

Episode 14. Part 2: The Hidden Cost of Ethical Farming: Are Fair Trade and Organic Myths? | A dialogue with Carmelo Troccoli and Kyle Newell

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Hisham Allam

Hello everyone, welcome to DevelopmentAid Dialogues, where we explore the essential topics at the intersection of development, innovation, and sustainability. I'm your host, Hisham Allam.

Today's episode focuses on pledging ethics, and practicality in sustainable agriculture. We will delve into how farmers, post smallholders, and large-scale producers are navigating the complex terrain of ethical standards practical challenges and sustainability goals.

Joining us two outstanding guests: Carmelo Troccoli, the General Director of Campania Amica Foundation and the World Farmers Market Coalition. He brings extensive expertise in European agriculture policies and the global initiatives that promote sustainable agriculture. Also, we have Kyle Newell, who is a global leader in connecting smallholder farmers to commercial value change. He has led pro bono consulting engagements at EY and worked as a portfolio director of the African Agriculture Fund and co-founded several African businesses.

Carmelo, you are joining us from Switzerland or Italy.

Carmelo Troccoli

From Italy.

Hisham Allam

And Kyle, you are in Philadelphia.

Kyle Newell

I'm in New York City.

Hisham Allam

Let's explore how agriculture can balance ideals with implementations. I want to start with you, Carmelo. Let's begin with how long advocated for formal lead markets and the fair-trade practices. How would you see these principles shaping the sustainability goals of European agriculture?



Carmelo Troccoli

We live in an era where the markets are much more open that it was in the past a multilateral approach to the opening markets. Still many problems are not solved with the opening of the markets and with the free trade agreement. We still have people in food insecurity situation, not only in the globe South, but also in the globe north the last data that we have, in my country, around 5 million people in Italy are in a situation of food insecurity on the other side when we have open, markets, many time, there is disagreements on free trade are not based on reciprocity principle. So sometimes the rules that are applied in some countries are not to request from the countries where the products come from in a freeway in our country. And this makes pressure above all on the farmers.

So, taking consideration of the European market, we have a very high quality standards that our farmers have to implement in their production but many times the same standards are not required in other countries. We are in a huge discussion now concerning the Mercosur and the European Union agreement on free trade. And for this reason, we are advocating for implementation of the principle of reciprocity in this agreement, because, we think that the standards that our farmers have to apply that it must be applied also in the products that we will import from the countries that we have a free trade agreement with. And on the other side, the free trade is not the solution for the environment problem. I would see sometimes, some free trade agreements that also take in consideration the environmental topics that is always out of this kind of agreement.

Hisham Allam

Totally agree with you. Shifting to the global perspective, Kyle, especially in emerging markets, how do ethical standards like fair trade affect the small holder farmers differently compared to larger scale operations? Are these standards always practical?

Kyle Newell

Thanks for the question. I mean, ethical standards like Rainforest Alliance and Fairtrade International provide small scale farmers access to premium markets. But we also need to put this into contextualization that they really only provide in certain crop and commodity crops, a 15 percent premium above are for products like bananas, cocoa and coffee. However, achieving the certification often involves high upfront cost of \$700 several 100 per the unit of where the product they're producing, making it manageable for larger operations, but potentially burdensome for small holder farmers.

Despite these benefits, the standards also, just according to context, only applied to about 0. 5 percent of the global agriculture trade and while large scale farmers can distribute the certification costs across larger production volumes, small scale farmers face challenges with limited market demand for decertified products. There's this mismatch highlights the disparity in how these practices impact scales of farming.

Hisham Allam

So, to wrap up ethical certification like Fair Trade and Rainforest Alliance aim to ensure fair wages and sustainable practices. Do you see these certifications as an opportunity or a challenge for farmers in region with limited resources and if you can



share with us an example from your work in Africa where a pragmatic approach helped farmers thrive despite such challenges.

Kyle Newell

So, like I was trying to explain in the first portion of the question there's a benefit for certain types of crops for higher margin crops, like cocoa, coffee some types of nuts and so if you're a farmer, that's in those types of production you're going to be able to utilize the certifications like reinforced Alliance or international fair-trade certifications. The challenge is, and the most part you end up having to do an upfront cost of certifying that you're doing, you're adhering to those certifications. One of the challenges that you end up getting into is the cost of certification actually more than the return that you end up getting for producing at those standards and are our farmers producing at their standards automatically already. To just highlight that example, I mean, some organic certification standards will say you need to pay this amount of money to be able to become organically certified, but smallholder farmers, especially in the global south across the Sub Saharan Africa are producing organically because they cannot afford to have value additive inputs, whether it's inorganic or organic fertilizers added to their fields because they can't afford the upfront cost.

And so therefore, to ask a farmer to say, hey, now go pay for certification, or even if they're not paying for it, if the ecosystem's paying for it, it's more value that is not necessarily going directly to the farmer. It's going to the system and going to the people that are doing their certifications, as opposed to really helping to lift the smallholder farmer out of poverty.

Hisham Allam

Thank you, Kyle, for this clarification. Carmelo, from your perspective, do these certifications address the needs of farmers or do they fall short in some areas? And how might these programs be improved to better serve farmers, especially smallholders?

Carmelo Troccoli

On this matter I have a different experience. So, what the farmers need is to have opportunity to give added value to their products and to have a better revenue for their jobs. If I take the example of the organic certification, in Europe and the direct selling that our small-scale farmers they used to do in the farmer's market many of the farmers that we have in our association, they use it to be under the recognition of the European Union certification for organic. But after they had the opportunity to meet directly with the consumers through the farmer's market, they created a new relationship based on trust between the consumers and the farmers.

And they decided to leave the certification and to continue the production with organic method because they have the chance to be in direct contact with the consumers. So, this lesson for me, it is very useful because above all in countries where the small-scale farmers, they have not the chance to sell directly their products to the consumers. Maybe this kind of certification can be important for farmers, but when they meet directly the consumers, maybe they don't need any kind of certification. They can show how they produce. They can open their farm to the consumers and the relationship is much more direct and it's not intermediate by a recognition as the organic. So I think that, the most important is to give the chance to the farmers to meet directly the consumers.



Hisham Allam

This is an important point that you raised, Carmelo about empowering smallholders and farmers. Kyle, smallholders often face barriers like limited access to technology or financing. What scalable strategies have you seen that can empower small farmers to adopt sustainable practices without overwhelming costs?

Kyle Newell

Thanks for the question. I recently was working on a project for Solidaridad, which is a global organization that helps smallholder farmers to become connected into international markets. And the piece of analysis that I was doing is like, what is the economic viability for this type of for what your question is asking is how best to be able to get small farmers to be able to be, uh, growing more sustainably with an economic gain.

I mean, historically, there's been much more of a heavy investment, which isn't necessarily really a scalable where you're setting up a very physical infrastructure. That was probably the thoughts around 15 to 20 years ago of how do we do inclusion into the small farmer, we've transitioned and even some of the work that I was doing are doing for like this agenda foundation, looking at digital solutions that where we thought that if we could just provide a digital solution, that it was helping with different types of analysis and market information data that that would end up solving the issues as well.

But what we end up binding in through this project that have been working on for the last couple of years is you really need to have a blend of the two. So, you have things like product demonstration. You have access to talking to real farmers, but you also need to be digitally enabled to helps to connect both the information coming from the market, the information going to the production, the ability to be able to deliver products and services, the ability to be able to analyze your soil in a much more effective way to understand the types of inputs and farming techniques that you need to be able to delivery of these services to the smallholder farmer in a much more economical way, but still increasing the benefit to the farmer by being able to actually grow their incomes and not take an approach that a digital solution is going to always solve the issue.

Hisham Allam

Thank you, Kyle. Carmelo in Europe, smallholder farmers often benefit from government support and subsidized. How important is policy in leveling the playing field for small scale farmers globally? And what lesson can other regions learn from Europe?

Carmelo Troccoli

So, I think that the small-scale farmers play a fundamental role that is not really recognize, in feeding the word, we have many data that show that the large majority of the people of the world are fed by smaller scale farmers. But if we see the people that are in food insecurity, many times they come from a rural area. 100 million people in food insecurity coming, in the world in this moment, and many of them, they come from the rural area. So, this show that small scale farmers, they need policies for the role they play and the policy that are implemented at international, at national level are not enough. So, I think that the most important thing is to guarantee to the farmers that they can live with, uh, their job to so giving the right value, the right value to the food.



Hisham Allam

Who should guarantee this?

Carmelo Troccoli

In the majority of the country of the world, the farmers are only raw material producers. They cannot transform the products they cultivate and they are obliged to be in the traditional food chain. And these, leave the farmers in the weaker position of the food chain and what they receive from their job is not enough for their dignity life.

Hisham Allam

What about the governmental support?

Carmelo Troccoli

And on the other side, there is also the government support they can receive, but the majority of the policies that we assist in the world are in the direction of large-scale farmers and not so much in favor of the small-scale farmers. And so, we should change the direction and to go in a direction where, the small-scale farmers could live with their job. So, in supporting the activities that they do, in preserving biodiversity with the activities that they do in preserving the land in a good condition. Otherwise, the outcome that we have is that they abandoned the rural area to go to the city. And this is one of the reasons why 2019 was the first year in our history that the cities became much more related than, the rural area and in the next 30 years more than 70 percent of the population of the world will leave in the cities, abandoning the rural area. So, the policies that are implemented today are not enough and there are still barriers that do not allow farmers to have added value and better revenue for their job.

Hisham Allam

This is clear. Thank you, Carmelo. Kyle, do you believe consumer driven demand for sustainable product is enough to shift markets or does the change need to come from the top down, perhaps from investors or corporations?

Kyle Newell

I think where you're going to end up seeing is, and I think Carmelo started to talk about it in his introduction to this chat is that, we've seen over the last several years the inflationary mechanisms and the price inflation for, especially for, food crop and then respective food crops across the globe is that currently you're seeing almost a consumer retraction from things like wanting to pay the price premium for fair trade organic or certified products.

Um, I also think that it's to put things into perspective that it's even in the U. S. Corporations think about its only around 5 percent of the market will be able to sustain that sort of price premium that is required to do this type of agriculture practices. I think that there is a broader approach and conversation that we need to be taking around in going back to the more immediate component that Carmelo is talking about is around enabling the right types of policies to be put in place where most if you look at people who are around the dialogue around policy tables, they are actually the larger corporations, and it becomes challenging if when you're talking and trying to represent sometimes smaller farmer organizations, or especially a small holder farmer themselves that they're not actually at the table. And the views of the less politically enabled sometimes really get washed over in the conversation. You have seen some countries, even in the

global South that have started to be able to do better ability to be able to address, and into embedding sustainable practices into it, into their agriculture supply chains.

A government needs to be able to have enough money to be able to implement those programs. You're talking about almost middle tier economies like Brazil or India. And if you're talking about, the poorest of the poor of a smallholder farmer, the governments do not have the ability and sometimes don't have the physical ability to be able to implement those things. The other thing is there's a lot of pressure, especially coming from the global north of challenging the financial capabilities through elements and loans like IMF loans or World Bank loans into those countries and then even things like trade agreements.

1 of the first projects ever worked on I was a lobbyist working on U. S. Africa trade issues and was trying to pass the Africa growth opportunity act about 12, 15 years ago, when they were going through the initial rounds of negotiations. And ironically, when I came to South Africa, one of the first project I was working on was directly impacted by where you put the comma in a trade negotiation that allowed US chicken parts to be able to go into the South African market and it was around whether or not the, the comma was chicken, comma parts or chicken parts, comma, that was leading into elements that was going to basically destroy the small scale, poultry production in South Africa. And it required going to the WTO to remedy the situation there's these small things that we may think of. Oh, it's a small thing, but it's actually, no, it's some very real things. And you're talking about billions of dollars of trade that can be impacted based upon who's at the table, who has negotiating power and how are we representing everyone that needs to be, have a voice at the table.

Hisham Allam

This is totally true. Carmelo, how can farmers compete with conventional farming systems while adopting sustainable practices? What role does consumer awareness play in this part?

Carmelo Troccoli

First of all, uh, the farmers, they should have the chance to compete. The problem is that, many times they don't have the chance to be on the market, to be subject of the market. They are outside market. There are other people who compete in their place. Uh, this is the reason why we created the World Farmers Market Coalition together with friends from more than 70 different countries in the world, where we are sharing among us and with, the farmers best practice of local food system, moving from the farmers market, and we are trying to help countries where the farmers cannot be on the market to be there in a singular way or in a collective way as the farmers market can be. When the farmers they have the chance to compete. They have the chance to be part of the game. They can compete at a different level. In Italy, we create with Campagna Amica Foundation, a network of 1, 200 farmers market involving more than 50, 000 family farm, that every weekend that they meet the Italian consumers and they sell their products.

And in our network, we have organic farmers, we have traditional farmers, we have conventional farmers. We have every kind of farmers that they can compete among them and these represent also an opportunity to compete with the large-scale farmers. I know many farmers that they were in the traditional food chain and they moved in the short food chain and if you ask if they want to go back in the traditional one, they will not go because they, prefer to play in this field where they have the chance to compete. And in the majority of the country of the world, the farmers are the losers because they don't have the chance to compete.



Hisham Allam

Are they qualified, sorry for interruption, but are the farmers qualified to compete?

Carmelo Troccoli

Why not? Why not? I used to work with some cooperation programs in many countries in the globe south and when we go in some countries and we talk about the chance for farmers to go directly and to sell directly their products, many times we receive, okay, but our farmers, they are not ready to go directly in the city and to sell their product. This is not true. We don't know the farmers. We don't know which is the level that they already achieved many times alone, working in the rural area alone, abandoned by everyone. But their resilience, their will to stay in the rural area, it's made them much more competitive that we could believe they are and when they have the chance they can compete.

Hisham Allam

Sorry, Carmelo, but it's not only the chance there are some qualifications and equipment. They don't have the warehouses, transportation the packaging system. So, it is not only to take their products and go to the market and sell it

Carmelo Troccoli

This is, this is what we think that they don't have packaging that they don't have the chance to transport. But this is not true. If they have the chance, they will organize themselves to transport they will organize themselves to packaging in the right way. They will organize themselves to fulfill the food safety regulation. But they should have the chance. If you don't have the chance, you will not organize yourself in order to fulfill the requirement of the market.

Hisham Allam

I'm curious to know Kyle's perspective on this point. Do you agree, Kyle, or disagree?

Kyle Newell

I don't think it's as simple as a binary response, but I would say, my experience of working with small scale farmers is that there's a certain percentage that will be able to be commercialized. And that are sometimes I think as Carmelo has said, that are already commercially selling and commercially selling doesn't need necessarily to be doing international trade as a small farmer.

There are examples of groups being able to end up coming together to be able to increase their production to be able to move forward. But anywhere, I think that you're going to have people that can compete more easily. You're going to have some of the ecosystem components. I think of what you're talking about around. Do you have access to the right types of value addition? Do you have access to the right types of transportation that you need to be able to move crops back and forth to wherever it needs to go? And that's probably not going to be to be everyone. I also think we need to be really cognizant around where do we have the competitive advantage in certain markets a lot of times based upon the agroecological conditions.

One example that I'll just give here is. I mean, I actually, I eat a lot of chocolate, which we can talk about that off the record if we want to or not. But I mean, I'm, I have a bar of chocolate in front of me, that I bought it here in the grocery store in the US and it says imported from Belgium.

If you turn it over, you have ingredients, chocolate and sugar, Belgium does not grow chocolate nor sugar. So, I think, I think it goes back to Carmelo's point that it's, how are we empowering people and I don't like 60 percent of the cocoa in the world's grown in both Cote d'Ivoire and Ghana the rest is grown less and growing components is coming in Northern part of South America. The industry in Ghana has really tried to add and try to do more value addition, but going back to the power dynamics powers the global players do not want the value addition to necessarily occur in places like Ghana and Cote d'Ivoire, because they want to be able to bring the product back to their country. They can do the value addition, get more of the value of the total in product. And it's really like, taking out the person that's actually the person responsible for it, which is your, your smaller scale farmer growing your cocoa on the fields. And so if we're going, we can go back to the previous question and it's, there's a lot around trade and empowerment of how do we actually empower people to actually be more in control over their own destinies, which I think all of us would like to say that we are, even though we, we operate in a world where we're not able to make sometimes the decisions because there's other players that are making those decisions for us.

Hisham Allam

Okay. Let's address the global challenges in agriculture. I will stay with you, Kyle. Climate change, soil degradation, and water scarcity are universal concerns. What innovative technologies or practices have you seen make the biggest difference in mitigating these challenges, particularly in vulnerable regions?

Kyle Newell

So, it's something Carmelo mentioned earlier in the conversation is it's something like 70 percent of the world's foods grown by small scale farmers in whatever definition of small-scale farmers that is in the localized area. So just put that into context and with a changing environment, whether it's changing water patterns, changing other things, like people who are growing a majority of the food across the world will not have access to the resources to do that. We did just wrap up COP29. Which just ended over the weekend and CGIAR. FAO which are two large U. N. affiliated agriculture entities said that, well, there's been progress on capital that's going to be able to go in and help with this the just transition, but it's a drop in the bucket of what's actually really needed.

The global North's perspective of what they're going to be able to give by 2035 is \$350 billion a year to the global south. CGIAR and FAO say we need 40 \$400 billion just in agricultural alone to be able to do that. And so, we're going to run out of resources to really help people too change the agriculture sector to be able to adapt to a changing climate. I mean, the same types of things that you would see in the global North, in terms of technologies, whether it's the right types of irrigation, the right types of smart application of fertilizers, et cetera, and especially the adaptation of seed qualities to be more tolerant to. And water, whether it's too much water to, not enough water for production is those are the same types of technologies that you're going to have in the global north, the global south, but the global south is going to be lacking the resources to be able to implement some of those challenges without a larger portion of money going into a dress, a just transition for the global South within the agriculture sector.



Hisham Allam

Carmelo, what role do traditional agricultural methods and the local knowledge play in addressing these global challenges? Are they sometimes more effective than modern technologies?

Carmelo Troccoli

From my point of view, the investment we have done on local and traditional food is weak. I think, and I go back to the issue of the innovation. I think that we have to reflect on what is the innovation. Just a simple example. Plastic was one of the largest innovations after the Second World War and today we are dying under the plastic. The solution is not always the innovation in terms of technologies. Innovation it needed also in the way we think the global food, the global food system. So, in the last 100 years, we lost the 75 percent of the food biodiversity in the world. I think that it should be very much innovative if we will invest, not just in preserving biodiversity, but in renewing biodiversity on the planet. This means to invest much more in local and traditional food.

Hisham Allam

I will, I would like to discuss with you the point that you mentioned earlier about policies. The government policies can either support or hinder sustainability efforts. What policies do you think are most effective in promoting sustainable practices and how important is it to international collaboration in this effort?

Carmelo Troccoli

From my point of view, the most important policy is to give the farmers the chance to be not just raw material producers, but to be a nectar of the food system. The multifunctional agriculture that we experimented in Italy, it is given to small scale farmers a lot of opportunity, farmers can produce more materials, they can transform, they can sell, they can do tourism activities, they can do social agriculture. These give to the farmers to be a real actor, a central actor of the food system.

Hisham Allam

I love your persistence and your ability to assist at this point and supporting farmers. This is very impressive.

Carmelo Troccoli

Yeah, we have no food without farmers. And this is not just a nice sentence this is the reality. If we think as someone think that the innovation to produce food in the future, not using the land, but in the labs. With laboratory and hyper processed food. I already did you the example of plastic. We are just creating another problem for the future. Let's invest on the central role the farmers play for feeding the people and care of the planet, and we will go in the real innovative way that we have never experimented before.



Hisham Allam

Kyle, you have worked extensively with policy frameworks in developing countries. What gaps do you see in current policies, and how can they better align with the needs of farmers and investors?

Kyle Newell

I would almost echo what Carmelo was saying, but then just add on some of the things I've also said previously is like, you look at the policies from a global level. Typically, they're written predominantly by the people that already have the power dynamic and in hand. And so, if you're a small country that is not as economically equipped as the person that you're negotiating against, it's not going to be a fair negotiation, whether that's elements around. Climate change negotiations are like, COP28 COP29 are going to next year COP30 or elements around trade agreements like, you know, where we may end up seeing a goal or the next version of a goal going next year in the United States.

And even in elements around, how do you do it at a national level with the things that you can control? Sometimes those, those things, especially in countries that are in the global South, those things are actually outside of your control. And so, you're sitting in a situation where you have countries, and I come from the Midwest of the United States, which is the breadbasket of the United States, where you have people voting for subsidy in the agriculture sector, but U. S. is international trade and negotiation says that you can't or shouldn't do subsidies to farmers in the global South. They'll make different manifestations around it. Oh, well, you don't have the budget for it. You don't have it, but it's entirely saying, okay, well, you go compete on an international stage, but you're not going to have the same level of support that farmers in the global North may have and please, go try to be competitive in that market. You've seen several companies that are trying to adjust, especially around crop insurance, companies like Pula, which was, has been doing good work across Sub Saharan Africa. But it's really how do you create market? You're having to create market-based solutions sitting in a space that inherently, players in the global South are not playing on an equal playing field. We know this.

Can you change the system? It's a system that I think that we've all inherited is whether or not we want to be changing a system that's going to be better and more inclusive for everyone. And it's a challenge for all of us to be able to say, like, how do we want to transform and how do we want to live and how do we want to leave the world to our children and grandchildren?

Hisham Allam

Moving forward Kyle, what emerging trends in agriculture excite you the most? And how should farmers and industries prepare for these changes?

Kyle Newell

It's not always the innovation that is the sexy innovation that we really need to be focusing on. I think there's almost a returning back to some standardized practices of how do we do things? How do we do them more effectively? How do we do them more efficiently? It doesn't always require a sexy innovation to be able to move forward. We're at least in the immediate term, we're going to be in a place where price conscious consumers are going to be leading the demand in the world. One of the greatest challenges that I think we're going to have is how we're going to be able to end up feeding the additional 2 billion people on more or less the same amount of land. And so how do we how do we create an agriculture



system that allows us to continue to move forward? The last thing I would say is the thing that I find the most interesting is ironically or unironically of one of the things I've said is this. We produce enough calories currently across the globe to be able to feed every single person.

It becomes a distribution problem as opposed in an allocation problem as opposed to the agriculture production component. The challenge that we're going to be in the facing and we've already seen it in many countries around the world is how do we change from caloric consumption into nutritional consumption? And how do we change the dynamic that we need to be able to feed people in a healthier way that isn't just pure caloric consumption measurements that were which we have been trying to chase, I would say over the last 30 years or so.

Hisham Allam

Thank you, Kyle. My last question to you, Carmelo. From a European perspective, what are the key steps that need to be taken to create a more resilient and equitable agriculture system for the future?

Carmelo Troccoli

Most important challenge is to work on food sovereignty, respecting the environment, to go back to the central role that, European agriculture policy have in developing agriculture in our continent. The last period of our history show that food serenity is also an issue of national security as, some of the most important politics people said that in Italy, moving from France, and other countries, I think that to ensure quality food production with a sustainable impact on the environment. And this can be done only if we give the real value to the farmers. It is the main goal that we have to achieve for the future generation. I think that crisis that we are living all around the world and the pressure that all these prices are doing on Europe these represent an opportunity to put agriculture again in the middle of the political discussion. So, I am positive for future.

Hisham Allam

Thank you Carmelo.

That's it for today's episode of DevelopmentAid Dialogues. We have had a thought-provoking discussion with Carmelo Troccoli and Kyle Newell, unpacking the challenges and opportunities in sustainable agriculture. From ethical certification to pragmatic solutions, and from traditional methods to cutting edge technologies, it is clear that bridging ethics and practicality is essential for shaping sustainable and agriculture future. Thank you, Carmelo and Kyle for sharing your insights and expertise. Until next time. I'm Hisham Alam signing off. This has been DevelopmentAid Dialogues. Stay tuned for more conversations on innovation, sustainability and the future of development. Goodbye.