



Report

# The impact of Fairtrade

A review of research evidence  
2009-2015

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Cover photo: Fairtrade coffee cherries harvested in Peru. © Danielle Villasana

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# Key messages

- This review synthesises results from 45 recently published studies to assess the impacts of Fairtrade certification for smallholder producer groups and workers in hired labour organisations.
- Fairtrade Minimum Prices act as a safety net providing varied direct price benefits to certified producers depending on trends in market prices.
- Levels of supply and demand for certified products determine the spread of income benefits to producers. This is difficult for the Fairtrade system to regulate.
- Contextual factors such as existing land distribution patterns, national labour laws and social gender norms affect the nature and degree of Fairtrade impacts in different producer markets and communities.
- Fairtrade Standards focus on regulating price and trading relationships but have limited impacts on improving yields and quality through good agricultural practice.
- Fairtrade certification in hired labour situations has enabled a cost-efficient expansion of positive Fairtrade effects on labour conditions in agricultural sectors previously closed to third party inspection, and where exploitative labour relations have previously flourished.
- Qualitative studies show considerable benefits from the Fairtrade Premium to certified small producers and workers in hired labour situations. The Fairtrade Premium is an additional payment made to Fairtrade producers over and above the purchase price for Fairtrade products, and used for collective investment.
- The Fairtrade model has until recently focused primarily on smallholder farmers and on workers in hired labour (plantation) situations. As such, the limited evidence available suggests that Fairtrade has tended to underestimate and neglect the issue of labour standards on small farms and has not had significant impacts in this area.
- Studies show positive effects of Fairtrade certification on improved management and organisation of co-operatives or producer groups. In some cases this may be partly due to organisational strengthening support from other sources. Other studies have highlighted the potential threat to co-operative trust and unity from co-operative leadership control of resources, as well as challenges relating to member participation and information.

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# 1. Introduction

The Fairtrade movement is part of a wider civil society movement that supports fair and ethical trade.<sup>1</sup> Fairtrade is a certification scheme which also engages in civil society campaigning, advocacy work for trade justice, consumer awareness raising, and agricultural extension and capacity-building. Fairtrade is half-owned by representatives of producer organisations.

Fairtrade applies standards to smallholder producers working together in cooperatives or other organisations with democratic structures (known as small producer organisations), and to organisations hiring workers and paying decent wages, guaranteeing the right to join trade unions, ensuring health and safety standards and providing adequate housing where relevant (referred to in the remainder of the paper as ‘hired labour organisations’). Many Fairtrade certified products also have a guaranteed minimum price which must be paid to producers. When the market price is higher than the guaranteed minimum price, the buyer must pay the higher of the two prices. Fairtrade aims to ensure sustainable production and minimise fluctuations in producers’ incomes.

In addition, producers receive an additional sum based on the volume of their Fairtrade sales – the Fairtrade Premium – which they decide collectively how to spend within the producer organisation and the wider community. They may choose to invest this in economic, social or environmental projects that aim to contribute to the development of their communities, farms or producer organisations.

The main components of the Fairtrade Standards for small producer organisations and hired labour organisations are set out below. Certification is conducted by the independent certifier, FLOCERT. FLOCERT conducts initial on-site audits prior to first certification, followed by full site audits at least twice during the three-year certification period.

In 2009, Fairtrade International (the umbrella organisation of national Fairtrade organisations and three producer networks that coordinates the Fairtrade movement worldwide, including the development of Fairtrade Standards) commissioned a study to ‘systematically analyse the impact of Fairtrade certification as demonstrated by the current evidence base’. The study, conducted by the Natural Resources Institute (University of Greenwich), reviewed documents from the previous 10 years and presented findings from 23 research reports (Nelson and Pound, 2009).

In 2014, Fairtrade International commissioned the Overseas Development Institute (ODI) to conduct a new rigorous review of literature for the last five years, from 2009-2015, using the Fairtrade Theory of Change as the framework for analysing evidence. The aim of this review is to understand the extent to which Fairtrade is contributing towards its intended impacts across sectors and geographies, and to support internal learning and improvement of the Fairtrade system. This review only considers the impact of Fairtrade organisations certified under the standards of Fairtrade International and its member organisations. It does not consider literature relating to the wider Fair Trade movement.

The overall research question posed for the study is: What is the impact<sup>2</sup> of Fairtrade on certified smallholder producer groups and workers in certified hired labour organisations in terms of fostering sustainable livelihoods and empowerment?

The report is structured as follows. Section 2 provides an overview of the methodology used, along with a summary of the number of papers reviewed and their overall focus in terms of geography, product and research design. Subsequent sections consider evidence relating to Fairtrade impact in line with the Fairtrade Theory of Change (see Annex 2)

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1. The international Fairtrade system includes three producer networks, 25 Fairtrade organisations, Fairtrade International and FLOCERT, the independent certification body of the global Fairtrade system. See: [www.fairtrade.net](http://www.fairtrade.net)

2. The term ‘impact’ is quite contested in evaluation circles and, indeed, we were advised to substitute the term with ‘effects’. However, to be consistent with the Fairtrade Theory of Change, we refer to impact for all effects included at that specific level in the Theory of Change.

## Summary of Fairtrade Standards for small producer organisations

### General

- Certification: small producer organisations must accept audits and provide information as part of the auditing process.
- Membership: over half of the members must be small producers and at least half of the volume of Fairtrade products must be produced by small producers.

### Trade

Only products from Fairtrade members can be sold as Fairtrade.

- Records must be made and kept of all Fairtrade product flows from members.
- All Fairtrade products must be separately marked as Fairtrade certified.
- Products produced more than one year before certification cannot be sold as Fairtrade.
- Contracts in line with Fairtrade Standards must be signed with Fairtrade certified buyers.

### Production

#### Management of production practices

- Required production and environmental practices must be explained to members. Risks of non-compliance must be documented and reviewed. Procedures must be in place to monitor members' performance.

#### Environmental development

- Pest management practices, and handling of pesticides and hazardous chemicals must meet detailed standards.
- Detailed standards must be met on managing soil and water resources, which includes the use of fertilisers, sustainable water use, maintenance of water sources and treatment of waste.
- Producers must not use genetically modified seed or planting stock.
- Negative impacts on protected areas or areas of high conservation value must be avoided and requirements must be met on protecting biodiversity.

#### Labour conditions

- Organisations and members must meet standards regarding non-discrimination in terms of race, colour, sex, religion, etc.
- Organisations and members must not engage in forced labour or employ children under the age of 15, or under the working age defined by local law (whichever is highest), and must meet the respective International Labour Organization requirements on child labour. Children can only help their parents after school or in school holidays.

- Workers must be free to join a workers' organisation of their choosing and are free to engage in group negotiation of work conditions. If unions do not exist, are inactive or are banned, organisations with significant numbers of workers should encourage them to democratically elect a workers' organisation.
- If organisations employ a significant number of workers, wages must be set according to Collective Bargaining Agreement (CBA) regulations, or at least average wage levels or the official minimum wage level, whichever is highest. Payments must be documented, made regularly and in legal tender.
- Maternity leave, social security benefits, etc. must meet the legal requirements, according to CBA regulations or as agreed with worker organisations, whichever is most favourable to the worker.
- The same benefits should be given to permanent, seasonal, local and migrant workers for the same work performed.
- Organisations must fulfil all standards required for occupational health and safety.

### Business and development

#### Development potential

- A Fairtrade Development Plan must be drafted, which includes at least one activity to promote the progress of the business, organisation, members, workers or community. This should include all activities funded through the Fairtrade Premium. The plan should be presented to the General Assembly of the organisation for approval.
- Workers must benefit from at least one activity in the plan and the plan should include one activity that maintains or improves sustainable production practices.
- An accounting system must adequately track Fairtrade Development Plan expenses, particularly the Fairtrade Premium.

#### Democracy, participation and transparency

- The organisation must have a General Assembly which meets at least once a year to which the annual reports, budgets and accounts are presented for approval. The Board must be elected by all members.
- The organisation must have a bank account and keep records that are open to its members. Audit reports must also be shared with members.

## Summary of Fairtrade Standards for hired labour organisations

### General

- Certification: The hired labour organisation (company) must accept audits and must communicate the results of audits to the workforce.
- The company must appoint a senior staff member as a Fairtrade officer, with responsibility for coordination of Fairtrade certification within the organisation.
- The company must allocate appropriate time and resources for the workforce to implement Fairtrade successfully. The company must allow Fairtrade representatives such as producer support staff and auditors to have direct access to the workforce.

### Trade

- Records must be made and kept of all Fairtrade product sales.
- All Fairtrade products must be separately marked as Fairtrade certified.
- Fairtrade and non-Fairtrade products must be physically separated (some exceptions are in place for tea).
- Products produced more than one year before certification cannot be sold as Fairtrade.

### Social development

#### Management of the Fairtrade Premium

- A Fairtrade Premium Committee (FPC), with elected worker members and appointed advisors from the company management must be established, with the purpose of managing the Fairtrade Premium for the benefit of all workers. The FPC should reflect the diversity of the company workforce.
- The FPC consults with workers on their needs, to develop a plan for the use of the Fairtrade Premium, which is approved by the workforce during an annual general assembly. The FPC then monitors the implementation of the Fairtrade Premium projects.
- The Fairtrade Premium must be used according to certain rules. It cannot be used, for example, to cover company running costs, to meet expenditure for which the company is legally liable, to replace costs that a company was previously meeting, or for illegal purposes.
- Under certain conditions, a proportion of the Fairtrade Premium may be distributed as a cash bonus to workers, but only if the workforce so chooses.

#### Capacity-building

- The company must raise awareness of Fairtrade within the workforce, including explaining the purpose of the Fairtrade Premium and the FPC.

- The company must provide training to members of the FPC and to trade union and worker representatives.
- The company must support workers' development, women's empowerment and equity in the workplace through targeted training and development opportunities.
- The company must support access to education and provide support for crèche facilities for workers' children.

### Environmental development

- Pest management practices, and handling of pesticides and hazardous chemicals must meet detailed standards.
- Detailed standards must be met on managing soil and water resources, which includes the use of fertilisers, sustainable water use, maintenance of water sources and waste management.
- The company must not use genetically modified seed or planting stock.
- Negative impacts from company activity on protected areas or areas of high conservation value must be avoided and requirements must be met on protecting biodiversity.
- The company must take steps to ensure energy efficiency and to reduce greenhouse gas emissions.

### Labour conditions

- The company must meet standards of non-discrimination in terms of race, colour, sex, religion, etc. It must establish policies and procedures protecting staff from sexual harassment or other abuse.
- The company must not engage in any forced labour or employ any children under the age of 15, or under the working age defined by local law (whichever is highest), and must meet the respective International Labour Organization requirements on child labour. Children under 18 may not be exposed to any work that puts their health, safety, morals or their school attendance at risk.
- The company must guarantee freedom of association for workers. Workers must have the right to form or join trade unions. The company must inform workers about trade unions, allow trade unions to have access to workers, and agree to collective bargaining. There must be a form of democratically elected and independent workers' organisation established to represent workers within the company and negotiate with management.
- In countries where a CBA is agreed, the company must sign and adhere to this agreement. Where no CBA exists, the company must engage in a process to make a collective agreement with worker representatives.

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- Wages and employment conditions are set in accordance with legal or CBA requirements where these exist, or at regional average levels. If remuneration (wages and benefits) is below the living wage benchmarks as approved by Fairtrade International, the company will ensure that real wages are increased annually to continuously close the gap with the living wage.
  - Workers must have written contracts stipulating all the relevant terms and conditions of employment, and the company must ensure that the workers understand these terms.
  - The company must not require overtime work. Overtime must be compensated at a premium rate, and the company must comply with a maximum number of hours as well as ensuring rest days.
  - Workers receive paid leave, sick leave and maternity leave. They are allowed breaks and lunch breaks. Maternity leave, social security benefits, etc. must meet legal requirements, and comply with CBA regulations or agreements made with worker organisations, whichever is most favourable to the worker.
  - The company must ensure the proper and comprehensive management of worker health and safety through compliance with a series of standards. This includes ensuring worker health and safety training, proper management of hazardous work, and the provision of free occupational healthcare to workers.

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# 2. Methodology

This section provides an overview of the methodology used in the review of Fairtrade literature since 2009. Further information about the methodology can be found in Annex 1.

This study involved a rigorous literature review, which compiled and reviewed evidence in a consistent and transparent manner to provide a fair assessment of recent literature on the impacts of Fairtrade. The methodology does not follow all the components of a systematic review since it does not appraise the quality of research beyond basic criteria to determine the validity of a paper for inclusion.

There were three phases to the methodology used in this review:

1. Drafting a research protocol: a document was agreed which detailed the methodology to be followed for the searches and analysis.
2. Conducting searches and filtering: the inclusion and exclusion criteria outlined in the protocol were used for a comprehensive literature search.
3. Analysis of findings: relevant literature that was identified through the search and filter process was read, reviewed and analysed using a structure based on the Fairtrade International Theory of Change.

## 2.1. Research question

The overall research question was:

**What is the impact of Fairtrade on smallholder producer groups and hired labour in terms of fostering sustainable livelihoods and empowerment?**

Table 1 sets out how impact is defined for the purposes of answering this question and in the analysis conducted for this review. This table is based on the Fairtrade Theory of Change (see Annex 2). The assessment covers both Fairtrade certified small producer organisations and hired labour organisations. The rigorous assessment process will examine two of the three Fairtrade goals: ‘Empower small producers and workers’ and ‘Foster sustainable livelihoods’.<sup>3</sup>

### 2.1.1. Fairtrade Theory of Change

Fairtrade has developed an overarching Theory of Change, together with two linked but distinct theories of change for work with small producer organisations and with hired labour situations. All are contained in Annex 2. These theories of change are comprised of three main levels: outputs, outcomes and impacts. The initial analysis of literature used a framework based on the overall Theory of Change, which contains six impact areas, seven outcome areas and seven output areas. In the separate small producer organisation and hired labour theories of change, these categories are further disaggregated. To ensure focus and to avoid repetition, however, the team has grouped issues from the three theories of change into the following impact areas:

- Access to Fairtrade markets and Fairtrade prices
- Farming performance and protection of the environment
- Investment of the Fairtrade Premium in small producer and worker organisations and communities
- Producer and worker organisational strength and democracy
- Decent work conditions
- Household income, wellbeing and resilience
- Gender equity

These groupings are derived from the Fairtrade Theory of Change, and their relationship with the individual components of the Theory of Change, is outlined in Table 1. They have also been selected to reflect the main areas of evidence presented in the papers this report has reviewed. Naturally, evidence on some parts of the Theory of Change are more comprehensively covered than others in the literature. It should also be noted that, as the review does not cover the goal to ‘Make Trade Fair’, some of the outputs and outcomes included in the Theory of Change are ‘not covered’.

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3. Some comments on achievement of the goal to ‘Make Trade Fair’ are included in a separate note to Fairtrade International but do not form part of the report. Assessment of this goal would require analysis of changes in the whole global trading system and the place of Fairtrade within it. It would also require definition of ‘fairness’ in the global trading system which is as yet not fully elaborated and defined by Fairtrade International and indeed would be a huge and contentious area of debate which a review of this scope would not be able to adequately address.

**Table 1. Output, outcome and impact categories covered by the initial analysis**

Theory of change level	Theory of change component	Relevant review section
Outputs	Enhanced access to fair trading conditions and fair prices for Fairtrade certified organisations	1. Access to Fairtrade markets and prices
	Increased investment in small producers/workers, their organisations and communities	3. Investment of the Fairtrade Premium in small producer and workers' organisations and communities
	Stronger well-managed, democratic organisations for small producers.	4. Producer and worker organisational strength and democracy
	Improved labour conditions and freedom of association for workers	5. Decent work conditions
	Enhanced knowledge and capacity among small producers, workers and their organisations	2. Farming performance and protection of the environment
	Increased networking and collaboration within and beyond Fairtrade, and around common goals	Not covered – related to Make Trade Fair
	Increased awareness and commitment to fair and sustainable trade among citizen consumers, businesses and policy-makers	Not covered – related to Make Trade Fair
Outcomes	Resilient, viable and inclusive small producer businesses	1. Access to Fairtrade markets and prices 6. Household income, wellbeing and resilience
	Improve farming performance, protection of environment and adaptation to climate change	2. Farming performance and protection of the environment
	Decent work for workers is sustained by mature systems of industrial relations and increased business capacity to invest	5. Decent work conditions
	Enhanced influence and benefits for small producers, workers and their communities	Partially covered in: 3. Investment of the Fairtrade Premium in small producer and workers' organisations and communities
	Growing proportion of trade is on Fairtrade terms (in sectors where Fairtrade operates)	Not covered - related to Make Trade Fair
	Broad coalition of actors (including producers, workers and citizen consumers), driving change in the way trade is structured and practised	Not covered - related to Make Trade Fair
	Values and principles of Fairtrade is increasingly mainstreamed in business practices and policy frameworks	Not covered - related to Make Trade Fair
Impacts	Improved income, wellbeing and resilience among small producer and worker households	6. Household income, wellbeing and resilience
	Enhanced gender equality and intergenerational sustainability in rural communities	7. Gender equity
	Increased environmental sustainability and resilience to climate change	2. Farming performance and protection of the environment
	Dignity and voice for small producers and workers at local, national and global levels	Not covered - related to Make Trade Fair
	Transparency and equitable distribution of risks and rewards in supply chains	Not covered - related to Make Trade Fair
	Fairness and sustainability embedded in business practices, policy and societal norms for production and consumption	Not covered - related to Make Trade Fair

## 2.2. Search process

To identify literature, searches were conducted using Google, Google Scholar and Scopus, an academic journal source. A small number of specific websites were also searched. Details of the process can be found in Annex 1.

In addition to the online searches, Fairtrade International supplied ODI with a list of 35 experts to provide recommendations of literature, 20 of whom

responded. The experts were asked to focus on literature in French, German and Spanish, and literature which is not available online.

A final 'forward snowballing' process was used to check for latest literature. This involved using Google Scholar to check if more recent papers had cited papers identified through the filter process which were relevant to include. Full details about the search process are provided in Annex 1.

**Table 2. Inclusion and exclusion criteria**

Criteria	Include	Exclude
Population	Farmers, small producer organisations, hired labourers on plantations, hired labour organisations, plantations hiring labour.	Analysis of community or regional impact that does not look specifically at one or more of the included groups (farmers, small producer organisations, hired labourers, hired labour organisations, businesses hiring labour).
Types of intervention	The study considers either small producer organisations or hired labour organisations, which have, at some point in time, had Fairtrade certification.	Papers that explore aspects of Fairtrade that do not include small producer organisations or hired labour organisations, such as fair trade traders. Papers that cover other forms of certification and voluntary standards, but do not mention Fairtrade.
Date of Publication	1.1.2009 to 31.02.15	Any publication date before or after.
Research design	Empirical research, both quantitative, qualitative and mixed methods, using primary data. <sup>4</sup> Literature reviews and overview documents may be used to identify further literature, but their conclusions may not be used.	Secondary analysis or advocacy positions not based on original fieldwork or survey data. Analysis from literature reviews (although literature reviews could be used to identify literature).
Research methodology	Papers that have a methodology section and specify data sources used.	Papers that do not set out a clear research methodology. Papers that do not specify data used.
Publication type	Peer review journals and academic, consultancy, donor or NGO reports.	Newspaper or magazine articles and blogs.
Impact, outcome and output indicators	The impact analysed in the report covers the impact of Fairtrade certification on sustainable livelihoods and empowerment, as outlined in the Fairtrade Theory of Change, but not the wider goal of 'Make Trade Fair'. The outputs, outcomes and impact that will be assessed are listed in the research question section above.	The report does not focus on the impact of Fairtrade.
Languages	All searches in English. Reports identified by experts, through snowballing approach or by English-language searches that brought up foreign language papers in German, French and Spanish.	Reports written in any language other than English, French, Spanish or German.
Geographical focus	Africa, Asia, Latin America, the Caribbean and the Pacific.	Reports focused exclusively on Australasia, Europe, North America (excluding Mexico) or on fair trade consumer markets generally.
Products	The search will only cover Fairtrade certified products.	Composite Fairtrade products (such as chocolate, which contains Fairtrade cocoa and sugar). Non-Fairtrade certified products.

### 2.3. Filtering process

All resources identified through the search methods described above were then subject to a two-phase filtering process to assess their relevance in answering the research question, using inclusion and exclusion criteria.

In the first phase, abstracts, executive summaries or initial paragraphs were reviewed. If they passed this first filter, the second filtering phase involved reviewing the full text of the paper to assess whether the paper should be included in the study.

At both phases, the papers were reviewed according to the inclusion and exclusion criteria (see Table 2). A paper had to meet all the inclusion criteria to be included, and was excluded if it met any of the exclusion criteria. More detailed criteria for quantitative and qualitative studies were also agreed and are included in Annex 1.

### 2.4. Search and filter results

The initial search strings and other search methods used produced a list of 3,680 articles. These results were initially reviewed to remove duplications and documents clearly not relevant to the research, reducing the list to 578 – 16% of the total. These 578 documents were then reviewed against the inclusion/exclusion criteria by reading the abstract or first paragraph – the first filter. A total of 90 documents (16%) were deemed to have met the inclusion criteria based on the first filter review. These 90 documents were then reviewed more thoroughly by reading the paper in full or the relevant sections. This process led to the selection of 45 papers that were deemed to have met the inclusion criteria, and have been included in this review. They are listed in the References section at the end of this report.

4. This is understood to mean research that is based on data, not other literature, and draws conclusions based on that data. Data must be from a primary source, although not necessarily collected/compiled by the authors.

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## 2.5. Classification of studies found

Basic data on the 45 studies covered in the review are classified as follows:

Commodity	No. of studies
Bananas	5
Cocoa	1
Coffee	23
Cotton	2
Flowers	3
Honey	1
Orange juice	1
Rice	2
Sugar	1
Tea	1
Multiple	5
Total	45

Continent	No. of studies
Central America	16
Africa	13
South America	8
Multiple	4
Asia	2
Caribbean	2
Total	45

Publication date	No. of studies
2009	4
2010	6
2011	8
2012	7
2013	4
2014	14
2015	2
Total	45

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# 3. Access to Fairtrade markets and Fairtrade prices

One of the key concepts of the Fairtrade movement is that of a minimum price paid to certified producers for certified products. Minimum prices are set and adjusted periodically for specific regions, based on a methodology estimating the average cost of sustainable production. The minimum price is designed to act as a safety net for producers when market prices are low. There are some commodities, such as sugar and some fruits and vegetables, for which Fairtrade does not set a minimum price. This is usually because market structures or regulations are in place which do not allow for a minimum price. Often market prices may be higher than the Fairtrade Minimum Price and, in these circumstances, purchasers of Fairtrade certified produce negotiate a price with producers. The Fairtrade requirements stipulate that this negotiated price should never be lower than the prevailing market price. Producers and traders may also negotiate higher prices based on the quality of the product or other attributes. This price floor is designed as a safety net for farmers during difficult years, while at the same time, providing greater confidence for long-term investment by producers.

Fairtrade rules also require buyers to pay a Fairtrade Premium over and above the agreed purchase price for the product, at levels set by the Fairtrade system. The Fairtrade Premium is paid into a communal fund for farmers and workers which they can use collectively to improve their social, economic and environmental conditions. The effects of the Fairtrade Premium are discussed separately in Section 5.

Analysis of the impact of the Fairtrade Minimum Price (and indeed the Fairtrade Premium), also requires consideration of access to Fairtrade markets. If certified farmers cannot sell a significant proportion of their production on Fairtrade terms, then the impact of the Fairtrade Minimum Price and the Fairtrade Premium will not be felt. The proportion of harvest that certified farmers can sell into Fairtrade certified markets is therefore an important issue, linked to that of prices.

This section will review the evidence presented on the effects of access to Fairtrade markets and Fairtrade Minimum Prices.

## Benefits during periods of low market prices

In the Fairtrade Theory of Change, the relevant output indicator is: ‘enhanced access to fair trading conditions and fair prices for Fairtrade certified organisations’, which would in turn contribute to an outcome defined as ‘resilient, viable and inclusive small producer organisations’.

The evidence clearly indicates that certified producers have benefited from higher prices through Fairtrade certified sales, during periods of low conventional market prices. The most obvious examples were during the period of low global coffee prices from 2000 to 2004. According to Valkila (2014), the minimum price regulation provided great benefits to Fairtrade certified coffee producers in Nicaragua during this period. At the lowest point, the Fairtrade Minimum Price was more than double the market price. The Soppexcca Co-op paid 84 US cents/lb for Fairtrade certified, non-organic green coffee to members in the 2003-2004 season. In comparison, the Exportadora Atlantic SA company paid an average of 48.8 US cents/lb for uncertified coffee between 1st December 2003 and 31st March 2004.

However, when coffee prices began recovering in 2004, farmers received similar prices for conventional and Fairtrade coffee (Valkila and Nygren, 2010). Fairtrade prices paid to farmers included in this study for the 2004-2005 harvest averaged 87.9 US cents/lb. The average price paid by Exportadora Atlantic SA for conventional coffee was 88.9 US cents/lb – with prices fluctuating between 75.5 and 95.5 US cents.

According to Barham and Weber (2012), data from a survey of coffee farmers in Chiapas and Oaxaca, Mexico in 2004-2005 (Weber, 2011), showed that Fairtrade/Organic growers received an estimated 12.8 US cents/lb more than non-certified growers.

Babin (2015) illustrates similar trends in Costa Rican coffee production. The Fairtrade Minimum Price provided significant benefits to Fairtrade growers during the crisis from 2000, with benefits gradually declining as market prices rose, particularly from 2006 onwards. Between 2004 and 2009, the CoopePueblos Co-op sold 66% of

production to Fairtrade channels, 10% to direct trade and 24% to conventional channels. Price differentials with conventional markets dropped considerably during this period, with average prices paid by Fairtrade buyers 25 US cents/lb higher than CoopeSabalito farm gate prices during the 2004-2005 harvest, 2 US cents/lb higher in 2005-2006, and 9 cents/lb higher in 2006-2007. However, average prices paid by Fairtrade buyers dropped to 4 US cents/lb lower than CoopeSabalito farm gate prices in 2007-2008 and 5 US cents/lb lower in 2008-2009.

Studies of other crops also show evidence of higher prices received for Fairtrade products compared with conventional products. In a survey of producer groups associated with the Green Net Fairtrade and organic certified co-operative in Thailand, Becchetti and Conzo (2009) reported that the average price per tonne paid for jasmine rice by Fairtrade organic rice cooperatives (13,941 baht) was higher than prices paid by other cooperatives (10,902 baht), or by other buyers (10,459 baht).

In the banana sector, Vagneron and Roquigny (2011) showed that 'when compared with conventional trade, Fairtrade helps farmers improve their margins by roughly 49%: their net margin increases from €0.85 per box of conventional bananas to €1.27 for a box of Fairtrade bananas....'

### Varying price effects

Comparative studies show how price effects can vary significantly for the same product between different regions. Nelson and Smith (2010) reported that Fairtrade cotton producers in West and Central Africa received substantially higher prices under Fairtrade between 2004 and 2007: between 22% and 40% higher for conventional cotton and up to 70% higher for organic cotton. However, there was less direct impact on producer incomes in an Indian case study, since the Indian market prices which the producers were receiving were higher than the Fairtrade Minimum Price.

However, there may be other factors, apart from access to Fairtrade certified markets, which might explain the differentials between Fairtrade and conventional prices. For example, Fairtrade buyers may be requiring producers to supply higher quality coffee than conventional buyers, or be stricter in their quality requirements and control. This is particularly the case where the supply of certified produce outstrips demand. Buyers may then be in a stronger position to enforce quality requirements.

Chiputwa, Spielman and Qaim (2015) reported that: 'On average, Fairtrade farmers received about double the price than their colleagues who sold in UTZ, Organic and non-certified channels'. This was partly because the Fairtrade co-operatives milled the coffee and sold the product in a higher value form: green bean, rather than dried cherries as in the other co-operatives. They could pass on some of the benefits of the higher value-addition to their farmers. As the primary holders of the certification,

the Fairtrade co-operatives were also able to sell directly to a variety of Fairtrade exporters in Kampala, rather than being contracted to particular exporters, as was the case with the UTZ and Organic co-operatives. Furthermore, Barham and Weber (2012) commented that the actual prices achieved by certified co-operatives will depend on the bargaining power of that particular co-operative.

### Level of access to Fairtrade markets

Studies confirmed that the relevance of the Fairtrade Minimum Price benefit depends considerably on the level of access to Fairtrade markets. In some cases, where Fairtrade markets are growing faster than certified supply, access to Fairtrade markets and guaranteed minimum prices increases. Reynolds (2012) reported that for the 10 flower firms in Ecuador covered in the study, the share of produce sold as Fairtrade increased from 2%-5% before 2007, to 10%-30% in 2009. However, firms expressed some disappointment in the growth in Fairtrade sales in the US.

In certain circumstances, limitations in producers' access to certified markets can have unintended consequences. The Valkila and Nygren study referenced earlier reported that later entrants found it more difficult to break into the Fairtrade certified market than longstanding certified co-operatives. Mendez et al. (2010), examining the effects of organic and Fairtrade certification on coffee farmers in Central America stated that 'All certifications [Fairtrade and organic] provided a higher price per pound and higher gross coffee revenue than non-certified coffee. However, the average volumes of coffee sold by individual households were low, and many certified farmers did not sell their entire production at certified prices.... On average, Fairtrade was the certification with the lowest proportion of coffee sold at certified prices, with 60% of total volume sold as Fairtrade'. Competition for access to the premium Fairtrade market created a power struggle between first level co-operatives and their unions, in which 'their lobbying capacity with the union was an important factor determining the proportions of their total production that they are able to sell at certified prices' (Mendez et al., 2010).

The guarantee of a minimum price aims to not only create direct welfare benefits but also promote greater confidence among producers to make longer-term investments in future production. This more indirect benefit is not easy to measure empirically and is, therefore, not covered in most of the studies reviewed. However, in their study of banana and coffee producers in Peru and Costa Rica, Ruben et al. (2009) concluded that 'Peruvian Fairtrade banana producers, in particular, consistently show less risk aversion and improved willingness to invest in yield-enhancing production technologies. This implies that the guaranteed sales to the [Fairtrade] market enable them to undertake other – sometimes risky – activities that should ultimately reinforce their household economy'.

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### 3.1. Conclusions

In conclusion, the literature confirms that Fairtrade certification can provide important forms of price security during periods of market crisis, such as the coffee crisis of 2000-2004, through the Fairtrade Minimum Price mechanism. However, in cases where Fairtrade certified producers are enjoying higher prices than non-certified farmers, it can be difficult to isolate the factors behind this differential, which may include differences in quality, value added by the organisation, the bargaining power of the producer organisation, etc. In other words, the market context may determine the price differentials earned by Fairtrade producers as well as the Fairtrade certification *per se*. The effects of price differentials (and indeed the Fairtrade Premiums, discussed later) depend upon the extent of access to Fairtrade markets: the proportion of crop sold through Fairtrade channels. The market for Fairtrade products – still primarily in Europe, North America and Australia/New Zealand – fluctuates and grows. Fairtrade makes efforts to increase market demand for Fairtrade produce; to support and advise producers in relation to market potential; and to link interested buyers with certified producers. However, in most cases and particularly with coffee, certified supply outstrips demand,

leading to limitations on access to Fairtrade markets, with various unintended consequences in terms of competition between certified producers. Balancing supply with demand for certified products is one of the challenges of the movement, particularly given the time-lag involved in preparing producer organisations for certification.

*Evidence base: Of the 45 papers reviewed, 17 deal substantively with price and access to market issues, though some of these were based on the same data sets. This is a higher number than for most other impact areas. Some touch on price differentials mainly as part of a wider discussion on the impact of Fairtrade certification on producers' incomes. It is not meaningful to count the number of studies that show a positive, neutral or negative effect of Fairtrade on prices, as results depend predominantly on market conditions at the time of the study, the location of the producers being analysed, the length of experience of Fairtrade and other factors. What this figure does indicate, however, is that price and market access are considered to be potentially important mechanisms for Fairtrade impact and is, therefore, an important area for analysis.*

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# 4. Farming performance and protection of the environment

The Fairtrade Theory of Change includes ‘improved farming performance, protection of the environment and adaptation to climate change’ as one of its outcome indicators. There is no distinct output indicator focused on these types of effects, though ‘increased investment in small producers and workers, their organisations and communities’ and ‘enhanced knowledge and capacity among small producers, workers and their organisations’ may include these objectives.

There has been limited emphasis on farming performance and improvement in crop yields within Fairtrade certification, though it has been growing over time. Other certification systems, such as Good Agricultural Practice (GAP), UTZ Certified and others, have emphasised increased yields, and product quality and attributes as a pathway to improving producers’ incomes. Fairtrade has focused much more on trading relationships, regulating prices, strengthening organisations and governance. Reflecting this, evaluations of Fairtrade have not focused greatly on farming performance and provide little evidence of Fairtrade’s impact in this area. It is also apparent that a large proportion of Fairtrade certified farmers are also certified organic producers, who would not expect to increase yield.

Fairtrade objectives, however, are clearer in the area of environmental protection. Achievement of defined environmental standards on such issues as management of water and soil use, pest control and use of pesticides, fertiliser application, and biodiversity conservation, are included as key components of Fairtrade Standards to be met by both organisations and plantations.

## 4.1. Farming performance

The literature reviewed reveals a number of instances where Fairtrade certified production demonstrated superior quality or higher yields compared with non-certified production. There are a range of causal factors employed to explain these differences, even though most may not be intrinsic to the certification process.

### Certification impacts on yield and quality

It is possible that evidence of higher yields or better quality of produce from Fairtrade certified producers compared with non-certified producers may result from the prior characteristics of certified farmers. The ability of these farmer to invest in improved production may be because they are already more advanced or potentially wealthier, rather than as a result of the certification process or the capacity-building support provided to prepare organisations for certification. Barham and Weber (2012) reported on yield differences between certified and non-certified coffee producers in Southern Mexico: ‘Yield differences account for two thirds of the net revenue per hectare gap that co-operative growers participating in Fairtrade/[organic] markets earn above conventional growers, who participate in neither’, though considerable differences did exist between regions. The authors, however, could not ascertain whether higher yields resulted from the selection of growers or from technical assistance from the co-operatives, the intensity of effort put into management of the coffee cultivation, or incentives for higher long-term investment resulting from guaranteed minimum prices.

Nelson and Smith (2011) found that Fairtrade cotton producers in India generally produced higher quality cotton than non-certified farmers: ‘Fairtrade price incentives and technical assistance (linked to Fairtrade status) have brought improvements in quality. In India, a new seed variety is promoted by the Promoting Body to meet the quality requirements of Fairtrade buyers (and because it is higher yielding), but it is less drought tolerant and so represents a risk in drought prone areas and for farmers without irrigation (who may be the poorest)’. In this example, the quality requirements of the Fairtrade buyers and the seed varieties provided by the promoting organisation are associated with, but not intrinsic to, the Fairtrade certification process.

### Quality criteria for differentiated purchase prices.

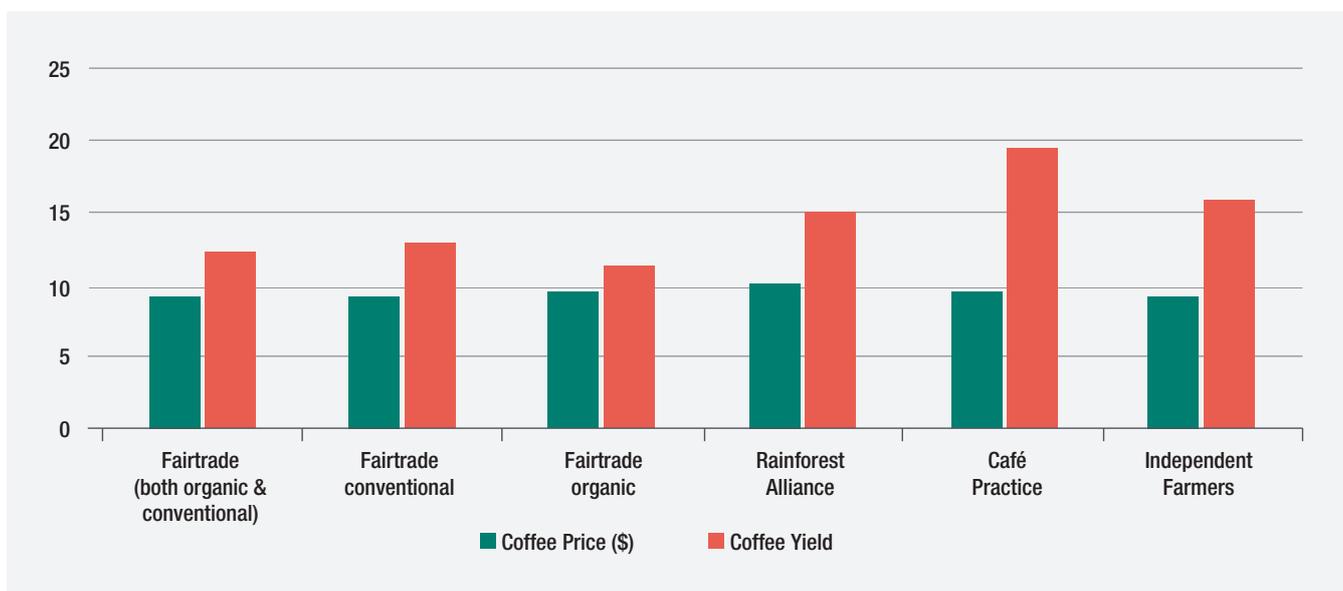
Balineau's research on Fairtrade certified and non-certified cotton production co-operatives in Mali indicated that: 'At a minimum, Fairtrade increases the share of top quality cotton in certified co-operatives by seven percentage points (pp), and that it has large [spillover] effects as the impact of Fairtrade on neighbouring non-Fairtrade co-operatives is a 5 pp rise in the top quality cotton. In other words, Fairtrade at least accounts for more than half of the quality improvements observed in the region (where the proportion of top quality cotton increased from 3% to 16% over the period studied)'. Balineau concludes that 'one can be confident that the impact of Fairtrade certification is accounted for by the enhanced producers' incentives implied by the Fairtrade contract. Indeed, in addition to the price differentiation according to quality, it introduces clearer quality criteria, a more credible grading of cotton, as well as collective co-operation incentives. As to spillovers, the analysis suggests they can be explained by a "demonstration effect"'. Fairtrade certification introduced price differentiation based on quality but also increased the credibility of the system, through third party controls of both prices paid and the quality. This may have increased producers' trust and encouraged them to change pest control practices. These quality criteria, however, were not intrinsic to Fairtrade but were added by Compagnie Malienne pour le Développement des Textiles (CMDT) as a means of rationing access to the premium paid by Fairtrade. Note also that, in this case, Fairtrade minimum prices were significantly higher than conventional CMDT prices paid to farmers.

Comparative studies have tended to show that certification schemes focusing particularly on promoting good agricultural practice, are more closely correlated

with higher yields and quality than Fairtrade certification. However, like the studies focusing on Fairtrade alone, these studies also face the potential problem of selection bias affecting particular farmers' access to the different certification schemes. Ruben and Zuniga (2011) examined the production of coffee producers certified under a number of schemes in the Las Segovias region of Northern Nicaragua: 'Differences in yields are mainly explained by more careful plant and product quality management procedures at Rainforest Alliance (RFA) and Café Practices (CP) farms. Both private labels thus record 20-40% higher yields per unit of land and receive slightly higher prices.... RFA and CP producers not only achieve higher average yields but also have a larger segment of producers with higher quality performance.... In quality terms, a large group of independent producers shows above average performance. This is likely to be related to the intensity of application of GAP practices, where CP and RFA farmers also show higher average performance. Combined, these production management strategies translate into higher average coffee prices, especially for those producers delivering under CP and RFA labels' (Figure 1).

A report on the impact of various certification schemes on coffee producers in Kenya, Uganda and Ethiopia by the Centre for International Development Issues Nijmegen (CIDIN) for Solidaridad (February 2014) also found that: 'In general, involvement in UTZ certification enhances knowledge of good agricultural practices and initially increases production and yield levels. [Fairtrade] certification basically leads to expansion of coffee areas and farmers become overly dependent on coffee. Within the same region, non-certified farmers also adjust their input use and thus the volume effect of certification is largely socialised over time'.

**Figure 1. Differences in price and yields between coffee standards in Northern Nicaragua.**



Source: Ruben and Zuniga (2011).

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## 4.2. Environmental protection

Several studies have looked specifically at the impact of Fairtrade certification on farm practices which are beneficial to the environment. In general, these studies focus on farm practices rather than on actual environmental impact, though one study, Elder et al., (2013), does include survey data on levels of biodiversity found in Fairtrade certified and non-certified production areas. One of the complications is the need to distinguish between the impacts of Fairtrade and joint Fairtrade-Organic certification. Joint certification is increasingly common, particularly for coffee. Second, as in other impact areas, it is important to identify the effects of Fairtrade interventions. This includes the application of environment-related Fairtrade Standards, or the application of knowledge or investments gained as a result of Fairtrade certification, as opposed to the effects of other environmental initiatives implemented through Fairtrade certified co-operative structures.

### Positive impacts on environment-related farm practices

In general, Fairtrade certification is found to have positive impacts in terms of environment-related farm practices. Qualitative evidence is provided in a number of Fairtrade supported evaluation reports. In a study of global Fairtrade banana production, Smith (2010) found that 'Fairtrade had an indirect impact on natural resource management by supporting [small producer organisations] and plantations that were promoting environmentally friendly production. There were also some direct impacts via Fairtrade producer standards, use of the Fairtrade Premium and incentives created by the Fairtrade Minimum Price for 'Fairtrade organic' products, leading to improved production practices and environmental projects in the wider community'. However, 'Fairtrade had also failed to engage with wider issues related to the harmful effects of mono-cultivation of bananas on ecosystems and natural resources' (Smith, 2010).

Nelson and Smith (2011) found positive impacts of certification on cotton production in their study on Mali, Senegal, Cameroon and India, where pesticide use is a major environmental hazard. Organic and Fairtrade certification has led to a switching to less toxic pesticide use. However, there was some resistance in Mali due to the cost, doubts over the effectiveness of the alternatives and the potential side effects (for example, more snakes in the field). Also, organic certification had predated Fairtrade certification in India and Mali so it was hard to attribute improvements to Fairtrade alone. Changes may have also resulted from external NGO support rather than from Fairtrade interventions directly.

In their study of Fairtrade certified cocoa in Ghana, Nelson et al. (2014) found that the large certified cocoa co-operative, Kuapa Kokoo, had invested in organisational environmental planning and partnerships (e.g. in tree planting programmes) and provided training to some

farmers in the use of approved chemicals, watershed management, rehabilitation of cocoa farms, and education on soil management, shade and disposal of containers. These activities were not mentioned by non-certified farmers. However, the study was not able to present any figures on the extent and effects of this training.

### Other factors contributing to improved farm practices

Other independent studies have found improved farm practices on Fairtrade certified farms. However, they have concluded that these practices, also apparent among members of non-certified co-operatives, may result more from co-operative membership generally than Fairtrade certified co-operative membership *per se*. In addition, impacts on different farming practices vary, with certification having less impact on some particularly ingrained practices. In a study on green agricultural practices in coffee cultivation in Rwanda, Elder et al. (2013) compared certified co-operative members with non-certified co-operative members and independent sellers to private coffee wash stations. There were no organic certified co-operatives in Rwanda at that time. The study compared: use of pesticides, chemical fertilisers, spray pumps and face masks; planting grass between coffee rows to reduce erosion; application of mulch and manure; and agroforestry techniques. Nearly all farmers used pesticides, applied with a spray pump, and in large quantities. There were no apparent differences between certified and non-certified co-operative farmers or private farmers. The widespread use of pesticide and fertiliser was promoted and subsidised by the government. Certification was also found to make no difference to the use of face masks when applying chemicals. Co-operative membership did result, however, in greater adoption of agroforestry techniques and the application of manure, but not to growing grass between plant rows. 'Farmers who belong to co-operatives are three times more likely to practice agroforestry and apply manure than private farmers.' (Elder et al., 2013). This appears to be the result of training that is available to co-op members, particularly certified co-op members. However, 'Fairtrade and Non-Fairtrade co-operatives are not statistically significantly different from one another. Both affect agricultural practices compared to CWS (coffee washing stations)'. Nevertheless, it should be recognised that as Fairtrade requires farmers to be organised into groups or co-operatives, it is contributing to the development of structures which appear to be intrinsically beneficial in promoting the implementation of environmental good practice.

Similarly, Ruben et al. (2009), in their study of Fairtrade coffee and banana production in Peru and Costa Rica found that 'with respect to sustainable land use practices, Fairtrade shows positive effects on the use of organic inputs and some reduction in the reliance on chemical fertilisers. But although changes in variable inputs use are frequently observed, investment in land-attached

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improvements (such as infrastructure to enhance soil conservation, terraces, contour rows, drainage) still remains scarce’.

### Impacts in the hired labour organization context

In the plantation context, Fairtrade has also had positive impacts on farming practice. In a study of nine Fairtrade certified Ecuadorian flower farms, Reynolds (2012) found that Fairtrade Standards, particularly on pesticide use and storage, were much stricter than national legislation and that enforcement procedures were tightly implemented. US import regulations for flowers also do not preclude pesticide use as imports have to be pest free, and they are not tested for toxic residue as is the case for food. Ecuadorian flower companies are generally using at least 30 types of pesticide and fungicide. Reports of negative environmental and health effects on workers are common. For flowers, Fairtrade stipulates 21 required environmental regulations and two management rules, which are much stricter than Ecuadorian national legislation. Fairtrade Standards ban some commonly used pesticides in Ecuador and regulate their application, storage and disposal. Fairtrade regulations on health and safety include medical examinations, protective clothing and worker training, which is more stringent than national rules. One farm manager commented that: ‘[Fairtrade Standards] are hard... complying is difficult and with the progress standards it gets more exacting each year. The rules about fumigating are strict. We have had to cut back the chemicals we use; we no longer use those on the red list. We use masks and other worker protections... Workers here know that the chemicals are dangerous. The training for workers is an enormous effort and cost for us... All the trainings take place during work hours.... and everything must be documented’. Auditing is strict and one of the farms was recently decertified. Worker committee representatives concurred with managers on the impact of Fairtrade certification on environmental, and health and safety issues.

### Alternative agro-ecological approaches

Alternative agro-ecological approaches associated with Fairtrade certification have also had positive impacts on the environment and biodiversity. Nicholas Babin (2015) examined the impact of a specific lower input, more ecologically sustainable cultivation approach adopted by a Fairtrade certified coffee co-operative: the CoopePueblos Agroecological co-operative in Costa Rica. The approach involved 30%-50% shade cover, 50% reduction in chemical fertiliser use, erosion control, soil preservation, and water source protection, and was based on the government’s Café Sostenible programme. The approach was motivated partly by the coffee crisis that started in 2000, where low prices suddenly made intensive, high-input cultivation uneconomical. The low-input approach helped to maintain coffee production during the crisis and had a positive effect on biodiversity. The study compared

production by the co-operative’s sustainability group with non-participating farmers. The sustainability group retained 82% of its coffee land area as coffee plantation, rather than turning it over to pasture during the coffee crisis of 2000-2009. This was compared with 24% for the control group. The agroecology inventory showed higher average per quadrant species richness in the sample group than in the control group. Moreover, ‘the SG (sample group) has a statistically significant higher average total number of nutrient cycling/resource biota stems per quadrant than the control group’.

Such agro-ecological approaches, while associated with a Fairtrade certified co-operative, were not introduced directly through Fairtrade interventions but rather through a government extension programme. The example outlined by Babin is interesting in that it presents a potentially effective alternative or additional mechanism for improved environmental impact. More widely, the study suggests the potential of low input cultivation practices not only for environmental protection but also to enable farmers to withstand economic crises such as those faced by the coffee industry from 2000. It demonstrates the benefits of a cost reduction strategy rather than (or in addition to) the price regulation mechanism inherent to Fairtrade.

## 4.3. Conclusions

In conclusion, Fairtrade certification requirements have not focused on ‘good agricultural practice’ or measures intended specifically to increase yields or quality. Indeed, quite a high proportion of Fairtrade certified producers are also certified organic producers, which is also likely to influence yields. In some research exercises, evidence was found of Fairtrade certified farmers achieving higher yields than non-certified farmers, though the reasons for this were usually hard to disaggregate. It may be partly due to the strengthening of organisational structures and services that result from Fairtrade certification, or from extension programmes that may be associated with, but not intrinsic to, Fairtrade certification. It may also be due to the prior selection of farmers for certification who were already achieving higher yields. In some cases, Fairtrade buyers or other intermediaries may add or incentivise quality requirements when selecting farmers from whom they purchase. Comparative studies have also shown that other certification schemes which focus primarily on the adoption of ‘good agricultural practice’ are more closely correlated with higher yield production, though these studies also face the same potential problem of selection bias.

Fairtrade objectives are much clearer for environmental protection. Achievement of defined environmental standards on such issues as management of water and soil use, pest control and use of pesticides, fertiliser application and biodiversity conservation are included as Fairtrade Standards for both small producer organisations and

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plantations. The research evidence shows positive impacts of certification and the application of environment-related standards on farming practices in both small producer organisations and plantations. However, given the prevalence of joint Fairtrade-Organic certification, this may be due, in part, to the organic certification process. Other research found that these positive effects may result from the strength of co-operative organisation, or from agro-ecological approaches promoted by other organisations, rather than from Fairtrade certification *per se*.

*Evidence base: The number of studies reviewed containing data on farming performance and environmental*

*protection were relatively low: 5 on farming performance and 7 on environmental protection. This is perhaps not surprising, particularly in the case of farming performance, as improving yields and quality is not a main objective of Fairtrade. Compared with, for example, organic certification, environmental protection is also a secondary objective for Fairtrade. None of the studies concluded that Fairtrade had negative impacts in these areas – most showed positive effects. More debatable, however, is the extent to which positive impacts may result from other associated but separate features, mechanisms or programmes experienced by Fairtrade certified producers, rather than intrinsic aspects of Fairtrade certification itself.*

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# 5. Investment of the Fairtrade Premium in small producer and worker organisations and communities

This section summarises findings of the impact of Fairtrade through payment of the Fairtrade Premium to producers. Fairtrade defines the Fairtrade Premium as follows:

*“The Fairtrade Premium is an amount paid to producers in addition to payment for their products. The use of the Fairtrade Premium is restricted to investment in the producers’ business, livelihood and community (for a small producer organisation or contract production set-up) or to the socio-economic development of the workers and their community (for a hired labour situation). Its specific use is democratically decided by the producers.”<sup>5</sup>*

The levels of the Fairtrade Premium are set periodically for each certified commodity and for each region. This is usually as a fixed payment per unit of weight, or as a percentage of the commercial price paid, for commodities where no minimum price is set. This is one of the most visible pathways for Fairtrade impact, and is more easily differentiated than the wider impacts of minimum prices or the application of Fairtrade Standards.

In the Fairtrade Theory of Change, the output on ‘increased investment in small producers and workers, their organisations and communities’ is strongly associated with the payment of the Fairtrade Premium. At outcome level, this mechanism for Fairtrade effects is evident in the ‘benefits’ aspect of the indicator, ‘Enhanced influence and benefits for small producers, workers and their communities’.

## Benefits of the Fairtrade Premium

Many of the qualitative studies list and discuss three types of benefit derived from the payment of the Fairtrade Premium. Some of these involve community-wide benefits such as local infrastructure, support for local health and education services, and water or electricity supply projects. Others involved benefits more focused on certified producers or plantation workers and their families – for example, through educational scholarships, production-related services to members (including loans for investment in production for which only certified farmers or workers are eligible), and direct payments to farmers. In some cases, The Fairtrade Premium is also used more narrowly to support the operations of producer organisations, for example for buildings, processing facilities or equipment, or to cover the costs of certification.

Nelson and Smith (2011) listed the following benefits from the use of the Fairtrade Premium paid to cotton producer organisations in Mali, Senegal, Cameroon and India: ‘The Fairtrade Premium has been used for a range of purposes, including paying for health officers and buildings, construction of schools, scholarships and uniforms; water supply; rural electrification; agricultural infrastructure and sustainable agriculture investments; producer organisation offices. There were many positive observations of these outcomes’.

In their study of the Ghanaian Fairtrade certified cocoa producers’ organisation, Kuapa Kokoo, Nelson et al. (2013) quantified expenditure on different categories of project; they reported that 49.84% of the Fairtrade

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5. Fairtrade Minimum Price and Fairtrade Premium Table; Current Version 20.10.2016; Fairtrade International.

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Premium was spent on incentives and social projects, followed by 19.2% spent on the organisation's own internal control system. The Kuapa Kokoo website lists the social projects funded by the Fairtrade Premium: 348 bore holes, 8 schools (built or refurbished), 6 toilet blocks, 51 corn mills and one *gari* (cassava flakes) processor. Certified farmers were largely unaware of these improvements and did not distinguish between investments from the Fairtrade Premium or from the organisation's other sources. Nelson et al. felt that there was limited overall impact from Fairtrade Premium investment on community infrastructure because of the scale of unmet needs, and the dilution of impact because of the very wide geographical spread of Kuapa Kokoo's operations.<sup>6</sup>

Valkila and Nygren (2010) reported that, at the time of their research in 2005, co-operatives in Nicaragua received Fairtrade Premium worth five cents per pound of coffee sold. The Fairtrade Premium was used in three ways:

1. social programmes for co-op members (e.g. technical training, educational scholarships for children of co-op members)
2. social programmes for the wider community (e.g. roads, schools, health services)
3. improvements to co-op infrastructure.

Often the Fairtrade Premium was also used to co-fund activities with other projects. Several co-operatives reported that at least half of the Fairtrade Premium was used to fund certification costs and to improve co-operatives' facilities and infrastructure.

In their Fairtrade-commissioned study of three certified groups producing oranges for orange juice in Brazil (BSD Consulting, 2014), the authors commented that 'The three co-operatives invested their premiums (from US\$52,373 to US\$218,098) mainly in strengthening co-operatives, including equipment, and training, as well as certification expenses. One co-operative used 50% as grants to farmers to improve production and 50% to support the co-op'.

Smith, in her global study assessing the impact of Fairtrade bananas (2010) commented that 'Fairtrade contributed to social and community development at the local level via use of the Premium for constructing public infrastructure (e.g. schools, clinics, water tanks, roads, street lights), paying the salaries of public sector workers (e.g. teachers, doctors, nurses) and providing educational and medical supplies.' One beneficiary from Ecuador quoted in the report said that, 'One of the best things which the Premium has been invested in is the schools. There were schools which had one teacher. Now that they pay the teachers, the number of pupils has grown... The parents of the children are grateful for what is being done'. Smith also commented, however, that 'despite

having sound practices for community led Premium use, in Ghana Premium projects had given rise to a culture of expectation. The perception was that Fairtrade was primarily about development assistance rather than fair trade'.

Studies of hired labour situations also describe benefits to workers from projects financed by the Fairtrade Premium. For example, describing the benefits of certification for workers in Ecuador's Fairtrade flower farms, Raynolds (2014) calculated that the 10 percent Fairtrade Premium paid by buyers equated to \$80,000-150,000 per farm per year. The fund was used to pay for scholarships for workers and their children, training courses, child-care centres, computer centres, medical and dental services, subsidised food programmes and low interest loans for housing. 'Almost all' (Raynolds, 2014) workers take advantage of health care facilities and about half benefit from credit programmes.

However, Trauger's (2014) study of Fairtrade banana production in the Dominican Republic, where reliance on migrant Haitian labour is high, found that on certified plantations, it was 'fairly typical' that workers knew that the Fairtrade Premium was being used to purchase their work permits and visas. However, only those who were on the joint committee understood the mechanism for use of the Fairtrade Premium. It was claimed that, since 2011, use of the Fairtrade Premium to legalise work by paying for visas and permits was no longer allowed by Fairtrade. Trauger also found that, unsurprisingly, workers on smallholder farms did not know anything about Fairtrade, the Fairtrade Premium or its benefits.

In their study of Fairtrade impacts on the banana sector in Northern Colombia, Ostertag et al. (2014) found that 'The Fairtrade Premium of all affiliated plantations in Urabá was invested in 2011 in workers' housing construction and improvement; in recreational and cultural programmes, medical assistance, and community assistance; and in education and training programmes. The main project for hired workers and Joint Bodies is to achieve home ownership for all workers. 52% of workers improved their housing in the last three years'.

### Access to credit for productive purposes

Related to the benefits of the Fairtrade Premium is the issue of farmers' access to credit for productive purposes. As previously described, one of the common uses of the Fairtrade Premium fund determined by producer organisations is the provision of credit to members to invest in inputs. In Ruben and Zuniga's (2011) assessment of Nicaraguan coffee production, Fairtrade farmers had significantly more assets and better access to credit. In the Ruben et al. (2009). study of 13 certified banana and coffee co-operatives in Peru and Costa Rica, 'Almost

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6. Kuapa Kokoo is the largest of all Fairtrade certified producer organisations with around 80,000 members.

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without exception, all case studies reveal substantial and significant positive effects for Fairtrade households with respect to credit access and asset value'. Here, access to credit was not realised through the Fairtrade Premium but rather through delivery contracts with Fairtrade outlets that offered suitable collateral for borrowing. Jena et al. (2012) found that 32% of certified co-operative members in the 4 Ethiopian coffee co-operatives that they surveyed had received credit from the co-operative, compared with 5% of the members of non-certified co-operatives. Two of the four certified co-operatives were active in providing credit to members.

### **Community use of the Fairtrade Premium**

The studies highlight a number of different issues with regard to the management and use of the Fairtrade Premium. In some cases, evidence was found of some resistance from certified farmers to the use of the Fairtrade Premium to support community-wide projects, the beneficiaries of which would obviously also include non-certified farmers or other households. Philips (2014) studied the activities of a certified sugarcane producer group in Chikwawa district, Malawi called Kasinthula Cane Growers Ltd (KCGL). The Fairtrade Premium was controlled by a committee of 10 people, all farmers. Interviews suggested that KCGL management and some farmers were resistant to using the Fairtrade Premium for the wider benefit of the community as the Fairtrade Premium is derived from the sale of their sugar. The traditional leader of Chikwawa (also a KCGL farmer) argued that: '[Fairtrade Standards] restrict the use of money. Farmers are owners of the sugar but have to implement projects for the community who do not work on the cane. Why? Farmers have their own needs and, as owners of the cane that is sold, why should they have to share money with employees?'

Similarly, some studies revealed views among producer groups that individual certified producers should earn the Fairtrade Premium generated by sales of their own certified produce. This is in contrast to the Fairtrade mechanism of paying the Fairtrade Premium into a collective fund, the use of which is decided by the producers' association or a committee of workers in a hired labour situation. In an analysis of certified tea production in Kenya, Blowfield and Dolan (2010) found some evidence of farmer preference for projects not encouraged under Fairtrade guidance or for using the Fairtrade Premium to give direct cash benefits to farmers rather than community projects. In a colourful analogy, one farmer stated: 'Even if that money is available for the community, go back and think about us again, let even a small percentage come directly to the farmers to uplift him. It's the same as taking a cow and milking it completely. When your cow gives birth and you

milk that cow completely, you will make the calf for that cow completely weak.... You will sell it (the milk) and get money, but you have made the calf weak. Will you have cows again? It will die. So I take the farmers to be like that calf. They have been denied their rights as the calf has been denied its milk'.<sup>7</sup>

### **Management mechanisms**

In some cases, the mechanism for managing the Fairtrade Premium was found to be ineffective, reducing positive potential impacts. In their study of six coffee co-operatives within the Oromia Coffee Co-operative Union in Ethiopia, Jena et al. (2012) found difficulties in the use of the Fairtrade Premium resulting from this federated structure. 'As the Fairtrade specialist from the union has mentioned, "until the certified co-operatives or farmers write a project proposal and submit it to the union, the [Fairtrade] Premium is kept at the union". Hence the certified co-operatives and producers did not really receive much of the social premiums that they should have got. Often such an event occurs due to the lack of adequate educational qualification of the co-operatives' officials who are supposed to produce the proposals to the umbrella union regarding the investment of Fairtrade social Premium'.

### **Unintended consequences in terms of governance and cohesion of producer organisations**

Francesconi and Ruben (2014), in their study of Fairtrade certified coffee co-operatives in Tanzania, developed the idea that the process of payment, management and investment of the Fairtrade Premium resulted in unintended consequences for the governance and cohesion of producer organisations. Drawing on 'co-operative life cycle' theory developed by Cook and James (2007), the authors describe the potential for 'free-rider' and 'agency-cost' problems arising as co-operatives attract new members and develop new sources of income such as the Fairtrade Premium. The use of the Fairtrade Premium for wider collective and longer-term investments may reduce the incentives for individual producers to sell to the co-operative, resulting in increased side-selling. Increased membership and the complexity of Fairtrade Premium management tends to increase the authority of the co-operative organisation vis-à-vis members and increase the role of external managers, reducing cohesion and incentives for members to contribute.

Francesconi and Ruben studied a Tanzanian association which marketed Fairtrade coffee for member co-operatives. The association had used the Fairtrade Premium primarily to build, equip and staff the district office of the association and a number of the community-based washing stations, warehouses and water tanks. Co-operatives were unhappy with the situation and were increasingly side-selling or,

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7. From an interview conducted on 16 July 2008.

indeed, leaving the association, accusing it of embezzling funds. The association struggled to remain viable. While certified co-operatives initially sold more coffee through the association than non-certified co-operatives, this trend was reversed over time and certified co-operatives saw more widespread side-selling than their non-certified counterparts, due, potentially, to the effects described here.

### Awareness of Fairtrade Premium investments

A number of studies commented on whether producer organisation members or workers in hired labour situations were involved in, or were aware of, the ways in which the Fairtrade Premium was being invested by organisations or committees set up to decide. These comments reflect more on the governance arrangements of the Fairtrade organisations rather than the impact of Fairtrade Premium investment *per se*. Valkila and Nygren (2010) reported that ordinary coffee co-operative members in Nicaragua were not well informed about use of the Fairtrade Premium. In contrast, Ruben and Fort (2011) examined data from certified coffee co-operatives in Peru and found very high levels of awareness of the Fairtrade Premium, but also that many farmers did not believe that they had directly benefited from it: ‘the Fairtrade co-operatives invested most of the [P]remium in road improvement, education services (fellowships) and internal loans. More than 10% of the farmers interviewed within the [Fairtrade] co-operatives did not have any knowledge about the existence of the [Fairtrade] [P]remium. Moreover the number of farmers that claimed to have received any benefit from the use of the [Fairtrade] [P]remium is less than one fourth of the total sample. The percentage of benefiting farmers increases for the co-operatives with a longer [Fairtrade] certification’.

At the large federated Kuapa Kokoo Cocoa Co-operative in Ghana, Nelson et al. (2013) found that, while decision-making on use of the Fairtrade Premium had started to be decentralised to district level forums, there were still wide discrepancies between the awareness of co-operative officials and farmers on the mechanism for spending the Fairtrade Premium. Indeed, in the baseline survey in 2010, only 32% of certified farmers interviewed said that they had heard of Fairtrade.

## 5.1. Conclusions

In conclusion, many of the qualitative studies list and discuss three types of benefit derived from the payment of the Fairtrade Premium: community-wide benefits, e.g. local infrastructure, support for local health and education services; benefits focused on certified producers or plantation workers and their families, e.g. educational scholarships, production-related services including loans; support for operations of producer organisations, e.g. buildings, processing facilities or to cover the costs of certification. Similar benefits were described for workers on certified plantations. Several authors quoted cases of certified farmers complaining about expenditure of the Fairtrade Premium on community projects that included benefits for non-certified farmers who had not contributed, and some expressed a preference that individual farmers should earn directly the Fairtrade Premium paid on the crop sold through Fairtrade channels. In some cases, researchers found examples where mechanisms for management of the Fairtrade Premium by co-operatives were defective or where co-operative powers to manage the Fairtrade Premium were deemed to have weakened trust amongst the wider membership.

*Evidence base: A total of 14 papers covering evidence of the effects of the Fairtrade Premium were reviewed in this section. This is quite a high number, reflecting the relative importance of the Fairtrade Premium as a potential mechanism for Fairtrade impact. All papers were positive about the effects of investment of the Fairtrade Premium but, in most cases, authors concluded that benefits were tempered by factors such as: relative dilution of effects, arguments over the community or membership focus of investments, distortive effects on governance and cohesion of producer organisations and limited participation of producer organisation members or workers in decision-making on the use of the Fairtrade Premium. While quantitative evidence was provided of the scale and nature of Fairtrade Premium investment, evidence presented on its effects was predominantly qualitative or anecdotal.*

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# 6. Producer and worker organisational strength and democracy

Fairtrade stipulates that small farmers cannot be certified as individuals but must form a functioning and formally constituted organisation. Fairtrade certification for small producer organisations requires a variety of standards to be met in terms of structure, organisation and democratic procedures. The requirement for certified organisations to meet these standards is an important development objective of Fairtrade in its own right as well as prerequisite for effectively meeting and verifying many of the other standards required for certification. As outlined in the Introduction, standards include annual meetings of the organisation's General Assembly, equal votes for all members, an elected board, full documentation of transactions to ensure traceability, written contracts for all Fairtrade sales, and establishment of internal control systems to enforce implementation of other standards. All this is designed to promote strong, transparent and accountable institutions.

These goals are reflected in Fairtrade's overarching Theory of Change at output level: 'stronger, well-managed, democratic organisations for small producers'; and in the Theory of Change for small producer situations at outcome level: 'strong and inclusive [small producer organisations]'.

## **Improvements in the management and organisation of small producer organisations**

Effects on organisational strength are necessarily qualitative and difficult to measure. Some of the Fairtrade commissioned studies provide qualitative descriptions of improvements in the management and organisation of small producer organisations, as well as some of the limitations. For example, Nelson and Smith (2011), in their assessment of impacts of Fairtrade cotton production in Mali, Senegal, Cameroon and India concluded that: 'In all of the West and Central African case studies, cotton smallholders were already organised into large, multi-level farmer organisations and so Fairtrade had less of a role to play in bringing farmers together, although it has helped to strengthen each organisation. For example, in Senegal skills have been built up and the regularity of

meetings improved. In contrast, Fairtrade in India has had a key role to play in supporting farmer organisation, with support from the Promoting Body, Agrocél, leading to the formalisation of a farmer association'. Moreover, 'Producer organisation legitimacy has been improved in all four country case studies.... In India, farmers are positive about the development of their association, although they also recognised some of its limitations. Similarly in West and Central Africa, farmers observed improvements in the transparency and management of their organisations, but many also indicated that there is more to do to achieve good governance at all levels and to achieve greater independence. High levels of illiteracy in West and Central Africa complicate the situation, as Fairtrade members in the organisations find it hard to follow the Fairtrade transactions'.

The BSD Consulting report on the impact of Fairtrade orange juice production in Brazil (BSD, 2014), linked support for the development of strong co-operative structures through Fairtrade certification with the very survival of smallholder orange cultivation for the juice industry in the face of competition from large-scale plantations:

'We can state that the existence and survival of the co-operatives as such can be seen as a major impact of Fairtrade. In the orange market, survival of small producers is intrinsically linked to their capacity to build co-operatives and join their forces. Under the current circumstances (difficulty in selling to industries and exposure to low prices, lack of own processing assets), the business continuation of single small orange producers is at risk, which the massive abandonment of orange by small producers in the region of Itapolis shows. The only way out is the creation of strong associations between smallholders in order to join the production and sales forces. In a cultural environment of individuality, where the creation of associations and co-operatives is not common, producers were guided by the Fairtrade certification process in creating functioning, transparent co-operatives that can commercialise their oranges. In the case of Coagrosol, they even could go further and establish their

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own processing plant for fruit pulps which will increase their commercial independence from the big industries.’

Looking at cotton production in Mali, Balineau (2011) found that Fairtrade organisations have better management, greater transparency and more democratic governance than non-certified organisations. The study also found that members of Fairtrade organisations felt more able to give their opinions about the use of co-operative funds than non-Fairtrade cooperative members. Balineau also noted that Fairtrade cooperatives kept more written documentation than non-certified organisations.

### **Other external assistance for institutional strengthening**

Institutional strengthening of certified small producer organisations may also be a result of other external assistance (training, technical assistance, equipment, etc.) rather than through requirements to meet Fairtrade Standards on management and governance. These sources of external assistance may or may not be associated with, or linked to Fairtrade certification. Kuapa Kokoo Cocoa Co-operative in Ghana (Nelson et al., 2014) is a case in point: ‘Fairtrade (through [Fairtrade liaison officers] and producer support, TWIN, etc.) has supported the development of Kuapa Kokoo almost since its inception, and thus all of Kuapa’s achievements can be, in part, considered as a Fairtrade impact.... There has undoubtedly been positive impact in terms of organisational development for a farmers’ organisation – the only one with a licence to operate as an LBC [licensed buying company] – as a result of Fairtrade and the support from partner organisations such as TWIN. The farmer organisation is large, with a rising membership. Kuapa Kokoo has an established governance structure, and holds elections and an annual AGM. This is clearly progressive in terms of achieving democratic organisation of farmers in a context of cocoa governance in Ghana, in which LBCs operate in a system which provides few incentives for high performance and limited financial scope for establishing strong relations with farmers’. Kuapa Kokoo, however, has received support from a wide range of institutions, including TWIN and SNV, which have also contributed to these achievements.

### **Member identification and satisfaction with co-operatives**

In addition to third party observation and analysis by researchers or consultants, some studies have also tried to collect evidence from members of certified producer organisations to shed light on organisational strength and democracy. Such evidence is inherently case specific and the indicators used can only act as proxy indicators of actual organisational strength and weakness.

Ruben and Zuniga (2011), in their study of certified and non-certified coffee producers in northern Nicaragua, found that members of Fairtrade co-operatives identified

strongly with their co-operatives and were satisfied with their membership: ‘In institutional aspects, [Fairtrade] performs better compared to independent producers in terms of organisational support provided by the co-operative and some attitudinal effects. Identification and satisfaction with the co-operative organisation are generally strong amongst [Fairtrade] members (compared to individual and Café Practices producers), but co-operative services of farmers delivering under the Rainforest Alliance label are even more appreciated’. Commenting on the same data set, Ruben and Fort (2011) postulate that early Fairtrade certification of coffee co-operatives also ‘paved the way for acceding [sic] more rewarding outlets served by private labels’.

Analysing the performance of Fairtrade certified banana and coffee co-operatives in Peru and Costa Rica, Ruben et al. (2009) also found high levels of satisfaction with co-operative services and confidence in their bargaining power: ‘We applied a wide range of different indicators to analyse in depth the potential implications of Fairtrade on local organisations. In most cases, members’ confidence in the enhanced bargaining power of their organisation was strongly and favourably influenced by [Fairtrade] affiliation. Moreover, satisfaction rates regarding service provision (technical assistance, trade, etc.) proved to be high (except for coffee in Costa Rica).’

### **Trust in co-operative leadership**

Other studies, however, have shown less positive effects in terms of organisational strength and democracy. Elder et al. (2012) analysed the impact of membership of Fairtrade certified coffee co-operatives in Rwanda compared with non-certified co-operatives and farmers who sold to independent coffee washing stations. ‘Co-operative membership is significantly associated with farmers perceiving, since they joined the co-operative, an increase in participation of the average farmer in decisions.’ However, Fairtrade certification was also associated with greater distrust of co-operative leaders. Moreover, the longer the farmer had been a member of a co-op, the greater the distrust. This lack of trust in leaders seems to have resulted from weaknesses in co-operative management. More than one respondent from the two certified co-operatives mentioned that the co-operative had suffered from embezzlement of funds and cases of nepotism. It was also hypothesised in interviews that co-operative structures increase opportunities to take advantage of farmers since, historically, farmers have been reluctant to defy authority for fear of the repercussions.

Findings from Francesconi and Ruben (2014), outlined in Section 5, show a similar tendency, with the payment of the Fairtrade Premium often increasing the power of managers and, in the case of the Tanzanian coffee co-operatives under examination, the power of the association which marketed the certified coffee and managed the Fairtrade Premium. In this case too, allegations of

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embezzlement were made by first level co-operatives against the association, illustrating that assessment of organisational strength and democracy is case-specific and subject to a wide variety of contextual factors.

### **Awareness of Fairtrade and participation in producer organisation governance**

As noted in relation to the Fairtrade Premium, a number of studies found evidence of limited awareness of Fairtrade and participation in producer organisation governance among the membership. Again, this highlighted some of the limitations in the development of democratic producer organisations. Valkila and Nygren (2010) found that few Nicaraguan coffee farmers supplying certified co-operatives were aware of the Fairtrade movement and its benefits. The reasons included the multiplicity of different certification schemes and programmes and also a tendency for co-operatives to avoid emphasising and advertising the higher prices they were paid by buyers. Blowfield and Dolan (2012) surveyed smallholder participation at Aruka tea factory in Kenya: 'More than half (53.2%) of the farmers surveyed, and over 95% of focus group discussions for this study have never attended an annual general assembly meeting, and of the former, only 38.9% were able to describe the general assembly meeting with any degree of accuracy'. Over 70% of respondents knew about the Fairtrade Premium Committee and who represented them on the committee, but only one third (34.1%) participated in the selection of projects for funding. Jena et al. (2012) found that only 45% of co-operative members in the Ethiopian coffee co-operatives they surveyed, knew that their co-operative was certified and very few of them knew what the certification actually meant.

While somewhat outside of Fairtrade's own Theory of Change, some researchers have also been interested to test whether the experience of membership of certified producer organisations which are strong, well-managed and democratic may also help to develop high levels of trust and social capital more widely within the membership

and the communities in which these organisations operate. Elder et al. (2012) surveyed members of certified and non-certified coffee co-operatives in Rwanda, as well as farmers who sold at independent coffee washing stations. The study found no impact of co-operative membership or certification on perceptions of general trust within the community: 'Greater interaction related to the mode of coffee production and processing, not co-operatives *per se*, seem to be building trust. This result would support the promotion of collective coffee processing, such as coffee washing stations, even if privately owned'.

## **6.1. Conclusions**

In conclusion, qualitative studies show positive effects of Fairtrade certification on improved management and organisation of co-operatives or producer groups. In some cases, this may also be partly due to organisational strengthening support from other sources. Some quantitative studies, using various proxy indicators for organisational strength, such as strong identification with the co-operative or satisfaction with membership, also showed positive impacts of Fairtrade certification. Other studies have highlighted the potential threat to co-operative trust and unity from co-operative leadership control of resources, such as the Fairtrade Premium. One research paper tried to test whether the experience of membership of strong and well-managed certified producer organisations helped to develop higher levels of trust and social capital more widely within the membership and community but did not find positive evidence.

*Evidence base: A total of 11 papers citing evidence on this issue were reviewed for this section. Much of the evidence quoted is qualitative or anecdotal and, in most cases, not the central issue dealt with by the authors. As a result, the quantity of papers reviewed may not be as significant an indicator compared with other aspects of Fairtrade impact.*

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# 7. Decent work conditions

This section reviews literature assessing the impact of Fairtrade certification on improving working conditions for hired labourers. This refers particularly to workers employed in what Fairtrade defines as ‘hired labour situations’: plantations or other farms that do not fit into the definition of a small producer, i.e. producers who are primarily dependent on family labour, generally hiring outside labour only on a seasonal basis. Fairtrade publishes specific criteria to define ‘smaller producers’ relevant to the regional context.

Fairtrade Standards for hired labour situations cover a wide range of employment terms and conditions that certified employers must meet, including: freedom from discrimination; freedom from forced and compulsory labour; prevention of child labour for children under 15 years of age; freedom of association and collective bargaining. The standards include wide-ranging provisions on the conditions of employment, including wages. Companies must set wages ‘according to legal or CBA regulations where they exist or at regional average wages or at official minimum wages for similar occupations; whichever is the highest, with the intention of continually increasing salaries’ [Fairtrade Standards for Hired Labour]. Other Fairtrade Standards regulate overtime, sick leave, maternity leave, work breaks, grievance procedures, etc. Health and safety at work requirements are detailed in the standards, with some that are particularly relevant to work on agricultural or horticultural plantations, such as exposure to chemicals, spraying, etc.

Decent work is a prominent part of the Fairtrade Theory of Change with one output indicator defined as ‘improved labour conditions and freedom of association for workers’. This forms an important part of the outcome indicator of ‘Decent work for workers, sustained by mature systems of industrial relations and increased business capacity to invest’.

Decent work is an area of some controversy in evaluating Fairtrade impacts, particularly in terms of issues related to wage labourers hired by small producers on a permanent or part-time basis. The definition of a small producer limits the category to those that depend primarily on family labour. However, a number of studies have questioned whether, in practice, this has led to large numbers of ‘invisible’ workers on smaller Fairtrade certified farms, whose working conditions are therefore not subject to the application and verification of ‘hired labour situation’ standards.

## Evidence of positive impact on labour standards and decent work conditions

In terms of hired labour situations, the evidence on impact of Fairtrade certification on labour standards and decent work conditions is generally positive. Raynolds (2012 and 2014) conducted a study of four Fairtrade certified flower farms in Ecuador. This is an industry that has been well known for abuse of workers’ rights. Companies have avoided labour protection legislation by hiring through intermediaries and firing workers after three-month probation periods. Unpaid overtime is common. Sexual harassment and child labour is widely reported. Raynolds concluded that the impact of certification in the industry was positive in terms of health and safety of workers and also created some improvement in terms of labour conditions: ‘According to industry officials, managers and workers, Fairtrade certified farms have better occupational health and safety conditions than most flower farms in Ecuador’. Workers were knowledgeable about banned ‘red list’ chemicals, the need to wear protective clothing and greenhouse re-entry rules after spraying. Minimum wage and child labour requirements mirrored the requirements under national law but better standards were mandated in some areas, including the prevention of abusive management and discriminatory practices (e.g. firing pregnant women), and more generous rules on overtime and annual leave.

Fairtrade regulations also make collective representation of workers mandatory through Workers’ Committees, which defend labour and negotiate with management. Democratically elected, Workers’ Committees in certified companies are empowered to negotiate with management, which is a very unusual right in Ecuadorian farms. The committees can negotiate for improved working conditions and benefits (e.g. provision of meals, uniforms and bonuses) but cannot negotiate wage levels or overtime levels. Moreover, the worker committees were not linked to regional or national worker groups or trade unions.

Klier and Posinger (2012), in their qualitative overview of impacts in six Fairtrade sectors, concluded that ‘conditions were significantly better than on non-Fairtrade certified farms in Kenya’s flower sector. Particularly in the area of workers’ health and safety, the conditions on Fairtrade certified flower plantations are exemplary. Moreover, in this case study, virtually all workers also have a permanent, written contract.... All these factors cause the flower plantation to be perceived as a very attractive employer’.

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## Worker empowerment

While not directly related to the issue of decent work, others have also examined the issue of the extent to which Fairtrade has empowered workers within hired labour situations. For example, Lyall (2014) interviewed workers on three Fairtrade certified flower farms in Ecuador and found positive evidence of the contribution of certification to worker empowerment: 'Although workers maintain the objective to become independent from the flower sector and withdraw from the labour market, they have discovered meaningful forms of empowerment within Fairtrade certified plantations and through Fairtrade Premium funds, standards, and producer support. This may be reflected in the fact that many of the study participants had been in long term employment in their respective plantations'.

Lyall identified three ways in which workers had been empowered:

1. Individual voice: 'The development of confidence to express ideas and concerns in the workplace (during training sessions and through experiences in workers' organisations)'.
2. Collective influence: 'The development of collective capacities to generate dialogue among workers, develop proposals and negotiate proposals with management through Workers' Committees'.
3. Individual choice through direct control of resources such as credits and scholarships: 'The development of Joint Bodies' capacities to lead discussions on, develop, and execute Fairtrade Premium projects (through the accumulation of training and experience)'.

However, constraints felt by workers interviewed included: the attitudes of supervisors and managers, increasing workloads, decreasing quality and quantity of training, limited possibility to contact worker organisations from other farms, fears over sustainability of the Fairtrade system and confidentiality in workers' meetings. The main constraints identified to worker empowerment, however, were contextual and outside the control of Fairtrade: difficulties in acquiring land and economic independence, as well as national controls on independent trade union activities.

## Nature of state regulation and enforcement of labour rights

The added impact of Fairtrade on labour conditions will also depend on the nature of state regulation and enforcement of labour rights. Klier and Posinger (2012) noticed less direct impact of Fairtrade certification on labour conditions in the tea industry in India, primarily because of the existing, relatively benign impact of national legislation. Comparing Fairtrade impacts with those in the Kenyan flower sector, the report concludes that: 'Such improvements to conditions were not observed, mainly because the company concerned is strongly bound to

comprehensive national or sector specific regulations that, to a large extent, dictate the terms of employment'.

Ostertag et al. (2014) found that there was no difference in workers' incomes between Fairtrade certified and non-certified banana plantations in northern Colombia: 'The average household income in 2012 for hired workers in the three Fairtrade plantations was US\$10,766, ranging from US\$6,971 to US\$18,958. The average household income for workers in the control plantations in 2012 was the same (US\$10,767), ranging from US\$7,935 to US\$14,763'. This is because workers in both types of plantation are predominantly covered by the same collective bargaining agreements between SINTRAINAGRO – the Independent Agricultural Workers' Union and AUGURA, the Colombian Banana Growers Association.

## Relationship with trade union movement

In environments hostile to trade union organisation, Fairtrade has been able to promote greater worker representation through Workers' Committees but has not been so successful in promoting the wider trade union movement and, in some ways, has contributed towards creation of alternative institutions. In her survey of global Fairtrade banana production, Smith (2010) concluded that: 'Fairtrade had had somewhat less impact on the organisation of workers. The plantation in Ghana was already unionised prior to certification and Fairtrade supported the trade union in its work, including negotiation of terms and conditions. Elsewhere, Fairtrade has led to the formation of Workers' Committees rather than trade unions, in part due to widespread antipathy or hostility to trade unions in the case study countries. Workers' Committees had brought some concrete improvements in labour policies and practices, but they lacked capacity to negotiate effectively and had the potential to become parallel working organisations, if not strategically planned with the international trade union movement'.

Fairtrade Standards have historically placed less emphasis on making requirements for workers who are employed by smallholder members of certified small producer organisations. Undoubtedly, it is challenging to require small farmers to increase the pay and conditions of their wage workers. Fairtrade has, therefore, not made claims of impact for workers employed by smallholders, although the standards do now include some requirements in this respect.

## Evidence of limited impact on wages or working conditions of workers on small farms

Nevertheless, a number of authors have examined the impact of Fairtrade certification on conditions of workers in certified small producer organisations and found limited impact on wages or working conditions of workers employed on these small farms. The Valkila and Nygren (2010) study on coffee production in Nicaragua concluded

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that Fairtrade certification had very limited impact on wages or working conditions of workers. Wages paid to coffee labourers on Fairtrade certified farms ranged from US\$1.5 to US\$2.1 per day on farms that also provided meals, and US\$1.8 to US\$2.5 on those that did not. Some farmers said that they had increased wages to meet national minimum wage standards but none mentioned doing so to meet Fairtrade Standards. Given widespread underemployment, most farmers said that workers were already fortunate to be receiving employment at the minimum wage, and therefore did not provide other benefits such as vacation, sick leave, etc. Children were frequently seen working on small certified family farms but this was family rather than contracted labour and subject to different controls.<sup>8</sup>

In the three coffee processing mills owned by Fairtrade certified co-operatives, workers' conditions were similar to those in conventional mills. All mills appeared to be paying the national minimum wage for mill workers: US\$2.8 per day in 2005-2006. All employment was casual, no benefits were paid and it was claimed that several workers who had been sick had been fired. Moreover, no trade unions were allowed to operate in the three mills. It appears that Fairtrade certification had hardly affected working conditions in the mills.

In their study of Ghana's large certified Kuapa Kokoo Co-operative, Nelson et al. (2014) reported that 'No major impact of Fairtrade was found in relation to hired labourers who are used by the majority of cocoa farmers – both certified and non-certified... There were no impacts identified for 'caretaker' farmers who work for farm owners for a share of the crop (33%-50%) since they cannot be producer organisation members in their own right and are not directly eligible for benefits'.

Some authors have also provided compelling evidence that the issue of employment conditions for workers on certified small farms may be on a larger scale and more serious in nature than other evaluations of Fairtrade have identified. This results, in part, from the hidden nature of the scale of permanent and temporary employment on smaller farms, but also from the lesser focus within Fairtrade Standards towards the issue of employment conditions of wage labourers on small farms.

In her research on Fairtrade banana production in the Dominican Republic, Trauger (2011) highlights the beneficial impact of Fairtrade certification on the conditions of plantation workers in hired labour situations – the larger farms comprising over 60 hectares. The author estimates that around 90% of workers on banana plantations are Haitian immigrants, mostly illegal. In certified hired labour situations, however, it was 'fairly typical' that workers knew that the Fairtrade Premium was used to purchase their work permits and visas; but only those who were on the Fairtrade

Premium committee understood the mechanism for use of the Fairtrade Premium. Trauger comments: "[Fairtrade] rules require legal contracted workers, and in the plantation structure, the [Fairtrade Premium] per box was used (until 2011) to purchase work visas. Up until 2011, [Fairtrade International] allowed (or did not disallow) the Fairtrade benefit to be used to purchase one-year visas and identity cards for the Haitian workers. At the time of the research, nearly all of the plantation workers (both Haitian and undocumented Dominicans) expressed deep concern about the loss of their visas, and were very worried about being deported to Haiti if they did not have their papers'.

In addition, Trauger highlights that the smallholder farmers belonging to certified banana associations were also hiring Haitian migrant labour. Those interviewed were employing at least two full-time workers every day and up to five times as many workers for the 'process' – the weekly harvesting and packing of ripe bananas for shipment. The smallholder farmers themselves 'spoke highly of their banana associations and the benefits they received from being a part of the banana association, which included clinics, schools, short-term loans, and funds for home repairs'. However, workers on smallholder farms did not know anything about Fairtrade, the Fairtrade Premium or its benefits. Haitian workers on these farms were working illegally and 'I saw no evidence of (nor was there any mention of) restrooms within 500 metres of the workers I interviewed on smallholder farms'. The author critiques what she describes as a 'smallholder imaginary' which tends to idealise independent smallholder production, while remaining blind to the extent of wage labour within it.

A research team from the School of Oriental and African Studies (SOAS), University of London carried out a Department for International Development funded research project on 'The Fairtrade Employment and Poverty Reduction in Ethiopia and Uganda' (2014) on certified coffee, tea and flower production. The research focused particularly on the impacts of Fairtrade on wage labour and used detailed census and survey techniques to estimate actual levels of wage labour employment in areas of both plantation and smallholder production. The team found that high proportions of people living in the sample areas had carried out wage labour on the specified crops in the last 12 months – for example 60% of inhabitants of Ziway town in Ethiopia (known as a flower company town). Even in Holeta and Tefki, which are not so well known for flowers, about a third of adults had worked for wages in the flower sector during last 12 months. Between one third and a half of respondents in Ethiopian coffee smallholder sites had also worked for wages on coffee farms. In the main Ugandan tea smallholder site, between 40% and 50% of adults interviewed had worked for wages on a tea farm.

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8. Fairtrade Standards small producer organisations allow for the children of members of small producer organisations to undertake restricted work on their family farm, as long as this takes place outside of school hours or in school holidays, and the work is appropriate and non-hazardous in nature. For the full set of standards relating to child labour, see: [https://www.fairtrade.net/fileadmin/user\\_upload/content/2009/standards/documents/generic-standards/SPO\\_EN.pdf](https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/generic-standards/SPO_EN.pdf)

Those respondents who had carried out wage labour were found to be particularly poor and disadvantaged. In the coffee areas of Ethiopia and Uganda, for example, only 6% and 9% of people respectively living in ‘residential units’ (within the survey data collected by SOAS) that had carried out wage work in the last three years had secondary education or higher. This is compared with 12% and 20% of adult women respectively, who did not live in such households.

In terms of Fairtrade effects on the working conditions of wage labourers: ‘The research was unable to find any evidence that Fairtrade has made a positive difference to the wages and working conditions of those employed in the production of the commodities produced for Fairtrade certified export in the areas where the research has been conducted. This is the case for “smallholder” crops like coffee – where Fairtrade Standards have been based on the erroneous assumption that the vast majority of production is based on family labour – and for “hired labour organisation” commodities like the cut flowers produced in factory style greenhouse conditions in Ethiopia. In some cases, indeed the data suggest that those employed in areas where there are Fairtrade producer organisations are significantly worse paid, and treated, than those employed for wages in the production of the same commodities in areas without any Fairtrade certified institutions (including in areas characterised by smallholder production)’.<sup>9</sup>

The SOAS research found that average daily rates received by workers on farms in Fairtrade areas were between 67% and 99% of those received by workers in farms in non-Fairtrade areas. A higher proportion of workers received less than 60% of the median daily wage in Fairtrade areas compared with non-Fairtrade areas. The most extreme case was Ethiopian coffee where 30% of workers earned less than 60% of the median wages in Fairtrade areas compared with 5% in non-Fairtrade areas. Regression analysis shows that higher wages are positively correlated with work on larger scale farms, male workers, more highly educated workers and also negatively correlated with the Fairtrade status of an area.

The research found that the strongest determinant of higher wages and better working conditions was larger scale of production rather than certification. Some ‘enlightened’ plantation owners also simply chose to be better employers. Workers on large-scale farms worked more days per year than on small-scale farms, and more days in non-Fairtrade areas than in Fairtrade areas. Workers on large-scale coffee plantations in Uganda averaged 153 days in the previous 12 months, compared with 70 days for those working on small-scale farms. Other benefits such as free medical care

and paid overtime were more readily available on larger farms, compared with smallholder farms.

## 7.1. Conclusions

In conclusion, the evidence on the impact of Fairtrade certification on labour standards and decent work conditions in hired labour situations is generally positive. There is also wider evidence of positive effects on worker empowerment. The added effects of Fairtrade certification depend on the level of existing state protection and enforcement of workers’ rights. In environments hostile to trade union organisations, Fairtrade has been able to promote greater worker representation through Workers’ Committees but has not been so successful in promoting the wider trade union movement. Fairtrade Standards have historically placed less emphasis on making requirements for workers who are employed by smallholder members of certified small producer organisations. Some authors have provided compelling evidence that the issue of employment conditions for workers on certified small farms may be on a larger scale and more serious in nature than existing research evidence has shown. This results, in part, from the hidden nature of the scale of both permanent and temporary employment on smaller farms, but also from historically lesser emphasis within the Fairtrade system on the issue of employment conditions of wage labourers on small farms. A research study carried out by SOAS, found no evidence of any improvement to the wages and working conditions resulting from Fairtrade certification in both traditional smallholder crops like coffee, and in larger scale hired labour situations such as the cut flower industry in Ethiopia.

*Evidence base: A total of nine papers were reviewed to inform this discussion, including two using the same data. Of these, four assessed hired labour situations specifically, including two using the same data, while the others looked at small producer organisations or a combination. Impacts of certification on employment conditions specifically in hired labour situations are under-researched. In general, the topic is complicated by confusion between small producer organisations and hired labour situations in which different standards on decent work apply. However, as some of the authors have emphasised, this confusion does also highlight the sometimes false dichotomy between small producer organisations and hired labour situations, given examples of the relatively large-scale employment of wage labour by small producers. The questions of labour rights and employment conditions of wage labour hired by small producers is one attracting increasing attention by Fairtrade.*

9. The report acknowledges that it was difficult to establish pure ‘control’ groups due to ‘complexity and flux within specific rural populations and research sites. Note for example, that during the course of this research project (data collection during 2010-2013), one Fairtrade certified flower producer near one research site withdrew from Fairtrade (in 2011) while another non-Fairtrade certified enterprise in a different research was later certified (2012, after the quantitative and qualitative research for this project was carried out)’.

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# 8. Household income, wellbeing and resilience

Arguably the central concern of most of the evaluations and assessments carried out on Fairtrade initiatives is on Fairtrade's contribution to overall household income, wellbeing and resilience. Many of the mechanisms through which Fairtrade has its most significant impacts – such as the Fairtrade Minimum Price, the Fairtrade Premium, quality and yield improvements, standards on decent work – all contribute to this wider objective. The issue is prominent in the Fairtrade Theory of Change at the impact level, which includes an indicator on 'improved income, wellbeing and resilience among small producer and worker households'.

A large number of articles focus on whether Fairtrade certified farmers earn higher incomes than non-certified farmers, which is measured in terms of revenue or consumption expenditure. Unsurprisingly, the results are varied, with some surveys showing positive results and others showing partial or negligible impacts; and a variety of explanations used to explain limited impact.

## Positive impacts on household income

Examples of positive impacts on household income include Chiputwa et al. (2015) in their study of the differential effects of Fairtrade, organic and UTZ certification on coffee farmers in central Uganda. The team found that income benefits of certification were significant and driven by Fairtrade certification: 'Looking at the first comparison between certified and non-certified farmers, we find that certification increases consumption expenditure by UGX 369-479 per capita per day (PPP \$0.5-\$0.63). This effect is significant and implies an increase in living standard by 12-15% when compared to mean expenditure of non-certified households. However, the effects on household poverty are not statistically significant. Disaggregating by certification scheme, we find that the positive impact on household expenditure is entirely driven by Fairtrade certification. Participation in Fairtrade increases per capita expenditure by 27-33%, while the effects of UTZ and organic are both insignificant. Likewise we find significant poverty reducing effects for Fairtrade, but not for UTZ and Organic. Participation in Fairtrade reduces the poverty headcount index by 0.13 to 0.15, implying a 50% reduction of the poverty rate observed among non-certified households'.

Similarly, Ruben and Zuniga (2011) assessed the impacts of a range of certification schemes on the incomes of coffee producers in Las Segovias region of northern

Nicaragua, demonstrating positive effects of Fairtrade certification compared with independent farmers or Rainforest Alliance certified farmers. Independent farmers' income was 35% lower than Fairtrade farmers. Only farmers certified under the Starbucks Café Practices programme earned higher incomes than Fairtrade farmers – on average 25% higher. This partly reflected farm size: coffee areas for Fairtrade farmers averaged 3 hectares (ha), compared with 3.9 ha for Café Practices farmers and 2.3 ha for independent farmers. Conventional Fairtrade and Rainforest Alliance producers generated 75-80% of their family income from coffee, while independent farmers and Café Practices producers were more diversified in their income sources.

Becchetti and Conzo (2009) analysed farmer incomes in their study of the Fairtrade certified Green Net Co-operative in Thailand, which produces organic long grain, red, white and brown Jasmine rice. They concluded that: 'Affiliated farmers' average income (from agriculture) is significantly higher than non-affiliated farmers, both overall (60,942 baht against 41,646 baht) and in the two different areas'. Overall household income is also higher among affiliated farmers (104,897 baht per year compared with 87,089 baht per year for non-affiliated farmers). The authors found that 'per capita income from agriculture is positively and significantly affected by organic certification and Fairtrade affiliation years. Our main findings are robust when we control for selection bias and endogeneity with instrumental variables, when using propensity score matching and restricting the sample to affiliated producers only. We also test which of the two (organic and Fairtrade) effects is stronger and find that the latter prevails. The greater impact of Fairtrade may be linked to: double premiums (price premium to farmers and [Fairtrade] Premium to co-operative); marketing gains (being able to sell more rice through Fairtrade channels). The gains are not linked to higher labour productivity. However, affiliated farmers spend more time working on their rice field (151 days per year compared with 131 for non-affiliated farmers).'

In his study of certified coffee co-operatives in Nicaragua, Valkila (2014) was able to quantify the average annual price benefit earned by Fairtrade producers at Soppexcca Co-operative Nicaragua in 2003-2004: US\$106-211. However, when compared with the cost of a basic basket of food items for one year for a family of six (US\$ 862 in 2005), he

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concluded that ‘this price premium assists survival rather than transforming the lives of these farmers’.

### Differential benefits for different groups of producers

Other surveys have found evidence of income benefits from Fairtrade certification, but only for certain categories of farmer. Dragusanu and Nunn (2014) used nationwide data on coffee production in Costa Rica from Instituto del Café de Costa Rica (ICAFE) as well as Fairtrade data from certified co-operatives (2003-2010) to assess the impact of certification on farmer incomes. ‘Linking the mill level information on Fairtrade certification to individual level survey data, we find that Fairtrade certification does increase incomes, but only for skilled coffee growers and farm owners. There is no evidence that many workers, including unskilled seasonal coffee pickers, benefit from certification.’ In the sample, 43% of respondents were classed as skilled coffee growers, compared with 50% unskilled and 7% in ‘other’ coffee related occupations.

Similarly, in their qualitative review of the effects of certification at the Kenya Tea Development Agency tea factory in Aruka, Blowfield and Dolan (2010) concluded that Fairtrade mainly benefited those that already had the means to meet the criteria for participation, such as land ownership, labour, and the ability to invest in production. Therefore, Fairtrade could not realistically target the marginalised.

Similar qualitative evidence was provided by Philipps (2014) in his investigation of the effects of certification on members of the Kasinthula Cane Growers Ltd. (KCGL), a Fairtrade certified sugar producers’ organisation in Malawi. He found that ‘92% of farmers claimed Fairtrade certification had had a positive impact on their income, while 72% of permanent employees said there had been no impact’. Philipps suggests that by increasing incomes of wealthier and more able farmers in the community, Fairtrade tends to reinforce rather than challenge existing inequalities: ‘Only a small number of relatively elite farmers in this producer community control and influence decision making and wealth distributions due to the positions they hold and the entry of Fairtrade process have reinforced that status’.

Nelson et al. (2014) stressed that poorer farmers were not excluded from the Kuapa Kokoo cocoa co-operative in Ghana – in fact, even farmers producing just one bag of cocoa could join. However, existing structural inequalities in access to land could not be overcome through Fairtrade mechanisms, which restricted the access of women and migrant labourers to Fairtrade benefits. ‘Caretaker’ farmers – or sharecroppers – were also not able to join the co-operative.

### Evidence of limited effects on incomes

Quantitative evidence on income effects is also mixed. A number of studies have shown no impacts, or very limited impacts of Fairtrade certification on smallholder incomes.

Given the previous discussion of some of the Fairtrade impact mechanisms, this is not surprising. For example, minimum prices only have direct impact when market prices are low. And income effects will also depend on the proportion of output sold through Fairtrade channels. Fairtrade Standards do not explicitly address the issue of yields and quality, which may be more dependent on contextual factors.

Examples of limited impact on incomes include the study of Ethiopian coffee co-operatives by Jena et al. (2012). Findings show that the certification of coffee co-operatives has a low overall impact on small-scale coffee producers’ livelihoods, mainly due to low productivity, insignificant price differential and poor access to credit and information from the co-operative. The extent of benefits received also depended on the production and organisational capacities of local co-operatives. ‘Good’ co-operatives reaped the benefits of certification, whereas ‘bad’ ones did not fare as well. Indeed, non-certified farmers were earning higher gross revenue per hectare from coffee than certified farmers, due to higher yields per hectare. Pests and diseases were a significant problem for which sustainable solutions had not been found. It was also not clear whether certified farmers applied pesticides or not.

Ruben et al. (2009) calculated the full household income of smallholder coffee and banana producers in Peru and Costa Rica, including net revenue from all other household activities. They concluded that ‘Most substantial income gains are reached in the organic production sector. The additional net income from Fairtrade is relatively modest, and either non-[Fairtrade] producers sometimes reap even larger net benefits or the registered differences were statistically insignificant.’ The reasons for this included:

- Substitution effects: Fairtrade farmers neglecting other income-generating activities.
- Fairtrade producers using more hired labour and higher inputs thereby reducing net income margins.
- Limited sales of certified co-operatives’ product sold through Fairtrade channels.
- Relatively high market prices in 2006-2007 meant that the Fairtrade Minimum Price did not have an effect.

In their qualitative study of a Ghanaian cocoa co-operative, Nelson et al. (2014) found that: ‘There was no significant difference in household income between non-certified and certified farmers. Household income and income from cocoa increased significantly over the period for both groups. There is no evidence of positive income impacts attributable to Fairtrade. However, at the final survey, non-certified farmers perceived a significantly larger decrease in income over the previous two years than certified ones.’

Ruben and Fort (2011) found very limited income effects of Fairtrade certification on coffee producers in

Peru: 'The results of the matching estimation for the conventional coffee farmers even reveals a negative effect of Fairtrade on total gross and net household income, even though the difference is only significant when performing the kernel estimation. This negative effect seems to be driven by the significantly lower coffee yields of Fairtrade producers as compared to conventional non-Fairtrade farmers. Even though Fairtrade farmers could receive better average prices, these differences are not strong enough to represent a clear welfare effect. The lack of a price effect can be explained by two factors. First, the market prices for coffee were generally high in the year 2007-2008 when the survey was undertaken. Second, not all certified Fairtrade production could be sold under Fairtrade price conditions.'

### Alternative metrics for effects on wellbeing

The welfare effects of Fairtrade have also been measured through alternative metrics to income and expenditure. Bacon et al. (2014) examined the food security of certified Nicaraguan coffee farmers, seeking to establish whether Fairtrade coffee farmers suffered from annual hungry periods and, if so, to explain why.

Respondents reported an average of 3.15 months of food scarcity the previous year: April 2009-April 2010. Food scarcity involved substitution of other foods, reducing food intake, borrowing to buy food, begging, work for food programmes and taking on wage labour. Food scarcity was experienced during the period known as 'los Julio' (June-August), prior to the dry corn harvest in November. The study did not attempt to compare certified with uncertified farmers or indeed coffee farmers with non-coffee growing farmers. It did demonstrate, however, that certified farmers still suffer from food scarcity. Reasons included: seasonal fluctuation in corn prices (high during periods of scarcity) and the El Nino drought – the producer organisation, PRODECOOP, estimated 40%-50% harvest losses for both corn and beans. In addition, income from coffee production has been affected by significant price fluctuation (doubling between 2009 and early 2011, but returning to 2009 levels by the end of 2012) and by the rising incidence of coffee leaf rust (*Hemileia vastatrix*), which was reported at 53% by the International Coffee Organisation. The extent to which coffee sales in general impact on food security does not appear to be significant. Survey results show that 97% of respondents buy in some part of their food, and coffee sales are the most common sources of cash. But results also suggest that 'for the coffee harvest sizes, prices and costs of production in this sample, greater coffee production is neither enhancing nor detracting from seasonal food security'.

Another welfare indicator of Fairtrade effects examined by researchers is education. Becchetti et al. (2013) examined the impact of Fairtrade certification of a honey co-operative in Chile on children's schooling. The authors' hypothesis is that increased income from

Fairtrade production may enable the co-operative workers to better afford schooling for their children. Fairtrade certification also specifically prohibits child labour, which may encourage parents to send their children to school. This may help to increase adult wages (thus higher adult income) where child labour has been common. However, if Fairtrade certification leads to higher productivity, this may lead to higher opportunity costs for children's education if they no longer work on their parents' farm. Without being able to identify the underlying cause of the relationship, the study found 'a positive and significant impact of affiliation years on child schooling after controlling for endogeneity and heterogeneity between the treatment and control sample... One additional year of Fairtrade affiliation raises the schooling index within the 14-18 age range by around 1.8%. The average ratio between potential and effective schooling for those between 14 and 18 is 69.5%. Hence the 1.8% effect of an additional year of Fairtrade affiliation corresponds to a 2.59% increase in the schooling ratio with respect to sample average.'

Becchetti et al. (2011) used a similar methodology to analyse data from a Fairtrade certified rice co-operative in Thailand. The survey found that 'From a descriptive point of view, Fairtrade affiliation seems to matter for children of lower birth order. The probability of school attendance for the fourth child is 80% against 65% in affiliated and non-affiliated farmer households respectively. The same numbers are 63% and 31% when the sixth child is considered... An additional affiliation year increases by 2.7% the probability of schooling in large families in the first specification, and up to 7% in the estimate in large families of affiliated farmers only.'

Mendez et al. (2010) found in their survey of Central American coffee producers that 'Certification did not have a discernible effect on other livelihood related variables, such as education, and incidence of migration at the household level, although they had a positive influence on savings and credit. Sales to certified markets offer farmers and co-operatives better prices, but the contribution derived from these premiums has limited effects on household livelihoods.'

## 8.1. Conclusions

In conclusion, a wide variety of qualitative studies have found positive effects of Fairtrade certification on the incomes of producers. Others have concluded that the positive effects are restricted to certain categories of farmers, usually those with more assets or greater farming skills. Other quantitative studies have found limited or no impact on incomes, which related to issues such as limited access to Fairtrade sales channels, market prices exceeding Fairtrade Minimum Prices and higher input costs. The welfare effects of Fairtrade have also been measured through alternative metrics to income and expenditure, such as food security or improved education of children. In

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two cases, a positive impact of certification on education was seen, potentially as a result of higher incomes as well as Fairtrade Standards limiting child labour.

*Evidence base: A total of 22 documents were reviewed for evidence on household income, wellbeing and resilience. Unsurprisingly, this is the most frequently covered aspect of impact research and a rich variety of evidence is available. Most focused on income and expenditure, while a small number assessed wellbeing in terms of food security and access to education. Very little specific evidence was presented on the effects*

*on resilience. Most of the documents reviewed used qualitative methods to assess impacts, comparing incomes of Fairtrade certified producers with non-certified farmers or producers affiliated to other certification schemes. It is not meaningful to count the articles concluding positive against neutral or negative findings in terms of income or welfare impacts, as the effects of mechanisms such as the Fairtrade Minimum Price on incomes depends crucially on trends in market prices and extent of access to Fairtrade markets. Similarly, it is clear that Fairtrade certification has differential impacts on incomes and wellbeing for different types of producers.*

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# 9. Gender equity

One of the impact goals in Fairtrade's Theory of Change includes 'enhanced gender equity and intergenerational sustainability in rural communities'. At the outcome level, this goal is manifest primarily in the aim to develop 'strong and inclusive [small producer organisations]' and in hired labour situations, through the equality aspects of its 'decent work' provisions.

In terms of concrete provisions on gender, however, Fairtrade Standards for small producer organisations are relatively limited. These include clear provisions against discrimination on a number of grounds, including gender and standards banning forced labour, with specific mention of human trafficking for labour or sexual exploitation. Standards also require adherence to national law on maternity leave. While certified organisations need to adhere to guidelines that ensure inclusion, transparency and democracy in decision-making, these guidelines do not cover specific requirements in terms of gender equality.

Similarly, in hired labour situations, Fairtrade does not mandate women's participation as worker representatives on Fairtrade Premium Committees, stating only that composition should reflect the membership of the workforce, including in terms of gender. In relation to capacity-building, the standards require companies to 'give special attention to the empowerment of women by means of adequate training, capacity-building, guidance, encouragement and assistance as necessary'. The standards on labour conditions also include provisions against discrimination, sexual harassment and forced labour, as well as requirements regarding maternity leave, breaks for nursing mothers, etc. In addition to the standards, Fairtrade has a gender strategy which aims to support increased gender equality through gender training and other interventions with producer organisations.

## Women's voice and empowerment

Evidence of Fairtrade impacts on gender equity tend to derive more from qualitative studies, and to focus on women's voices and roles in governance structures rather than on differential economic impacts on women. Some studies have found direct benefits to women producers in terms of increased recognition of land ownership, membership of associations and access to better prices. Lyon et al. (2010) carried out a study on gender equity in coffee producer organisations in Mexico and Guatemala, in the context of the general feminisation of labour in Meso-America due to high rates of male out-migration. The study used data from the State Coordinator of

Oaxacan Coffee Producers. The authors found that women were increasingly involved in coffee cultivation, particularly in picking, washing, drying and selection, though usually at lower wages than men. The proportion of work done by women also depended on the levels of mechanisation in different co-operatives, as well as variations in local practices.

The study comments that there were few explicit mechanisms for women's empowerment as part of the Fairtrade Standards – primarily, the references were to potential funding of relevant projects through the Premium. However, the proportion of women registered as 'farm operators' with Fairtrade and organic producer organisations had increased over the past decade (from 20% to 35% between 1997 and 2006), despite overall declines in absolute numbers between 2002 and 2006 due to lower Fairtrade prices and the higher labour requirements of organic certification. A number of certification requirements such as the physical presence of the farm operator during external audits meant that men engaged in migrant labour have tended to pass the formal operator status over to their wives. The authors conclude that 'A farm operator status may serve to bolster women's property rights within the village milieu and improve women's ability to take farm management decisions to their benefit, particularly given the "land to the tiller" sentiment common within indigenous communities'.

The study showed that, through Fairtrade, women have gained improved access to coffee organisations and skilled jobs as well as to higher coffee prices. This effect is particularly evident in communities where women would traditionally sell locally to coyote merchants (small local traders) at exploitative prices. 'This may explain why women retain membership of Fairtrade organic organisations – despite significant organisational labour costs – even when spouses have migrated.' Unfortunately, women's participation has tended to diminish at higher levels of the organisational hierarchy – i.e. as managerial staff and board members of producer organisations, who remain predominantly male.

Elder et al. (2012) included examination of 'perceived increase in the participation of women in co-operatives' as one of their indicators of Fairtrade impact on social capital in coffee co-operatives in Rwanda. Women make up 30% of coffee farmers in Rwanda – a figure that increased significantly after the 1994 genocide. They found that: 'co-operative membership is significantly associated with farmers perceiving, since they joined the co-operatives, an

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increase in participation of the average farmer in decisions' and, while not the case for co-operative in general, 'Fairtrade certification is linked to farmer perception of increased participation of women'.

Much of the evidence suggests that adherence to Fairtrade Standards does improve the voice and role of women within producer organisations and hired labour situations but that sometimes, these improvements may be formalistic in nature and that such requirements may struggle to impact on actual gender norms and power relationships. A common theme is the strength of existing gender norms in different communities and cultures in which Fairtrade operates in determining its impact on gender equity.

Nelson and Smith (2011) in their survey of Fairtrade cotton production in Mali, Senegal and Cameroon concluded that 'improvements in women's representation and participation in Producer Organisations were found in all four case studies, although there is concern that women may still feel obliged to vote as their spouse does and board representation is sometimes only symbolic. Gendered social norms and the gender division of labour still limit women's participation and ability to benefit from Fairtrade'.

In their study on the impact of coffee certification on smallholder farmers in Kenya, Uganda and Ethiopia, the Centre for International Development Issues Nijmegen CIDIN (2014) found that: 'Certification influences decision-making procedures in the co-operative domain but women's bargaining position in the private domain remains largely unaffected, unless women are accepted as full members of the co-operative and are included in the board'. However, 'women are a very small minority in the co-operatives and among coffee farmers and play a limited role in the governance structures'.

Nelson et al. (2014), in their analysis of Kuapa Kokoo cocoa co-operative in Ghana noted that women accounted for 32% of members in early 2013. The relatively low level of representation reflected differences in land ownership and traditional social norms which emphasise cocoa as men's work. Kuapa Kokoo do have an active gender policy though – reserving two out of six leadership positions in primary societies for women – and the authors conclude that 'in terms of women's empowerment, there are indications that Kuapa Kokoo has made more progress than the non-certified LBCs'. The organisation's president is a woman and a gender officer is employed with the task of mobilising female farmers and building their capacity to take up leadership positions.

In hired labour situations, Said-Allsopp and Tallontire (2014) found that specialist, all-women Gender Committees established in some flower and tea plantations in Kenya were a particularly powerful means of ensuring women's voice in decision-making over use of the Fairtrade Premium. The Gender Committees had been empowered by the companies to deal with cases of sexual harassment that occurred. The 'Wamama Gender' or 'Gender Mamas', were members of these Gender Committees and highly respected by other farm workers. The farms' own 'Welfare Committees', on the other hand, were not effective in voicing women's interests.

Only four of the 13 farms covered by the two studies found that women felt that projects funded by the Joint Body specifically met women's needs, such as crèche or childcare facilities. The Gender Committees were important channels for women workers' voices to be heard in Joint Body decision-making processes. Without specific, all-women Gender Committees to bolster the voices of women, Fairtrade Joint Bodies are likely to reflect existing social gender norms.

## 9.1. Conclusions

In conclusion, evidence of Fairtrade impacts on gender equity tend to derive more from qualitative studies and to focus on women's voice and role in governance structures rather than on differential economic impacts on women. Some studies have found direct benefits to women producers in terms of increased recognition of land ownership, membership of associations and access to better prices. Much of the evidence suggests that improvements in the voice and role of women within producer organisations and hired labour situations resulting from adherence to Fairtrade Standards may be more formalistic in nature, and that such requirements may struggle to impact on actual gender norms and power relationships. Existing gender norms in the communities and cultures in which Fairtrade operates also has an important role in determining the impact of Fairtrade on gender equity.

*Evidence base: A total of six papers were reviewed to inform this section, all of which were qualitative studies. All of the papers dealt mainly with impacts in terms of empowerment and women's role in collective decision-making rather than on differential economic impacts. This level and focus of attention in the studies reflects the fact that gender issues are addressed within the Fairtrade Standards mainly in terms of non-discrimination rather than pro-active promotion of benefits for women.*

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# 10. Conclusions

The principles of Fairtrade seem simple and straightforward. However, this review of the literature on Fairtrade impacts reveals that assessment and measurement of Fairtrade's impacts is complex.

First, some of the mechanisms through which Fairtrade seeks to have impact operate quite indirectly. For example, the Fairtrade Minimum Price, does not automatically offer farmers a better price for certified produce but rather offers a safety net and the prospect of price stability, which in turn may encourage farmers to make greater long-term investments in production. The results of this safety net are therefore long term rather than immediate. Research into the differential price benefits of Fairtrade shows very different results at different times and places, based on different market conditions. Price benefits were clear, for example, during the coffee crisis period of 2000 to 2005 when the Fairtrade Minimum Price was clearly higher than market prices. But this price differential was not apparent from 2006 onwards when market prices recovered, even though the long-term price smoothing effects were the same. Similarly, the effects of Fairtrade in terms of building strong and democratic institutions, particularly small producer organisations, are long term effects which take time to come to fruition and are difficult to measure.

Second, evidence shows that the effects of Fairtrade, and the distribution of these effects, are not just dependent on the consistent application of rules and principles. Much depends on the forces of demand and supply of certified goods within the Fairtrade system which must be managed or regulated. Demand for Fairtrade goods, particularly in western markets, has increased significantly but depends heavily on market conditions, consumer preferences and brand performance in these markets and does on occasion suffer downturns which affect certified suppliers. If too many suppliers are certified and there is insufficient demand for certified goods, the benefits of Fairtrade, particularly any price benefits or benefits from the Fairtrade Premium, will become diluted with few suppliers able to sell more of their produce through Fairtrade channels. This process of rationing, in which Fairtrade buyers have a particularly strong bargaining position, can have positive results – for example, in the case of Malian cotton, where there is competition to produce higher-quality produce that will be in higher demand from buyers. However, rationing can also have unintended negative consequences, with newer entrants or suppliers from poorer areas finding it difficult to access Fairtrade markets. Opportunities for rent-seeking by intermediary bodies may also arise. It is difficult for

the Fairtrade system to regulate supply – it takes time to prepare and educate producers on Fairtrade principles and to carry out the process of inspection and audit. Moreover, supply is complex since all products come in many different varieties and origins, while market and buyer preference also shift – certified supply cannot easily be turned on and off like a tap. Again, therefore, the impacts of Fairtrade are determined by these factors of supply and demand and will vary over time and place.

Third, Fairtrade principles and procedures are, to some extent, locally adapted. For example, certain standards such as minimum prices and the Fairtrade Premium are set at the regional or even country level. However, it is clear from many of the research exercises reviewed here that the effects of Fairtrade are still very much influenced by contextual social, political and economic factors which make it difficult for a certification system of this nature to fully overcome. While internal control systems and external audits can help to significantly strengthen enforcement of standards and rules, their efficacy varies across time and place. For example, in the area of gender equality and women's empowerment, the standards and controls can have significant achievements in terms of participation in Fairtrade institutions, but social norms may continue to govern the extent to which this participation is transformed into real authority and decision-making power.

The spread of Fairtrade benefits within communities will also be highly dependent on the equity of land distribution patterns and trends within different societies – factors over which Fairtrade itself can have very little influence. The effects of Fairtrade Minimum Price rules will also differ substantially depending on the regulatory environment of producer countries. In Ghana, cocoa minimum purchase prices are already regulated by the Ghana Cocoa Board, while in other countries, price setting mechanisms are fully market based and therefore more volatile. In countries where state regulation and enforcement of labour standards is more effective, the differential impacts of Fairtrade decent work provisions may be less dramatic.

These sources of complexity help to explain the varieties of different results from the literature reviewed and the difficulty of drawing definitive conclusions on the main potential areas of Fairtrade impact. For this reason, it does not seem convincing to count how many research studies have concluded that Fairtrade has positive, neutral or negative impacts in each of these impact areas, a technique that is often associated with systematic review methodology.

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Nevertheless, the review does highlight a number of broader issues which may be worthy of debate within the Fairtrade movement. In contrast to some other certification schemes, Fairtrade focuses on influencing price and trading relationships between producers, traders and consumers in order to ‘empower small producers and workers’ and ‘foster sustainable livelihoods’. Fairtrade has not historically placed as much emphasis, however, on promoting improved production practices which may help to improve yields, quality or other intrinsic product characteristics. This is a mechanism for attempting to raise farmer incomes and strengthen company supply chains, and is central to many other agricultural certification schemes, such as UTZ Certified or Global GAP. This is shifting somewhat as a result of new standards and support emphasising production practices introduced by Fairtrade in recent years. Fairtrade appears to have had some impacts in increasing farmer incomes through improved yields and quality. Some of the comparative research would appear to show that, particularly in times when Fairtrade Minimum Prices are below market prices, the short term, direct impact of certification schemes focusing on improving yield and quality may be greater. There may be potential, at least, to incorporate more ‘good agricultural practice’ standards into Fairtrade. Another approach which showed positive effects in a period of high-input prices was a low intensity, agro-ecological approach aimed at reducing costs of production and improving environmental effects in terms of biodiversity.

In addition, research evidence shows that, in some cases, the clear distinction between small producer organisations and hired labour situations may have tended to hide the scale of hired wage labour, both permanent and seasonal, on smaller farms. There is clear evidence that Fairtrade certification of small producer organisations has not contributed significantly to an improvement in

the livelihoods and conditions of wage labourers working on certified small farms. While a difficult area in which Fairtrade has not made claims to making a significant impact, this lesser focus on the extent of wage labour on small farms and insufficient Fairtrade Standards to regulate their treatment has resulted in Fairtrade benefits failing to trickle down to these workers. Fairtrade is now rightly focusing more attention on the issue of labour conditions on small farms.

Finally, this review of the research evidence indicates that the extension of Fairtrade to hired labour situations, to larger-scale, more capital intensive agricultural systems has had positive effects. The inclusion of plantations in Fairtrade was originally a controversial development – perceived by some to be a decisive move away from an ideology which championed the benefits of smallholder production. Certification of hired labour situations has, however, helped to increase the scale and efficiency of Fairtrade certification by including producers that can meet larger-scale demand, and spread the benefits of the Fairtrade Premium and improved working conditions to much larger numbers of people in poor, rural areas, with lower transaction costs. It has spread the impact of certification to sectors such as the Ecuadorian flower industry where the absence of third party inspection and enforcement of standards had led to notoriously closed conditions in which exploitative labour relations flourished. Research evidence shows that a larger scale of production tends to be beneficial in terms of workers’ wages and conditions. In some situations this may be more beneficial for certain workers than small-scale family production. The growth of certification of large-scale production has helped to strengthen the application, verification and enforcement of standards which contribute to safer, fairer, more environmentally friendly and more inclusive forms of large-scale agricultural production.

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# Annex 1. Methodology

## Search methodology

Two search engines were used to identify literature: Google and Google Scholar.

Both used ‘in private’ browsing, to ensure that the searcher’s search history did not influence findings. For Google searches, the search settings were set to find global results (not UK/US only), and to show the top 100 results on one page. A custom date range was set (2009-2015). For the sake of consistency, the location was set as London, UK. For Google Scholar searches, a custom date range was set (2009-2015), citations and patents were removed and the ‘articles’ option were selected – not case law. Results were filtered by relevance, not date. The first 100 results for each search string were reviewed.

Academic journal site, Scopus (<http://www.scopus.com/>) was used to identify academic journals. All results were included.

Three additional websites were also reviewed:

- 3ie impact evaluation database: <http://www.3ieimpact.org/evidence/impact-evaluations/>
- World Bank poverty impact evaluations: <http://www1.worldbank.org/prem/poverty/ie/evaluationdb.htm>
- Fairtrade: <http://www.fairtrade.org.uk/en/what-is-fairtrade/the-impact-of-our-work/impact-research-and-evaluation-studies>

The following search string was used, except websites where this string produced no results, where the term ‘fairtrade’ was used instead:

**Fairtrade OR “ fair trade” OR fair-trade And impact\* OR effect OR affect OR outcome\* OR output\* OR result**

After the second filter, a forward snowballing process was used, where a Google Scholar search was conducted using the title of relevant studies to see which other more recent studies cited them. Any such studies were then also included.

Finally, Fairtrade International recommended 35 experts to make suggestions about literature which was included before the first filter. 20 people responded and 11 recommended literature to be filtered. Experts were asked to focus recommendations on literature which was not available online, and literature in French, German and Spanish.

## Filtering or screening process

### First filter

The first filter applied the inclusion/exclusion criteria to all papers identified through the search and snowballing processes by reviewing the following:

- Paper abstract
- Paper executive summary
- Paper’s initial paragraph

If there was an abstract, the summary and first paragraph was not reviewed. If there was no abstract but there was a summary, the first paragraph was not reviewed. The papers were reviewed according to the inclusion/exclusion criteria cited above. A paper that failed to meet any one of the inclusion criteria was excluded. A paper must have met all the inclusion criteria to be included. If there was any uncertainty as to whether a paper met the criteria for inclusion, it was put through to the second filtering round. During this first filter, any literature which had reference to changes in consumer awareness, attitude and behaviour or the extent to which Fairtrade has changed business practices and trade relations, was listed separately for potential inclusion in analysis for the addendum.

### Second filter

The second filter reviewed the full text of the reports remaining, using the same inclusion/exclusion criteria. Any paper that failed to meet any one of the inclusion criteria was excluded. A paper must have met all the inclusion criteria to be included.

## Inclusion and exclusion criteria

### Quantitative studies

#### Additional criteria

Criteria	Include	Exclude
Research design	Randomised controlled trial (RCT) Quasi-experiments (see previous list) Studies that have a strong control group (more below)	No control group Control group is not convincing/strong (see below) (and certainly if no methods section)
Type of analysis	Regression analysis	Descriptive statistics
Control group	Extensive information on similarity of treated and control groups, only minor differences exist and adequate attempts to deal with differences in unobservables	Information on equivalence of groups but obvious differences exist for important variables and no/inadequate attempt to correct for selection bias OR No information on group equivalence
Measures statistical significance	Yes	No – no mention of whether findings significant or if there are statistically significant differences between groups
Sample size	> 500 individuals/ households	< 500 individuals/households in the analysis

Acceptable quantitative research design alternatives to randomised control trials:

- regression discontinuity design
- matching technique (e.g. propensity score matching)
- difference-in-difference
- interrupted time series
- other forms of multivariate regression, including instrumental variables.

### Qualitative studies

#### Framework for assessing rigour of qualitative and institutional analysis studies

Qualitative studies must meet all the compulsory criteria.

Domain	Questions to guide assessment	Yes/no
Clarity and transparency of approach	Are there clear research questions or objectives set out either explicitly or implicitly?	Compulsory
	Are the data/information sources and collection processes made clear?	Compulsory
	Is there an analytical/conceptual framework?	
	Are the approaches or methods of analysis discussed?	Compulsory
	Is there a discussion of limitations of the evidence and what remains unknown or unclear?	Compulsory
Credibility of findings	Do the conclusions logically follow from the data/information and analysis presented?	Compulsory
	Is there a clear discussion of how assessments or judgements have been reached?	Compulsory
	Is corroborating evidence used to support or refine findings?	
Acknowledgement of potential internal bias or limitations	Are risks of bias among any subjects involved acknowledged (e.g. due to exaggeration, anecdotal reports, Hawthorne effects, sensitivity of issues discussed)?	
	Is potential bias among the researchers considered?	
External validity	Is the methodological approach, including sample size and composition, appropriate to the level of claims made?	
	Is evidence given to support any claims of wider inference?	Compulsory
	Is there a discussion of limitations of drawing wider inference?	

Sources: DFID (2014a) *Analysis of qualitative data in Evaluation and Research*. London.

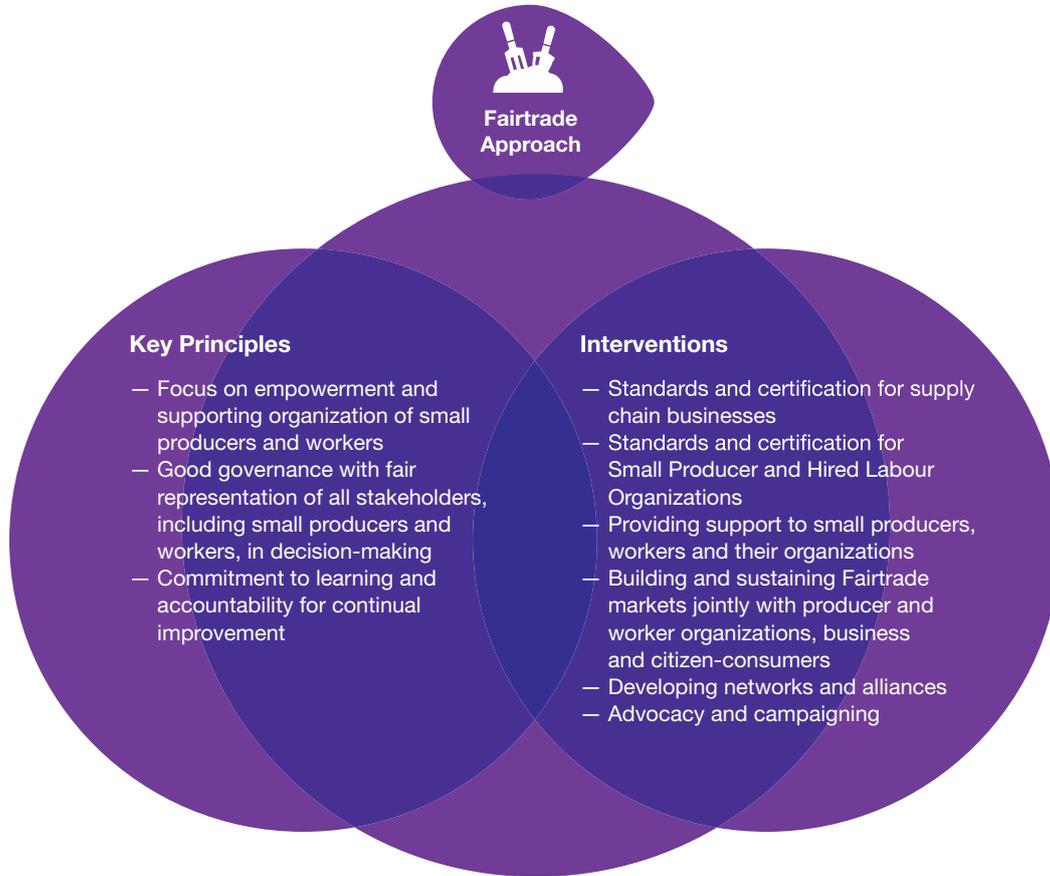
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### Mixed methods studies

Mixed methods studies will have their quantitative and qualitative components assessed separately by the above criteria. If one method meets the criteria and the other does not, the study will be included, but the results specific to the part that did not qualify will not.

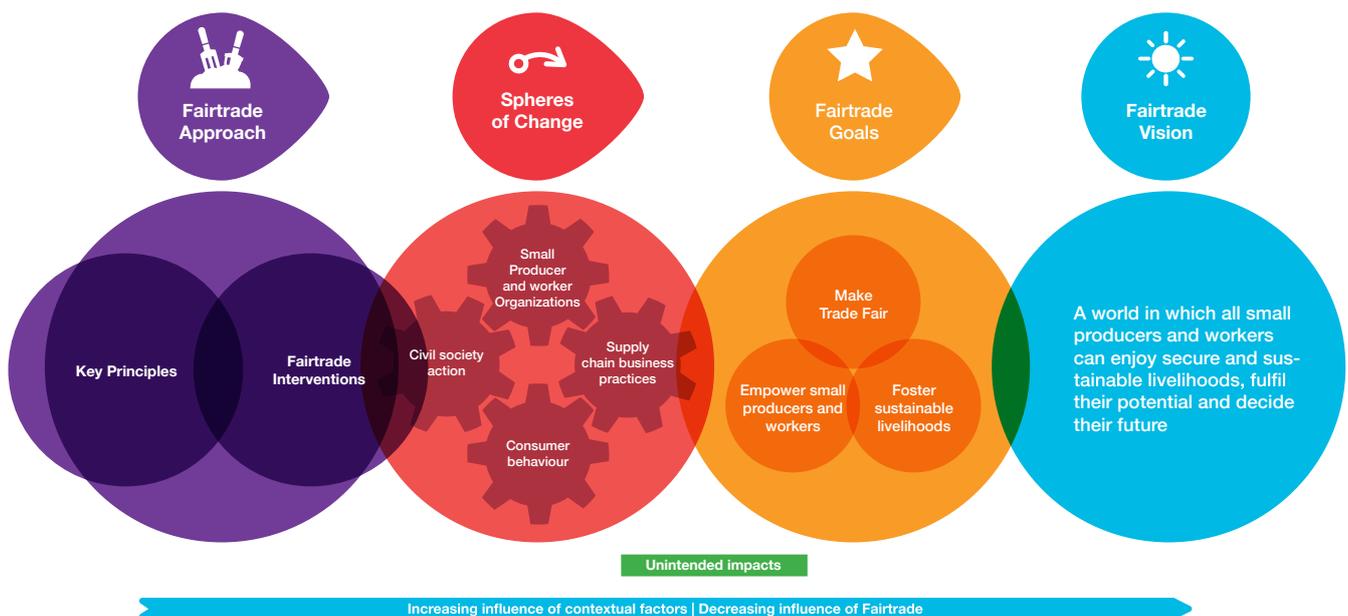
# Annex 2. Fairtrade Theory of Change summary

## Fairtrade's approach



Source: Fairtrade (ND) Journeys to Change: Fairtrade Theory of Change. Report.

## Linking Fairtrade's 'vision, goals and approach'



Source: Fairtrade (ND) Journeys to Change: Fairtrade Theory of Change. Report.

## Fairtrade's overarching Theory of Change



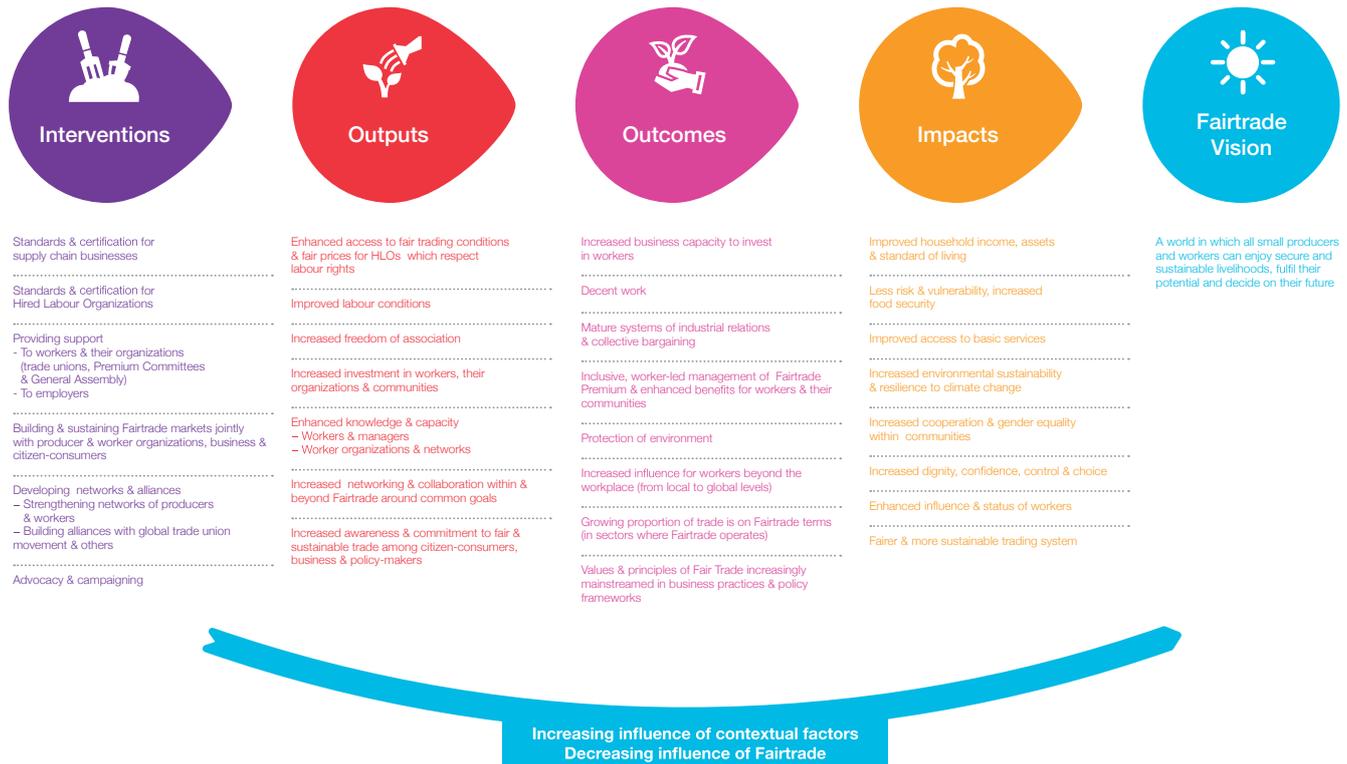
Source: Fairtrade (ND) Journeys to Change: Fairtrade Theory of Change. Report.

## Fairtrade Theory of Change for small producer organisation situations



Source: Fairtrade (ND) Journeys to Change: Fairtrade Theory of Change. Report.

# Fairtrade Theory of Change for hired labour organisation situations



Source: Fairtrade (ND) Journeys to Change: Fairtrade Theory of Change. Report.









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Cover photo: Fairtrade coffee cherries harvested in Peru.

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