



Coping with COVID-19: Certification supports farmer resilience

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Key Messages

Compliance with voluntary sustainability standards (VSSs) can help smallholder producers be more resilient. It can offer higher prices and premiums than conventional markets and provide stronger supply chain relationships that facilitate market access, market diversification, and training for producers.

VSSs alone, however, do not protect farmers entirely from international price volatility or asymmetric power relations in value chains. In addition, VSSs depend on sufficient market demand.

Governments can support producers to be more resilient by providing regular training to support sustainable agricultural practices, establishing relationships between producer organizations and other value chain actors, extending social protection programs and ensuring a living income for producers, and building demand for sustainable products. VSSs, if well designed, can act as a tool that governments can use to help achieve these goals.

The Issue

The COVID-19 pandemic has illustrated the urgency and critical need to review whether our existing governance systems can protect the economic and social opportunities of the most vulnerable people participating in economic systems. This policy brief explores voluntary sustainability standards (VSSs) as potential tools to support smallholder producers' resilience to shocks such as COVID-19. Private actors are increasingly using VSSs to regulate their international supply chains and to achieve broader sustainability objectives. Given the increased adoption of VSSs, it is important to understand to what extent such standards are achieving the sustainability objectives they pursue while helping to build smallholder resilience to shocks.

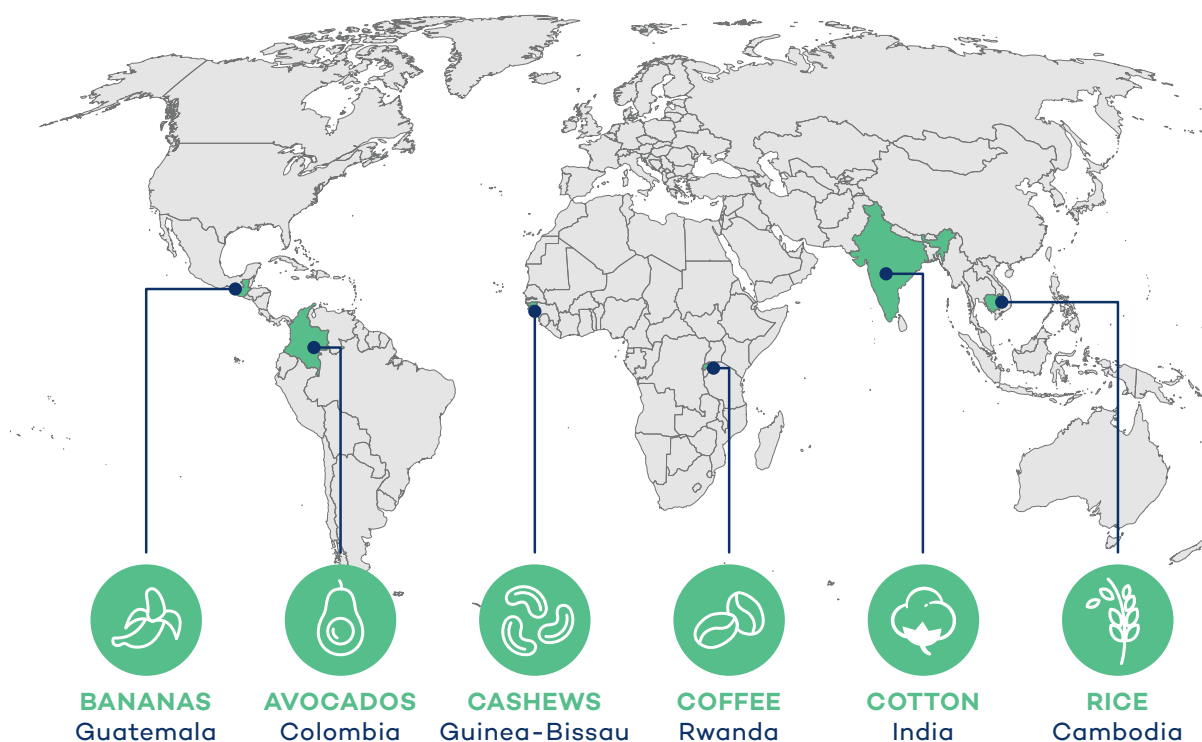


Smallholder farmers are key actors in global production systems but are often less likely to have the resources, opportunities, and voice needed to manage risk and maintain their livelihoods when exposed to shocks. More than 2 billion smallholder producers, workers, and families have been affected by the economic shock caused by COVID-19 (United Nations, 2020). Initial evidence from around the world shows that smallholders were affected by cancelled orders and contracts. They had trouble accessing inputs as companies closed to comply with social distancing rules. Reduced mobility led to labour shortages for planting and harvesting (Organisation for Economic Co-operation and Development, 2020). Bottlenecks in transport and logistics, a general contraction in trade, and import restrictions from key importing countries further exacerbated the situation for farmers (United Nations Conference on Trade and Development, 2020).

This brief reports the findings from a study of six commodity sectors in six countries to understand how VSSs influence the resilience of smallholder farmers against external shocks such as COVID-19. The research involved interviews with key value chain stakeholders to gain insights into:

- The ways and to what extent VSS-compliant markets safeguard supply-side conditions such as contracts and prices.
- How and why producers participating in VSS-compliant supply chains are more (or less) resilient to global shocks.
- What governments can do to support the resilience of smallholder producers in global supply chains.

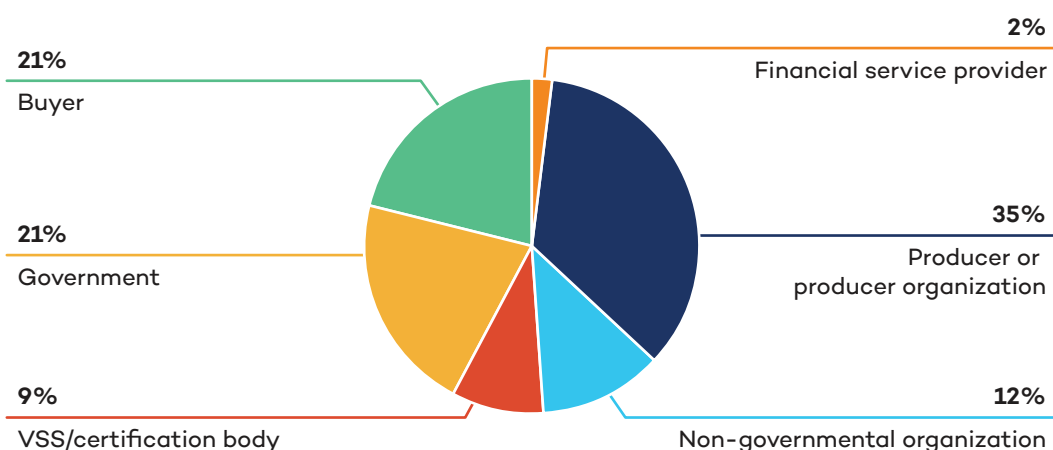
Figure 1. Map of the six countries and commodity sectors covered in this study





The study used structured interviews to collect and record qualitative data from producers, producer organization representatives, financial service providers, VSS and certifying bodies, government officials, and civil society leaders. It focused on six key commodity sectors: rice in Cambodia, cotton in India, avocados in Colombia, bananas in Guatemala, cashews in Guinea-Bissau, and coffee in Rwanda. Researchers conducted 57 interviews between October 2020 and January 2021. The research tools were designed to collect detailed data from selected representatives of each stakeholder group using standardized interview questions designed to shed light on in-country experiences.

Figure 2. Composition of interview participants by stakeholder category



Source: Upcoming IISD-UNCTAD study on VSSs and market access, part of IISD's SSI Review on Standards, Market Access, and Poverty Reduction.

Impacts of COVID-19 on Orders and Prices

The general perception among study respondents was that smallholder producers were mostly able to continue selling during COVID-19. The greatest impacts were felt by tiers further along the supply chain. Yet, market closures and delays in distribution stemming from COVID-19 led to order cancellations in some countries. Cancellations were felt much more in the cotton sector than for food commodities, likely as clothing shops closed to comply with social distancing rules while food markets remained open as an essential service. One study respondent estimated that 70–80% of cotton contracts in India were not honoured as a result of European Union (EU) market closures. However, respondents in the other study countries reported only a few contracts and shipments cancelled for avocados, bananas, cashews, coffee, and rice.

In some cases, producers faced lower prices due to the global economic contraction caused by COVID-19. In March, Indian farmers who had held on to their cotton hoping for better prices past the end of the October–February harvest faced closed ginning factories and deteriorating cotton quality because they could not sell their product. The price of cotton dropped significantly in a single month, and these farmers received lower prices than negotiated at the start of the season. In Rwanda, though contracts remained stable, coffee prices fell for conventional coffees.



How VSSs Support Producers' Resilience in the Face of COVID-19

COVID-19's effects on sales and prices largely did not distinguish between VSS-compliant and conventional farmers. Study respondents noted that contract and order cancellations and price drops affected all farmers. However, they also identified several ways that VSS compliance helped farmers buffer these shocks, suggesting that VSSs may have a role to play in building smallholder livelihood resilience.

Where prices for VSS-compliant products are higher or command premiums, producers can have higher incomes and thus better capacity to invest, adapt, and cope with shocks.

Interviewees in five out of the six case countries identified higher prices and/or premiums for VSS-compliant commodities as a contributor to higher producer incomes and thus greater capacity to adapt and cope with the effects of COVID-19. VSS-compliant producers often have existing economic capacity before becoming VSS-compliant (i.e., resources, assets, safety nets), and higher prices and/or premiums enhance this capacity to cope with shocks. In India, while prices for conventional cotton and some VSS-compliant cotton dropped below the government minimum support price, niche markets such as organic and extra-long staple cotton continued to sell and command a premium despite COVID-19. Cambodian organic rice producers have similarly continued selling their product for a premium price despite COVID-19. In Rwanda, farmers selling coffee to VSS-compliant markets get better prices and premiums and have higher revenues and income than farmers selling to conventional markets. A study participant explained that “this added value adds more resilience.”

VSS compliance can mean stronger supply chain relationships between producers and buyers that support secure access to inputs, services, and markets and faster recovery from shocks such as COVID-19.

Across actor type, study participants noted that often “the relationship between buyers and producers under VSS is more solidary.” During COVID-19, VSS-compliant producers with strong connections to buyers have had more secure market access or a faster recovery of market access. For example, in India, the “farmers who were part of the standards, they had better connectivity, they knew exactly despite all the disruptions they could still sell.” As a result, “the farmers were better off and the stakeholder confidence among the farmers went up a lot.”

Support from buyers came in different forms. One buyer of Indian cotton obtained special permission from authorities to continue to provide services and timely delivery of seeds and other inputs to their VSS-compliant suppliers despite the lockdown. The buyer kept their orders intact, was able to respect all contracts, and still paid a price for organic cotton that was fixed over the market price. In Guinea-Bissau, all producers experienced cancelled contracts and shipments of cashews, but producers with organic certification were able to resume selling much faster than non-certified producers, as their buyer provided advice with



respect to hygiene standards, spacing, and other measures that allowed them to produce in accordance with COVID-19 restrictions. In Cambodia, organic producers have contract farming agreements with buyers, establishing assured purchase quantities in addition to a premium price. This has led to greater stability and security of market volumes and sales during COVID-19.

Being VSS compliant can support market diversification and options for farmers to sell their products.

There are several ways in which VSS compliance can facilitate access to both local and international markets, increasing options for producers and thus their ability to cope with economic shocks. Despite a general decrease in orders for organic rice, farmers in an organic-certified agricultural cooperative in Cambodia had contracts with companies. In addition, they had other options to sell their product for a fair price because their production is well known to be suitable for a VSS-compliant market and is therefore seen as high quality. Farmers outside the organic-certified agricultural cooperative, on the other hand, experienced challenges with prices and have fewer brokers (and therefore market options) than before COVID-19.

In Guatemala, VSS-compliant producers are able to access international markets requiring VSS compliance and so have been less affected by COVID-19 than non-VSS-compliant producers, whose products can primarily be sold only on the national market. In Cambodia and Guinea-Bissau, where VSS-compliant production is emerging and there are few certified producers, organic-certified producers face less competition in the market than conventional farmers. Thus they have greater security in their contracts and sales. This may not continue to be the case, however, as elaborated below.

VSS compliance supports access to training, which farmers can draw upon to cope with shocks such as COVID-19.

Study respondents, particularly in Guatemala and Colombia but also in Rwanda, perceived VSS-compliant producers as better able to cope with the pandemic because of the training and culture that VSSs require. As VSS-compliant producers are “already used to a culture of standards and training and following protocols,” interviewees saw them as “better able to implement protection and adaptation activities.” Because they have already implemented health, safety, and labour protocols to meet VSS requirements, they could adapt and comply with COVID-19 protocols relating to masks and hygiene-related measures quite easily and understand their importance. Producers without certification were not seen as having the same level of education and training to adapt to COVID-19 health measures.

The Limitations of VSSs

While the interviews highlighted some ways in which VSSs can support smallholders to cope with COVID-19, they also revealed some limitations and the need for additional measures to support smallholders' resilience.



While VSS compliance often means higher prices and/or premiums, it does not necessarily provide a buffer against the price volatility of international commodity markets.

In India, for example, respondents mentioned that the cotton sector as a whole felt pricing pressure, given that cotton is an international commodity and faces market price fluctuations. During COVID-19, the price for VSS-compliant cotton (except for organic and extra-long staple cotton) dropped below the Government of India's minimum support price, so farmers sold VSS-compliant cotton as conventional cotton to the Cotton Corporation of India.

VSS compliance alone does not provide farmers with negotiating power in buyer-led supply chains.

Study participants emphasized that buyers have disproportionate power in global supply chains irrespective of VSS compliance. In Cambodia, interviewees highlighted the importance of agricultural cooperatives in supporting producers to be more resilient and cope with COVID-19. They explained that “stability and security of orders and contracts does not differ between organic farmers and conventional farmers, it differs between farmers who are members of an agricultural cooperative and farmers that are not.” One cooperative in Cambodia saw its membership drop from 112 to 27 producers in 2020 when they could not comply with the organic buyer's requirements and the buyer terminated the contract.

As VSS-compliant supply increases, benefits may decrease.

In two of the case countries for this study, Guinea-Bissau and Cambodia, VSS-compliant production has only recently been adopted. As a result, the benefits seem to come in part from the fact that VSS-compliant farmers face less competition than conventional farmers. In Guinea-Bissau, a non-governmental organization representative explained that “the contracts for organic farmers are harder to lose because [organic] farmers are fewer and there is still demand for their products.” In Cambodia, “organic farmers seem to be better off as the key players are very few so they are still able to sell.” Thus, over time, the benefits of VSSs for producers may decrease as VSS-compliant production increases and, with it, competition—unless demand increases to match.

Going Forward: What governments can do to build smallholders' resilience

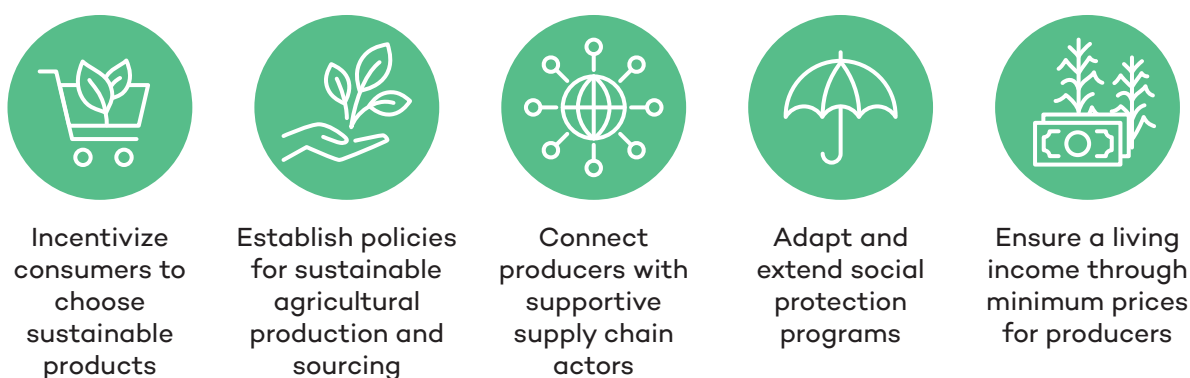
The results from this study show that in all six countries, VSSs have provided some support for smallholders' resilience in the face of the impacts from COVID-19, such as cancelled contracts and orders, lower prices, and new public health measures. VSSs can help increase the range of coping strategies available to producers by offering higher prices and premiums, facilitating market access, and establishing a network of actors and relationships that provide safety nets and training to enhance producers' capacity to cope with shocks.



There are a number of actions governments can take to leverage VSSs to achieve broader policy goals that benefit farmers overall. These include enabling higher farm commodity prices, promoting market diversification for farmers' products, providing training and capacity building, and building supply chain relationships. The following five key considerations offer governments ways to support smallholder farmers' ability to cope with shocks—such as those created by COVID-19—by leveraging VSSs but also through other policy actions that build producers' resilience.

- Enact policies and programs to incentivize and boost the consumption of sustainable (including VSS-compliant) commodities. This could include taxes and charges to raise prices on less sustainable products and/or grants, donations, or tax reductions to subsidize more sustainably grown commodities and make them more appealing to consumers.
- Establish regulatory frameworks to influence agricultural practices and promote sustainable sourcing, including mechanisms that enable smallholder farmers to implement sustainable and climate-smart agricultural practices (NAP Global Network, 2021).
- Support producer organizations and help connect them with supply chain actors domestically and internationally, including buyers and non-governmental organizations that can provide regular services and safety nets to farmers.
- Adapt and extend social protection programs, such as cash transfers, and implement resilience funds to support recovery in times of shock (see Murphy & Smaller, 2020).
- Establish minimum producer prices to ensure a living income for producers, which can support producer livelihoods and their capacity to adapt to shocks (see Oxfam, 2020).

Figure 3. Five ways governments can help build farmers' resilience



Resilient value chains that are resistant to shocks are important in the face of the current pandemic, but also to protect against the effects of climate change, natural disasters, and conflict. Integrating sustainability into value chains through VSSs and supporting policies, frameworks, and initiatives is the only way forward.



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