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Local alternatives to private agricultural certification in Ecuador: Broadening access to 'new markets'?

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ABSTRACT

One option for sustaining smallholder peasant (campesino in Spanish) agriculture and diversified agricultural production systems in is improved access to niche markets or 'new markets' (Hebinck et al., 2015). However a common pre-requisite to enter these markets is private third party agricultural certification. Most agricultural certification initiatives, such as organic and Fairtrade, are private initiatives that are costly for small-producers with limited access to capital. This study analyzes the role local governments can play in through public certification, analyzing three certification initiatives created by provincial governments in Ecuador. These cases convert certification into a public rather than a private good and potentially broaden access to certification by marginalized producers. However our research concluded that access to certification may not be effective if it is not accompanied by other measures and policies favorable to small-scale producers.

1. Introduction

Smallholder or peasant agricultural production is under strain across Latin America and throughout the global south. The majority of government policies and strategies for agriculture and rural development continue to exacerbate this situation and favor the advancement of conventional agro-industrial production and the 'global corporate food regime' (McMichael, 2005). The concept of the 'new ruralism' in Latin America (Kay, 2008; Llambi, 2004; Martínez, 1999) describes the difficult conditions faced by peasant or *campesino*[1] agriculture as it is referred to in Latin America, in the period of neoliberal globalization. At the same time 'new ruralism' highlights the shift towards the new strategies and initiatives that have emerged to sustain small-scale producers over the past decades. 'New ruralism' brought with it a new focus on alternative agricultural production methods such as organic or agro-ecological production with a focus on commercialization in specialty or niche markets as an alternative rural development strategy (Kay, 2007: 33) or what have been referred to as 'new markets'[2] or 'nested markets' (Ploeg et al., 2012; Hebinck et al., 2015). Yet becoming certified in a Third Party Certification (TPC) scheme for agricultural production is often a pre-requisite for accessing these 'new' markets though and this can be a challenge for small-scale producers with limited access to capital and other resources.

Agricultural certification systems such as Fairtrade and organic certification have been described as a means by which small producers can access to 'new nested markets' (Ploeg et al., 2012: 139); as a mechanism to 'build markets outside conventional supply

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[1] In this paper we use the term *campesino* as the Ecuadorian government has defined it as the agricultural production units (UPAs) of *agricultura familiar campesina*. The government defines the UPAs that meet this criteria as the UPAs of less than 5 ha in the Highland provinces, less than 20 ha in the Costal provinces and less than 50 ha in the Amazon (SENPLADES, 2014: 158). Based on the 2000 census data, the last agricultural census conducted in the country, it is estimated that there are 3,034,440 *campesinos* in Ecuador. Although 84.4% of the UPAs meet these criteria they only represent 20% of the cultivated land in Ecuador. The other 16.6% of UPAs in Ecuador are classified by the government as agro-industrial production and occupy 80% of the arable land in the country (SENPLADES, 2014: 159).

[2] Jan Douwe van der Ploeg defines these 'new markets' as markets, ' … that function alongside or within the general agricultural and food markets and the subsequent creation of economic space that lies at the heart of current processes of rural development … These are markets that are nested within the wider markets. They are part of the wider markets but differ from them in terms of their dynamics, their interrelations, forms of governance, price differentials, distributional mechanisms and overall impact.' (2015: 17).

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chains' (Higgins et al., 2008: 16) or as providing a 'shaped advantage' in export markets (Fridell, 2006: 13). In the case of the specialty market for coffee, certification in one of several TPC initiatives has arguably become necessary even to enter these markets (Vellema et al., 2015). The evidence suggests that while the impacts of TPC for small producers have been positive though they have been modest (IOB, 2014: 46). Impact studies on Fair Trade highlight poverty reduction, building up the capacities of producer organizations, improvements in household food security and greater biodiversity in in production systems (Dragusanu et al., 2014: Le Mare, 2008; Jaffee, 2007). Certification has also been found to improve environmental management systems and improve access to new training and learning processes (Melo and Wolf, 2007). A recent impact study in Kenya that compared certified organic and non-certified producers found that certified producers were 7–18% less likely to be poor compared with the control group (Ayuya et al., 2015: 34). A 2013 study by the Committee on Sustainability Assessment (COSA) on the impacts of certification in the coffee and cacao sectors across 12 countries that compared certified and non-certified producers concluded that certified producer had higher levels of access to training, increased on-farm biodiversity, an average of 14% more yields and 7% more household income (COSA, 2013: 41). While these benefits are important these TPC schemes are private and in this sense exclude small producers who do not have the economic resources necessary to become certified.

Due to the private market-driven nature of TPC initiatives it has been described as a form of 'neoliberal governance' but certification is not inherently public or private (Guthman, 2007: 474). In this study, we analyze whether three case studies of alternative models of local agricultural certification created by different provincial governments in Ecuador represent an alternative that is more accessible to small producers than private TPC. These three initiatives are relatively new and this study does not by any means provide a conclusive analysis of these systems and their impacts. Like private certification, multi-stakeholder governance bodies and external auditing also characterize these certification initiatives but in contrast producers only either a minimal fee or are not charged for certification. These cases make certification into a public rather than a private good, potentially broadening access to 'new markets' for marginalized smallholders. We proceed in the next section to expand upon the research problem by describing the barriers small producers face in accessing private TPC and with a review of some other criticisms of private TPC. We then present the theoretical framework and the methodology used to conduct this study. In the subsequent sections we provide context on certification and government policy in Ecuador and present the three case studies. Finally, we compare and analyze the three cases and the prospects for improving access for the small producers in each case to 'new markets' before the final conclusions.

1.1. The problem: how to broaden access to 'new' markets through certification

The principle barrier for small-scale peasant producers in becoming certified is that private certification entails significant economic costs. While NGOs or governments sometimes pay for the initial costs of certification, producers typically have to pay for the recurring annual fees (IOB, 2014: 16). The benefits of certification dissipate over time if producers are not able to commercialize all of their certified production to buyers paying the premium for certified products. This may cause producers to eventually drop out or decertify (IOB, 2014: 16; de Janvry et al., 2010). The problem of 'over certification' is related to this issue, as it can be quite costly for small farmer organizations to pay for multiple certifications for different clients or a variety of export markets (de Janvry et al., 2010; Giovannucci et al., 2008). TPC in organic production has been shown to create inequalities between large and small producers certified in the same system (Gomez-Tovar et al., 2005; Guthman, 2004; Vandergeest, 2007: 1167). While certification is often a precondition for accessing 'new' markets, certification is not always easily accessible to small-scale producers and may not always favour small-producers either.

Secondly, increasing attention has been paid in the academic literature on this topic to questions of power, bureaucratization and legitimacy in the governance of TPC systems (Bernstein and Cashore, 2007; Busch and Hatanaka, 2008; Henson, 2011). While TPC systems are in theory objective and based on scientific evidence, Lawrence Busch and Maki Hatanaka argue that in reality these systems are 'socially-mediated' and are political because of the different interests of the various stakeholders in the certification process (2008: 85). The contested nature of TPC is illustrated by the growing influence of transnational corporations in Fairtrade for example, which has caused tensions with the small-producer organizations in the system (Bacon, 2010; Clark and Hussey, 2015; Jaffee, 2012). Others have also criticized these systems as a form of 'governance through bureaucratization' (Vifell and Thedvall, 2012) or for not adequately including local stakeholders in the governance of certification standards (Vandergeest, 2007). In the face of these issues studies have recommended re-scaling certification initiatives to include local governments or local community governance structures (Vandergeest, 2007) or 'democratizing' the governance of TPC (Busch and Hatanaka, 2008; Nelson et al., 2010; Konefal and Hatanaka, 2011).

In this study, we analyze alternative models of non-state public multi-stakeholder certification in Ecuador. These cases are alternative to models of TPC in that they significantly reduce or eliminate the cost of certification and localize the process of certification with greater participation of local actors in the creation of non-state public agencies and auditing processes. In this sense, the models of certification we analyze transform certification and traceability into a public rather than a private good. The cases we analyze in this study include the province of Tungurahua, where the provincial government has created an arms-length, non-profit entity that certifies small-scale producers in sustainable or 'clean' agricultural production. The provincial government of Zamora-Chinchipe has declared the province a *Territorio de Produccion Limpia* (TPL) and has worked with two coffee producers' associations to develop a on a geographical origin certification for the province. Finally, in the province of Pichincha, the provincial government has passed an ordinance to recognize Participatory Guarantee Systems (PGSs) that are operated by producers' organizations. Our analysis will describe these three different initiatives and consider whether or not they represent a means to support improved access to 'new markets' for the producers they have been established to support.

1.2. Theoretical framework

During the past three decades of neoliberal globalization, TPC private certification has emerged as a form of non-state regulation in a variety of sectors (agriculture, aquaculture, fisheries, forestry), (Abbot and Snidal, 2009; Auld, 2014, 2010; Barling et al., 2009; Haufler, 2003; Hatanaka et al., 2005; Mutersbaugh, 2005; Reed et al., 2012). Benjamin Cashore (2002) refers to these models of private third party certifications as 'non-state market-driven governance' (NSMDG) because they are essentially forms of private regulation that depend on consumers and market-driven expansion. Academic scholarship has paid attention to private TPC as one example of how 'institutions beyond market and state' and forms of 'governance' are involved in economic regulation (Jessop, 1997: 288; see also Stoker, 1998).