

The Last Ten Years: A Comprehensive Review of the Literature on the Impact of Fairtrade

Conducted by
Valerie Nelson (valairn@ntlworld.com) and Barry Pound (barrypound@calendra.freeseerve.co.uk)
Natural Resources Institute (NRI),
University of Greenwich

September 2009

Disclaimer

This study was commissioned by the Fairtrade Foundation, but the findings and views contained herein are those of the authors alone.

Contents

	Page
1. Introduction	4
2. Reviewing the current evidence base	6
3. Economic Impacts	7
3.1 Higher returns and stable incomes	
3.2 Who can participate?	
3.3 Payments to organisations versus individual farmers	
3.4 Character of key organisations in value chain influences impact	
3.5 Reduction in vulnerability	
3.6 Quality issues	
3.7 Transition to organic	
3.8 Influence on the conventional market	
3.9 Access to new export markets	
3.10 Access to credit	
3.11 Impact of activities funded by the Fairtrade Premium	
3.12 More co-ordinated use of Fairtrade premium?	
4. Environmental impacts	17
4.1 Environmental Fairtrade inputs	
4.2 Good agro-ecological production and processing	
4.3 Limitations of organic production	
4.4. Potential for exclusion of poorer producers	
4.5 Harmonization, umbrella labels & differences between standards	
4.6 Environmental impacts of the use of the Fairtrade Premium	
5. Empowerment Impact of Fairtrade	20
5.1 Empowerment inputs of Fairtrade	
5.2 Dimensions of empowerment	
5.3 Individual producer self-confidence	
5.4 Ability to negotiate with buyers and operate on international markets	
5.5 Quality and Fairtrade	
5.6 Producer knowledge of Fairtrade	
5.7 Wider community impacts	
5.8 Influence at the national level	
5.9 Stronger producer organizations	
5.10 The efficiency of co-operatives	
5.11 Survival of and relations between co-operatives	
5.12 Benefits of being part of an organization	
6. Quality of life and well-being	31
7. Gender and equity issues	32
7.1 The evidence on gender and social difference	
7.2 Women's representation in Fairtrade farmer organizations	
7.3 Gender roles and coffee production	
7.4 Differential impacts on women and men	
8. Conclusion	36
Annex 1: Summary list of Fairtrade impact studies	41
Annex 2: Numbers of Fairtrade impact studies by commodity and location	42
Annex 3: Bibliography	43

List of boxes

	Page
Box 1: Economic inputs of FLO Fairtrade	7
Box 2: Some examples of Fairtrade Premium investments	14
Box 3: Fairtrade Premium – exploration of impacts of investments	15
Box 4: Evolving use of the Fairtrade premium – Tanzania Coffee Co-operative	17
Box 5: Environmental focus	17
Box 6: Fairtrade environmental benefits in Mexican coffee growing	18
Box 7: Social development standards in Fairtrade	21
Box 8: Examples of studies indicating Fairtrade producer self-confidence has risen	23
Box 9: Export capacity, understanding markets, negotiating with buyers	23
Box 10: Organisational empowerment effects – some examples from the literature	26
Box 11: Achieving stronger producer organisations through Fairtrade support	27
Box 12: Examples of women’s representation in Fairtrade	33

List of diagrams

	Page
Diagram 1: A hypothetical impact chain and the importance of context	5

List of tables

	Page
Table 1: Summary of economic benefits of Fairtrade	8
Table 2: Summary of the individual producer empowerment benefits of Fairtrade	22
Table 3: Summary of the organisational strengthening impacts of Fairtrade	26

1. Introduction

This study has been commissioned by the Fairtrade Foundation, in order to: *'systematically analyse the impact of Fairtrade certification as demonstrated by the current evidence base'*. Over 80+ studies were reviewed, but the evidence base containing in-depth information on the impact of Fairtrade¹ on producers and producer organisations was found to comprise 23 reports² containing 33 separate case studies, which have been analysed in detail (a small number of these case studies cover the same co-operatives, e.g. Coocafé in Costa Rica). All of the reports are published academic and development agency studies, including journal articles, working papers and reports.

A large number of studies were not included in the analysis primarily because they did not relate to FLO Fairtrade certification, but also because some did not contain significant impact evidence and instead were analysing market trends. This study is focusing on the impact at the local level of Fairtrade-certified products (i.e. which carry the FAIRTRADE Mark), rather than the impact of the broader social movement termed Fair Trade, which includes products that may be 'fairly traded' but are not certified, such as handicrafts.

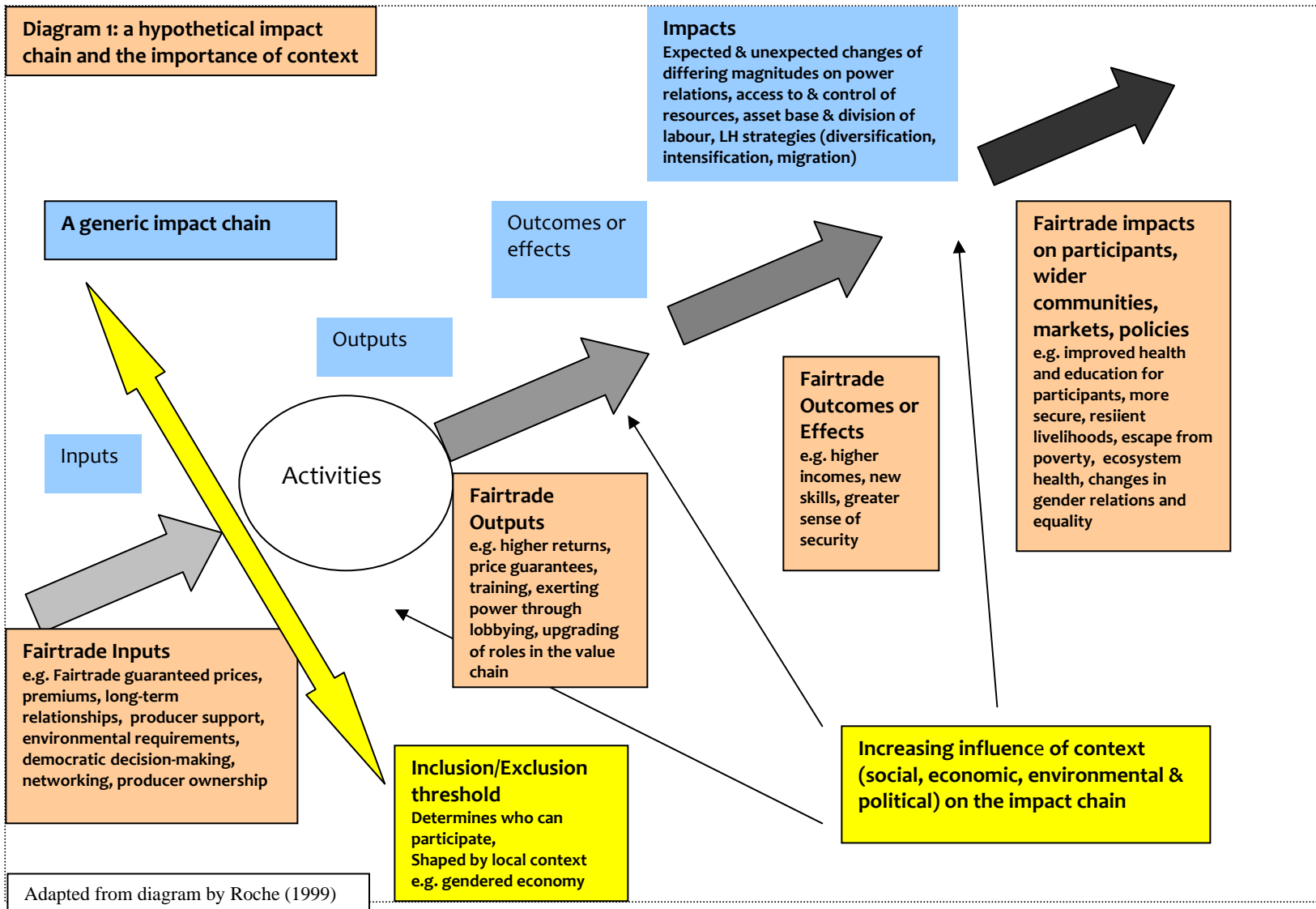
For the purposes of this literature meta-review, we are defining impact as the *'systematic analysis of the lasting or significant changes - positive or negative, intended or not - in people's lives brought about by a given action or series of actions'* (Roche, 1999). Many of the studies focus on the outputs of Fairtrade (e.g. higher price, training activities etc), rather than on the outcomes (e.g. higher incomes, or new skills) or livelihood impacts (e.g. changes in material wealth, social wellbeing and empowerment). The further along the impact chain one moves, the greater the influence of context and the more tricky the attribution to a specific intervention (in this case Fairtrade).

The strength of the evidence base is assessed first of all, to try and gain a fuller understanding of what the empirical evidence shows, and where there might be gaps that need to be filled. The different dimensions of Fairtrade impact are then explored including: economic, quality of life/wellbeing, and empowerment types of impact. Gender and equity issues such as the distribution of impacts and representation in decision-making are explored, and the evidence on Fairtrade's role in reducing or exacerbating producer/worker vulnerability is analysed. Key sustainability strengths and challenges are outlined. The concluding section sums up the findings of this review of the literature and identifies some priority areas for future research and action.

Diagram 1 is presented below. It visualizes a hypothetical impact chain illustrating the kinds of inputs that occur in Fairtrade, and the possible outputs, outcomes and impacts that result. The diagram illustrates how contextual factors play an increasing role in shaping final impacts of a specific intervention, and also influence the inclusion threshold – i.e. who can gain access to a scheme such as Fairtrade and who cannot. Of course many arrows could be added to show feedbacks and inter-relationships, but for simplicity a linear chain is shown – although impact chains may include surprises as much as predictable events.

¹ Fairtrade was limited to FLO Fairtrade certification, rather than focusing on Fair Trade (defined as the broader social movement).

² The majority of the studies analysed in this exercise are in English, with a small number in Spanish. These were included in the study. However, there are also likely to be studies in other languages, especially French, of relevance to this kind of assessment which have not been included in this review.



2. Reviewing the current evidence base

The key findings in terms of the characteristics and strength of the evidence base are as follows:

- Of the 33 case studies analysed, 25 (the vast majority) are of Fairtrade coffee case studies (a small number are repeated).
- There are 4 case studies of Fairtrade in bananas (in Ghana, Costa Rica, Peru and the Caribbean) and 3 studies of Fairtrade cocoa (all of which are of Kuapa Kokoo). There is one case study which includes information on outcomes for Fairtrade Fresh fruit producers.
- No impact studies were found on Fairtrade impact in cotton, sugar, tea, rice, nuts or other commodities for which there are Fairtrade standards.
- Geographically speaking, most of the case studies are from Latin America and the Caribbean (26), with 7 African examples (some of which are repeated) and no case studies from Asia. This bias towards Latin American coffee is probably the result of the history of Fairtrade itself, with its' beginnings in Mexican coffee and the continuing bias in terms of sales.
- The vast majority of the studies are of smallholder farmer organisations. There are two studies of hired labour situations for Fairtrade banana growers and workers (see Ruben *et al*, 2008; and Moberg, 2005).
- The studies are diverse in terms of their specific objectives and the methodologies used. Many are snapshot studies (especially the earlier ones) providing insights in a new field. More of the later studies include a longitudinal assessment of changes in producer income and assets over time (e.g. Ruben *et al*, 2008).
- Some studies pay more attention to context than others. For example, newly liberalized economies present challenges for small producers which Fairtrade can assist with (see OPM/IIED, 2000).
- Few of the studies move beyond a small number of cases to be able to draw conclusions that are relevant to a whole sector or fully explore these success and context factors across different situations. Further research is needed to establish what are the key factors driving success, as current studies are weak on teasing these out. (Examples might include: the specific characteristics of the Fairtrade trading chain, i.e. who is the buyer, ATO, differences between retailers; hired labour versus producer co-operative situation; specific characteristics of the commodity itself; changes in world commodity prices compared to Fairtrade prices over time; is the market in surplus or deficit in the market?; size of Fairtrade sales; proportion of sales sold as Fairtrade for a single co-operative or company etc).
- It is also unsurprising that as this is an evolving field, that some of the earlier studies have a slightly less critical eye than later studies – some of the more recent studies exploring empowerment issues and producer knowledge and perceptions of Fairtrade in more depth than previously (Moberg, 2005), or the ability of Fairtrade to stabilize prices (Berndt, 2007).
- The impact of producer networking is explored, but rarely fully assessed. There is increasing funding being made available to strengthen formal Fairtrade networks, with the aim of raising capacity, awareness and eventually sales, yet the differences between the different regional networks (in Africa, Asia and Latin America) are not yet analysed.
- Few of the studies considered the impact of advocacy interventions of Fairtrade producers and workers.
- Many studies address whether producers are getting higher prices for their products and improved access to credit, but there are fewer studies which attempt to measure changes in income, expenditure or assets for participating households. Empowerment impacts are explored in many of the studies (especially organizational strength of producer co-

operatives, individual self-confidence), but few of the studies assess social impacts in any great depth (e.g. changes in health and education) or impacts on producers or workers in conventional market.

- Very few of the studies analyse the gender dimensions of Fairtrade (a notable exception is Ronchi, 2002a) and few disaggregate data along lines of gender or social difference.

3. Economic impacts

This section summarizes some of the impacts of the economic development inputs of Fairtrade.

As noted by Giovannucci and Koekoek (2003), the “coffee commodity market is driven exclusively by economic factors and, like all commodity markets, does not recognize, much less internalize into its prices, the very real environmental and social costs of production”. However, as they also state, the “striking emergence of dynamic markets for certified organic, Fairtrade, and eco-friendly coffees firmly place the coffee industry at the forefront in developing innovative responses that are relevant to the difficulties of rural development and trade in developing countries”. The box below explains the economic inputs of FLO Fairtrade that are intended to lead to positive impacts for producers and workers.

Box 1: Economic inputs of Fairtrade

- **Buyers are required to pay a stable Fairtrade minimum price calculated to cover the costs of sustainable production**
- **Buyers are required to pay a Fairtrade premium to producer organisations for producer organisations to make livelihood investments and to improve the situation of local communities.**
- **Opportunity for pre-financing**
- **Contracts that allow long-term planning**
- **Increased access to export markets.**

Of the total number of case studies reviewed, 31 contained evidence of **positive economic impacts** (see table 1 below for a summary of economic benefits and annex 4 for more details), although the scale of these are sometimes modest.

3.1 Higher returns and stable incomes

The evidence presented in this section strongly supports the claim that **Fairtrade provides a favourable economic opportunity** for those smallholder farming families able to form producer organisations and provide products of the right specifications for the market. Table 1 below shows that a high proportion of the papers reviewed for this study mention higher returns and stable incomes as clear benefits enjoyed by Fairtrade producers compared to sale into conventional markets. It is also a relief for many producers that they are no longer at the mercy of unscrupulous intermediaries (the “coyotes” of Latin America), but can sell to those that they trust at a fair price.

Table 1: Summary of the economic benefits of Fairtrade

Benefit	Number of papers demonstrating benefit
Guaranteed minimum price leading to improved income	29
Improved economic stability	27
Improved access to credit, prefinancing and greater creditworthiness	11
Enables transition to organic	9
Enables diversification of income sources	7
Access to lower interest rates	3
Improvements to facilities and equipment (including being able to position themselves further up the value chain)	5
Income enables quality improvement	4
Access to export markets	9
Influence over conventional markets	6

The Fairtrade guaranteed minimum price is of particular value when market prices fall below production costs – reducing the need to migrate or to mine assets during such periods of hardship. According to Imhoff and Lee (2007), the guaranteed floor price paid to producers through Fairtrade results in more **stable incomes** and is consequently one of the most important direct benefits that accrue to coffee producers (Hopkins, 2000; Raynolds, 2002; Murray et al, 2003; Pérezgrovas & Cervantes, 2002; Milford, 2004; and Fend, 2005 - in Imhoff and Lee, 2007). Their own study in Bolivia shows that Fairtrade also gave higher returns to producers than other organisational arrangements available to producers in their study area in Bolivia.

Arnould *et al* (2006, p20) p20, conclude that “participation in Fairtrade is like a life jacket, a shock absorber, or a **buffer** against the effects of the volatility global market capitalism visits on the poor in developing countries. It is a safety net, but given current pricing levels, production regimes, and farm sizes, Fairtrade coffee alone is not THE solution to the problems of the rural poor”.

Utting-Chamorro (2005) maintains that Fairtrade played an important role in providing small coffee farmers in Nicaragua with an **alternative economic approach**. Even though producers received only between 1/3 and 2/3 of the Fairtrade price due to deductions for community fund, export costs, processing costs, capitalisation fund and debt repayments (deductions which may benefit producers in the long-term), this was still sufficient for them to remain secure when others were losing their land (see section 3.3 for more information).

In all seven cases reviewed from Latin America by Murray et al, 2003, coffee cooperatives were able to use a portion of Fairtrade’s additional price margin to **capitalize their organisations**. They also concluded that in all seven case studies, Fairtrade had **improved the wellbeing** of farmers and individuals in situations where highly volatile price fluctuations have ruined the livelihoods of many farmers who have not had the benefit of the Fairtrade guaranteed price.

A thorough study by Aguilar (2007) of the Coraca Irupana cooperative in Bolivia showed that, through Fairtrade, it has become the **main motor for economic development** in the Yungas Mountains. Income from Fairtrade has provided economic stability for the organisation and its members, enabling it to build up its working capital such that it now no longer needs external

credit or pre-financing. The cooperative has a good internal financial management system and external auditing, resulting in transparent resource mobilisation. This stable financial situation has translated into benefits for members, such as increased ability to keep children in school and send them for further education. 60% of members now have electricity, and 97% recycle organic wastes. 86% believe they are better off with the organisation than previously. 54% have created new sources of employment, while others have improved their coffee plantings. However, average incomes are still low at US\$900/year (compared to the poverty level of US\$812 and the “sustainable” level of US\$1791).

A comparative study of impact of Fairtrade on coffee and banana producers in Peru, Costa Rica and Ghana was made by Ruben, Fort and Zuniga (2008). In most cases, involvement in Fairtrade increased output and/or yield of their key crops. They also found that **positive average net household income effects** were registered for most Fairtrade situations. In most of their case studies, revenues derived from Fairtrade activities represent by far the major income component, with an average income share of between 70 to 90 percent. They also found that, in general, those involved with Fairtrade devoted relatively more of their expenditure on **long-term investments** in household durables, house improvements and particularly education.

Fairtrade cannot remove all market risks for small producers. Various authors (Moberg, 2005; Berndt, 2007; OPM/IIED, 2000) point out that Fairtrade farmers cannot be made immune to the vagaries of the international market. Jaffee, (2007), while noting that Fairtrade farmers are still affected by market fluctuations, also finds positive economic benefits accruing to participants from the guarantee that a fair price is available to them, enabling them to make longer-term investment decisions.

3.2 Who can participate?

Not all producers are in the position to benefit from Fairtrade. Those in ecologically marginal or remote areas or who have less ability to pay for labour, for example, struggle to conform to the environmental and quality standards required. Utting-Chamorro (2005) points out that ever more stringent requirements may mean difficulties in implementation for smallholders, who would then need greater support. Marginality (brought about by poor education, harsh environment and remote locality) can be a barrier to successful participation in organic coffee growing and therefore effectively exclude some of those who the Fairtrade initiative is most supposed to assist.

However, Barrientos and Smith (2007) note that Alternative Trade Organisations (ATOs) actively seek to support producers in marginal areas even though this might disadvantage them compared to the retailer own-brand Fairtrade chains that are now emerging which might seek less marginal groups. The majority of Fairtrade coffee producers in Caranavi Province, Yungas, Bolivia, are of both indigenous origin and are experiencing poverty (Imhoff and Lee, 2007). Similarly, Fairtrade certified cooperative Coocafé represents primary societies that are all in marginal areas (Ronchi, 2002a).

Few studies reviewed the assets and characteristics of producers able to participate in Fairtrade many of whom may already have belonged to a farmer organization – as compared to those who have fewer resources and may not be part of a farmer organization.

3.3 Payments to organisations versus individual farmers

Fairtrade returns are being invested in improving production and processing capacity and infrastructure as well as being divided up for disbursement to individual producers. It is also clear that only a proportion of the guaranteed Fairtrade price that is paid to the producer organisations goes directly to the individual farmers. There can be a number of deductions along

the way, for organisational, production or processing costs or improvements, for social and environmental programmes, and for servicing debt payments (Murray et al, 2003; Ronchi, 2002, Milford, 2004; Utting-Chamorro, 2005). Some of these deductions benefit producers indirectly, and in the longer term. Thus an upgrading of processing capacity by the organisation can improve the quality and value of the product exported, therefore enhancing both competitiveness and price (e.g. Consumers International/IIED study of Fairtrade and other standards in Brazil, 2005). Ronchi (2002) also points out indirect impacts resulting from the use of the capitalization fund such as the establishment of organic production facilities, and the expansion of fruit-yielding shade trees that can improve and/or diversify income and reduce dependency on a narrow range of farm products.

Quality improvements are particularly necessary in situations, such as coffee, where the market is oversupplied and many producers can only sell part of their crop to Fairtrade. However, Northern retailers of products such as Fairtrade-certified fruit sometimes have **stringent requirements for quality and environmental standards which are not always appropriate to local conditions**. Fairtrade growers of bananas in the Caribbean Windward Islands found that the environmental standards stipulated by FLO were onerous. For many of the elderly members of the cooperative the physical labour required of them to comply with agro-ecological practices set by FLO - many of which consisted of time-consuming and back-breaking manual clearing of weeds and other laborious tasks - not only altered their livelihood regimes but were physically debilitating and arduous. In this case FLO listened to the complaints of the cooperative, reviewed the standards and adjusted them accordingly (Moberg 2005).

3.4 Character of key organisations in the value chain influences impact

A comparison of relations between (different) supermarket own-brand value chains and Fairtrade supply chains in which ATOs play a key role in fresh fruit and cocoa, found that specific issues relating to the characteristics of the commodity shape outcomes for producers/workers. The **interests and values** of buyers and intermediaries shape their actions and thus outcomes for those at the local level. They conclude that whilst “*Fairtrade producers may be guaranteed a minimum price and social premium for any sales they achieve on the Fairtrade market... the long-term perspective important for achieving sustainable development objectives may be absent*” in some supermarket own-brand value chains and in some types of product more than others (Barrientos and Smith, 2007). They found **significant differences between the approaches of different retailers** (not only comparing supermarkets and ATOs, but also comparing between different supermarkets) in terms of the support they provide to producers, in reaching the more marginal, and in developing long-term relationships. There is limited evidence on the comparative impact of different buyers on outcomes for producers in Fairtrade, but this question has become very important as mainstreaming occurs – and is likely to become an increasing focus of enquiry for the research community.

3.5 Reduction in vulnerability

The **stability** that a guaranteed price, long-term contracts and the availability of credit bring to farmers **enables them to invest** in their land, the quality of their products, in diversification of income sources, in their domestic facilities and in their children’s education. Several studies cite diversification into projects that reduce vulnerability, such as improving food security through organic gardening or small-stock animal production. For instance, Mayoux (2004, reporting Ronchi, 2002b) felt that it was likely that the Kuapa Kokoo credit programs had increased diversification and hence incomes, particularly for women. A considerable increase in incomes for Fairtrade co-operative members in Mexico and Central America has enabled producers to diversify, and therefore increase income and spread risks (Murray *et al*, 2003). For example, Majomut cooperative member families in Chiapas improved their access to food through

participation in organic gardening and subsistence supply projects partly supported by Fairtrade returns. Timely Fairtrade payments in La Selva cooperative (also in Chiapas) helped cover immediate family expenses for medicines and ceremonies. Murray et al (2003) report that families in Fairtrade cooperatives in Mexico and El Salvador were provided with training and marketing assistance to develop alternative income sources (e.g. production and marketing of handicrafts, establishment of community stores, development of bakeries, and improved production of basic grains).

However, there are also reported instances (e.g. Ruben et al, 2008) where good and stable prices have led to activity specialisation, thus reducing the degree of income diversification [Ruben et al, (2008) also say that few other impact studies sufficiently assess how participation in Fairtrade affects time spent on other livelihood activities, many of which also generate income]. Although incomes may rise because of Fairtrade participation, it is also possible that livelihoods that are focused on a specific activity could potentially be more vulnerable to shocks and stresses. More consideration is needed in impact assessment, of this dimension of **relative vulnerability and resilience** for households and individual members of the household, not least in the light of increased competition over land use in many rural areas of the world (e.g. for biofuels production, international land purchases etc) and the increasing uncertainties presented by climate change.

While those producers selling all or a part of their production to Fairtrade are often better off than their neighbours, and usually more able to cover their basic needs and some modest investments, it is difficult to assess from the studies the degree to which participation in Fairtrade is enabling producers to escape poverty. While some studies mention a dramatic improvement in livelihoods, others emphasise that producer families are still only surviving and covering basic needs. Some suggest that Fairtrade needs to be supplemented by other development policies and initiatives to raise rural livelihoods to a more sustainable level. For example, Stonehill (2006) felt that while the Fairtrade supply chain was equitable and the Fairtrade price was a critical lifeline in the event of price fluctuations and crop damage, the income from Fairtrade coffee for most smallholders (in Guatemala) did not add up to a “living wage”. Aguilar (2007) demonstrates in Bolivia that average incomes of farmers participating in Fairtrade are still low at US\$900/year compared to the poverty level of US\$812 and the “sustainable” level of US\$1791. Jaffee (2007) conducted an in-depth case study in southern Mexico with coffee farmers. He found that because of the costs incurred in hiring labour to meet Fairtrade organic standards, improvements to farmer incomes were modest, although better than incomes of conventional farmers. Similarly, Mayoux (2004, based on Ronchi, 2002b) concludes that incomes remain low in many Ghanaian Fairtrade cocoa producer households. With school fees, hospital costs, funerals and other obligations, most cannot meet their basic needs, even though most are able to eat year-round. They therefore have to depend on other crops, livestock palm wine, petty trading and non-agricultural activities.

Future research could focus on how far Fairtrade enables farmers and workers to move out of chronic poverty and onto more sustainable pathways. A key question may be how well Fairtrade has a poverty impact in comparison to other types of investment in agricultural trade aimed at supporting smallholders and workers on plantations?

3.6 Quality issues

The **evidence on whether Fairtrade improves quality appears to be mixed**, with both positive examples and less positive assessments emerging. A number of authors (e.g. Consumers International/IIED, 2005) emphasise the importance of being able to invest in improving quality, as this improves competitiveness and therefore the ability to command a good price even when the market is in surplus. The long-term relationship between buyers and producers provides the incentive to improve quality, while the prices paid provide the wherewithal to do so. Lyon

(2002) maintains that Fairtrade participation leads to substantial improvements in coffee quality as cooperatives develop long-term direct relationships with buyers and have an incentive to improve their coffee in years to come. Furthermore, the higher prices received in the Fairtrade market often help cooperative members to make much needed improvements in their fields. However, she also pointed out that long-term relationships can also create a sense of security among cooperative members, and they can lose the urgency for the maintenance and improvement of quality. Stonehill (2006) also remarked that the Fairtrade system lacks emphasis on improving the quality of coffee, which he feels is the main way to maintain market share in the face of competition in Guatemala. Similarly, Berndt (2007) suggests that for coffee producers in Guatemala and Costa Rica there is an incentive for coffee farmers to sell their highest quality coffee on the open market.

3.7 Transition to organic

In an effort to further improve incomes many Fairtrade farmers, particularly in coffee, invest in the transition to organic certification. A study by Perezgrovas and Cervantes (2002) show that Majomut co-op members in Mexico earned US \$1,700 from their organic Fairtrade certified coffee harvest, compared to the local 'street' price of US \$550, and Calo and Wise, 2005 demonstrate improved returns to labour from organically certified sales. Some producer organisations encourage this transition, and assist with finance or credit. In many cases it can be said that the regular Fairtrade price enables farmers to make the transition, which entails a lot of work and an initial reduction in yield and thus income.

The transition to organics involves costs as well as benefits. The papers were divided as to the direct economic benefits of organic production, as the organic differential is comparatively small, and both the certification charge and the increase in labour are considerable (Jaffee, 2007 found a threefold increase in labour). Fairtrade helps in the transition to organic in coffee production, partly because the cost of certification is shared across the producer organisation. Without being organised it would be impossible for small-scale farmers to sell organic coffee, as individual farmers could not afford to pay for the certificate. Even so, small producer organisations have a tougher time coping with the transition costs than larger ones. Indeed, the size of producer organisation is an issue, with larger organisations usually more able to achieve lower administrative, processing and export costs, and generally having greater negotiating power (Leutchford, 2006, Milford 2004 and Berndt 2007).

3.8 Influence on the conventional market

There is evidence from six papers that the presence of democratic organisations like Fairtrade have **influenced the conventional market**. In one Guatemalan Fairtrade coffee case study some farmers claimed that Fairtrade prices had stagnated relative to those paid by private buyers (Arnould, Plastina and Ball, 2006). However, in the majority of case studies where an effect has been noted the *opposite* effect has been observed. In Mexico, for instance, the presence of Fairtrade has forced middlemen to increase their prices - to the benefit of all producers (Milford 2004). Similar effects were identified by: OPM/IIED (2000) in both their Tanzania coffee and Ghana cocoa case studies, by Jaffee, 2007 in his study of coffee co-operatives in Oaxaca; by Imhoff and Lee (2007) in their Bolivia coffee case study; Utting (2008), coffee in Nicaragua case study; by Ruben et al, (2008) in the banana producers in Peru and banana plantations in Ghana. In the latter example, hired labour conditions improved on plantations across the region as a result of the improvements implemented by the Fairtrade company.

3.9 Access to new export markets

In nine cases (including Kilian, 2004; OPM/IIED, 2000; Murray et al, 2003) involvement in Fairtrade because of its' certification and capacity building activities has **increased access to new**

export markets, including lucrative niche markets in the North. This can be as a result of the improved quality of producers' products, their improved confidence and negotiating/commercialisation skills, their exposure to potential export partners and/or their access to market information. In one case (the Poco Fundo Cooperative in Brazil reported by Consumers International/IIED, 2005) the main motivation for seeking Fairtrade certification was reported as improving market access.

3.10 Access to credit

A number of authors provide evidence that Fairtrade producers enjoy **greater access to credit than their non-Fairtrade counterparts** to cover harvest expenses & other costs. Such credit arises from pre-financing by the buyer, credit schemes run by the producer organisation (at advantageous interest rates), or from traditional credit sources, who view the Fairtrade farmers as having a better credit rating than others due to their better incomes and long-term contracts. In Ghana, access to credit permitted farmers to engage in alternative livelihood activities (Ronchi, 2002b) while the case studies on banana and coffee in Peru, Costa Rica and Ghana reviewed by Ruben et al (2008) reveal substantial and significant positive effects for Fairtrade households with respect to credit access and asset value. Based on a study of Fairtrade coffee growers in Guatemala and analysing other Fairtrade impacts studies Lyon (undated; and in Farnworth and Goodman, 2006), suggests that it is in the credit arena that development agencies and non-governmental organizations have had the largest impact on the growth of Fairtrade market participation in Latin America. However, she notes that these loans must be carefully managed by both the cooperative and the members who borrow, to ensure transparency and good management, although this is a generic issue for co-operatives and not just Fairtrade organisations.

3.11 Analysis of the impact of activities funded by the Fairtrade Premium

The studies vary in the depth with which they explore how Fairtrade premiums are spent. There is very little *analysis of the impacts* of those investments in any of the studies, with a majority simply listing activities funded by the Fairtrade premium. This represents a *missed opportunity* for Fairtrade organisations in terms of identifying successes and to track change in order to make improvements.

The **use of the Fairtrade premium is still evolving** in many cases. For example, according to Murray *et al* (2003) in a meta-review of seven Fairtrade case studies from Latin America, the premium was found to be used in a number of ways, but the uses were changing over time. It has been used to finance co-operative technical improvements, other kinds of organizational support to coffee producer activities and for individual bonuses (after administration costs had been deducted) - however FLO generally encourages using the Fairtrade premium for social projects (Murray *et al* 2003) although the final decision is left to the organisation.

Box 2: Some examples of Fairtrade Premium investments

- Coocafé, a Costa Rican Fairtrade Coffee study: An impressive array of Fairtrade premium activities and this is complemented by funding is from national & international NGO & ATO sources. E.g. the educational fund (96 university students supported since 1997, 754 students benefitting from secondary school scholarships, 71 schools received donations of approximately US\$360 per year³) (Ronchi, 2002a)
- Fairtrade social initiatives in Nicaraguan coffee (e.g. food security programmes, educational scholarships & healthcare), have positively shaped social conditions in the Ija'tz co-operative, but community-wide issues of inadequate healthcare & education services remain, for the most part, unaffected. As economic conditions worsened & weather-related production difficulties occurred, members decided to split the funds individually (Stonehill, 2006).

Most of the impact studies (particularly the earlier ones) provide impressive figures but these figures are not wholly contextualised (in terms of scale of activity and reach of the population), nor do they give much idea of what changes the investment in activities and equipment led to. There are a few exceptions. For example, Ronchi's (2002b) study of Kuapa Kokoo is one of the few assessments which explore how community members feel about the community investments that have been made, and what kinds of changes have resulted (e.g. with positive views expressed of improvements in school attendance, the quality of health and education provision, the development of a new entrepreneurial spirit etc). Similarly, Moberg (2005) also found clear evidence of positive changes: there was 'general agreement, both among Fairtrade and conventional growers, that the Fairtrade movement has materially benefited farmers in the Windward Islands. These benefits accrue primarily from the social premiums generated by Fairtrade bananas, which have funded an array of community services otherwise beyond the reach of most rural residents' (Moberg, 2005) (See box 3 below).

OPM/IIED (2000) found that the **impact on wellbeing** of Fairtrade and non-Fairtrade producers is positive, but can be limited in scale. Because of the size of the overall premium, there are instances in which benefits do not accrue at producer level – the premium amounts are so small that instead they are used at a co-operative level (OPM/IIED, 2000). In a number of studies (e.g. Stonehill, 2006) producers have argued that the Fairtrade premium should be divided up amongst individual producers to enable them to survive and to invest in production. When economic conditions worsened this pushed members of the Ija'tz co-operative in Guatemala to divide up the cash dividends to supplement their meagre incomes, so there may clearly be situations in which the premium is valued more as a means of survival for economically vulnerable producers, rather than a source of funding for social initiatives.

³ In some of the earlier studies on Latin American Fairtrade impact the term 'premium' is sometimes used to refer to both the Fairtrade price as well as the Fairtrade premium combined together. This makes analysis of use of the Fairtrade Premium somewhat confusing – it is not always easy to tease out the exact funding source for activities outlined as benefits of Fairtrade. This is the case in the Coocafé example by Ronchi and in Blakely's study.

Box 3: Fairtrade Premium – exploration of impacts of investments

Kuapa Kokoo and Day Chocolate

- Wellbeing benefits from community facilities generated by: a) a Society Development Fund (¢400 per bag bought to each society to create revolving fund for use village-wide for loans, buying farm inputs etc); b) Kuapa Kokoo Farmers Trust which funds community projects such as potable drinking water, corn mills, sanitation projects, a mobile medical clinic etc (Mayoux undated, reporting *inter alia* Ronchi, 2002b).
- An OPM/IIED 2000 study of Kuapa Kokoo questioned how far community members were deciding the use of the premium and found some members would have preferred individual bonuses.
- However, Ronchi (2002b) found that local views were actually very positive. According to participants, approx. 100,000 people have received medical attention and prescriptions, yet the programme costs only 2% of the Fairtrade premium earned on Day Chocolate purchases alone. 41 of the 53 community projects of the Kuapa Kokoo Farmers Trust have been funded by Fairtrade premium earnings. The quality of water and sanitation projects is highly appreciated by community members. Interviews with parents, children and teachers indicated that the school building project had ‘emphatically’ improved school attendance, health and the quality of education. An increased entrepreneurial spirit has emerged amongst women supported to engage in income-generating activities, with indications of increased wellbeing amongst women, *despite* increases in their workload and in a context of women’s limited control of resources.

Windward Islands Bananas

- Perhaps the most important contribution by Fairtrade groups to their local communities. Considerable in scale, premiums returned to Windward Islands communities reached nearly US \$1.3 million from sales between July 2000 and April 2003 of which nearly US \$750,000 was used by Fairtrade producer groups to invest in development projects, with the balance used for administrative costs of WINFA and National Fair Trade Committees of each island and to underwrite projects benefiting all Fairtrade groups. Investments include: purchase of weed-eater machinery to replace herbicides on members’ farmers; plus a wide array of community projects (e.g. buying equipment, putting up buildings for schools, improvement of roads, and vocational training programs for village youth; a novel health insurance fund in St Lucia to reimburse Fairtrade farmers and families for medical expenses up to EC \$1,000 (US \$375) and for secondary school attendance for youth in rural areas (there are high costs involved in travel to town to attend classes. (Moberg, 2005).

Fairtrade coffee, Nicaragua

- The SOPPEXCCA co-operative has invested Fairtrade premium funds into small improvements in community infrastructure and services (E.g. building a baseball field and equipment, school building improvements). But disjointed use of funds may not be optimizing benefits – the social project coordinator for the co-operative said the funds could not cover larger community infrastructure and services work (Bacon, 2005b)

As there are **few studies of use of the Fairtrade premium in hired labour situations** it is difficult to draw any conclusions regarding its relative importance. In the single example focusing on hired labour (Ruben et al, 2008) in VREL banana plantation, Ghana, the study found that the Fairtrade premium is used to provide specific items (e.g. purchase of bicycles, health kits and school subsidies) to the workforce – but again there is not real exploration of what these purchases mean to local workers. This approach to disbursing the Fairtrade premium is adopted because workers come from a large number of villages in the area and investment in all of these

villages simultaneously in community infrastructure would be impossible. Interest-free loans are also provided to the workers using a large part of the premium, although this is not linked to (in) formal financial institutions, such as a savings and credit union, which might create more multiplier effects.

Much depends on the overall size of the premium and more information is needed on the relative scale of Fairtrade returns and the number and needs of participants and local community members.

Few studies elaborate how the impacts flowing from Fairtrade premium investments are **differentiated along social or gender lines**. Disaggregated data along these lines is absent and should be collected on a more systematic basis. Another particular difficulty in the impact studies analysed, is that quite a number do not make it clear exactly which Fairtrade funds are used for a particular activity or indeed where other external funds are also being used. Quite often Fairtrade funds are combined with donor support to enable community investments to be made, and it is not always possible to distinguish the source of the funding – and therefore the efficacy of the premium itself in bringing about change.

In sum, it does appear very likely given the evidence in the studies that the Fairtrade participants and their communities are **benefiting positively from the Fairtrade premiums**. However, interesting questions remain unanswered including: ‘What is the most effective use of these funds?’ and ‘Could they be used more strategically to greater effect in certain situations?’

3.12 More co-ordinated use of Fairtrade premium?

A less disjointed, *ad hoc*, approach may optimize the potential benefits of such funds, according to Parrish *et al.* (2005) in his study of the KNCU coffee co-operative, Tanzania. He suggests more systematic implementation, focusing on gaining a strategic return on crop investment, but he also notes the importance of the democratic decision-making by and accountability to local producers. Another (ethical trade, but not FLO-certified Fairtrade) scheme involving coffee farmer associations in the same area supported by the US NGO Technoserve was found to be focusing on building up coffee infrastructure and ensuring a strategic return on investment, but lacked community infrastructure investment. Which approach is more effective in the long run? Much will depend upon the particular context as well as the priorities which (different groups within) local communities have and Parrish *et al.* (2005) concludes that the kind of producer support given is important (i.e. technical innovation has to be complemented by institutional and policy environment changes for long-term success). Ruben *et al.* (2008) also suggest co-ordinated use of the Fairtrade premium would scale up the impact of these funds.

Fairtrade premiums are currently being used for three purposes as mentioned above (community projects, production oriented investments, and individual bonuses). Several assessments question whether the current direction of incentives from Fairtrade can work effectively to encourage producers to increase the quality of the crop grown and processed, such as coffee – an important point as these studies note that quality improvements are one of the critical avenues for increasing returns in the future.

Box 4: Evolving use of the Fairtrade premium – Tanzania Coffee Co-operative (KNCU)

- KNCU coffee co-operative, Tanzania invested the premium initially in coffee husbandry (OPM/IIED, 2000)
- Because Fairtrade farmers were paid the same price for both high and low quality coffee, the incentives for coffee husbandry declined (Parrish, *et al*, 2005)
- The challenge is therefore not lack of farmer knowledge, but lack of incentives to produce quality coffee (Parrish, *et al*, 2005)
- Primary societies of the KNCU are opting for different strategies – individual income bonuses, investing in coffee infrastructure (repairing scales, buying chemical sprayers) or investing in community infrastructure (e.g. installing electricity to refrigerate medicines (Parrish, *et al*, 2005)

As well as the call for more focused use of the Fairtrade premium and the debate over whether investments should accrue to individuals for short-term support or in crop infrastructure for potential longer-term gains, a suggestion is made that **greater coordination** with other development agencies and initiatives in an area is important to scale up impact (Bacon, 2005b). Fairtrade involving small producer organisations is working in some fairly marginal rural areas where government services and physical infrastructure is often very limited. Bacon (2005b) suggests that Fairtrade could assist co-operatives to lever in funding from other sources (e.g. international agencies, buyer companies) to complement the Fairtrade premium. Cocafé is an example of a co-operative where other funding has been leveraged in to complement that flowing from the Fairtrade system. Previous research on ethical trade has indicated that this **‘honeypot’ effect** does exist already, with schemes drawing on donor support to get established but also to complement development activities (Nelson *et al*, 2002). However, it is also important to note that focusing funding on one particular group of farmers in an area may be unbalanced as an approach.

4. Environmental impacts

4.1 Environmental Fairtrade inputs

This section analyses the evidence from the literature on the environmental impacts of Fairtrade. Perhaps unsurprising, given the origins of Fairtrade as a primarily socially-oriented movement, of the 33 case studies reviewed, although approximately three quarters of these make significant comment on environmental aspects of Fairtrade, **none of the papers carried a methodical environmental assessment**. Assessment of the impacts of changes in agricultural practices, for example, for workers or farmers are rarely explored in detail, nor is the cumulative impacts on ecosystem services and functions. The box below explains the environmental inputs of FLO Fairtrade, which should theoretically lead to positive environmental impacts.

Box 5: Environmental focus

- **Fairtrade requires minimised and safe use of agrochemicals**
- **Proper and safe management of waste**
- **Maintenance of soil fertility and water resources**
- **Prohibits use of genetically modified organisms**
- **Requires organisations to assess their environmental impact and develop plans to mitigate it**

4.2 Good agro-ecological production and processing

Good environmental practices were commonly found to be being practised according the majority of studies, although it is not possible to generalise across different commodities and situations without more systematic evidence. For instance, non-Fairtrade farmers are almost twice as likely as Fairtrade producers in Guatemala to use agrochemicals (Arnould *et al* 2006). Mexican Fairtrade coffee production is now almost synonymous with organic production, leading to clear environmental benefits (Jaffee, 2007, p164) (See box 6 below for more details).

Box 6: Fairtrade environmental benefits in Mexican coffee growing

- The Fairtrade price and, perhaps as important, price stability, has enabled farmers to resist the temptation to adopt higher yielding, but less ecologically sound, practices such as ‘sun-grown’ coffee which has spread rapidly across Latin America, Africa, India and Viet Nam (Seavey, 2003; World Bank, 2002)
- Fairtrade coffee farmers have cleaned up their processing of coffee from the highly polluting wet processing that left rivers bereft of oxygen (Jaffee, 2008).
- Fairtrade is sustaining critical ecosystem-protecting services of shade grown and organic coffee - during a harsh price crisis which has led coffee growers to switch to cattle grazing and drug crops, which are environmentally damaging (Jaffee, 2008).
- Transition to organic cultivation of coffee (supported by Fairtrade returns) has encouraged some Fairtrade farmers (and non-Fairtrade farmers in the same community) to adopt organic practices in food production in the *milpa* (Jaffee, 2008).

Given the benefits of shade-grown over sun-grown coffee⁴, the authors feel that it is important that FLO weigh up the **social, environmental and economic benefits and costs of including a requirement for shade** (and, if possible, forest-mimicking multi-strata shade) production in Fairtrade coffee in order to ensure that positive environmental impacts are maximised.

4.3 Limitations of organic production

In Latin American coffee production, dual Fairtrade and organic certification is common - the former providing support for the transition to organic production. There are limitations associated with organic production – **labour costs** can be greatly increased and the organic differential is small in comparison to the extra costs, including certification and audit costs (Jaffee, 2007; Reynolds, 2002 and Lyon (undated). Jaffee argues that national and international organic standards need to be revaluated with meaningful input from local producer organisations to ensure that they are ‘truly necessary and do not unfairly place farmers’ livelihoods at risk’ (Jaffee, 2007, p163). Although this is primarily an issue for the organic standard setting bodies, it is of relevance to Fairtrade where the latter provides support for transition to the former. Encouraging further exploration of the costs and benefits of transition by farmers themselves, including the views of both male and female farmers, is a good place to start.

⁴ Shade coffee covers the soil, allows better infiltration of water and contributes to carbon sequestration, especially where shrubs and trees have been cut down. In Nicaragua, where ninety-five percent of coffee is considered “shade grown” (cultivated under the canopy of native and exotic trees), this helps to sustain ecosystem services such as biodiversity, soil, and water conservation. As Nicaragua’s environment suffers high rates of deforestation, soil erosion and water contamination, the 108,000 hectares of coffee land (partly for Fairtrade) become increasingly important for their production of environmental services (Bacon, 2004). The inclusion of fruit trees in the shade canopy also provides diversification of income and nutrition for producer families.

4.4 Potential for exclusion of poorer producers

Some reviewers report that **Fairtrade environmental conditions are either too stringent** (Utting-Chamorro, 2005) **or in some cases locally inappropriate**. For example, Moberg (2005) reports that FLO requires the growers to refrain from herbicide use on their farms to protect watersheds and aquatic life, but this has greatly increased labour inputs, as mechanical weed clearing is adopted in place of the banned chemical herbicide paraquat. The mechanical approach has also exacerbated some weed and pest problems. Older farmers (in a farming population of average age 50) lack the skill and strength to use the gas-powered weed-eater machines effectively and have to employ younger men to weed their farms, increasing wage costs. There is also concern that if environmental conditions become more stringent, the marginal and resource poor might find it too hard to comply, and be excluded from Fairtrade benefits (Utting-Chamorro, 2005).

NRI believes that provision of and advocacy for good rural advisory services is needed to support compliance with Fairtrade environmental practices, which could be provided by government or NGOs, or from within producer organisations themselves. But the stringency of environmental requirements should be assessed in the light of strong empirical evidence of the (differentiated) costs and benefits involved. A case is mentioned where complaints were made to FLO, and the application of standards for the local conditions was modified (Moberg 2005, cited in Farnworth and Goodman, 2006). The difficulties embodied by universal ‘one-size-fits-all’ standards is well rehearsed in the development literature, as is the need for standards and certification procedures to be contextualized to consider local labour, social and cultural conditions.

4.5 Harmonization, umbrella labels, and differences between standards

Some of the reports conclude by calling for harmonisation of standards and umbrella labels. Some call for a single certification to cover Fairtrade and organic production, for example, to reduce costs to producers (Consumers International and IIED, 2005). Calo and Wise (2005) recommend an umbrella label to cover all types of “environmental” or sustainable production (e.g. shade, bird friendly, Fairtrade, organic) for commodities such as coffee so that consumers are not confused by the multiple labels in the supermarkets.

However, there are also authors who point to the **substantive differences** between Fairtrade and other certifications. For example, Reynolds, Taylor and Heller, (2007) compare private regulation in coffee, including five major third-party certifications (Organic, Fairtrade, Rainforest Alliance, Utz Kapeh and Shade/Bird Friendly initiatives). They conclude that certifications that seek to raise ecological and social expectations (such as Fairtrade) are likely to be increasingly challenged by those that merely try to uphold current standards (such as Rainforest Alliance or Utz Kapeh) and they argue that there needs to be more support from public regulation in tandem with private regulation to resist market pressures to weaken standards.

4.6 Environmental impacts of the use of the Fairtrade Premium

Several case studies recount how the Fairtrade Premium has been used to finance **environmental programmes**. Murray et al (2003) report that the Majomut cooperative in Chiapas used part of its Premium to hire a community organic farming promoter, which has allowed farmers to convert their coffee and other crops to higher-income generating, diversified and more ecologically sound organic production. Technical advisors provide a minimum of six training courses per year in coffee tree management, soil fertility and conservation, pest management, harvesting techniques, other quality-related procedures. Soil conservation measures used by Majomut’s organic coffee production programme (supported in part by Fairtrade returns) have helped reduce soil loss from erosion by 3,800 tons per year (Perezgrovas and Cervantes 2002:19 in Murray et al, 2003).

UCIRI cooperative delegates in Oaxaca have dedicated funds from the Fairtrade Premium for a variety of social purposes (e.g. the construction of latrines; the purchase of fuel-efficient household stoves to reduce disease, smoke-related respiratory problems; training local youth as community development workers), but also for environmentally focused activities (e.g. combating deforestation, and training young people in appropriate composting technologies, intercropping of coffee and legumes, animal husbandry, and alternative food and cash cropping techniques. In these ways, according to some Fairtrade is helping to preserve cultural identity and pride. Fairtrade has promoted a ‘recuperation of pride in being indigenous, not in a romantic way but as ancient residents of their land and country’ (VanderHoff Boersma, 2002: 19). Support for agro-ecological production is also occurring in Guatemala. In the La Voz Cooperative in the Guatemalan highlands, Fairtrade-supported organic farming is reportedly helping in ‘rescuing the culture and rescuing the system of production that was used before’, although it involves more technical knowledge’ (Lyon, 2002: 32). Again, more information would be useful to assess the extent and depth of this rescue operation, which is clearly valued by the local Fairtrade farmers interviewed.

Ronchi (2002) describes how the Coocafé Social Capital Fund supports the *Fundación Café Forestal* (FCF) in Costa Rica and El Salvador. (*N.B. It is not clear from the study how much this is funded by Fairtrade Premium or by Fairtrade revenues, but there is certainly clear that Fairtrade monies flowing into the fund). The FCF is funded by sales from Coocafé’s *Café Forestal* brand of roasted coffee to European Fairtrade markets. For each 1 kg sold, US\$1 is donated to the *Fundación*, which has programmes ranging from transition to organic production, conservation of turtles, solar energy and waste management. The amount of activity reported appears significant, but there is no information on what the impact of these activities in environmental or social terms.

None of the studies explore or assess what difference these Fairtrade premium-funded activities have made in terms of long-term impact on livelihoods and the environment – nor is there assessment of cost-effectiveness (i.e. the level of funds and support involved compared to the scale of the impacts).

5. Empowerment impacts of Fairtrade

5.1 Empowerment inputs of Fairtrade

In a sense all of the inputs of Fairtrade shape the extent to which it is empowering for (different groups of) producers and workers. The social development principles of Fairtrade are of particular relevance to political empowerment (see box 7 below). Economic inputs (e.g. capacity building to reach new export markets, support for producer networking and advocacy activities) also shape economic empowerment.

Box 7: Social development standards in Fairtrade

For *small farmers*, FLO standards require:

- A non-discriminatory, democratic organisational structure that enables farmers to bring a product to the market
- The organisation must be set up in a transparent way
- It must not discriminate against any particular member or social group

For *hired labour*, FLO standards require:

- The company involved to bring social rights and security to its workers
- Training opportunities
- Non-discriminatory employment practices
- No child or forced labour
- Access to collective bargaining processes
- Freedom of association
- Conditions of employment exceeding legal minimum requirements
- Adequate occupational safety and health conditions
- Sufficient facilities for the workforce to manage the Fairtrade premium

5.2 Dimensions of empowerment

In this section we analyze a variety of dimensions of empowerment that have emerged from the review of the literature. These include:

- producer self-confidence;
- self-esteem and peace of mind;
- producer market and export knowledge;
- access to training and quality issues;
- producer knowledge of and perspectives on Fairtrade;
- social cohesion, ability to resolve disputes and networking.

We also included regional externalities here, meaning impacts at a wider scale (e.g. on local market prices, multiplier effects on local economic activity etc).

At an organizational level the following empowerment dimensions were identified:

- advocacy influence of co-operatives or joint bodies;
- democratic organization;
- capacity of co-operatives to serve members;
- organizational credibility and access to external sources of funding

Producer ownership is noted in a handful of reports on the Kuapa Kokoo, Ghana case study (e.g. OPM/IIED, 2000; Ronchi, 2002b; Barrientos and Smith, 2006). As a result of lack of evidence it is difficult to say the relative importance of producer ownership in changing material wealth, social wellbeing, and facilitating empowerment – but it is clear that it has very positive effects: farmers report increased confidence and self-esteem flowing from upgraded roles in the value chain. More analysis is needed of how producer ownership can be achieved in other Fairtrade value chains, as well as exploration of the potential of territorial labels and trademarks and domestic markets to complement or challenge Fairtrade and to increase impact at the grassroots.

The summary table 2 below illustrates the number of studies that identify positive benefits in empowerment dimensions (for more details see the table in annex 5 outlining the empowerment impacts identified in specific cases).

The meta-review of the 33 case studies found that 22 identified **positive aspects of at least one or more aspects of empowerment for individual producers**. Similarly, approximately 22 of the 33 case studies reported **positive impacts in relation to organizational strengthening**.

This evidence **strongly supports** the claim that Fairtrade is having mainly positive empowerment impacts. However, generalising from the evidence is not a straightforward task, especially in identifying which are the most important aspects of empowerment and where most progress is being made. This is because few of the studies discuss all of these different dimensions equally and in fact some focus on just one or two key areas. Information on the empowerment of workers is also very limited.

But, caveats aside a few specific areas emerge as the areas of most positive impact in terms of areas of **producer empowerment**:

- *Empowerment for individual producers*: improved producer self-confidence, improved market and export knowledge, greater access to training;
- *Organisational strengthening*: increased influence nationally and locally, improved democracy in decision making and levels of participation, stronger organisations able to survive in hard times, and higher ability to attract other sources of funding.

Table 2: Summary of the individual producer empowerment benefits of Fairtrade

Benefit	Approx. number of papers specifically identifying benefits in this aspect of empowerment
INDIVIDUAL PRODUCERS	
Improved producer self-confidence	10
Improved market and export knowledge	13
Access to training and improvements in quality	14
Improved producer Fairtrade knowledge	2
Positive regional externalities	6
Reduced disputes and/or building capacity to resist conflict	2

5.3 Individual producer self-confidence

A significant number of studies (approximately 10) identify the increased **self-confidence** gained by producers by participating in Fairtrade. This aspect of producer empowerment was particularly evident in Latin American case studies, although not exclusively). Producer ownership along the value chain is also important in creating a sense of ownership amongst producers. Box 8 below provides some examples of increased producer self-confidence resulting from participation in Fairtrade.

Box 8: Examples of studies indicating Fairtrade producer self-confidence has risen

- Participation in Kuapa Kokoo and the establishment of Day Chocolate (i.e. significant producer ownership down the value chain) has provided member farmers with an increased sense of control (Ronchi, 2002b) and increasing producer self-confidence was also found amongst members of Coo café, in Costa Rica (Ronchi, 2002a).
- A meta-review of seven cases: most of the individual cases demonstrated improved self-confidence for farmers (Murray *et al*, 2003)
- Aguilar (2007) finds positive impacts on producer self-esteem, cultural identity, respect, determination and perseverance, innovation and adaptability.

5.4 Ability to negotiate with buyers and operate on international markets

A large number of studies (13) identified improved **market knowledge and negotiating skills**. There is increased confidence to negotiate with buyers, increased understanding of how markets operate and improved ability to operate on different international markets (speciality coffee markets, Fairtrade, organic, conventional).

Increasing the strength of producer groups and their bargaining power through capacity building, organisational development and marketing support is the most important impact of the Fairtrade approach, according to OPM/IIED (2000) – the impact can go far beyond the value of the products traded by ATOs. The importance of this dimension of Fairtrade impact is backed by the findings of the majority of studies (see the examples in box 9 below).

Box 9: Export capacity, understanding markets, negotiating with buyers

- **Bolivian Fairtrade coffee producers** learn how to become ‘entrepreneurs in a sheltered environment’, but can this be sustained over time? Both male and female producers have gained broader knowledge of coffee production processes (including organic), mainly because they are involved at later stages of processing and even export (compared to the non-participants or those in a joint profit maximisation company). The co-operatives provide training on coffee markets, organic production, environmental issues, administrative and financial management (Imhoff and Lee, 2007).
- **Tanzanian Fairtrade coffee producers** in the organisation, KNCU, valued their long-term relationship with trading partners, who provide access to resources and information on market trends and forecasts and enable KNCU officials to attend FLO producer meetings etc (Parrish *et al*, 2005).
- **Leaders of the Kagera Co-operative Union (KCU), Tanzania** said that participation in Fairtrade provided them with the security to take the initial risk involved in international trading following the coffee crisis of 1989, and through exporting directly they have learned how to meet market demands to access other markets (e.g. organic and gourmet markets providing extra premiums) (Suma, in Farnworth and Goodman, 2008).
- Participation in Fairtrade has enabled **the UCIRI coffee co-operative, Mexico**, to provide constant information to members on the market, including lists of buyers, importers and producers (VanderHoff Boersma, 2002:10; cited in Murray *et al*, 2003).
- Producers interviewed in the **Coraca Irupana Fairtrade co-operative in the Yungas, Bolivia** reported improved capacity, knowledge and skills (through training in agro-ecological production and bee-keeping, experience in administration and accounting, leadership, communication skills, ability to resolve disputes etc) (Aguilar, 2007).

- **The Ija'tz Mayan coffee co-operative in Guatemala** is exceeding the Fairtrade progress requirement of strengthening business related operations. Ija'tz is planning a move towards “parallel operations”—a private arm that has more flexibility in making investments and looking into alternative forms of growth. In addition to new export strategies for coffee, they also plan to diversify into avocados, honey, and roasting coffee for a growing domestic market (Stonehill, 2006).
- Benefits from Fairtrade for **Kuapa Kokoo and Day Chocolate Company** flow not just from sales, but from the support and capacity building provided for general commercial expansion (Barrientos and Smith, 2007).
- **Several Mexican coffee co-operatives** (e.g. CEPACO, UCIRI, Majomut) are promoting a new national Fairtrade coffee market by creating a new entity - Agromercados – to coordinate the commercialization of a range of Fair Trade commodities (Murray *et al*, 2003).
- Fairtrade affiliation was found by members in banana and coffee organisations in **Ghana, Costa Rica and Peru**, to have strongly enhanced the bargaining power of their organisation (Ruben, *et al*, 2008, p8).

Fairtrade relationships provide a ‘**solid platform for producers to innovate**’ as demonstrated by the conversion to organic production (OPM/IIED, 2005), and to operate more effectively on mainstream markets. Increased market access is a key producer benefit flowing from the direct, long-term trading relationships, stability and market information flowing from participation in Fairtrade⁵.

The support of Fairtrade to producer organisations (e.g. in providing information and market transparency) is of particular importance during and immediately after the **reform of marketing and trading arrangements** – a situation common to the case studies of Ghanaian cocoa and Tanzanian coffee (OPM/IIED, 2000).

Although Fairtrade support from TWIN provided an important initial market and significant capacity building and trade facilitation for Kuapa Kokoo Limited, TWIN’s role was funded in part by donor assistance and so this support could perhaps have been channelled as development assistance separate from any Fairtrade system (OPM/IIED, 2000).

5.5 Quality and Fairtrade

The relationship between Fairtrade co-operative membership, and quality merits greater attention – partly because the **evidence is mixed**, and also because of the importance of quality in the future of coffee trading for smallholders. Fourteen cases outline improvements in quality resulting from the training provided through Fairtrade for individual producers. However, much more robust evidence is needed on the incentives at work in encouraging or undermining quality in Fairtrade systems.

5.6 Producer knowledge of Fairtrade

In the majority of cases **individual producer knowledge of Fairtrade was found to be limited**. Two examples were found where producer knowledge of Fairtrade had improved, but in many of the examples there was confusion and diverse understandings of what Fairtrade is and does amongst producers. More knowledge is held at co-operative management level and it could be

⁵ These studies are by Shreck 2002; Moore 2004; Paul 2005 – cited by Lyon in Farnworth and Goodman, 2008.

argued that where Fairtrade sales are small compared to overall trade by an organisation it is understandable that knowledge is more limited and that investment of time and resources into informing individual farmers and workers about Fairtrade should be commensurate to avoid unrealistic expectations. A meta-review of seven Latin American Fairtrade coffee case studies (by Murray *et al.*, 2003) explains the difficulties for these co-operatives in maintaining loyalty of members when farmers may be tempted or forced to sell to middlemen, rather than through the co-operative on Fairtrade terms, because they need cash. Thus the main incentive for managers is to maintain loyalty to the co-operative and part of the message is therefore that the co-operative can provide services of use to the members – regardless of the source of the funding.

Where sales and the size of premiums are bigger relative to overall trade this argument does not hold true. If part of the aim of Fairtrade is to empower smallholders and workers then it is **important that these ‘intended beneficiaries’ have knowledge of the Fairtrade system.** In hired labour situations, banana workers did not have much knowledge of Fairtrade. In an anthropological analysis of the moral economy of the cut flower trade (not an impact study *per se*), Kenyan cut flower workers were found to identify Fairtrade actors with other external powerful agents rather than as partners in an equitable trading relationship (Dolan, 2007). In fact, in some cases, individual participants interviewed attributed Fairtrade benefits to international charity or merely improved market access achieved by the co-operative. In two cases producers actually stated that the machinery of Fairtrade (standards and certification) were experienced by them as a form of control (Dolan, 2007). Similarly, Moberg, 2005 found that banana producers in the Windward Islands associated Fairtrade actors with outside agencies, rather than as partners. Whilst it could be said that Fairtrade is meeting the practical interests of these growers and workers, the strategic interests of individual farmers are not being met if they are not gaining awareness of Fairtrade, as well as the workings of the conventional value chain. Clearly a larger market for Fairtrade would assist FLO and the Fairtrade facilitating bodies to do more in this area, because proportions of sales to Fairtrade for individual organisations and companies might increase, allowing them to invest more time in awareness raising of member farmers and workers.

5.7 Wider community impacts

Wider impacts were found in the evidence (6 studies of those reviewed specifically address this issue), but many studies ignore these wider impacts altogether (as noted by Ruben *et al.* 2008). This means that a key component of the overall impact of Fairtrade is being left out of assessments. Although some authors raised questions about whether negative regional externalities *could* arise (e.g. depressed demand for produce from non-Fairtrade farmers) there was limited empirical evidence to support this case (1 case study). A small number of other studies (6) show that **non-Fairtrade farmers are benefitting from raised prices** as a result of competition induced by Fairtrade (e.g. Jaffee, 2007; OPM/IIED, 2000).

There are cases where **local community members benefit from Fairtrade investment** in community infrastructure, rather than changes in prices of their produce. Jaffee (2007) suggests this is particularly the case in close-knit, remote communities in Mexico, with a strong ethic of reciprocity. Farmers are learning from each other, with a spread of organic practices to neighbours food production (Jaffee, 2007). This **demonstration effect** was also found in the study of the Fairtrade VREL banana plantation conducted (Blowfield and Gallat, 2002; Ruben *et al.*, 2008). Fairtrade is supporting plantations which already have progressive labour relations, but also Fairtrade is helping them to improve practices on the estate and possibly having a demonstrative effect on labour conditions for neighbouring plantations.

Aguilar (2007) also mentions a **range of impacts which reach beyond individual producers** and their Fairtrade organisation (e.g. transport and tourism services, higher export taxes for the

treasury, creation of employment etc). Positive benefits may also accrue in less tangible, but no less important wider impacts such as promoting social cohesion in post-conflict situations. This effect was observed in a study of Fairtrade in Guatemala (Lyon, undated) in which the solidarity ethos of co-operatives is supported and civil spaces for participation created. Aguilar (2007) also found that Fairtrade farmers felt more able to communicate within their group and better able to resolve tensions than they had in the past.

Table 3: Summary of the organisational strengthening impacts of Fairtrade

Benefit	Approx. number of papers specifically identifying benefits in this aspect of empowerment
ORGANISATIONAL STRENGTHENING	
Increased advocacy influence	6
Better democracy in producer organisation/levels of participation	19
Stronger organisation/survival	16
Ability to attract other sources of funding	7

5.8 Influence at the national level

At the organizational level empowerment impacts were found to have been achieved in a range of studies (see annex 6 for a detailed table of specific studies and the effects they describe). Six studies highlighted **increased influence at national levels** over policy-makers and via participation in national organisations. Some examples from the literature are given in box 10 below.

Box 10: Organisational empowerment effects – some examples from the literature

- **Ronchi (2002b): Kuapa Kokoo, Ghana:** Following Fairtrade support, Kuapa Kokoo is now strongly representative at the national level in Ghana.
- **Ronchi, (2002a) Coocafé, Costa Rica:** Producer organisation has also allowed Fairtrade farmers to voice their opinions collectively, thus increasing their power at national level. Members reported that their association with Fairtrade and FLO as an international movement had supported them to voice their concerns in a local context that is not usually conducive for small producers (Ronchi cited by Nicholls and Opal 2005, p212). The co-operative initially began in a poor area with six poorly run co-operatives. With strong leadership and Fairtrade support they have built capacity, improved their access to credit, found new markets and evolved into a successful group.
- **Luetchford (2006) Coocafé, Costa Rica:** Initially the primary co-operatives had no influence on the national stage, but through their affiliation they now have links with and representatives in a wide range of government departments, cooperative organisations, financial institutions, export agencies, NGOs and campaign groups. One manager sits on the board of the national coffee institute (Icafé), which controls and regulates the industry
- **Milford, (2004): Mexican co-operative ISMAM (Indigenas de la Sierra Madre de Motozintla):** Despite having a dispersed membership of 1350 farmers across Chiapas, ISMAM has undertaken lobbying activities on a number of issues, including an issue that was of interest to farmers growing robusta coffee (even though their members grow Arabica)⁶.
- **Parrish et al, (2005), KNCU Fairtrade coffee, Tanzania:** Fairtrade has successfully increased the influence of the KNCU coffee co-operative in Tanzania, whilst Fairtrade support enabled

⁶ ISMAM protested when Nestlé’s activities forced down robusta prices. Nestlé gained government permission to import large quantities of Vietnamese coffee, but ISMAM’s protests led to it doubling its purchasing price.

the KNCU to achieve indirect impacts on industry regulation, (encouraging changes in the Tanzania Coffee Board rules allowing direct export contracts to bypass domestic auctions). A parallel model (support from Technoserve) supported coffee associations to have, arguably, an even higher impact at national level⁷.

- **Utting, (2008) Fairtrade in coffee, Jinotega, Nicaragua:** Increased capacity to: network with other organisations; to engage in public policy debates; and positive influence on other local development organisations, including the local administration which had neglected coffee growing regions.

5.9 Stronger producer organisations

Approximately 19 studies found positive impacts in relation to **increased democratic workings** of co-operatives and in levels of participation, providing strong indication of progress on this front. Some examples are given in box 11 below.

Box 11: Achieving stronger producer organisations through Fairtrade support

- **Kuapa Kokoo cocoa, Ghana & KNCU Fairtrade coffee, Tanzania (OPM/IIED, 2000):** Support from Fairtrade *goes far beyond* the traditional business development support, facilitating greater participation and confidence in civil society structures that emphasize accountability and transparency, although transparency and producer control must be sustained (OPM/IIED, 2000). Individual farmer benefits depend upon co-operative effectiveness, especially because price premiums were too small to be divided into payments to individuals, and so are used for co-operative services or community projects.
- **Tanzania: Fairtrade & Technoserve** (Parrish *et al*, 2005): A comparison of Fairtrade and a parallel business development NGO scheme (Technoserve) found that both had achieved progress in organisational capacity building. The Fairtrade process had supported KNCU, Tanzania to make gradual improvements in organisational accountability, transparency and information. However, the Technoserve-supported associations have overcome some common problems of co-operatives (e.g. independence from the supporting agency, good communication up and down the hierarchy including to village level, strong member participation etc).
- **Ronchi (2002b) Kuapa Kokoo, Ghana:** 40% of primary societies have initiated their own projects, but funds disbursement is weak. More capacity building is needed. Because Kuapa Kokoo Limited (KKL) is owned by the farmers and is a viable trading organisation, the farmers report a real sense of control (and not only those elected to union positions). Farmers at village level weigh and administer cocoa sales, reducing cheating in practice and perception by private buyers and cocoa clerks. Fairtrade support over several years has created this sense of control, but the accountable and viable nature of KKL is the indirect mechanism by which this security is provided.
- **Arnould *et al.* (2006), coffee farmers from Guatemala, Nicaragua and Peru:** An in-depth study found positive impacts of participation in Fairtrade co-operatives from technical assistance and organisational capacity building.
- **Stonehill (2006), Ija'tz Mayan coffee co-operative, Guatemala:** Transparent, democratically managed, membership is non-discriminatory. A strong emphasis on financial transparency and participation by members has been encouraged. The organization's emphasis on gender equality and its open-door policies supports the view that Fairtrade certification scales up democracy.

- **Murray et al, (2003), meta-review of 7 Latin American Fairtrade coffee co-operatives:** Whilst many Latin American co-operatives have had significant but varying problems with democracy, transparency and participation, Fairtrade support has fostered democratic institutions and organizational empowerment throughout coffee growing regions. Ironically, two of the cases had been decertified by FLO, but had then improved their administration, participation, transparency etc. Fairtrade-led improvements in organisation and administrative capacity in the Las Colinas co-operative, has enabled these co-operatives to shift to organic production with its stringent administrative and technical requirements.
- **Utting (2008) Soppexcca Fairtrade co-operative, Nicaragua:** Increased organizational capacity at 1st and 2nd order co-operative levels, with secondary level gaining more legitimacy amongst producer members as they have gained greater participation in decision-making and observed good leadership. But the organisation is still weak, according to the manager, because of high illiteracy levels, low education levels and lack of commercial knowledge of board representatives. Despite these weaknesses many positive livelihood impacts are being achieved e.g. more transparency and improved management structure and better access to livelihood assets for individual farmers.
- **Ruben et al (2008) Fairtrade coffee and bananas from Peru, Costa Rica and Ghana:** Organisational strength is greater for Fairtrade co-operatives, but is decreasing for some older co-operatives compared to more recent entrants. Some of the early Fairtrade coffee co-operatives in Costa Rica were suffering from limited incentives to innovate in production, organisation and engagement with conventional markets and so might have lost some of their initial advantage. However, in Peru members of older Fairtrade co-operatives have significantly more assets, animal stock and access to credit compared to more recent entrants (that still lack credit and are risk-averse).
- **Aguiar (2007) Coraca Irupana Fairtrade co-operative, Bolivia:** Good internal management system and external auditing, resulting in 'transparent resource mobilisation' and creating benefits for members.

Organizational strengthening and the stability provided by Fairtrade markets and prices are a major strength of Fairtrade (Raynolds *et al* 2004), especially in places where co-operative social development has been weak in the past as in the Caribbean (Moberg, 2005). For many banana growers and workers in the Windward Islands, Fairtrade has given them the first opportunity to be part of a democratic community organisation not affiliated with party politics. Although levels of participation vary across the organisations on different islands there are strong examples. Members of the La Mabouya co-operative, for example, attend meetings and engage more actively in planning local development rather than relying on state/NGO guidance and largesse compared to common practice in the past. Many farmers wear their Fairtrade lapel pins with pride. Fairtrade benefits extend far beyond material ones encouraging a discernable identity and sense of community solidarity (Moberg, 2005).

One recent case study covers a **hired labour situation** (Ruben *et al.* 2008 and previously studied by Blowfield and Gallat, 2002). The VREL company banana in Ghana, which is Fairtrade-certified was already more progressive than its neighbours but is improving its practices, giving it greater market legitimacy.

5.10 The efficiency of co-operatives

There is still a debate in the literature about the efficiency and efficacy of the co-operative as a development tool in different situations. Some authors suggest that the problems commonly encountered in Fairtrade co-operatives are in fact common to all co-operatives and actually in democratic decision-making more generally (see for example Taylor, 2002). Stonehill (2006,

p28) found that the Ija'tz co-operative in Guatemala did not fit with the common notions of bureaucracy, inefficiency, and corruption with a rigorous system of internal controls. There are also benefits to individuals of being part of a recognised organisation (see Section 5.12)

However, Berndt (2007) alleges corruption within many Fairtrade co-operatives in some Central American countries, where the beans purchased from farmers at low market prices are sold by co-operative managers as Fairtrade, or premiums are diverted – again to managers. However, there is little hard evidence to back up these allegations. Berndt's conclusions about the potential of Fairtrade as a development tool are fairly critical, yet she does not provide for the fact that some of the problems for the effectiveness of Fairtrade co-operatives stem from the limits of the size of the Fairtrade market itself and from the lack of education of members. She suggests that institutional reforms of the market are the only way forward in the long-term (e.g. promoting entrepreneurship and trade). However, this ignores the potential role that stronger Fairtrade co-operatives and networks can play in advocating for such changes. A study by La Central (2001) of Honduran coffee, for example, suggests that a whole range of institutional reforms are needed, and this includes a place for Fairtrade certification.

Some authors question the Fairtrade emphasis on co-operatives (although other forms of democratic organisation such as farmers' associations are also recognised within the Fairtrade system). Taylor (2002) found that staff turnover was leading to inefficiencies. In one other example concerns were raised that existing patterns of inequality could be being replicated by an overly powerful leadership. One of the issues Mendoza and Bastiaensen (2003) raise is the fact that **linkages with external bodies tend to involve only the existing leaders**. A similar issue was raised in a study of the La Voz coffee co-operative, Guatemala, where leadership had become entrenched as the position of the manager was strengthened through contact with importers and exporters keen to deal with one individual. Illiteracy, limited Spanish, other civic responsibilities and cultural pressures mean that in some cases competition for positions in co-operative management is not very strong (Lyon, undated: Lyon, 2002 cited by Nicholls and Opal, 2005, p212)

Berndt (2007) has criticisms of the **bureaucracy** of Fairtrade and suggests Fairtrade is most appropriate as a short-term measure for supporting farmers in particularly difficult times. She notes that there are costs to changing the structure of a farm to fit Fairtrade cooperative business structures (e.g. working out processes for distributing proceeds, assigning leadership roles, providing information for decentralised decision-making, accounting etc) which means that there are often 'inefficient numbers of managers' – who are paid from Fairtrade proceeds, such as at the Fedecocagua, the largest Fairtrade cooperative in Guatemala (Berndt, 2005, p26-27).

It is clear that more systematic evidence is needed of the benefits of co-operatives as a development tool (Nicholls and Opal, 2005, p213) across a range of cultural and institutional contexts, including more exploration of the differences between the functioning and efficacy of Latin American co-operatives and other types of producer and worker association compared to those in Asia or Africa. Similarly, more evidence is needed as to how well Joint Bodies in hired labour situations are functioning and how this structure constrains or promotes positive impacts for workers.

5.11 Survival of and relations between co-operatives

Fairtrade enables **survival of co-operatives in the face of shocks and stresses**. Disadvantaged farmers are more able to hedge against swings in market prices through Fairtrade support (Berndt, 2007). The very survival of Coocafé in Costa Rica can be attributed to the benefits obtained by participation in Fairtrade. A considerable portion of its revenues come from Fairtrade sales (52%

of volumes). Many other co-operatives failed during the coffee crisis, but the Coocafé primary co-operatives survived and so all of the benefits flowing from their activities can to some extent be attributed to Fairtrade (Ronchi, 2002a). Members of the Tanzanian coffee producer Kagera Co-operative Union (KCU) felt that Fairtrade helped the KCU to survive following liberalisation in 1992/3 (Suma in Farnworth and Goodman, 2008). Many other unions could not compete with the international buyers that entered the liberalised sector and members left.

All seven cases of coffee Fairtrade co-operatives in Latin America studied by Murray *et al.* (2003) were using Fairtrade returns to capitalize their organizations, buying equipment, building training centres, establishing technical teams etc). The Coraca Irupana co-operative in Bolivia (Aguilar, 2007) had built up its working capital using Fairtrade income and has escaped its' dependence upon external credit and pre-financing. Benefits flowing to members included improvements in children's education, access to electricity, recycling of organic waste, creation of employment, coffee plantings etc.

In some instances relationships *between* Fairtrade producer organisations have been positive. Mexican Fairtrade co-operatives have supported others to gain entry, for example, supported by buyers keen to obtain sufficient volumes, but also in a spirit of solidarity (Murray *et al.* 2003). However, in South African Fairtrade fresh fruit, competition is increasing amongst suppliers as many rush to join in order to seek a competitive advantage (Barrientos and Smith, 2007).

5.12 Benefits of being part of an organisation

Benefits to individuals can flow from being part of a recognised organisation and this recognition can accrue with international support from Fairtrade attracting other international agencies (NGOs and donors) (Nelson, Tallontire and Collinson, 2002). Other examples crop up in the literature indicating that **there are benefits to being part of a Fairtrade organisation**, because of the increasing strength of the organisation. For example, farmers in coffee co-operatives in Chiapas, Mexico have lobbied local government organisations to obtain grants that are available for small producers – benefits which unorganised farmers would not be able to access (Milford, 2004).

Seven of the total studies reviewed specifically highlight the effect of Fairtrade participation in enabling Fairtrade co-operatives to access external sources of funding in the **'honeypot' effect**, i.e. the demonstration of an effective organisation convinces development agencies and governments that the co-operatives are viable and are worth investing in and supporting. Jaffee (2007) found that small coffee producers in two Oaxacan villages were keen to be part of the Michiza co-operative not only to access Fairtrade, but also to access a government programme providing support (*apoyos*) to small coffee farmers.

The **potential for coordination with other development agencies** should certainly be further explored by Fairtrade, as it might offer opportunities to build synergies in activities. However, limited representation on the ground (e.g. by FLO liaison officers) means that there is a question of capacity, possibly requiring (further) external subsidy, and cost-effectiveness of delivery has to be assessed in each situation.

Increased support for networking between Fairtrade actors is already becoming an increasingly important part of the FLO Fairtrade approach through the development of regional networks of Fairtrade producers. This merits further attention in future impact assessments, but also the extent of networking with other agricultural trade and development organisations (e.g. savings and credit organisations, technical advice providers such as agricultural researchers, climate change

adaptation specialists, or extension workers) needs greater consideration if development impacts are to be maximised.

6. Quality of life and wellbeing

The majority of the studies demonstrate positive benefits from Fairtrade participation, as explained in the sections above, particularly in intangible factors such as providing extra stability/buffering against shocks, enhancing family social cohesion by reducing the need for outmigration to find work and by building farmers organisations with an ethos of solidarity for example. At the same time, when specifically comparing income and wellbeing indicator differentials between Fairtrade and non-Fairtrade farmers the differences were not always found to be that significant.

If helping poor rural households to move out of poverty is the ultimate objective of Fairtrade, it is reasonable to explore whether or how far Fairtrade is achieving this in different situations. Jaffee's study (2007) found that families in the Michiza Fairtrade co-operative see their household incomes eroded by high expenses with hired labour, education and food costs. Stringent organic production standards are the main cause of their higher costs for hired labour. High coffee production, high yields, and high Fairtrade prices did not guarantee a positive net household income for the families studied. Moreover, many of the families did not realise that they were making a net loss in terms of their household budgets in growing and selling coffee, including those in the Fairtrade system. However Jaffee (2007) found that the Fairtrade farmers were still in a slightly better off position than their conventional counterparts. Given the dire economic circumstances, though, this still meant that in practice the difference is about making less of a loss (rather than making more profit compared to conventional farmers). But they are also enjoying a whole range of benefits (e.g. social cohesion, capacity building etc) supplied by Michiza. Many of these benefits are not so easy to quantify, and are not necessarily part of household budget equations, but they are still very important to producers. **Measurements of income differences between participating and non-participating farmers do not tell the complete story** in relation to Fairtrade impact and assessments based solely on this are not doing justice to the changes instigated by Fairtrade.

The question of whether Fairtrade producers are better-off than their counter-parts is thus actually rather complex and cannot be confined to questions of price and income differentials. A holistic analysis should consider not only household budgets and asset building, but a broad range of welfare/quality of indicators, empowerment indicators and most importantly the views of participants. Participants should be supported to review their own relative position and options and be given assistance to communicate these views to relevant decision-makers and peers (e.g. using participatory video).

Although Fairtrade standards, (as with any voluntary social and environmental standard), express a kind of universal outlook, the impacts of standards are in fact **context-specific** (depending upon organisational as well as background socio-economic dynamics) and are also likely to vary over (e.g. as market fluctuate, economic liberalisation continues, climate shocks occur etc). Only a small number of existing studies analyze Fairtrade impact in relation to the social, economic and environmental trajectories of the regions in which a case study is located.

Few of the studies discuss **wealth and power differences** between participating local producers. The OPM/IIED (2000) study finds that most Fairtrade benefits accrue to members of the executive committees of the primary societies in Kuapa Kokoo, Ghana. These committee

members receive a commission per bag handled by their society and are trained by the Kuapa Kokoo Union (KKU). Senior staff and KKU board members also benefit directly from capacity building initiatives and increased exposure to other parts of the cocoa supply chain through links with the Day Chocolate Company. However, others do benefit including the specific communities where projects are funded through the Fairtrade premium and women's income generating groups which receive assistance and training. It is therefore difficult to tell if benefits and costs are being distributed equally and from what starting point (few of the studies systematically consider the inclusion and exclusion thresholds – i.e. the assets, skills and capabilities required to participate in Fairtrade in the first place).

7. Gender and equity issues

7.1 The evidence on gender and social difference

Evaluating the **relative impact of Fairtrade on men and women**, on male and female-headed households, or along other lines of social difference is extremely difficult given the complete lack of systematic and disaggregated data in the evidence base⁸.

Involvement in Fairtrade is frequently advocated because of its expected implications for greater gender empowerment and improved environmental care (see Milford, 2004; Murray *et al.* 2003; Ronchi, 2002), but empirical evidence is scarce and largely descriptive (Ruben, *et al.* 2008). The common idea is that Fairtrade guarantees could provide opportunities for more involvement of women in the production and processing activities, whereas stable prices are generally considered as a positive incentive for realizing long-term investment in ecosystem improvement, quality enhancing production and quality management practices (Bacon *et al.*, 2008 cited by Ruben *et al.* 2008).

The key dimensions of gender and Fairtrade emerging from the literature are as follows:

- The relative strength of prevailing gender norms which underpin inequalities and present barriers to women's participation in Fairtrade and representation in Fairtrade organisations;
- Changes leading to increased workload for women;
- A lack of explicit gender policies and strategies amongst Fairtrade organisations;
- The focus on growing and trading an export crop – a fundamental feature of Fairtrade – means a focus on crops in which women are frequently less influential.

7.2 Women's representation in Fairtrade farmer organisations

The **evidence on women's representation in Fairtrade processes is mixed**. A few of the case studies note progress on women's representation in specific co-operatives. But in other cases representation is not found to be improving much where current gender roles and inequalities are entrenched or where little effort has been made to tackle them. For example women's representation in co-operative management and meetings is limited by gender norms which see their sphere of influence as being more about education or welfare than having a say and confidence to speak in male-dominated meetings. Although co-operative membership and associated rights are open to women in theory, this does not guarantee their full participation in practice. Stating numbers therefore does not necessarily explain how far women are actually

⁸ Examples of studies without gender or social difference analysis include: Mendoza and Bastiaensen (2003); Milford (2004); Calo and Wise (2005); Parrish *et al* (2005); Bacon (2005); Barrientos and Smith (2007); Utting (2008); Bacon (2004).

involved in decision-making. According to Lyon (undated) La Asociación Maya de Pequeños Agricultores in Santa Anita la Unión, a Guatemalan coffee co-operative formed by ex-combatants and involved in Fairtrade, reserves 50 percent of their elected board positions for female members. However, more information is needed as to what kind of participation in decision-making this translates into in reality.

Box 12: Examples of women's representation in Fairtrade

- **Ronchi (2002a) Coocafé, Costa Rica:** A more detailed gender analysis than most other studies. The % of women members in the 9 Coocafé affiliated co-operatives is just under 20%, but this also obscures the fact that some have negligible representation. Quite often women were becoming members to enable the whole family to have greater access to credit or to increase voting rights, but regular attendance and participation in key meetings is not always possible because of their childcare and domestic responsibilities. Women have often declined when offered management positions, especially in Management or Administrative Council positions, rather than education or welfare committees. In some instances women are prevented from attending meetings by their husbands, or women who do attend do not feel able to actively participate. As one member said at Coopeldos Co-operative: *“Las mujeres en la Co-operativa tienen voto pero no tienen voz”* – the women in the co-operative have a vote, but they do not have a voice’
- **Stonehill (2006) different coffee certifications on producers, including Fairtrade in Guatemala.** In the Ija’tz co-operative on the positive side women appear to be well-represented: at the time of the study there was a female director, and out of the 73 members, 55% are men and 45% are women, an impressive gender ratio given that decision-making is usually dominated by men. However, one interviewee said that despite women’s participation in training and their representation in the co-operative, their opinions ‘are not taken seriously’.
- **Imhoff and Lee (2007), Bolivian Fairtrade co-operative:** Women members have a good knowledge of coffee production and of organic farming methods and benefits and most female members of the Fair Trade coffee co-operative attend meetings, and say that they participate in decision-making. However, women are not represented in leadership and are not being considered on an equal basis.
- **Ronchi, (2002b) Kuapa Kokoo, Ghana:** Aims to enhance women’s active and effective participation in decision making throughout the organisation through affirmative action. Of the 31,675 farmers that sold cocoa through KKL in 1997/98, 25.9% were women, (varying between 18.4% and 29.1% depending on region) (Ronchi, 2002b; Mayoux, undated). Various affirmative measures introduced, including requirements for female representation at different levels and parts of the co-operative. However, only 57% of the village societies of cocoa producers had the required two female members on the Society executive, indicating a lack of women’s representation at primary level (Ronchi, 2002b).
- **The Consumers International and IIED (2005) study of Fairtrade in Vietnam and Brazil,** does not provide much gender analysis. However, it does note that the Cooperativa dos Agricultores Familiares de Poço Fundo a small coffee producer association located in the municipality of Minas Gerais, Brazil had given in 2006 an additional vote per family in assemblies. Usually the male head of the household exercises their vote in these meetings, in which decisions are taken on issues such as the Fairtrade premium, amongst other things. The aim of the extra vote was to support women’s participation in the governance of the co-operative, not least because women work alongside men in the coffee farms. According to the study, this sets Poço Fundo apart from other co-operatives in the region where women only play a minor role in governance.
- **Aguiar (2007) found positive progress in a study of a Bolivian Fairtrade and organic coffee producer organisation:** Female representation in co-operative structures and local politics

has increased because of Fairtrade impact. Women have been appointed to positions of authority in the last five years, which they had not held before, in the co-operative (e.g. heading up financial committees) to representation at local authority and municipal levels.

We suggest that having **clear gender priorities and plans** is a key element in tackling gender inequalities for any organization, as well as high level commitment, gender champions and focal points, support for training, gender analysis etc. Ronchi, (2002a) found that gender equality has been taken up as a specific objective at the secondary co-operative level in Coocafé and there are some concrete examples of actions to promote women's empowerment, especially the *Hijos del Campo* educational fund, which has an affirmative action policy towards scholarship distribution. But in most of the primary co-operatives Fairtrade is not having a significant impact on the prevailing gender inequalities and this is not a primary objective.

7.3 Gender roles and coffee production

In most Latin American co-operatives women are not directly engaged in coffee production, as this is considered a strictly male affair. In the Latin American Fairtrade coffee meta-review conducted by Murray et al. (2003) it is concluded that women's participation needs to be stronger in Fairtrade and greater acknowledgement should be given to **women's economic role in coffee production**. González-Cabañas (2002) found (reported in Murray et al. (2003) that where women are excluded from decision-making and leadership in the co-operative, they can organise themselves in women's groups and enhance the overall success of the cooperative, for example by setting up local bakery projects that supplement the sale of coffee beans.

Ronchi, (2002b), found that economic success in non-coffee based income generating activities brought women greater influence in co-operative decision-making, although it is not clear that they had greater involvement in coffee production or control over its proceeds. Utting-Chamorro (2005) observes some encouraging developments towards women's empowerment in her study of smallholder coffee producers in Nicaragua. Ronchi (2002a) found less dramatic differences than she had expected in terms of the gender division of labour amongst smallholder coffee producing families, with only little over a half of respondents saying that normal growing season tasks (e.g. planting, weeding, pruning, fertilizing etc) are undertaken by men only. The other half must share coffee cultivation and two thirds of respondents say that both women and men participate in the harvest. Women seem to be more active in coffee cultivation in younger and poorer households where **necessity may be a driving force in challenging gender stereotypes** relating to the division of labour. The combined fact that female participation in coffee cultivation is significant, but women's role in decision-making is low, tends to support the need for gender to be given greater priority within Fairtrade activities.

7.4 Differential impacts on women and men

The impacts of Fairtrade, as with any rural development intervention, are likely to be gendered because of the existing inequalities in power relations along lines of gender as well as other forms of social difference. Because of **a lack of gender analysis** in the studies reviewed it is difficult to assess how far Fairtrade is challenging or reinforcing gender stereotypes and inequalities.

Support has been given in numerous cases to **income generating activities involving women**, for example, some focusing specifically on women's empowerment, but in many cases the effectiveness of these activities is either not fully assessed or is found to be fairly weak and requiring greater coordination and support. Many of these income generating activities do not

focus on the central Fairtrade crop (e.g. coffee) and so could potentially reinforce the lack of recognition of the potential of and current scope of women's work.

However, there are a few examples given where women have been quite successful in income generation and this increased economic power has enabled them to increase their political power within the co-operative. Utting (2008) found that female co-operative members in Jinotega, Nicaragua had improved positions because of their increased involvement in coffee production. Blakely (2005) studied three coffee co-operatives in Mexico and found that women's involvement in income generating activities had been boosted through involvement of the co-operative in Fairtrade. The San Fernando co-operative, for example, has had a fully functioning women's program since 1996 (two years after becoming Fairtrade certified), with six women's groups with memberships ranging from 15 to 50 women in operation. The co-operative organises capacity building and skills training activities for the groups to help women design and implement their own income generating activities and to thus help families when coffee prices are low. The cooperative is also helping the women's groups start a chocolate covered coffee bean business that will make the sweets available throughout Mexico.

According to the studies reviewed it would seem that the **increased workload** incurred by new certification requirements, especially organic ones, tends to fall more upon the shoulders of female producers and yet they often they have less **control over cash crop income**. There is therefore clearly a risk that women in the household would not benefit as much as male household members from Fairtrade– but more evidence from different contexts is urgently needed. There is very little analysis in the literature of who controls cash income flowing from Fairtrade sales of coffee and other crops.

New employment for landless labourers on family farms may be a positive outcome of Fairtrade, but it is rarely explored in the case studies reviewed here. The position of **landless labourers** working for Fairtrade smallholders is, however, highlighted by a number of studies, which suggest that they may not be benefitting sufficiently and that monitoring of their wages and conditions should improve.

More analysis is also needed of what are the **inclusion and exclusion thresholds** which determine access to Fairtrade, and whether it is an attractive option in different contexts for smallholders and workers. Fairtrade works directly with smallholder producers who own their own land – hired labourers do not own land and the extent to which they benefit under the Fairtrade system is not so well known. A degree of pre-existing organisation also contributes to the ability of smallholders to participate effectively in Fairtrade. However, Jaffee (2007) did not find any particular differences between smallholder producers interviewed, in terms of key indicators (e.g. size of land owned) whether they were Fairtrade or not. Marginality is often the reason why some ATOs work with a particular co-operative, but in other cases producer groups may not be located in the most marginal areas.

Gender and diversity analysis should be an integral part of participatory monitoring and evaluation in Fairtrade. More research is needed to see how co-operatives and plantation management could be encouraged to institute cultural change and make gender a priority, if gender equality is an objective of the FLO Fairtrade approach, given limited resources, the imperative of maintaining financial viability and the prevailing inequalities (e.g. in land and resource tenure systems).

8. Conclusion

This extensive review of the literature finds **strong evidence that Fairtrade provides a favourable economic opportunity for smallholder farming families** who are able to form producer organizations and provide products of the right specifications for the market. A high proportion of the studies reviewed found **higher returns and more stable incomes** as clear benefits enjoyed by Fairtrade producers from sales to Fairtrade markets compared to sale into conventional ones.

Unfortunately, there is limited evidence of the impact on workers of participation in Fairtrade, and more research is required to shed light on the changes occurring on plantations as a result of engagement with Fairtrade.

Many of the studies emphasize the importance of basing assessments of Fairtrade impact on more than income differentials. Consideration of a broad range of welfare/quality of life and empowerment indicators is required and most importantly the views of participants should be sought and communicated to policy-makers. There is strong evidence that **non-income impacts of Fairtrade are at least as important as income benefits for smallholder farmers**. Fairtrade has acted as a buffer or safety net for many Latin American coffee co-operatives and producer members, for example. This security has helped them to stay on the land when others could not during the coffee crisis of the 1990s. A small number of studies found slightly less rosy pictures of Fairtrade impact with small income differentials for Fairtrade and conventional producers, but even these studies point to other important types of impacts (e.g. capacity building, stability of income, market information and access, self-confidence, access to credit, national representation etc) as being important for tackling poverty. **More stable incomes** were commonly found to enable Fairtrade small producers to take a more long-term view in relation to expenditure and investments – certainly more so than their counterparts in conventional trading chains.

A more thorny issue is the degree to which Fairtrade alone can enable producers to escape poverty. Whilst a few of the studies mention dramatic improvements in livelihoods, most emphasize that producer families are still only surviving and covering basic needs. Those within the Fairtrade movement would not claim that Fairtrade can solve all the problems of rural development, and it is important not to expect too much of Fairtrade. But in assessing impact it is important to consider the relative contribution that Fairtrade can make to tackling poverty, the cost effectiveness of the approach compared to other kinds of intervention and what else needs to be done in a particular situation to tackle poverty. It may be necessary to have land tenure reform, for example, which Fairtrade organizations cannot achieve on their own, but for which they might contribute to a pro-poor lobby. The evidence to date indicates that Fairtrade can make a contribution, but it is not possible to assess the scale of that impact in specific conditions until more systematic studies are completed. Several studies indicate that **Fairtrade needs to be supplemented by changes in development policies and coordination** with other development actors, funds and initiatives to raise rural livelihoods to a more sustainable level.

NRI believes that more research is required to establish what the different impacts are on poverty and the environment of these different voluntary standards. They all have varying approaches and standards, and it is important to have **more detailed and comparative empirical evidence** of the relative impact of voluntary standards in different situations. The particular conditions under which different standards and approaches can make a difference to poverty and sustainability should also be identified to inform policy.

Not all producers are in a position to benefit from Fairtrade and there is evidence that geographic marginality may work against successful participation in Fairtrade. But some of the examples studied represent cases where alternative trade organizations are actively supporting producer groups in poor, marginal areas. In retailer own-brand value chains the question is how far they will go to reach more marginal groups and create long-term relationships, and if they do not the question then becomes whether more marginal groups will have reduced Fairtrade sales. The evidence is minimal to date and these questions merit further consideration, as does assessment of the influence of Fairtrade on the conventional market and participants. Stringent organic and environmental requirements for northern markets may also represent a barrier to market access particularly for smallholders and are not always appropriate to local conditions.

For those able to participate in Fairtrade **increased stability** provided by guaranteed prices, long-term contracts and the availability of credit enables farmers to invest in their land, domestic facilities and children's education. The evidence on how far Fairtrade is improving quality in coffee production is fairly mixed, although the importance of this for the future of coffee producer livelihoods is not in doubt (there is limited discussion on quality issues in relation to other commodities studied, namely cocoa and bananas). Fairtrade is seen as having a positive effect in enabling smallholder producer organizations (especially smaller sized groups that would otherwise struggle) convert to certified organic coffee production, bringing environmental benefits, but the studies were divided in terms of the direct economic benefits of organic production because the labour costs can be high

Some Fairtrade producers are diversifying whilst others are specializing. Several studies cite diversification into other activities, such as alternative income-generating activities and uptake of more agroecological practices, which help reduce the vulnerability of smallholders. However, there is limited analysis of the possible trajectories of regional economies and ecologies within which Fairtrade schemes are operating, including the risks posed to the security of rural livelihoods by a changing climate, localized environmental degradation processes and increasing competition over land use.

There is strong evidence that **in relation to access to credit Fairtrade has performed well** – a number of authors provide evidence that Fairtrade provides greater access to credit than their non-Fairtrade counterparts.

With regard to the Fairtrade premium there is a dearth of information about the impact of activities undertaken. The use of the premium varies. In some cases the premium has been valued more as a means of survival for economically vulnerable producers, rather than as a source of funding for social initiatives. But in many cases, an array of community development activities are funded, mostly bringing positive benefits, especially in relation to health, education and agricultural development – but the studies do not provide analysis of the impact. More information is needed on the size of Fairtrade returns in different situations and how the returns are being used to achieve objectives set by male and female farmers and workers themselves. More strategic and co-ordinated use of funds is suggested by several papers, including greater coordination with other development agencies in a specific locale.

None of the papers present a methodical environmental assessment. There is evidence that **Fairtrade is promoting good environmental practices** in agricultural production, especially in coffee, although more evidence is needed before generalization across commodities is possible. .

There is **strong evidence of positive empowerment impacts** for individual producers and producer organizations flowing from Fairtrade participation. Improvements in producer self-

confidence have been achieved - most strongly where there is producer ownership further downstream in the value chain. A large number of studies found improvements in smallholder market knowledge and negotiating skills (an important strategic impact) with Fairtrade support being of particular importance in contexts of marketing and trading reform.

In the majority of cases **individual producer knowledge of Fairtrade was found to be very limited**, with more understanding of Fairtrade being found at co-operative management level. Beyond a lack of information, a small number of studies found that smallholders identify Fairtrade actors as **external powerful agents more than equitable partners**. Improving understanding is an important element of producer empowerment, but a larger market for smallholders would more easily facilitate progress on this front.

A few of the studies focus on **wider impacts** and, a number of studies highlight demonstration effects. Organic production in coffee and vegetables has spread between farmers in one example and improved labour standards on a Fairtrade banana plantations has encouraged other plantations in the region to make changes. A small number of studies suggest that there might be negative externalities, but no empirical evidence was found of this occurring in practice and in fact a higher number found positive influence on local market prices for non-Fairtrade farmers.

There is evidence from six of the studies reviewed that Fairtrade participation has enabled smallholder producer organizations to **increase their influence at a national level**. It is difficult to assess the scale of this influence in each case as it is rarely the prime focus of studies, but positive results for local farmers do seem to be achieved from this increased national influence, not least from the increase in self-confidence of co-operative members, but also through policy changes achieved by lobbying. There is also no real assessment of the impact of Fairtrade support for producer networking, although this is becoming a more important element of the overall Fairtrade 'package' and should also be explored more fully in the future.

Several studies note the critical role Fairtrade has played not only in supporting individual producers in times of real hardship, but of **enabling co-operatives to survive economic shocks and stresses** – particularly the Fairtrade coffee co-operatives during the coffee crisis.

It is also necessary to assess how Fairtrade can help farmers and workers and their organisations to cope in the face of sudden shocks as well as longer term trends and uncertainties such as **climate change**. None of the studies mention climate change and its' implications for producer and worker livelihoods. This is important given the focus of Fairtrade on export commodities, and the fact that a changing climate may render some environments unsuitable for cultivation of specific crops. Farmers and companies will need to spread their risk and diversity and change their farming practices to adapt to climate change. The secondary impacts of mitigation responses (e.g. carbon labelling and the African cut flower industry) will increasingly become an issue for Fairtrade. Funding opportunities will arise in carbon offsetting and climate adaptation, although the flaws of the former are under increasingly scrutiny.

There is strong evidence that Fairtrade support leads to a **strengthening of producer organizations**, in terms of their internal democratic workings and participation, although there are still weaknesses to be addressed in some cases. More attention needs to be paid to involving wider numbers of individual producers, rather than focusing on existing powerful leaders, in capacity building and networking as appears to occur in some cases and bureaucracy should be reduced where possible to increase efficiency.

There is very little information on **whether and how much Fairtrade challenges gender norms and empowers women**. The evidence on women's representation is somewhat mixed, with positive narratives on improvements in women's representation in farmer co-operatives, but some questions regarding how far women are able to take on co-operative leadership and decision-making positions. It is difficult for Fairtrade to challenge entrenched gender inequalities, when proportions of sales to Fairtrade compared to their sales to conventional markets may be quite small for an organization and financial viability plays a central role. But more attention needs to be paid to understanding the gender-differentiated impacts of Fairtrade in the context of the gender dimensions of agricultural trade and development. Otherwise Fairtrade risks entrenching existing inequalities still further. The limited benefits to hired labourers employed by smallholders was also highlighted in some of the earlier impact studies. It is the authors' view that further research should be conducted and strategic plans laid to help improve progress in this regard, perhaps with investment from FLO in specialist assistance. Gender audits for Fairtrade organisations in different parts of the movement represent a place to start for example.

There does need to be a **strengthening of the evidence base**, to help Fairtrade improve impact wherever possible and to ensure that public debates are based on empirical evidence rather than ideological positions and speculation. Many voluntary standard organisations, including FLO, are conducting more monitoring and evaluation exercises themselves and increasingly they are integrating this into their operations. This is a positive shift, as it will enable these organisations and the participating farmers and workers to more easily set objectives, track impact and make changes as necessary.

Academic research is also increasing in this field and should help address the existing gaps in the evidence. Other important commodities in the Fairtrade system need to be studied (e.g. other studies on cocoa beyond Kuapa Kookoo, as well as tea, cotton, fresh fruit, tea, sugar, wine, flowers, bananas) in a broader range of locations (especially more in Asia and Africa). There is a very limited coverage of plantation and hired labour situations in Fairtrade and the impact on workers. Given the contentious nature of Fairtrade's move into the mainstream it is of critical importance that evidence from workers and producers in different value chains is gathered. Studies of the impact of Fairtrade on workers should not only look at progress on achieving material benefits, but also empowerment dimensions, as the latter may prove more difficult than the former.

The rigour of the methodologies used in Fairtrade impact assessments need improvement. In particular more emphasis should be placed on identifying the factors in different settings that shape the outcomes and impacts of Fairtrade – including not only consideration of the factors creating poverty, but also those creating wealth in any particular location as the two are often inter-related. The extent to which Fairtrade can contribute to raising people out of poverty in rural areas of developing countries, including more remote, marginal area, must be assessed – in comparison to and in combination with other rural development interventions. Studies should take into account of the methodological challenges of identifying the initial attributes of farmers and workers entering Fairtrade – to see if there is a structural difference in participation of farmers in different situations. More longitudinal assessment is also needed of changes in producer and worker livelihoods over time.

It might also be constructive to focus further inquiry on specific **themes** (e.g. the relationship between quality and Fairtrade, the gender and equity distribution of impacts, the empowerment impacts of Fairtrade for workers on plantations, the position of hired labourers employed by smallholders, etc) and to provide in-depth analysis rather than more individual case studies from which it is hard to generalise or to find clear answers on specific questions.

In sum, the evidence base is far from complete, but the information to date shows the importance of Fairtrade in providing organised small producers, who can produce products for export, with the stability and security they need to make longer-term investments, building their capacity and throwing them a lifeline in times of real hardship. Similarly, most Fairtrade co-operatives are becoming stronger, often showing greater ability to survive in difficult times and becoming more able to provide important services to producers (such as providing greater access to credit, training). This strengthening is particularly marked where producer ownership further along the value chain is achieved. But there are still some outstanding questions regarding the Fairtrade system: e.g. the bureaucracy, how to increase producer ownership and how to tackle gender inequalities. Analysis is needed of the magnitude of Fairtrade poverty impact compared to other types of support to rural producers and workers, and the resources invested. Of course, Fairtrade does not claim to solve rural poverty in developing countries, and it is clearly a favourable option for many smallholders, but its ability, or otherwise, to raise (poor) producers out of poverty is an important part of its' credibility in the marketplace and with donors. And of great urgency is the need to explore the implications of climate change for the Fairtrade movement.

Crucially, Fairtrade impact assessment should be based on the views of participating farmers and workers (as well as other affected stakeholders). Support should be provided for direct dialogue between the local level and others in the value chain⁹. There is an inherent tension faced by Fairtrade of needing to persuade consumers to provide support by buying Fairtrade products, whilst recognising and being transparent about the complexities involved in any development intervention and finding ways to improve impact. There is no easy solution, but furthering understanding of how Fairtrade has an impact in different contexts based on the perspectives of farmers and workers is a critical first step along the way.

⁹ Participatory video represents an exciting approach for facilitating farmers and workers to do their own research about the impact of Fairtrade and to use it as a tool for communicating to distant audiences and decision-makers.

Annex 1: Summary list of Fairtrade impact reports (each containing one or more case studies)

Summary list of Fairtrade impact studies				
Study	Commodity	Country Case studies	Comments	
1. Aguilar, 2007	Coffee	Bolivia	Detailed impact assessment	
2. Arnould, Plastina & Ball, 2006	Coffee	Nicaragua Peru Guatemala	Comparative analysis of FT & non-FT. 3 country comparative study	
3. Bacon, 2004	Coffee	Nicaragua	Doctoral dissertation. FT, organic & specialty coffees, northern Nicaragua	
4. Barrientos and Smith	Cocoa, Fresh Fruit	Ghana South Africa		
5. Berndt, 2007	Coffee	Costa Rica Guatemala	Critical analysis of the conditions of FT & implications for policy	
6. Calo & Wise, 2005	Coffee	Mexico	Organic and FT coffee study, CEPCO co-operative is the focus.	
7. Consumers International, IIED, 2005	Coffee	Brazil	Focus on effect of consumer decision-making on producers of FT	
8. Imhoff and Lee, 2007	Coffee	Bolivia	Theoretical and empirical study. Also covers impacts of FT on conflict	
9. Jaffee, 2007	Coffee	Mexico	Detailed book exploring FT in Chiapas	
10. Kilian, Pratt, Villalobos, Jones (2004)	Coffee	Latin America	Compares organic, FT, Rainforest Alliance, & Utz Kapeh certification schemes	
11. Luetchford, 2006	Coffee	Costa Rica	Study of Coocafé	
12. Lyon, undated	Coffee	Guatemala	Single cooperative (La Voz que Clama en el Desierto)	
13. Mendoza, R and J. Bastiaensen, 2003	Coffee	Nicaragua	Study of Prodecop co-operative	
14. Milford, 2004	Coffee	Mexico	Fairly detailed impact study	
15. Moberg, 2005	Bananas	Windward Islands, Caribbean	Detailed analysis of Fairtrade in Windward Island bananas	
16. Murray, D, L. Reynolds, P. L. Taylor, 2003	Coffee	7 cases from Latin America	Meta-review of 7 case studies conducted across Latin America	
17. OPM/IIED, 2000	Cocoa, Coffee	Ghana Tanzania	Two case studies of Kuapa Kokoo; KNCU	
18. Parrish, Luzadis, & Bentley, 2005	Coffee	Tanzania	Comparison between FT & Technoserve	
19. Ronchi, 2002a	Coffee	Costa Rica	Fairly in-depth qualitative analysis of Fairtrade impact on Coocafé	
20. Ronchi 2002b	Cocoa	Ghana	Participatory impact assessment of Kuapa Kokoo and Day Chocolate	
21. Ruben, Fort and Zuniga (2008)	Coffee, bananas	Peru Costa Rica Ghana	Detailed comparative and quantitative analysis of impacts on producers. Several cases including Coocafe, Costa Rica, 3 FT orgs. in central Peru, 3 FT banana cases (Ghana, Costa Rica, Peru)	
22. Stonehill, 2006	Coffee	Guatemala	Comparison of impacts of coffee certifications	
23. Utting-Chamorro, 2005	Coffee	Nicaragua	Impact of Fairtrade on SOPPEXCCA and CECOCAFEN Cooperatives, especially impact on vulnerability	
24. Utting, 2008	Coffee	Latin America	Focus on methodological framework, but information on Fairtrade coffee in Jinotega	

(N.B. FT = Fairtrade)

Annex 2: Numbers of Fairtrade impact case studies by commodity and location

Criterion	
Evidence Base	
No.of Reports	23
No. of Case studies in these reports	33
Commodity	Numbers of case studies on this commodity
Coffee	25
Cocoa	3
Bananas	4
Fresh fruit	1
Location	
Latin America and Caribbean	26
Africa	7
Asia	0

Annex 3: Bibliography

- Aguilar H (2007). Evaluación de Impactos del Comercio Justo en la Gestión de Coraca Irupana por el Desarrollo de la Cadena Agro Exportadora del Café Ecológico. Trabajo final de grado: modalidad Tesis, presentado para optar a la Licenciatura en Ingeniería del Desarrollo Rural, Universidad Central, Cochabamba, Bolivia
- Arnould E, Plastina A and Ball D (2006). Market Disintermediation and Producer Value Capture: The Case of Fairtrade Coffee in Nicaragua, Peru and Guatemala Paper prepared for presentation at the Conference, "Product and Market Development for Subsistence Marketplaces: Consumption and Entrepreneurship Beyond Literacy and Resource Barriers," 2-4 August 2006, University of Illinois at Chicago (<http://www.uic.edu/depts/oe/submarkets/program.htm>)
- Arnould, E, Ball, D, Leon M, and C. Bacon, (2004) TRANSFAIR IMPACT STUDY: A STUDY CONDUCTED UNDER THE AUSPICES OF THE AGRIBUSINESS PROGRAM IN THE DEPARTMENT OF MARKETING, UNIVERSITY OF NEBRASKA. RESEARCH PROPOSAL. Transfair July 2004
- Arnould, Plastina, Ball, (2004) The Impact of Fair Trade: Evidence from Nicaragua, Guatemala, and Peru *Adapted from Market Disintermediation and Producer Value Capture: The Case of Fair Trade Coffee in Nicaragua, Peru, and Guatemala*, by Dr. Eric J. Arnould, University of Arizona, and Alejandro Plastilina and Dwayne Ball, University of Nebraska.
- Arnould, E. (undated) Does Fair Trade Deliver on Its Core Value Proposition? Effects on Income, Educational Attainment, and Health in Three Countries University of Nebraska Linked to Tinker.
- Bacon C (2004). Small-scale coffee farmers use Fairtrade networks to negotiate globalization, crisis and sustainability. Doctoral dissertation. University of California, Santa Cruz, CA
- Bacon C (2005). Confronting the Coffee Crisis: Can Fairtrade, Organic, and Specialty Coffees Reduce Small-Scale Farmer Vulnerability in Northern Nicaragua? *World Development* Vol. 33, No. 3, pp. 497–511, 2005
- Barrientos, S. and Smith, S. (2006) in 2007 'Own brand fruit and chocolate in UK supermarkets' in Reynolds, Murray and Wilkinson 'Ethical sourcing in the global value chain' Earthscan.
- Becchetti, L and Costantino, M (2006) 'The effects of Fair Trade on marginalized producers: an impact analysis on Kenyan farmers'.
- Berndt C (2007). Is Fairtrade in Coffee Production Fair and Useful? Evidence from Costa Rica and Guatemala and implications for policy. Mercatus Center. George Mason University
- Blakely, K. (2005) 'Boosting Coffee's Buzz: Demonstrating the effectiveness of Fair Trade through the Community Development model'. Presented to Transfair.
- Blowfield, M and Gallat, S (undated) 'Volta River Estates Fairtrade Bananas Case Study' in 'Ethical Trade and Sustainable Rural Livelihoods: What difference can we make?' DFID, 1999.
- Calo M and Wise T (2005). Revaluing peasant coffee production. Organic and Fairtrade Markets in Mexico. Global Development and Environment Institute. Tufts University
- Collinson, C and Burnett, D (2002) Assessing the financial viability of ethical and conventional trade in Brazil nuts, Peru
- Collinson, C., Leon M (2002) 'Assessing the financial viability of ethical and conventional trade in cocoa, Ecuador.
- Consumers International and IIED (2005). From bean to cup: how consumer choice impacts upon coffee producers and the environment
- Dankers, C and Liu, P (2004) 'Environmental and Social Standards, Certification and Labelling for Cash Crops. FAO Commodities and Trade Technical Paper No. 2.

- Doherty B and Tranchell S (2005). 'New Thinking in International Trade? A Case Study of The Day Chocolate Company'. *Sustainable Development* 13, 166–176
- Dolan C (2007). *Market Affections: Moral Encounters with Kenyan Fairtrade Flowers*. *Ethnos*. University of Oxford, UK, Online Publication Date: 01 June 2007
- Eberhart, C. & Chauveau, C. 2002. *Etude du commerce équitable dans la filière café en Bolivie*. Centre International de Coopération pour le Développement Agricole (CICDA), France.
- Eberhart, N. and Smith S. (2008) 'A methodological guide for assessing the impact of Fairtrade' prepared for FLO international.
- Evans, P (2006) 'In or Against the Market: Is Fair Trade a neoliberal solution to market failures or a practical challenge to neoliberal trade and the free market regime in general?' Research Paper for Sociology 190. UC Berkeley
- Fairtrade Labelling Organisations International (2007) – Annual Report 2007 (http://www.fairtrade.net/uploads/media/FLO_AR2007_low_res_01.pdf)
- Farnworth C and Goodman M (2006). *Growing Ethical Networks: the Fairtrade Market for Raw and Processed Agricultural Products (in Five Parts) with Associated Case Studies on Africa and Latin America*. RIMISP
- Fitter R and Kaplinski R (2001). *Who gains from product rents as the coffee market becomes more differentiated? A value chain analysis*. IDS Bulletin Paper, UK: University of Sussex
- Fridell, Hudson and Hudson, I (2006) 'With Friends like these: The Corporate Response to Fair Trade Coffee' Draft Copy Mara Fridell (Dept. of Sociology, University of Oregon).
- Giovannucci, D. (2001) 'Sustainable Coffee Survey of the North American Specialty Coffee Industry July 2001 Conducted for The Summit Foundation The Nature Conservancy North American Commission for Environmental Cooperation Specialty Coffee Association of America The World Bank
- Giovannucci D with Koekoek F (2003). *The State of Sustainable Coffee: A Study of Twelve Major Markets: International Coffee Organisation/International Institute for Sustainable Development/United Nations Conference on Trade and Development/World Bank*.
- Green, K. (2001) 'The Coffee Hurricane'
- Henry, (2004) *The Coffee Connection: Globalization's Long Reach, From Vietnam to Nicaragua*, James S. Henry, April 12, 2004, *Submerging Markets™*
- ICLEI (2006). *Fairtrade in the Philippines: Challenges and Opportunities*. A Paper prepared by ICLEI-Local Governments for Sustainability. Southeast Asia Secretariat
- Imhof S and Lee A (2007). (June 2007). *Assessing the potential of Fairtrade for Poverty Reduction and Conflict Prevention: A Case Study of Bolivian Coffee Producers*. Europainstitut, University of Basel
- Jaffee, D (2007) 'Brewing Justice: Fair Trade Coffee, Sustainability, and Survival'. University of California Press
- Kilian B, Pratt L, Jones C and Villalobos A (2004). *Can the Private Sector be Competitive and Contribute to Development through Sustainable Agricultural Business? A Case Study of Coffee in Latin America*. *International Food and Agribusiness Management Review* Volume 7, Issue 3
- La Central, (2001) Summary document : LA CRISIS DEL CAFÉ EN HONDURAS . "Los productores de café generan riqueza y administran pobreza" BORRADOR "CONSUMO" INTERNO
- Le Mare, A (2008) 'The impact of Fair Trade on Social and Economic Development: A Review of the Literature' *Geography Compass*. Volume 2, Issue 6, p1922-1942

- Loureiro M and Lotade, J, (2005) 'Do fair trade and eco-labels in coffee wake up the consumer conscience?' *Ecological Economics* 53 (2005) 129– 138 alDEGA, Universidade de Santiago de Compostela.
- Luetchford P (2006). Brokering Fairtrade: relations between coffee producers and Alternative Trade Organizations - a view from Costa Rica' in D. Lewis and D. Mosse (eds), *Development Brokers and Translators: the Ethnography of Aid and Agencies*, Kumarian Press, Bloomfield, CT
- Lyon S (undated). Evaluation of the Actual and Potential Benefits for the Alleviation of Poverty through the Participation in Fairtrade Coffee Networks: Guatemalan Case Study
- Lyon S (2002). Case study in: Farnworth C and Goodman M (2006). *Growing Ethical Networks: the Fairtrade Market for Raw and Processed Agricultural Products (in Five Parts) with Associated Case Studies on Africa and Latin America*. RIMISP
- Mace, W.G. (1998) 'Study of global commodity chains, alternative trade and small-scale coffee production in Oaxaca, Mexico'. A thesis. Miami University.
- Malins, A and Blowfield, M (1999) 'Fruits of the Nile', NRET study, NRI, University of Greenwich.
- Malins A and Nelson V (1999) 'Fairtrade, organic cotton in Uganda, NRET study, NRI, University of Greenwich.
- Mayoux L (2004). *Impact Assessment Of Fairtrade And Ethical Enterprise Development*. Enterprise Development Impact Assessment Information Service, Manchester.
- May, P. H. and J. Potts, (2004) 'Sustainable Coffee Trade: the role of coffee contracts' IISD.
- Mendoza R and Bastiaensen J (2003). Fairtrade and the coffee crisis in the Nicaraguan Segovias. *Small Enterprise Development* Vol.14 No.2 June 2003.
- Milford A (2004). *Coffee, Co-operatives and Competition: The Impact of Fairtrade*. Norway: CMI
- Moberg M (2005). "Fairtrade and Eastern Caribbean Banana Farmers: Rhetoric and Reality in the Anti-Globalization Movement." *Human Organization* 64:4-16
- Mukherjee, (2005) 'Broad-Basing Fair Trade in India: A Case Study of Women, Artisan and Weaver Groups from West Bengal – A Holistic Approach Towards Capacity Enhancement, Sustainable Livelihoods and MDGs. (Paper presented at the Fair Trade Futures Conference: Living a Fair Trade life, Chicago, September 30-October 2, www.fairtradefutures.org).
- Murray D, Reynolds L and Taylor P (2003). *One cup at a Time: Poverty Alleviation and Fairtrade in Latin America*. Fairtrade Research Group, Colorado State University. Fairtrade Research Group, Colorado State University <http://www.colostate.edu/Depts/Sociology/FairTradeResearchGroup>
- Murray, D. Reynolds, L. and Taylor, P. (2006) 'The future of Fair Trade coffee: dilemmas facing Latin America's small-scale producers Douglas L. Murray, Laura T. Reynolds, and Peter L. Taylor *Development in Practice*, Volume 16, Number 2, April 2006
- Navarro, (2004), 'to die a little. Migration and coffee in Mexico and Central America
- Nelson, V. and Galvez, M (2000) 'Social Impact of Ethical and Conventional Brazil Nut Trading on Forest-Dependent People in Peru', NRET, University of Greenwich
- Nelson, V. and Galvez, M (2000) 'Social Impact of Ethical and Conventional Cocoa Trading in Forest-Dependent People in Ecuador, NRET, University of Greenwich.
- Nelson, V., Tallontire, A. and Collinson, C. (2002) *Assessing the potential of ethical trade schemes for forest dependent people: comparative experiences from Peru and Ecuador*.

International Forestry Review 4, 99-110.

Nicholls, A. and Opal, C. (2005) 'Fair Trade Market-Driven Ethical Consumption' Sage Publications.

NRET (1999) 'Ethical trade and rural livelihoods' DFID 'Sustainable Rural Livelihoods: What difference can we make?' DFID Publication.

OPM and IIED (2000). Overview, Impact, Challenges, Fairtrade: Study to Inform DFID's Support to Fairtrade

Parrish B, Luzadis V and Bentley W (2005). What Tanzania's coffee farmers can teach the world: A performance based look at the Fairtrade-Free Trade Debate. *Sustainable Development* 13, 177-189

Perezgrovas V and Cervantes E (2002). Poverty Alleviation through Participation in Fairtrade Coffee Networks: The Case of Union Majomut, Chiapas, Mexico. <http://www.colostate.edu/Depts/Sociology/FairTradeResearchGroup> in Murray D, Reynolds L and Taylor P (2003). One cup at a Time: Poverty Alleviation and Fairtrade in Latin America. Fairtrade Research Group, Colorado State University. Fairtrade Research Group, Colorado State University

Petkova, (2005) 'Current Inefficiencies in the Governance of the Global Commodity Chain of Coffee and the Potential of Fair Trade in the Upgrading of the Primary Chain' EFTA / Fairtrade Advocacy Office

Phillips, D. and Tallontire, A (2007) 'Drivers and barriers to sustainable purchasing cocoa practices in the cocoa sector'. NRET Working Paper July 2007.

Potts, J (2004) 'Multi-stakeholder Collaboration for a Sustainable Coffee Sector Meeting the Challenge of U.S. Anti-trust Law'

Rappole, J.H., King, D. and Rivera J.H. (2003) 'Coffee and Conservation'. *Conservation Biology*, Pages 334–336 Volume 17, No. 1, February 2003

Reynolds L (2002). Poverty Alleviation Through Participation in Fairtrade Coffee Networks: Existing Research and Critical Issues. Background Paper Prepared for Project Funded by the Community and Resource Development Program

Reynolds, L. (2004) *World Development* Vol. 32, No. 5, pp. 725–743, 2004 The Globalization of Organic Agro-Food Networks. Colorado State University, Fort Collins, CO, USA

Reynolds, L, Murray, D, Taylor, P (2004) "Fair Trade Coffee: Building Producer Capacity via Global Networks," *Journal of International Development* (16): 1109-1121.

Reynolds, L. Murray, D. Wilkinson, J (2007) 'Fair Trade: the challenges of transforming globalization'. Routledge.

Reynolds, L. Murray, D. and Heller, A. (2007) 'Regulating sustainability in the coffee sector: A comparative analysis of third-party environmental and social certification initiatives' 'Agriculture and Human Values. Colorado State University, Clark Building, Fort Collins, Colorado, USA

Redfern, A. and Snedker, P (2002) 'Creating Market Opportunities for Small Enterprises: Experiences of the Fair Trade Movement'. SEED Working Paper. ILO, Geneva.

Rice, R. (2003) 'Coffee production in a time of crisis: Social and environmental connections' *SAIS Review*; Winter 2003; 23, 1; PA Research II Periodicals, pg. 221

Roberts, S. Robins, N. and Abbot, J. (1999) 'Who Benefits? A social assessment of environmentally-driven trade'. IIED, London.

Roche, C (1999) 'Impact assessment for development agencies'. Oxfam publications.

Ronchi, L (2002a). The Impact of Fairtrade on Producers and their Organisations. A Case Study with COOCAFE in Costa Rica

Ronchi L (2002b). Monitoring impact of Fairtrade Initiatives: A Case Study of Kuapa Kokoo and the Day Chocolate Company

Ruben P, Fort R, Zuniga G (2008). Final Report. Fairtrade programme evaluation. Impact Assessment of Fairtrade Programs for Coffee and Bananas in Peru, Costa Rica and Ghana Study Assignment by Solidaridad Coordinated by the Centre for International Development Issues (CIDIN), Radboud University Nijmegen, The Netherlands

Rushford, G. (2002) 'The Milken Institute Review': A Journal of Economic Policy: First Quarter 2002: 40-47

Schwartzman and Tapan S. Parikh. (2006) 'Asobagri: Optimizing Information and Communication Processes for a Coffee Cooperative in Barillas, Guatemala'.

Seavey J, 2002. Shade-grown Coffee and Northwest Migratory Birds: What is the Link? EDAW Inc. March 13, 2002. For the Seattle Audubon Society

Siebert, S (2002) 'From shade- to sun-grown perennial crops in Sulawesi, Indonesia: implications for biodiversity conservation and soil fertility' *Biodiversity and Conservation* 11: 1889–1902, 2002.

STEPHEN F. SIEBERT *School of Forestry, University of Montana, Missoula, MT 59812, USA (e-mail: siebert@forestry.umt.edu; fax: 11-406-243-6656)*

Slob, B (2006) 'A Fair Share for Coffee Producers' This chapter was published in A. Osterhaus (ed.), *Business unusual: successes and challenges of fair trade* (Brussels, Fair Trade Advocacy Office, 2006).

Sorby K. 2002. Background paper to World Bank Agricultural Technology Note 30, "Toward more sustainable coffee", published June 2002. Agriculture and Rural Development Family of the World Bank. Environmental benefits of sustainable coffee Kristina Sorby, RDV

Stonehill D (2006). The Impact of Coffee Certifications on Economic, Social, and Environmental Conditions at the Production Level: Three Case Studies in Guatemala. Submitted to the School of International Service of American University in Partial Fulfillment of the Requirements for the Degree of Master of Arts in International Development

Suma, N (2008) 'Fairtrade Case Study: Africa' in Farnworth and Goodman (2008).

Taylor, P (2002) 'Poverty Alleviation Through Participation in Fair Trade Coffee Networks: Synthesis of Case Study Research Question Findings Colorado State University.

Tinker Foundation (2004). The Impact of Fairtrade: Evidence from Nicaragua, Guatemala, and Peru *Adapted from Market Disintermediation and Producer Value Capture: The Case of Fairtrade Coffee in Nicaragua, Peru, and Guatemala*, by Dr. Eric J. Arnould, University of Arizona, and Alejandro Plastilina and Dwayne Ball, University of Nebraska.

Utting-Chamorro, K (2005). Does Fairtrade make a difference? The case of small coffee producers in Nicaragua. *Development in Practice*, Volume 15, Numbers 3 and 4, June 2005.

Utting, K (2008). Assessing the impact of Fairtrade Coffee: Towards an Integrative Framework. *Journal of Business Ethics*

Vallejo and Hauselmann, (2004) 'Governance and Multistakeholder Processes by Nancy Vallejo and Pierre Hauselmann, IISD'.

VanderHoff Boersma F (2002). Poverty Alleviation through Participation in Fair Trade Coffee Networks: The Case of UCIRI, Oaxaca, Mexico. (2002). Fair Trade Research Group, Colorado State University. (www.colostate.edu/Depts/Sociology/FairTradeResearchGroup).

Utting-Chamorro, K (2005). Does Fairtrade make a difference? The case of small coffee producers in Nicaragua. *Development in Practice*, Volume 15, Numbers 3 and 4, June 2005.

Utting, K (2008). Assessing the impact of Fairtrade Coffee: Towards an Integrative Framework. *Journal of Business Ethics*

Villasenor S (2000) Analysis and conclusions of the participatory impact assessment process of Apeca. Oxfam GB.

World Bank (2002). *Agriculture Technology Notes: Toward More Sustainable Coffee*. Consumers fuel demand for more sustainable agriculture. World Bank