



How does Fairtrade build producers' resilience?

Findings from the impact of COVID-19 on Fairtrade producers

Study At-a-Glance



Photo: Widodo, a member of Koptan Gayo Megah Berseri coffee cooperative. Credit: Rosa Panggabean / Fairtrade Canada / Fairpicture

Introduction

Purpose

Producers are increasingly faced with three concurrent crises: (1) COVID-19, (2) climate change, and (3) inflation - Purpose causing higher production and living costs - while pressure prevails on product prices. In this multi-crisis context affecting producers, resilience is more vital than ever to achieving sustainable livelihoods. This raises the question 'How does Fairtrade certification contribute to producers' resilience?'

Researchers and funders

Researchers from Scio Network and Athena Infonomics evaluated the resilience of producer organizations using COVID-19 as a case study. The research was commissioned by Fairtrade International funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Swiss State Secretariat for Economic Affairs (SECO).

Methodology

The research study measured resilience aligned with Fairtrade's Theory of Change and the UN FAO's guidelines for Sustainability Assessment of Food and Agriculture systems (SAFA), consisting of (1) Good Governance, (2) Economic Resilience, (3) Environmental Integrity, and (4) Social Wellbeing. The study draws on a literature review, two global online surveys with a total sample of up to 523 Fairtrade certified producer organizations, and case studies in Peru (banana), Indonesia (coffee), and Kenya (flowers) with over 300 producers and workers from both Fairtrade and non-Fairtrade certified producer organizations (survey, interviews, and focus group discussions).

Key Findings: Impact of COVID-19 on producer organizations and farmers and workers

Global Insights: Most Fairtrade producer organizations (63%) reported that they were heavily impacted by COVID-19. Small-scale producer organizations (SPOs) were more affected by COVID-19 than hired labour organizations (HLOs): 64% relative to 52%. African producer organizations' members and workers also reported being more impacted by COVID-19 (68%) compared to producers from the Asia Pacific (56%) and Latin America (61%) regions. Producer organizations producing tea (77%), sugar (69%), cocoa (65%), and coffee (64%) were more impacted by COVID-19, relative to flower producer organizations (52%). This is echoed by macro-level national data on COVID-19 infections and deaths. For example, countries producing flowers also had a lower average number of COVID-19 infections and deaths per million population, compared to countries producing other Fairtrade certified products.

Insights from Case Studies: Comparing similar households (that were of the same size, with farmers of the same gender, education level, and age) which produce the same commodity in the same country, Fairtrade certification reduced the COVID-19 impact by 13%. Furthermore, amongst households most affected by COVID-19, those that were members of Fairtrade producer organizations were more likely to receive support, i.e., training, and loans. However, young women (regardless of certification status) were more affected by COVID-19 by nearly 15%.



Flower hired labour organizations in Kenya:

Amongst the case study countries, Kenya had the lowest numbers of COVID-19 cases and deaths.* Most workers on flower farms suffered from temporary unpaid leave and rising food prices due to COVID-19. This led to a decrease in household budgets and food rationing, especially for women and single-income households. However, workers on Fairtrade certified flower farms reported lower COVID-19 impact, scored highest on resilience among the three case studies, and reported a better economic buffer through the Fairtrade Premium, relative to workers on the non-Fairtrade certified flower farm serving as a counter-factual. Workers on the non-Fairtrade certified farm experienced the highest impact of COVID-19 among the case studies.



Coffee small-scale producer organizations in Indonesia:

Globally, Indonesia reported one of the highest numbers of COVID-19 infections and deaths (after Peru) from the cases studied.* Most coffee farmers in Indonesia reported experiencing lower coffee prices, and sales, and rising food and production costs due to COVID-19. This squeezed household budgets and especially affected women who cared for the household with reduced resources. Coffee was one of the most affected Fairtrade commodities globally. However, relative to members of the comparison non-Fairtrade certified coffee producer organization in Indonesia, Fairtrade households had a lower COVID-19 impact, a higher resilience score, and a higher likelihood of receiving either food or cash grants from their producer organization.



Banana small-scale producer organizations in Peru:

Most banana farmers in Peru reported being affected by higher fertiliser prices, lower demand, and higher health care costs due to COVID-19. Women managing lower household budgets were especially impacted. However, members of Fairtrade certified producer organizations reported being more heavily affected by COVID-19 than members of non-Fairtrade certified producer organizations. Globally, Peru reported one of the highest numbers of COVID-19 infections and deaths.* Furthermore, banana farmers in Peru (regardless of certification) scored lowest on resilience among the case studies. Qualitative insights suggest that the Peruvian banana sector is generally struggling due to downward price pressure from retail buyers, a situation which was aggravated by the pandemic.

*The cumulative confirmed number of COVID-19 cases per million of the population is 107, 233.32 in Peru, 21,903.98 in Indonesia and 5,899.82 in Kenya. Source: <https://ourworldindata.org/coronavirus/>. Accessed 20/05/2022.

Key Findings: Resilience of Fairtrade producer organizations and farmers and workers



Measuring resilience: The research team measured resilience aligned with Fairtrade's Theory of Change and the UN FAO's guidelines for Sustainability Assessment of Food and Agriculture systems (SAFA), which is made up of four components: (1) Good Governance, (2) Economic Resilience, (3) Environmental Integrity, and (4) Social Wellbeing.

Global Insights on producer organization resilience: Fairtrade producer organizations averaged 62% on the resilience index, where the percentage reflects the organization's score out of total possible score. Fairtrade producer organizations from Africa had a slightly higher average resilience (64%) compared to those from Latin America (59%) and Asia-Pacific (49%). Furthermore, cocoa and flower producer organizations had a higher resilience (each 66%) than those producing other Fairtrade.

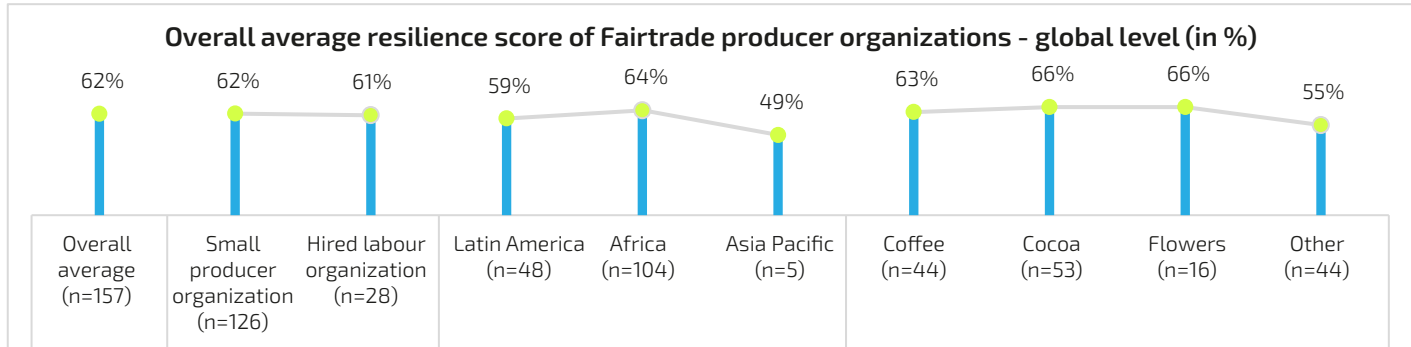


Figure 1: Average resilience score of Fairtrade producer organizations overall, by type of producer, by region, by product

Insights from Case Studies on household resilience:

Figure 2 illustrates that amongst the three case studies, **households in flower-hired labour organizations in Kenya were the most resilient, attaining 65% on average on the resilience score**, regardless of certification. On the other hand, banana small-scale producers in Peru were the least resilient among the case studies, regardless of certification, attaining on average 51.5% on the resilience score.

Comparing similar households through statistical matching (that are of the same size, with farmers of the same gender, education level, and age) which produce the same commodity in the same country: Fairtrade certification increases the overall resilience by +10%. Specifically, Fairtrade certification impacts Social Wellbeing (+20%), Economic Resilience (+7%), and Environmental Integrity (+3%), but not Good Governance (-0.3%).

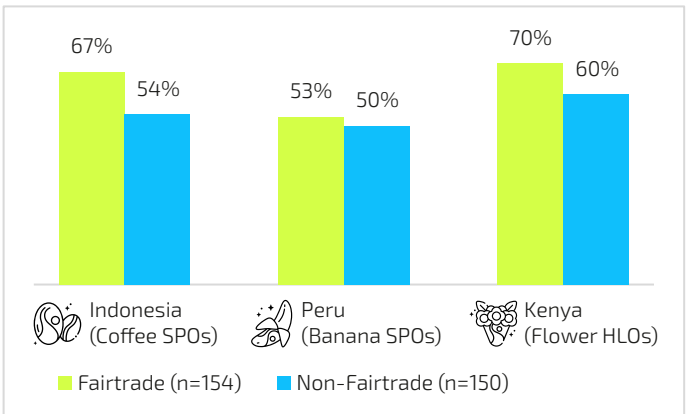


Figure 2: Producer Households' Resilience Score by country and commodity. Descriptive Statistics.

Key Findings: Resilience enablers

Fairtrade certification contributes to building the resilience of producer organizations by providing targeted relief support, a safety net to price fluctuations through the Fairtrade Minimum Price; credit support from Fairtrade buyers and partners; capacity-building support through producer networks; and better participatory decision-making through Fairtrade Standards requirements. The financial sustainability of producer organizations, combined with non-financial support, is also vital for enhancing the resilience of members and workers against external shocks and stresses such as COVID-19.



Fairtrade COVID-19 support cushioned against the impact of COVID-19:

Around 66% of Fairtrade producer organizations in our sample received targeted immediate relief funds from Fairtrade. Producers that received Fairtrade COVID-19 support were on average 19% points less likely to report a high impact of COVID-19 on the lives of their members and workers. This indicates the positive effects of relief support to producers to help mitigate sudden external shocks and stresses (such as COVID-19).



Product prices mattered even more:

Producer organizations that received a higher price in 2020 relative to the previous year (2019) were 34% less likely to report a high impact of COVID-19 on their members and workers. This signifies that higher product prices contributed significantly to building the resilience of producer organizations' members and workers.



Financial sustainability*:

Producer organizations reporting high financial sustainability were 35% less likely to report a high impact from COVID-19 compared to producer organizations that reported low financial sustainability. Fairtrade contributes to the financial sustainability of producer organizations by means of the Fairtrade Minimum Price, Fairtrade Premium, and securing longer-term and fairer sourcing contracts.



Access to finance:

Access to credit helped producers to mitigate the impact of COVID-19 on their members and workers. Producer organizations that received credit from Fairtrade buyers were 24% less likely to report a high impact from COVID-19. This underlines the importance of long-term relationships and solidarity between buyers and producers in times of crises, which Fairtrade promotes.



Targeted self-initiatives by producers:

Proactive initiatives driven by producers (e.g. as part of participatory/committee decisions on the use of the Fairtrade Premium) largely contribute to mitigating the impact of external shocks and stresses. Producer organizations that took additional measures** to mitigate COVID-19 were, on average, 12% less likely to be highly impacted by COVID-19. Likewise, producer organizations that took steps to support income diversification and/or food security among their members were 18% less likely to report a high impact of COVID-19.

**Financial stability is defined here as producer organizations being able to meet all their needs and financial obligations and are able to survive and fund activities during an event of financial instability. **Additional measures include distribution of Personal Protective Equipment (masks and gloves), conducting awareness or skill-building activities, distributing food items, providing material for growing food, and distributing low-cost loans.*

Recommendations

- ◉ Fairtrade should further improve the Environmental Integrity standards of Fairtrade certification and help producers to further their Good Governance (even after having acquired certification).
- ◉ For instance, Fairtrade should further provide capacity building for producer organizations on good financial management. Additionally, Fairtrade should continue to focus on supporting producers to reduce the cost of sustainable production without affecting yields through targeted training and measures.
- ◉ Fairtrade should further strengthen the social dialogue and social protection of workers to build the resilience of hired labour organizations, specifically the Social Wellbeing dimension.
- ◉ Because price and financial sustainability are such strong factors in resilience, Fairtrade should further expand opportunities for producer organizations to sell Fairtrade products at a higher price with continued efforts in building even stronger relationships between producer organizations and buyers, enabling access to markets for producers, and strengthening sustainable farming systems.
- ◉ Fairtrade should encourage loans for Fairtrade certified producer organizations through Fairtrade buyers and/or partners.
- ◉ Fairtrade should further focus on building the capacities of women and promoting women's representation in governance structures (e.g. producer organizations' boards). Fairtrade is also recommended to enable women to better access Fairtrade interventions to reduce the impact of external shocks and stresses.
- ◉ Fairtrade should further encourage producer organizations to undertake measures for income diversification and food security through capacity building, training, and technical support. These measures should especially be targeted at youth and women.

Response from Fairtrade

This study contributes evidence of how COVID-19 has impacted farmers and workers and, more importantly, what has contributed to greater resilience to help them cope with crises.

The report also contains important learnings of relevance to Fairtrade and beyond. Given the existential challenges that producers face, particularly with climate extremes further expected to worsen, it is essential to invest in resilience now. We call on companies, governments, and NGOs to prioritise the resilience of farmers and workers particularly women and youth **by paying fairer prices and building long-term relationships, providing access to credit, and supporting income diversification.** Smallholder producer organizations require climate resilience knowledge, skills, and resources. Hired labour organizations should proactively establish safety nets and assure real wages continuously increase to close the gap to a living wage. There is more to be done in driving demand for Fairtrade products that result in higher sales for producers – including women – and increasing investment in environmentally friendly and climate-resilient farming practices. These require collective commitment, action, and ongoing learning.

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