

Centrum für Evaluation



Center for Evaluation

Fairtrade Impact Study

**Assessing the Impact of Fairtrade on Poverty
Reduction through Rural Development**

Summary of Results Fairtrade Impact Study

**Commissioned by TransFair Germany and
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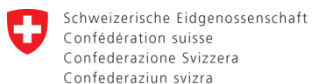
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Study Design & Methodology

This report summarizes the most significant findings of a study undertaken by CEval on the impact of Fairtrade¹ on poverty reduction through rural development. The study was carried out between June 2011 and June 2012 and encompasses case studies of six different producer organisations in the following product categories and countries: flowers (Kenya), cocoa (Ghana), coffee (Peru), bananas (Peru), tea (India) and cotton (India). The concerned organizations are small producer organizations in the cases of cocoa, coffee and bananas, hired labour set-ups in the cases of flowers and tea and a contract production set-up in the case of cotton. The following hypothesis was tested:

“The presence of representative Fairtrade-certified cooperatives or plantations/farms within a given area have a positive impact not only on and within the Fairtrade Producer Organization, but also on rural development of their surroundings/geographical environment, i.e. to increase involvement and participation of residents in rural development activities and to improve the social, economic and environmental conditions in rural areas, typically the home region of members / workers of Fairtrade-PO.”

The study followed the CEval Evaluation approach, which is founded on different models of organisation theory, and which understands social change as a transfer process that occurs essentially via organisations. In line with this research approach, the Fairtrade certified producer organisations were placed at the centre of the evaluation.

During the field work for the study, both quantitative and qualitative data were collected in relation to the socio-economic situation of farmers/workers and small-scale farmers, the social structure of communities, the organisation of rural zones, local and national development, and the management of natural resources. A total of more than 100 indicators were defined, which together create an overall picture of rural development. This work was further enhanced by 12 explorative interviews with local and international experts. The local gathering of information was carried out by a team consisting of the CEval consultant, one local expert for each study, and over 60 interviewers in total. The following methods were employed in the process:

- 128 guideline-based interviews
- 32 group discussions
- 11 participating observations
- 3750 standardised interviews

In order to be able to ascribe clear causal effects, impact studies must provide a comparison that answers the question “What would have happened if there had been no intervention?” The Fairtrade Impact Study therefore aimed to collect data on how the situation would have been without Fairtrade so as to compare this with the data collected on the actual situation with the presence of Fairtrade. In this way, conclusions can be reached regarding the changes (impact) that Fairtrade has brought about.

¹ The term “Fairtrade” applies specifically to the certification of producer organisations in accordance with the standards of Fairtrade International (FLO).

In order to achieve a methodologically sound comparison, there are various methods (research designs), most of which revolve primarily around given circumstances such as available data, financial and temporal constraints. In the Fairtrade Impact Study, a comparison was made between two groups: the target group and a comparison group. The target group consisted of producer organisations that had already been Fairtrade certified for many years, and the surrounding villages; the comparison group, on the other hand, consisted of producer organisations that had only been Fairtrade certified for a short time, along with their surrounding villages. The organisations studied were selected against a number of pre-defined criteria. In order to compare the situation prior to Fairtrade certification with the current situation, retrospective questions were included in the data collection, supported by relevant secondary data analysis.

A methodological challenge of the study was to identify non-Fairtrade certified producer organizations for the comparison groups, since often all the producer organisations in the region were Fairtrade certified, or, especially in the case of plantations, organisations were unwilling to make their data available or to provide access to their operation. For these reasons, in most cases a comparison was made between an organisation with longstanding Fairtrade certification and an organisation that had only recently received Fairtrade certification as opposed to an organisation that was not Fairtrade certified, which had been the initial design. A further challenge lay in the fact that no “baseline data” were available for the organisations and regions being studied – in other words, there were no data from the period prior to Fairtrade certification. Such data exist for only a few projects, which is why usually retrospective questions have to suffice, this study being no exception. In addition, relevant secondary data for each region were also evaluated.

All in all the study was highly complex, due to the breadth of the subject matter being researched and the elaborate research design. However, the methodologically sound implementation of the research allows clear conclusions to be drawn as to the impact of Fairtrade on rural development.

Main Results

As far as the **socio-economic situation** of small-scale farmers and workers is concerned, the study revealed that, in all the regions researched, small-scale farmers benefitting from Fairtrade enjoy slightly higher and more stable incomes than producers in the respective comparison groups. This was particularly apparent in the coffee case study, in which it was reported that only members of Fairtrade certified cooperatives could survive on an income derived solely from coffee growing in years where global market prices were lower. With the exception of cocoa, productivity in the target group was also higher than that of the comparison group. Nevertheless, the cocoa growers involved in the Fairtrade system had a higher income than those in the comparison group. This leads to the households in question being able to save more easily, and eventually also being able to invest more, which the study was able to prove quantitatively. Moreover, it was found that in spite of the attractive Fairtrade market for their products, households did not reduce or neglect cultivation of food crops for their own consumption.

With regard to the working conditions on plantations, the study showed that, in the case of the flower plantation, conditions were significantly better than on non-Fairtrade certified farms in Kenya's flower sector. Particularly in the area of workers' health and safety, the conditions on Fairtrade certified flower plantations are exemplary. Moreover, in this case study virtually all workers also have a permanent, written contract. In addition, a micro-credit system is in place on the Fairtrade certified plantation, which is highly valued by staff. All these factors cause the flower plantation to be perceived as a very attractive employer. In the tea case study such improvements to conditions were not observed, mainly because the company concerned is strongly bound to comprehensive national or sector-specific regulations that, to a large extent, dictate the terms of employment, as well as the production and trade of tea in the region. Moreover, the company in this case study is working towards equal treatment of all workers on all its tea plantations, which means that the workforce of an individual plantation does not have the freedom to decide democratically on the premium sum that they are entitled to according to Fairtrade standards. Instead a centralised representative body of workers decides on the use of the Fairtrade Premium of all the plantations combined.

Furthermore, it became clear that Fairtrade leads to an increase in the number of education and training programmes in producer organisations. In the case of small-scale farmers these are mainly centred on agricultural topics, market knowledge, topics relating to the strengthening of organisational structures, and general transfer of knowledge about Fairtrade. The latter (knowledge about Fairtrade) is extremely variable amongst small-scale farmers. For example, in the case of the cocoa cooperative in the study, individual farmers were not aware that they were members of a certified cooperative. With the plantations in the study, training focused particularly on the areas of work safety, labour relations and, again, the general transfer of knowledge about Fairtrade, which was also limited in the case of the tea plantation. Additionally, there were special training events for members of the Joint Body², as well as general training and development opportunities, for example in IT (seen in the case of the flower plantation). The difficulty with these training and development programmes is the literacy rate, which is often very low. This became clear in the cocoa case study, among others. In two cases (coffee and bananas) the cooperatives in the target group organised literacy programmes for their members for this reason.

With regard to **social structures**, education, health and gender were looked at on a regional level. It was generally ascertained that, in the cases studied, the Fairtrade Premium income is often used for projects in the communities, thus benefitting the wider population and having an impact that extends beyond the members and workers of the certified organisations. This applies in particular to education, where both direct support of educational institutions (in the cases of flowers, tea and bananas) as well as indirect impacts (coffee case study) were identified. Such indirect impacts include, for example, improved accessibility of schools for pupils, and the more easily accessible villages becoming more attractive to teaching staff as a result of investment in roads by the Fairtrade certified cooperative. The flower plantation case study provided a very good example of the direct support of schools, with the excellent cooperation between the Joint Body and the local educational institutions being particularly worthy of note.

² A committee consisting of workers and management, responsible for the use of the Fairtrade Premium on plantations.

Another, very specific point in relation to school education is that the children of small-scale farmers often have to work in the fields to help their parents. This work, which in principle is unproblematic and in many situations unavoidable, is not always reconcilable with attending school, particularly at harvest time, and can therefore give rise to conflict with the requirements of Fairtrade, as well as those of the International Labour Organisation (ILO). These state clearly that such work in the fields must not interfere with school attendance. Such school absences during harvest time were identified in the cases of cocoa and cotton, but not in the banana and coffee cases. That said, it was not possible to further determine the extent to which the target groups or the comparison groups were affected. In order to combat this widespread problem, the cocoa cooperative in the study had started an awareness-raising programme for its members, funded by the Fairtrade Premium income. There was, however, no such programme in the case of cotton.

On the health front, it was ascertained that the flower plantation in the study was genuinely fulfilling Fairtrade regulations in relation to health and safety for its workers, through regular monitoring of Fairtrade standards. However, the extent to which the Fairtrade certified flower plantations are thereby setting an industry-wide standard could not be conclusively clarified. The workers on the tea plantation in the study, on the other hand, described that there was no operational ambulance available in case of a medical emergency. With regard to the small-scale farmer organisations in the study, it was possible to identify primarily indirect impacts: the aforementioned positive impact of road-building projects on the education situation (seen in the case of coffee) also applied to healthcare. A further point (seen in the case of bananas) is that farmers who are organised into cooperatives often have better access to health insurance, which is encouraged in the Fairtrade cooperative model.

With regard to gender issues, it should be noted that successfully functioning gender committees are in place in the banana and coffee cooperatives in the study. Whilst the committees were able to strengthen the role of women, they nevertheless had little influence on the general, traditional concept of the respective roles of men and women in the region (Peru). Similar results are apparent in cocoa and cotton cases, where the additional problem exists that women often do not own the land that they cultivate, as they are traditionally not able to inherit land. A further obstacle to increased equality of opportunity is the general attitude to girls attending school, which is often regarded negatively, particularly from secondary level upwards because of fears of unwanted pregnancies. In spite of these difficulties, the established gender committees should still be regarded as important institutions within their producer organisations. The same goes for the respective committee in the flower plantation in the study, which ensures that the rights of female workers are respected and upheld. A similar provision was unfortunately not present in the tea plantation studied, but is strongly advised.

A further, if not the key aspect of the impact of Fairtrade, is the **organisation of rural zones**. This is where the process, unique to Fairtrade, of how the Fairtrade Premium income is managed and used, plays a crucial role. Thanks to Fairtrade, small-scale farmers and workers have the opportunity to be directly involved in the planning and implementation of development projects in their communities and regions. This means that the local population is ultimately also involved in these projects. In this way, the prevailing balance of power can also be altered, as observed in the case of cotton in India, where the allocation of roles is made according to the skills of each person, and not according to their caste. Particularly in

the cases of the banana and coffee cooperatives studied, but also in the case of cotton, the farmers were conscious of the fact that the generation of Premium income was directly due to them. Unfortunately this was not consistently the case with the cocoa cooperative, which on the one hand is undoubtedly due to its sheer size and the corresponding difficulties in implementing grass-roots democracy, but on the other hand also has to do with the low educational level of the cocoa producers.

In hired labour set-ups, the fact that the Premium is managed by the Joint Body also means that the workers are in a unique position of responsibility in the decision-making process. Certainly, the situation in the example of the tea plantation is somewhat unfortunate, as the final decision over Premium income is made once a year by a central committee in Calcutta, in which all Joint Bodies of the individual certified tea plantations are represented by one delegate. The decision-making process is less transparent as a result, and the feeling and/or awareness of being involved in decisions is also diluted.

Another factor that has a large impact on rural areas is investment, sometimes on a massive scale, in local infrastructure, identified particularly in the cases of coffee and bananas. For example, the coffee cooperative in the study has built a total of 280 km of roads. As previously mentioned, an indirect result of this is a clearly identifiable general improvement in the areas of education and healthcare. The significance of investment in processing centres is also not to be underestimated. These often save farmers journeys of up to several days to the nearest large town (thus also saving time and money). Similar projects are planned in the case of the cotton producers' organisation.

Nevertheless, it has so far only been possible to identify the impact of Fairtrade on **local and national development** in the case of the coffee and banana cooperatives. It should however be noted here that these products have the longest history with Fairtrade, in particular in the Latin American context. Moreover, the development of the cooperative model in the banana case study in Peru is also directly associated with Fairtrade. This changes the way in which the rural zones function, with the farmers joining forces, exchanging ideas, and having a united public presence. Joining together in cooperatives has also been a distinct advantage where conversion to organic growing is concerned. The findings also show that the existence of structures makes the cooperatives attractive partners for numerous NGOs offering support in the agricultural sphere.

The unified market presence of farmers who have formed cooperatives, as well as Fairtrade-specific factors such as the guaranteed minimum price – often above the world market price – and the Fairtrade Premium, have led to “conventional” players in the market adapting their behaviour accordingly. Dole, for example, has introduced a bonus system that is similar to the Fairtrade Premium, where an amount for every box of bananas is paid into the health programme of the Dale Foundation, which was established by Dole. The use of these monies is however not democratically determined, as in the case of the Fairtrade Premium. Fairtrade has also brought with it a further change, specifically in the case of the banana cooperative studied. Now that the banana cooperatives are no longer subcontracting the fruit packing, as was previously the case, but are undertaking it themselves, their employees benefit from guaranteed holidays and health insurance. This results in a significant increase in living standards for these workers, who in the past were often hired through an agency on a temporary basis and on less favourable terms and conditions.

In spite of the sometimes massive improvements to small-scale farmers' lives as described, only in the case of the coffee cooperative studied did the interviewed schoolchildren express the wish to become farmers themselves. Apart from the fact that the profession of farmer is seen as less attractive, these responses are also partly due to the fact that the plots of land are becoming ever smaller as a result of sub-division for inheritance purposes, and young people can scarcely afford to acquire (more) land. Whilst a label has practically no influence over the possibility of acquiring land, Fairtrade can certainly make a positive contribution to the attractiveness of the farming profession.

Lastly, this study examined the **use of natural resources**. It was found that, thanks to the relevant standards and the regular, independent monitoring of these, Fairtrade promotes sustainable production methods. It is however often the case that Fairtrade certified producer organisations have additional, environmentally-oriented certifications, or that relevant national regulations apply (as in the case of tea). For this reason it is not always possible to attribute an identified improvement to Fairtrade certification. In the cases of coffee and tea in this study, the UTZ Certified and, most of all, Rainforest Alliance labels were perceived to have a more specific impact on certain ecological issues. Nevertheless, in practically all the case studies, it was possible to identify positive impacts that could be attributed at least in part to Fairtrade. Moreover, it is true to say that Fairtrade has assisted in the conversion to certified organic production in the cases of coffee, bananas and cotton.

Conclusion and Recommendation

Fairtrade can bring important positive changes to rural areas. As the study shows, Fairtrade can thereby improve the living circumstances of workers and small-scale farmers. Fairtrade also creates the preconditions for rural development to take place on many fronts. The increased levels of saving and investment activity on the part of small-scale farmers and workers play a central role here. The crucial factor is that the planning horizon of the rural population becomes longer term. On the one hand, this is due to the protection against price falls guaranteed by Fairtrade, but is also on the other hand a result of the better contractual situation of workers (permanent positions). Nevertheless, the number of Fairtrade certified small-scale farmers and workers is mostly too limited to identify a significant impact at a regional level.

As for the effectiveness of the Fairtrade approach in general, it has been shown that the quality of organisation, the motivation of the respective decision-makers (management or cooperative management board) and the general knowledge and understanding of Fairtrade among the respective farmers and workers are critical success factors. Of significance therefore is the extent to which the hierarchies and individual (key) positions influence the communication and information flow between the various positions and levels (management, workers, cooperative members, administration). The same goes for cooperation and the information flow between the committees of the producer organisations and local institutions, for example in the spheres of education or healthcare. A low level of education and/or literacy, as identified in the cocoa case study, compounds the difficulties in terms of internal communication.

In the examples studied the above-mentioned critical success factors could often be seen as positive, especially in the cases of coffee, bananas and flowers, although this was not the case everywhere. It is apparent in the less successfully functioning examples (cocoa and tea) that the respective producer organisations were, at least until recently, only able to sell very low volumes of their products under Fairtrade conditions. This may suggest that significant sales on the Fairtrade market could be a further requirement to enable members and/or workers in a Fairtrade certified organisation to benefit from this certification to the extent that was expected.

An important recommendation from this study is to use the well-functioning examples in the sense of a “best practice approach” to raise levels of effectiveness within the Fairtrade system. In this way, other producer organisations can learn from the experience of the flower plantation in the study in terms of the effective planning and implementation of Premium projects. Their experience with gender committees could also be introduced in the case of the tea plantations studied. Similarly, the awareness-raising work undertaken in the cocoa cooperative with respect to reconciling children’s school attendance with working in the fields with their parents, could also be implemented in the organisation of the cotton case study.

Two points on the impacts of Fairtrade are particularly worth emphasising. Firstly, it should be recognised that any impact on rural development that extends beyond the producer organisation is not the primary aim of these organisations. Their objective consists first and foremost in the economic interests of their members. Thus it is important that Fairtrade continues to undertake awareness-raising work in this respect. Secondly, any impact at a regional level is significantly influenced by contextual internal and external factors. Internal factors include, i.a., the size and structure of the organisation: very large cooperatives and multi-estates often incorporate a large number of sub-cooperatives/plantations. External factors include the political situation and state regulations, ecological changes and the volatile international trading and market conditions for individual products.