SMARTCHAIN
SMART SOLUTIONS IN SHORT FOOD SUPPLY CHAINS

Participatory Guarantee Systems – building trust

(Organic Services, OS)



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Template for good practice cases

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Dissemination Level		
PU	**Public**	
PP	**Restricted to other programme participants**	
RE	**Restricted to a group specified by the consortium**	
CO	**Confidential, only for members of the consortium**	**x**

1. **Title of the case description**

   Participatory Guarantee Systems as a mechanism for building trust of parties

2. **Indicate your role in the Smart Food Supply Chain:**

   individual member of the chain: ☐
   chain operator: ☐
   network operator: ☐
   association: ☐
   technical, scientific, or management expert: ☒
   advisor: ☐
   policy maker: ☐
   other: ..... ☐

3. **Indicate the region (if applicable):** global

4. WP2 Cross-reference table

Please indicate with an X in the relevant box of the matrix for which needs and the steps / functions of the supply chain the described innovative solution is applicable

		Individual steps of the SFSC							Short food supply chain as whole						
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
Needs of the consumers (citizens)	food safety														
	food quality														
	trust	X	X	X	X	X	X	X	X	X	X	X	X		X
	ethical aspects								X	X	X	X	X		X
	accessibility	X	X		X	X		X	X	X	X	X	X		X
Needs of the chain actors	fair price	X	X		X		X	X	X	X	X	X	X		
	increased negotiating power	X	X		X			X		X			X		
	shared use of available resources														
	product development support														
	access to markets and consumers	X	X		X			X	X	X	X	X	X		X
	access to infrastructure														

1: Farming

2: Primary production

3: Transport

4: Processing and packaging

5: Storage

6: Logistics

7: Sale

8: Product integrity, authenticity, transparency

9: Marketing concepts

10: Food chain management and networking for enhancing cooperation among chain actors

11: Business modelling

12: Policy environment

13: Legal requirements

14: Labelling

5. Short description of the innovative solution

- **Describe the specific need or problem being addressed by the case and please explain what is the novelty of this innovative solution**

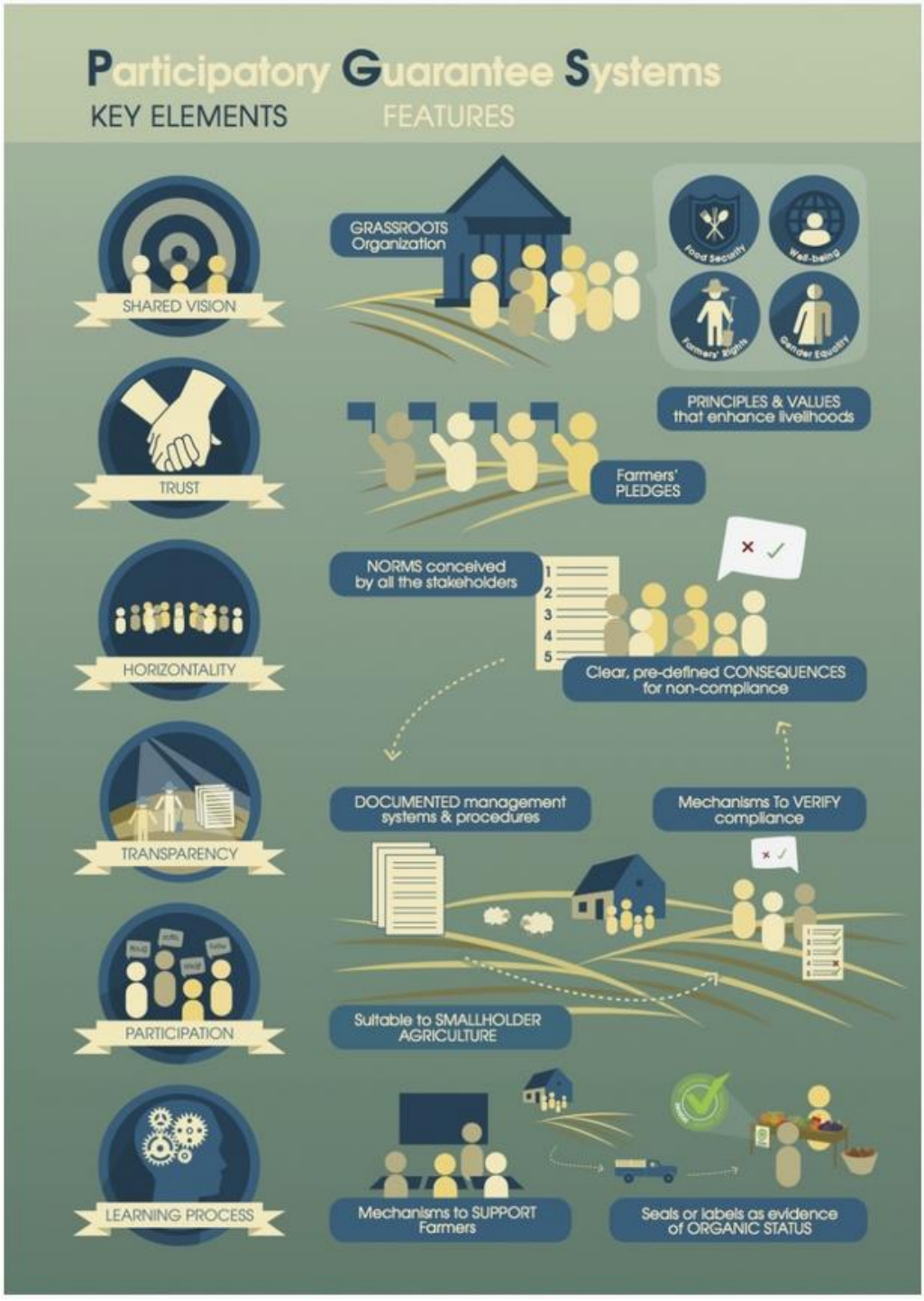
  Distrust of the consumer.

  The innovative solution suggested for enhancing trust is to directly involve consumers into the oversight of producers that are delivering products. Participatory Guarantee Systems (PGS) are locally focused quality assurance systems. They certify producers based on active participation of stakeholders and are built on a foundation of trust, social networks and knowledge exchange.

  PGS has been formalised by MAELA (Movimiento Agroecológico de América Latina y el Caribe) and IFOAM – Organics International and is mainly implemented as a trust building system in (organic) producer – consumer initiatives/organisations in local markets.

  This approach is different from a second party (internal inspectors) certification of grower groups (not involving other stakeholders) or third party (external inspectors) certification and thus does not qualify as certified organic according to major organic regulations. However, in some countries, e.g. Brazil, India it is part of the organic regulation, although marketing of such products is restricted to within the country.

- **Describe the enabling function(s) and the practical benefit(s) - (e.g. for which types of problems and opportunities is used and can it be used, and how)**
  The PGS model has many facets and expressions in structure and the way of how the guarantee is modelled. It is thus a flexible and adaptable tool that can be applied outside of organics in any other setting that lacks credibility and trust but is based on a common idea of defined quality, and not necessarily well-defined standards.

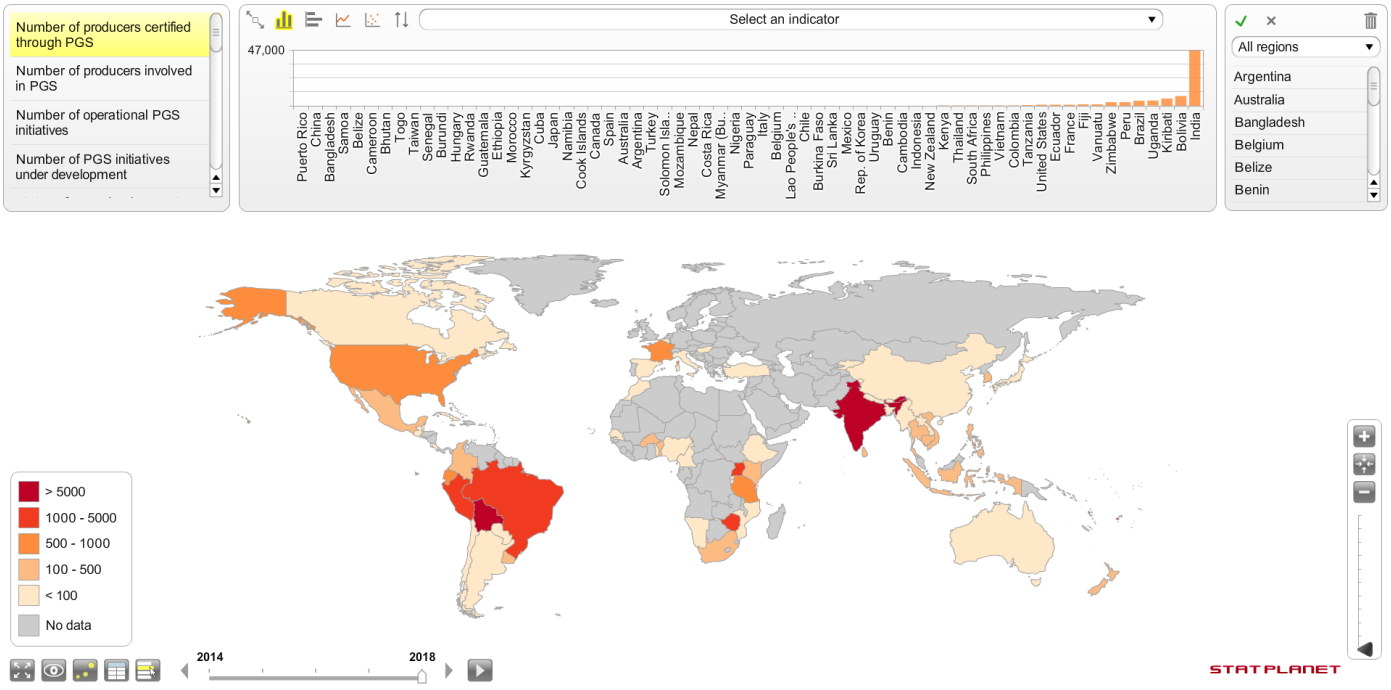


See https://www.ifoam.bio/en/pgs-basics

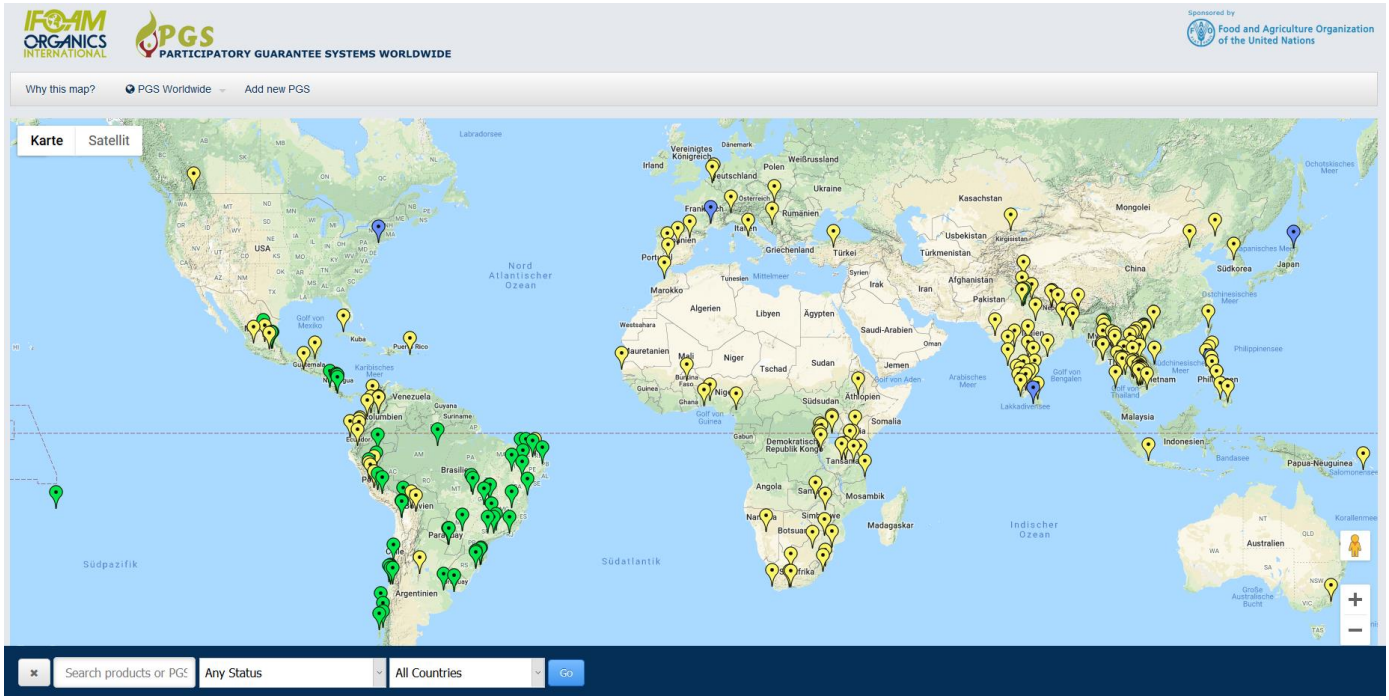
- **Describe the method/procedure/technology/solution implemented. (Please explain, whether the innovative method is a product / service / process / marketing or organisational / management innovation) After completing the description, please indicate, whether this innovation is a technological or non-technological one.**
  PGS initiatives make use of social control (in general they are based on guided peer review and support, as well as mutual knowledge building), which is effective only when local stakeholders have ownership and a direct hand in the certification mechanisms – as opposed to being answerable to a distant authority. This requires locally based and non-hierarchical certification structures and mechanisms appropriate to the social context they are operating in. Finally, all PGS include guided on-site inspections.
  Consumers are integral to the operation of a successful PGS. The exact role varies but includes helping with the initial development of the initiative, including standards and systems, to ongoing involvement in local, regional and national meetings, to participating in revisions and on-site farm appraisals. In some countries consumers play an active role in distribution by running PGS cooperatives.

  technological ☐ non-technological ☒

- **Describe the business, which implemented the innovated solution (size, country, region, location, type of food)**
  See for more details and browsing:
  https://archive.ifoam.bio/sites/default/files/statSilk/pgs-map-2018-a/StatPlanet.html



See https://pgs.ifoam.bio/ for more details on single PGS.



- **Describe the distribution channels of the product(s)**

  Marketing of products is, by nature of PGS, targeted local as it involves producers and consumers and serves their interest. But this does not mean that distribution must stay local. PGSs' of size may also market their products through cooperative structures and supply markets, processors, retail and else especially in those countries where PGS forms an integral part of the organic supply and guarantee.

- **Describe what makes the innovation work.**

  There is one major driver for making a PGS work and which differentiates a PGS from a CSA (Consumer Supported Agriculture): a structured system that builds trust among the stakeholders (mainly producers/processors and consumers) as it is based on common agreed criteria/standards and these are "auditable" as access to production and processing is granted. This "check" is a joint effort carried out as an open participatory procedure with all stakeholders interested participating.

- **Describe the specific prerequisites for the business related to the implementation of the method and/or related to the location, method, procedure, solution**

  a: List the relevant necessary resources (including the estimated cost) for the specific innovation.
  Please list the relevant ones only (list is annexed)

The cost involved is personal time for participation of stakeholders in setting-up, running and maintaining the system. As long as a PGS is run on voluntary basis, no particular other investment is needed. However, in case of successful marketing, the PGS may offer time compensation for those involved in activities necessary to maintain the functioning of the PGS.

b: List the relevant necessary capabilities for the specific innovation. Please list the relevant ones only (list is annexed)

Trust, ethical aspects, accessibility for consumers, fair price, increased negotiating power, input for R&D, access to markets and market success, access to infrastructure, management.

6. **Describe the results, achievements and typical failures**

   Typical failures of PGS are a result of lack of commitment of stakeholders and willingness to contribute with voluntary time.

7. **Summarize what makes the case to a good practice for the members of the SFSCs (e.g. lessons learned)**
   A PGS enhances transparency in that producers, processors and others stick to commonly agreed rules. Trust is not based on belief and sympathy only.

8. **Aspects, methods for transfer of methods for other SFSC members**

9. **Recommendations for members of other SFSCs for further applications**

10. **More information is available at (web), if it is relevant**
    https://www.ifoam.bio/our-work/how/standards-certification/participatory-guarantee-systems

Annex

1. Checklist for necessary resources (tangible and non-tangible):

- materials (access to: raw materials/ ingredients - including volume, land – including size, packaging materials
- human: labour force: size, knowledge & skills (production, technical, marketing, managerial, ICT, financial, etc.)
- technology: patents, know-how, trademarks, copyrights, trade secrets
- infrastructure, equipment, facilities, - size, minimum volume of production/sales, IT infrastructure
- information, reputation, brand, trust
- financial*

  *: estimated cost:

  0 - 10 000 Eur
  10 001 - 50 000 Eur
  50 001 - 100 000 Eur
  100 001 - 300 000 Eur
  300 001 – 1 000 000 Eur
  1 000 000 Eur above –

- other specific necessary resources for the application of the specific innovation

2. Checklist for the necessary capabilities

- **food safety:**
  - basic skills to comply with the EU food safety regulations
  - ability to understand what makes the product safe (the key controls, which ensure the safety of the product – biological, chemical and physical hazards, providing the safety shelf life of perishable products)
  - food safety culture (motivation, responsibility for food safety) and basic skills for the implementation of HACCP

- **food quality:**
  - ability to define the target segments of consumers for SFSCs
  - ability to define the product characteristics which are (tacit) basic requirements for the target segment(s) of consumers;
  - ability to define which product attributes/levels and augmented services represent an added value for the target segments of consumers;
  - food quality culture (motivation, responsibility for food quality);
  - production experiences which help to provide the expected quality reliably, uniformly;
  - ability to provide distinguishable quality which meets the needs of the targeted consumer segment;
  - meeting (local) legal requirements, application of the labelling rules;
  - ability to access the consumer willingness to pay for specific products of SFSCs.

- **trust:**
  - ability to ensure product integrity, authenticity and transparent information for the consumers (including systems, tools);
  - ability to access external trust enhancers (third party certification, internal certification system, participatory guarantee systems);
  - application of the labelling rules and branding (mandatory and voluntary);
  - ability to meet third party certification requirements

- **ethical aspects**
  - ability to understand consumer needs for ethical behaviour related to the specific product(s) of the SFSCs;
  - culture for ethical food production and supply;
  - ability to implement necessary measures to ensure ethical food production and supply;
  - ability to access the consumer willingness to pay for products meeting ethical aspects

- **accessibility to consumers:**
  - ability to organize logistics efficiently and to exploit innovative solutions and distribution channels;
  - efficient, innovative sales methods;

	- ability to develop and implement new business models for ensuring access of consumers to products and augmented services;
• **fair price:**	- collecting marketing information; - ability to enhance and maintain cooperation among chain actors including the combined use of available complementary resources, capabilities, competences of SFSCs actors, networking, understanding the principles of food value chain management; - ability to define, develop or maintain unique quality of products and augmented services; - ability to develop and implement new business models; - ability to access the consumer willingness to pay for fair price
• **increased negotiation power:**	- collecting marketing information; - ability to enhance and maintain cooperation among chain actors including the combined use of available complementary resources, capabilities, competences of SFSCs actors, networking, understanding the principles of food value chain management, cooperation culture; - ability to define. develop or maintain unique quality of products and augmented services; - ability to develop and implement new business models;
• **shared use of available resources:**	- ability to enhance and maintain cooperation among chain actors including the shared and combined use of available complementary resources, capabilities, competences of SFSCs actors, networking, understanding the principles of food value chain management, cooperation culture; - the level of value chain management culture; - ability to access the consumer willingness to pay for food with reduced environmental impacts

- **input for R+D:**
  - ability to monitor, research, evaluate, and understand the needs and wants of customers and consumers;
  - ability to develop new products, processes, packaging, preservation techniques, systems and access to new markets, including in other categories;
  - access to innovative technologies; distribution and marketing solutions and methods. management systems;
  - access to local input for R+D covered by other aspects

- **access to markets: and market success**
  - effective promotion, customer service, efficient and innovative sales methods;
  - ability to understand consumer's needs;
  - ability to organise logistics efficiently and to exploit innovative solutions and distribution channels,
  - unique value propositions;
  - ability to develop and implement new business models for ensuring access of consumers to products and augmented services, develop the market accessibility for the suppliers.
  - stock control;
  - ability to access to required raw materials within a restricted geographical area

- **access to infrastructure:**
  - ability to use existing own infrastructure in a focused way to serve consumer needs or to combine it with complementary infrastructures of other SFSC actors, cooperation culture;

- **management:**
  - to implement management systems for vision, planning, implementing), coordinating, controlling, monitoring, continuously;
  - improving; ability to motivate, authorize staff;

- **production, processing:**
  - management system, production experience, specific controlling, monitoring, continuously;
  - willingness to consider and ability to evaluate the adoption of TECI and NTI in the current production processes;
  - any additional specific resources necessary for the application of the specific innovation.