization of a rigorous and efficient internal-control system, which is an opportunity for a major collective structuring of production and collection activities. AVSF also supervises experiments that aim to improve the performance of production systems that do not use any synthetic chemical inputs.

But encouraging local trade cannot be the only way: competition is sometimes high in short supply chains and niche markets, and longer supply chains are still necessary in case supply is interrupted or to ensure the provision of foods that are only produced in certain areas—as was the case with salt and spices in the past, and is still the case with coffee and cacao in Europe today.

While encouraging local food systems and trade is necessary and wise, supply chains (both short and long) still need to be regulated through public institutions and policies, and local ad-hoc organizations, on the basis of socially and politically constructed objectives and issues.

^[2] Including through service providers and producer organizations [ESOP], economic interest groups [GIE] and small and medium-sized companies [PME].

^[3] That is the case with the cacao supply chain in Ivory Coast, for instance.

4th challenge: encouraging respectful partnerships and contracts between smallholder organizations, processors and distributors

Without a preconceived model, AVSF helps set up long-term partnerships between POs and local, national and international economic operators in the agrifood, cosmetics and textile sectors whose procurement practices have a positive environmental, economic and social impact, in favor of smallholder families and their regions. Those operators are able to promote the qualities and characteristics of smallholder products to their customers, and want to establish a commercial relationship with smallholder organizations based on trust, common values and objectives, and mutual commitment. Those initiatives may be part of sustainable sourcing, responsible purchasing or CSR policies⁽⁴⁾.

Contractualization of trade between organized producers and buyers, based on transparent and balanced relations, is necessary for the development of commercial partnerships and the consolidation of supply chains that are truly fair and sustainable.

Contractualization makes it possible to formalize reciprocal commitments negotiated in advance—in terms of volume and price, quality standards, deadlines and delivery conditions, pre-financing and payment methods—in order to secure the commercial activity of the different stakeholders. Historically practiced on export markets, it is now expanding into local and national supply chains. In the domestic market, contractualization with wholesalers, local processing companies, public procurement, exporters or consumers (delivery of product baskets on a regular basis) can allow POs to sell their products under more favorable conditions.

Agriculture referred to as “under contract” is on the rise. Under this system, the first buyer (typically a company) provides inputs, cash and/or technical assistance on credit and, in exchange, purchases from the producers a certain volume of their future harvest, agreed in advance, provided the producers have met the specifications defined by the buyer. The system, which is now widely promoted, offers producers the advantage of a guaranteed, substantial and formalized market at the start of the growing season. It also offers them access to services which they have difficulty accessing or that are nonexistent. But agriculture under contract has been subject to criticism because, without safeguards or controls, it also carries undeniable risks for smallholders: maintenance of power asymmetry with a single customer when negotiating contract terms; lack of sanctions in cases where the company fails to comply with the contractual provisions; risks inherent to agricultural activity borne solely by producers; debt; loss of autonomy in crop choice, technical arrangements and markets; excessive specialization and less resilient production systems; exploitation of natural resources; higher production costs and limited profitability.

AVSF experiments with relationships in agriculture under contract between smallholders and agrifood companies that are systematically established, not with individual producers, but with POs.

POs help to partially stabilize the balance of power between the two parties. They also allow PO members to manage certain collective services that are better adapted to their needs, which also benefits the companies, who can then delegate those responsibilities to them.

Contractualization between POs and companies, however, does not exempt public authorities from playing their fundamental role in regulating and supervising agriculture under contract, to make sure that national and international companies respect the rights of smallholders and fulfil their obligations with regard to fair commercial practices.

AVSF’s long-standing commitment to defend and promote fair trade addresses the central issues of encouraging the transition to agroecology and organic production, strengthening POs and promoting balanced contractualization for agricultural supply chains that are truly fair and sustainable.

In their standards, the fair-trade labels Fairtrade-Max Havelaar, SPP and Fair for Life promote helping production systems transition to agroecology. SPP⁽⁵⁾ even requires organic certification.

Fair trade is also a powerful tool for structuring and professionalizing POs, as it creates market conditions that encourage fair, long-term partnerships: guaranteed minimum prices to ensure decent income for producers, contractualization with a democratic and transparent smallholder organization, multi-year commercial commitments, pre-financing of harvests by the buyer, development bonus for group projects. Those advantageous conditions are allowing for the emergence and consolidation of professional smallholder organizations, which in the past have been excluded from discussion forums and markets and which are now establishing mechanisms for effective management and governance, such as the much needed participation of women and young people. They help professionalize the entrepreneurial management of those organizations, which as a result are able to position themselves on demanding fair-trade markets (transparency in financial management, traceability and quality of products, etc.) and then enter other more conventional, but higher-quality, markets that are more lucrative.

Fair trade is the most successful form of contractualization and guarantees long-term commercial engagements and minimum prices that largely cover production costs for producers. Organizations strengthened by fair trade create jobs through the services developed and are therefore able to position themselves and negotiate fair remuneration for their work on other premium markets.

Several certification initiatives for “sustainable development” have also been promoted by dominant actors in agrifood and textile supply chains to avoid new health and social scandals in sensitive supply chains: particularly RSPO for palm oil, 4C for coffee, BCI for cotton and SFA for animal fibers. But those standards are too vague and based on minimal commitments.

⁽⁴⁾ Corporate Social Responsibility.

⁽⁵⁾ Symbole des Producteurs Paysans [“smallholder producers symbol”]



The label Rainforest Alliance - UTZ [two recently merged systems], which is on the rise for coffee, cacao, tea and bananas, was also developed by actors on the downstream end of those supply chains. For their creators, the label aims to secure their supply while responding to a growing list of questions from consumers on the environmental and social impacts of the products they consume: no child labor or forced work, compliance with labor law and respect for workers' health. The label, however, has some important limitations compared with fair-trade standards regarding multisector issues [social, environmental and economic] to promote supply chains that are truly fair and sustainable. In economic terms, the lack of a minimum guaranteed price exposes producers to global price fluctuations, just like producers who have no certification. The contractual conditions are no different from those of the conventional market in terms of setting prices, time commitment and pre-financing. The granting of bonuses negotiated between the producers and the first buyers in the UTZ system is its only economic advantage, but the amounts do not significantly increase the income of producers. Socially and politically, those initiatives do not address issues such as inclusion of vulnerable communities in promising supply chains, rural development through the consolidation of strong POs, or specific promotion and enhancement of smallholders and their products.

Far from being just a niche market, fair trade is growing fast worldwide, including in national and North-North markets. AVSF defends fair trade that is demanding and that is favorable for smallholders and their organizations. In alliance with Commerce Équitable France, AVSF [which is a member of that organization] also supports fair-trade initiatives to show the importance of applying the fundamental principles of fair trade to all markets for agricultural products, textiles and cosmetics.

Fair trade needs to be understood as a powerful tool for transforming agricultural supply chains and food systems in their entirety: it is (and will be more and more) a source of influence and inspiration for the commercial and partner-based practices of a diverse group of commercial operators whose objective is to develop fair and sustainable supply chains.

^[6] Roundtable on sustainable palm oil (<https://rspo.org/>)

^[7] Better Cotton Initiative: <https://bettercotton.org/about-bci/who-we-are/>

Recommendations for promoting and consolidating fair and sustainable agricultural supply chains

→ For commercial actors :

- Adopt procurement policies as a priority with POs that are engaged in the transition to agroecology and organic farming, and that promote what makes smallholder farmers and their products unique.
- Favor a multi-year commercial engagement with organized producers to secure their sales and allow them to invest in their production systems.
- Commit to respecting a decent price that: 1) covers production costs, 2) provides sufficient remuneration to satisfy the basic needs of the producers and their families and 3) generates a profit for the investments needed to ensure production and the sustainable management of natural resources.
- Grant partial pre-financing to partner POs to allow them to ensure the collection of the products and grouped sale.
- Systematically encourage the diversification of partner PO markets and commercial strategies allowing them to reduce their risks and promote all of their production.

→ For guarantee systems :

- In the case of fair-trade labels that do not include organic certification, strengthen the agricultural and environmental standards to promote a more ambitious transition to agroecology and organic farming.
- In the case of the Rainforest Alliance-UTZ guarantee system and the PGs developed for agroecology, follow the basic principles of fair trade to effectively contribute to the development of fair and sustainable supply chains.
- Enhance the participation of organized producers in the effective governance of guarantee systems in order to ensure that their needs and interests are taken into account as a priority.

→ For French public authorities :

- Develop support programs and investment funds to build the capacities of smallholder families when it comes to transitioning to agroecology and organic farming: securing land; access to credit and small machinery; irrigation water; services for experimentation, training and operational consulting; collective management at local level; provision of suitable goods and services upstream and downstream of production; etc.
- Defend the renegotiation of free-trade agreements between the European Union and other parties (in particular, economic partnership agreements) to avoid any negative impact on agricultural supply chains in the South and smallholder producers, and to ensure compliance with social, health and environmental standards.
- Develop programs to support fair-trade supply chains in least-developed countries and middle-income countries in order to integrate more POs into that market, as well as the integration of young producers in these sectors, determining factor to ensure the continuity of the production and their sustainability.

→ For governments in the South :

- Adopt agricultural policies that favor agroecology and organic farming, and commercial policies inspired by the basic principles of fair trade.
- Facilitate the development by the banking sector of financial tools adapted to POs for the collection and sale of their products [subsidized rates, guarantee fund, etc.].
- Develop support programs and incentive measures (subsidies/tax exemption for certain inputs and equipment) to build the capacities of POs in agroecology and organic farming, and facilitate and streamline procedures for export [conditions for granting approval to export, tax rules applicable to POs, etc.].
- Develop organic-farming and agroecology standards at national and/or community level.
- Promote local family-farming products for domestic consumption by raising awareness among the general public and labels indicating product origin (labelling/country-of-origin labels, smallholder-product and/or agroecology labels, etc.).
- Direct public procurement towards local agroecology products from smallholder organizations, particularly in mass and school catering, and any social safety-net program, through the proactive creation of procurement procedures and suitable specifications.
- Create an economic environment that is favorable for facilitating the scaling-up of smallholder agroecology by limiting competition in connection with certain low-cost imported products on local and national markets, in order to develop short circuits and facilitate the integration of smallholder organizations in national or regional food supply chains in urban markets.
- Regulate, supervise and control agriculture under contract to make sure that the rights of the smallholders involved are respected and that commercial relations are fair and balanced.

A few references

EQUITE PROJECT

→ **Fair trade in West Africa**

Building the capacities of 23 organizations (roughly 20,800 producers) with regard to fair trade in West Africa, supporting the emergence of national platforms for certified organizations and consolidating the West African fair-trade network (FTA-WAN) in order to support the development of fair trade in the sub-region.

PAPAS NATIVAS HUANCVELICA PROJECT

→ **Potatoes and fair trade in Peru**

Supporting the recovery, production and sale of native potato varieties for over 600 indigenous smallholder families in high-altitude areas of Huancavelica on national and international markets.

PROCACAO HAITI PROJECT

→ **High-quality and fair cacao in Haiti's Nord department**

Strengthening a federation of eight small-grower cooperatives (3,000 families) in the Nord department of Haiti and three cooperatives in the Grand'Anse department (1,500 families) for the production, processing and sale of fermented cacao on fair-trade, organic and premium markets.

FAIR TRADE EAST COAST PROJECT

→ **Fair trade for vanilla, lychee, fruits and spices in Madagascar**

Supporting several cooperatives and cooperative centers for Malagasy producers (1,500 families) to help them sell their production of lychee, vanilla, spices, cacao and sugar on fair-trade markets.

SUSTAINABLE LIVESTOCK FARMING BAYANKHONGOR PROJECT

→ **Livestock farming and sustainable cashmere in Mongolia's Gobi desert**

Supporting the production and promotion of cashmere (and other livestock-farming products) under environmentally friendly conditions for 1,500 nomadic livestock-farming families from five soums (administrative districts) in the province of Bayankhongor.

SMALLHOLDER MARKETS PERU PROJECT

→ **"From field to plate": smallholder markets in Peru**

Setting up and strengthening alternative smallholder markets in the Cusco, Piura and Huancavelica regions of Peru for over 3,000 smallholder producers.

RICE CAMBODIA PROJECT

→ **A better-structured supply chain for rice in Cambodia**

Supporting the improvement and organization of smallholder rice production, and structuring the supply chain between cooperatives, smallholder organizations and processing companies for better quality products at national and international level.

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Resources

→ **Reference document** « *Le renforcement des organisations économiques paysannes pour une insertion favorable et juste des petits paysans sur les marchés* », AVSF, 2008

→ **Workshop report** « *Organisations paysannes et filières en Afrique de l'Ouest* », AVSF, 2010

→ **Policy brief** « *Des filières plus courtes et citoyennes et des achats publics nationaux pour lutter contre les prix bas aux producteurs, les prix hauts aux consommateurs et la faim dans le monde* », AVSF, 2011

→ **Reference document** « *Pour un commerce équitable au service des organisations de producteurs* », AVSF, 2011

→ **Workshop report** « *Commerce Équitable et petits producteurs en Afrique de l'Ouest* », AVSF, 2012

→ **Note** « *20 ans après, le commerce équitable sert-il encore à quelque chose ?* », AVSF, 2013

→ **Report** « *Les expériences innovantes d'AVSF : Agroécologie et circuits courts en Equateur* », AVSF, 2013

→ **Document** « *Répondre aux défis du XXI^e siècle avec l'agroécologie : pourquoi et comment ?* », Coordination Sud, Gret-AVSF, 2013

→ **Note** « *L'agriculture sous contrat peut-elle contribuer au renforcement des agricultures paysannes et à la souveraineté alimentaire des populations du sud ?* », Coordination Sud - AVSF, 2014

→ **Methodological guide** « *Orientations pour la construction de programmes de renforcement des capacités des organisations de producteurs* », AVSF, 2017 (2nd edition)

→ **Note** « *Un commerce équitable pour un soutien efficace aux agricultures paysannes* », Coordination Sud - AVSF, 2017

Agronomes et Vétérinaires Sans Frontières (AVSF) is a French non-profit organization that is dedicated to promoting international solidarity and that has been working for over 40 years with smallholder communities and organizations in developing countries on food-related issues. We offer them our professional skills in crop and livestock farming, and animal health: technical assistance, financial assistance, training, access to markets, etc. We carry out over 60 projects in 20 different countries in Central and South America, Asia and Africa, alongside smallholder communities for whom crop and livestock farming is a key component when it comes to ensuring food security and promoting economic and social development. AVSF is officially recognized in France for its public utility.

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