



How does Fairtrade build producers' resilience?

Findings from the impact of COVID-19 on Fairtrade producers

Executive Summary



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

Introduction

Small-scale farmers are increasingly faced with three concurrent crises: (1) COVID-19, (2) climate change, and (3) financial crises, including inflation affecting both farm and household expenses and falling commodity prices. In this context, resilience is more vital than ever to achieve sustainable livelihoods. This raises the question, 'How does Fairtrade certification contribute to producers' resilience'? Researchers from Scio Network and Athena Infonomics¹ evaluated the resilience of producer organizations using COVID-19 as a case study. The research team analysed evidence from literature reviews, global surveys, and country (commodity) case studies. The research was commissioned by Fairtrade International through funding from the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Swiss State Secretariat for Economic Affairs (SECO).

COVID-19 Impact Index

To measure the impact of COVID-19 on producer organizations, the research team asked the producer organizations' management staff through the global resilience survey to rate which of the following aspects most affected the lives of their members/workers due to COVID-19 on a scale of 1 to 6 (1 = strongly affected, and 6 = not or very little affected):

- ⊙ Loss of income due to loss of sales, disruptions in the supply chain and/or change in price
- ⊙ Loss of income due to lower production
- ⊙ Loss of income due to loss of employment
- ⊙ Sickness/casualties in the community due to COVID-19
- ⊙ Loss of/change in social relationships

The results on the five above-mentioned indicators were converted into a binary variable with two options: no to a moderate impact of COVID-19 (coded as 0) or high to a very high impact of COVID-19 (coded as 1). The researchers then analysed which factors explained the impact of COVID-19 on Fairtrade producers and workers.

¹ The two companies regularly form a research consortium: www.scio.net & www.athenainfonomics.com

² Regression analysis is a statistical method that examines the relationship between a single dependent variable and several independent variables (in this case, a logit and OLS model).

³ CART (Classification and Regression Trees) model is a machine learning technique used to construct prediction models, first introduced by Breiman et al. (1984). It can help determine the relative importance of different variables within a data set.

⁴ PSM (Propensity Score Matching) is a statistical matching technique that attempts to estimate the effect of a treatment (e.g., Fairtrade certification) by accounting for the covariates that predict receiving the treatment.

1. How was the study conducted?

The Scio/Athena research team used an ex-post-mixed-method rigorous impact evaluation, collecting quantitative and qualitative data using a counterfactual approach and comparing Fairtrade to non-Fairtrade cases. The non-Fairtrade producer organizations either had an alternate certification (other than Fairtrade) or did not have any certification. During a one-time data collection between October 2021 and February 2022, respondents were asked to look back on their experience of the COVID-19 crisis. The data were analysed using descriptive and inferential statistics, i.e. multiple regression analysis², Classification and Regression Trees (CART) analysis³, and Propensity Score Matching⁴. The analysis builds on:

- ⊙ **Literature review:** Covering 44 studies on Fairtrade and the resilience of producers
- ⊙ **Global surveys:** COVID-19 survey with 446 Fairtrade certified producer organizations' management staff and in-depth resilience survey with 162 Fairtrade producer organizations' management staff
- ⊙ **Three product case studies:** (1) Coffee small-scale producer organizations (SPOs) in Indonesia, (2) Banana small-scale producer organizations in Peru, and (3) Flower hired labour organizations (HLOs) in Kenya
- ⊙ The case studies covered in total 13 producer organizations; 7 Fairtrade and 6 non-Fairtrade certified
- ⊙ 3 Coffee small-scale producer organizations in Indonesia (2 Fairtrade and 1 non-Fairtrade certified)
- ⊙ 7 Banana small-scale producer organizations in Peru (3 Fairtrade and 4 non-Fairtrade certified)
- ⊙ 3 Flower hired labour organizations in Kenya (2 Fairtrade and 1 non-Fairtrade certified)
- ⊙ Case study data were collected through:
- ⊙ 26 interviews with managers of producer organizations (38% female)
- ⊙ Survey with 304 farmers/workers (27% female)
- ⊙ 17 focus group discussions with a total of 99 farmers/workers (51% female)
- ⊙ 12 learning and validation workshops with 53 participants (43% female)

2. Key findings - Impact of COVID-19

Global Survey

Insights on the impact of COVID-19 on the lives of Global Fairtrade producers and workers



COVID-19 highly affected about two-thirds of Fairtrade certified producer organizations around the globe. Figure 1.A shows that 63% of producer organizations reported a high to very high impact from COVID-19 on their members and workers. COVID-19 affected **small-scale producer organizations more than hired labour organizations**. Figure 1. B shows that 64% of small-scale producer organizations experienced a high to very high impact, relative to 52% of hired labour organizations. As shown in Figure 2.A and B, **small-scale producer organizations from Africa and hired labour organizations from Asia Pacific reported a higher impact from COVID-19** than other regions.

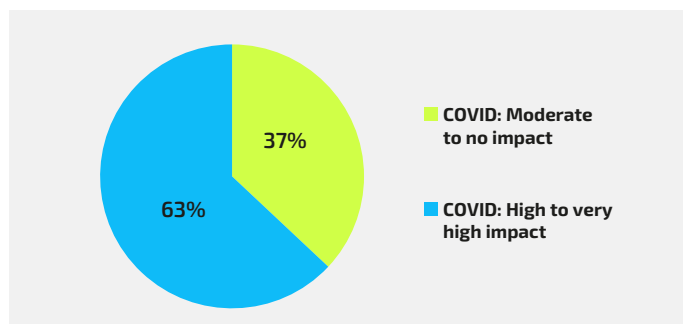
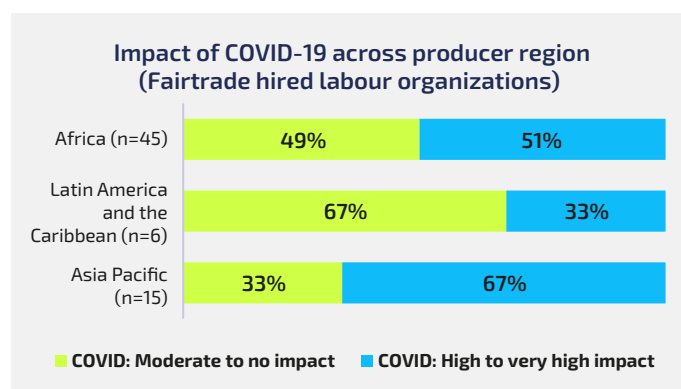
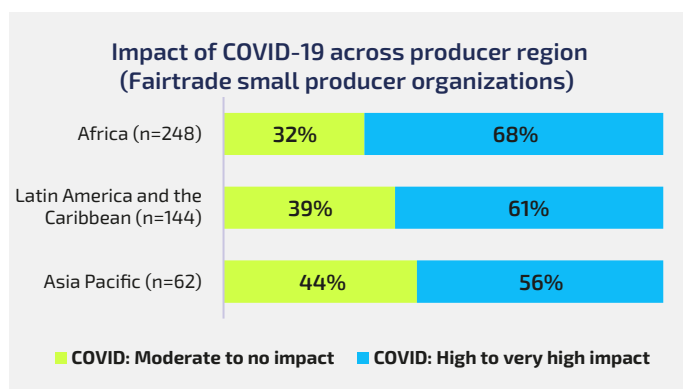
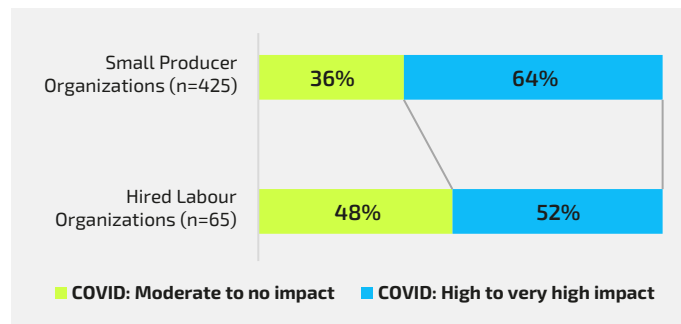


Figure 1 A & B: Impact of COVID-19 on Fairtrade producer organization members/workers (n=523), and by type of producer (n=493)



Figures 2.A & B: Impact of COVID-19 on Fairtrade producer organization members and workers - by Region

Globally, Fairtrade certified producer organizations that produce tea, sugar, cocoa, and coffee reported the highest impact of COVID-19 on their members and workers (Figure 3). On the other hand, banana-producing Fairtrade producer organizations appear to have a low impact of COVID-19. However, only 14 Fairtrade certified banana producer organizations responded to the survey, which means this finding has to be taken with some caution. In fact, countries producing bananas experienced a higher average number of COVID-19 infections and deaths per million population compared to other products (Figure

4.A and B), indicating that the resilience survey may underestimate the real impact. Slightly over half of flower producer organizations experienced a high impact of COVID-19 on their members and workers. For flowers, the survey results resonate with the macro-level (country-specific) factors such as COVID-19 infections and deaths per million of the population. Countries which produced flowers had a lower average number of COVID-19 infections and deaths per million population compared to countries producing other products.⁵

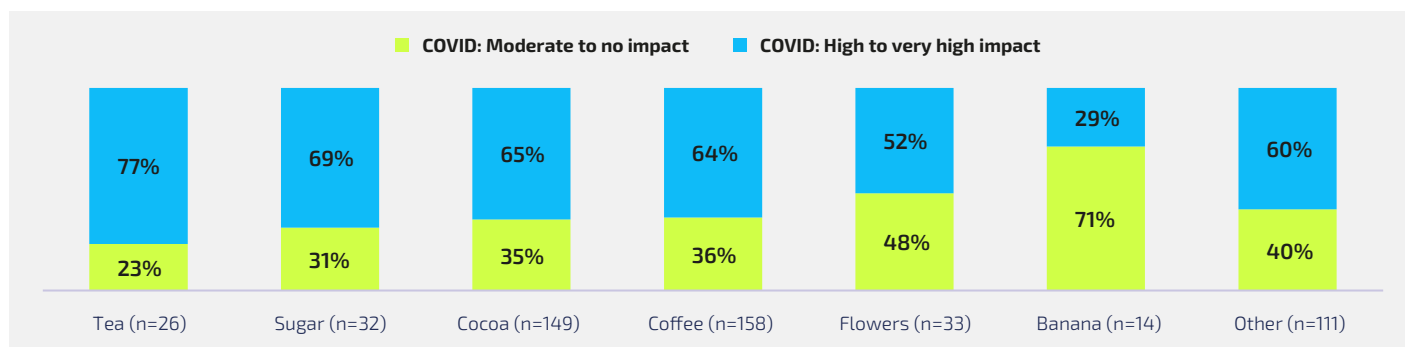


Figure 3: Impact of COVID-19 on Fairtrade producer organization members and workers - by commodity (n=523)

⁵ <https://www.worldometers.info/coronavirus/> (Accessed 26th May 2022)

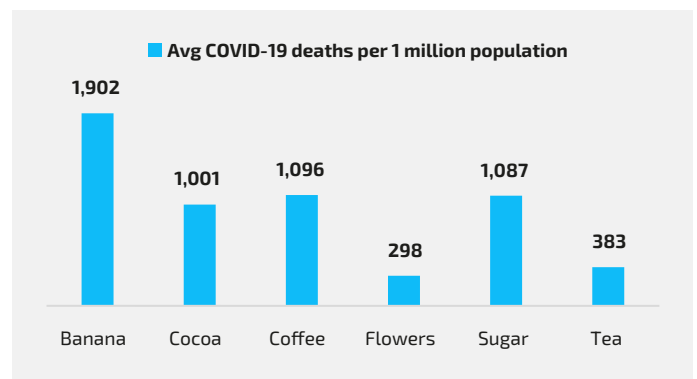
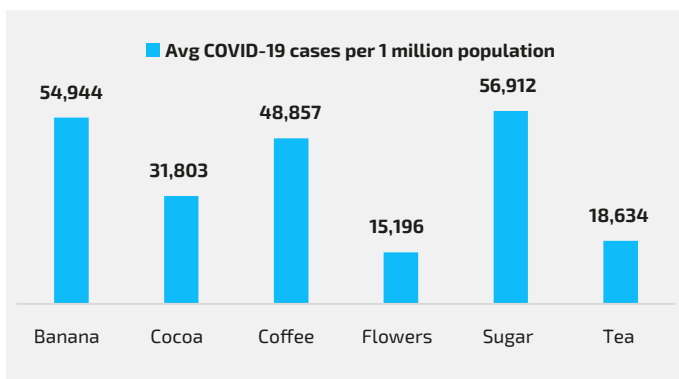


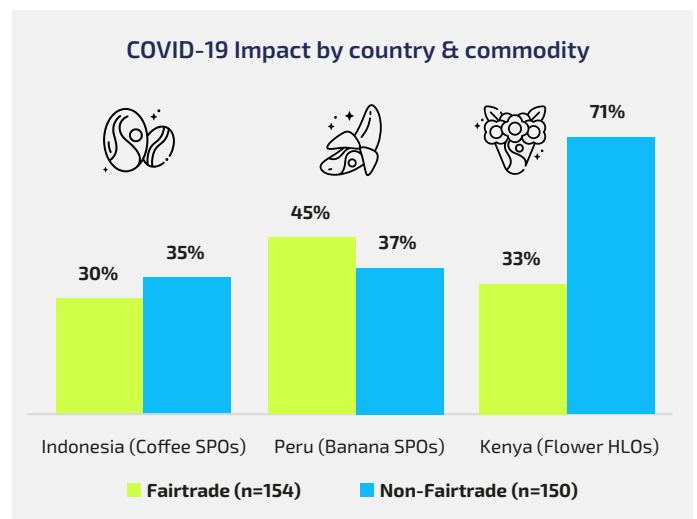
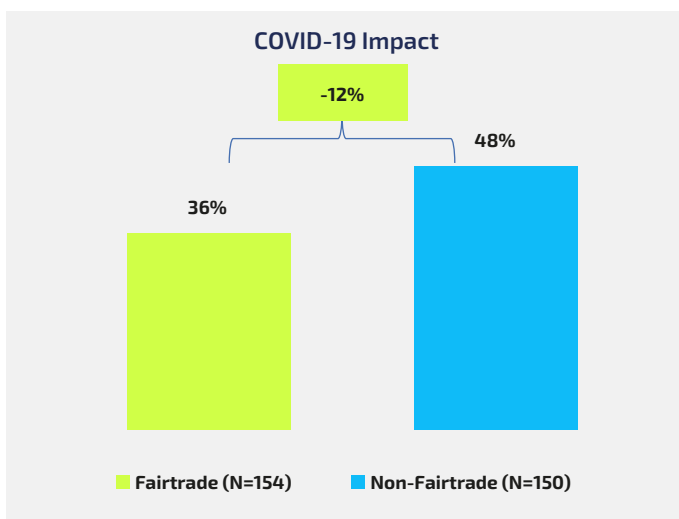
Figure 4.A & B: Average no. of COVID-19 cases and deaths per 1 million population in the producing countries
<https://www.worldometers.info/coronavirus/> (Accessed 26th May 2022)

Case Studies

Insights from Peru, Indonesia, and Kenya on the impact of COVID-19 on Fairtrade certified and non-Fairtrade certified producers



To measure the impact of COVID-19, the research team developed an impact score.⁶ The impact of COVID-19 was then measured as the percentage of the attained score relative to the total score: the higher the score, the more negatively impacted the household was. The average COVID-19 impact score is 42%. Figure 5. A and B show the average score (in per cent) by certification status and country (commodity). On average, households from **Fairtrade certified producer organizations were less affected by COVID-19 (-12%) than those at non-Fairtrade certified producer organizations (36% versus 48%)**. Whilst Fairtrade certification was associated with a lower COVID-19 impact score in Indonesia and Kenya, this was not the case for Peru. Globally, Peru experienced one of the highest numbers of COVID-19 infections and deaths per million.



Figures 5.A & B: COVID-19 Impact (Descriptive Statistics)

Figure A: (left) Overall COVID-19 Impact by certification and Figure B (right): COVID-19 Impact by country and commodity.

Flower Hired Labour Organizations in Kenya: Workers on the non-Fairtrade certified flower farm reported the highest impact from COVID-19 (see Figure 5.B) even though: a) no severe COVID-19 cases or deaths were reported, and b) the producer organization provided COVID-19 support to all households (for example food aid). The biggest effects were of social and economic nature. Most workers suffered from temporary unpaid leave and rising food prices. This led to a decrease in the household budget and food rationing, especially among female-headed and single-income households. Also, whilst lay-offs were avoided at the Fairtrade producer organizations, the

non-Fairtrade producer had to lay off workers (even though most returned). Workers at the Fairtrade certified flower farm were 38% less impacted by COVID-19 than those at the non-Fairtrade certified flower farm. Whilst they suffered from temporary unpaid leave, as the Fairtrade certified producer organizations had introduced a two-week rotational shift, the Fairtrade Premium helped them build an economic buffer. Specific support⁷ provided to flower producer organizations by Fairtrade and its partners contributed to mitigating the impact of COVID-19 on flower producers.

⁶ The index ranges from 0 to 14 points and contains nine questions on the lived experiences of households such as "Was your household's income different before the start of COVID-19 from your current household income?" and also takes into account the perceived effect on their communities, e.g. asking "In your opinion, how has the situation in your community changed in relation to discrimination against women & girls/gender-based violence since the start of the COVID-19 pandemic?"

⁷ Fairtrade and its partners designed and implemented the 'Building Resilience in Flower Supply Chains project' in Kenya which reached 6,000 direct and almost 100,000 indirect beneficiaries by providing health packages, vegetable gardens, gender equity training, alternative income generation, and farm diversification.

Banana small-scale producer organizations in Peru: Peru had the highest incidence of COVID-19-related infections and deaths among the cases studied. Farmers who were members of Fairtrade certified banana small-scale producer organizations in Peru scored on average 8% higher on the COVID-19 index than members of non-Fairtrade certified producer organizations. This was despite the fact that more households at Fairtrade certified producer organizations reported receiving support from their producer organization (such as food-related support) than those at the non-Fairtrade certified producer organizations (72% versus 59%). Banana farmers (regardless of certification) also scored lowest on resilience among the case studies, pointing to structural issues in Peru's banana sector. Nearly all farmers were highly affected by higher fertiliser prices, lower demand for their products, and higher health care costs.

Coffee small-scale producer organizations in Indonesia: Coffee farmers in Indonesia (irrespective of certification) were primarily affected by lower coffee prices, reduced sales volumes, and rising food costs. As elsewhere, this affected women more than men. Fairtrade certified farmers were 5% less impacted by COVID-19 than non-Fairtrade certified coffee farmers, despite coffee being one of the most affected Fairtrade commodities globally (see Figure 4). This can be partially explained by the fact that Fairtrade farmers were more likely to get support: 88% of Fairtrade coffee farmers compared to 73% of non-Fairtrade coffee farmers received support from their producer organization during COVID-19.

After statistically controlling for characteristics that may influence the results and should have been similar before the pandemic, by comparing similar households (that are of the same size, with farmers of the same gender, education, and age) which produce the same commodity in the same country, we not only confirm the results but find that that:

Fairtrade certification has an even more positive effect, lowering the impact of COVID-19 by -13%⁸

Using regression analysis that controls for other variables that may influence the results, we find:

Resilience: A high overall resilience is associated with the lowering of COVID-19 impact by 12.8%. Social Wellbeing had the highest effect on lowering the negative impact of COVID-19.

Gender: Young women were most affected by COVID-19. Being a woman is associated with a 6% higher COVID-19 impact. Being a young woman (aged 18-26 years) is associated with a higher COVID-19 impact of 14.5%, compared to being an elderly man (aged 55 years and above).⁹

Support from the producer organization: Fairtrade certification is associated with a higher likelihood of more vulnerable households receiving support from their producer organization during COVID-19, such as COVID-19 protection training, food items and loans.

3. Key findings - Resilience of Fairtrade producers and workers

The research team measured resilience aligned with Fairtrade's Theory of Change and 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 Survey

Insights on the resilience of global Fairtrade producers and workers

Based on the global resilience survey with the management of Fairtrade certified producer organizations, the research team constructed a resilience index, which ranges from 0 to 20, using the SAFA components of Good Governance (4 possible points), Economic Resilience (6 points), Environmental Integrity (7 points), and Social Wellbeing (3 points).¹⁰



Figure 6: UN FAO's Sustainable Assessment of Food and Agriculture Systems (SAFA)

⁸ The results stem from Propensity Score Matching and therefore differ from those depicted in figure 5.A and B, which are based purely on descriptive statistics.

⁹ Age and gender-related findings stem from a regression analysis where gender and age groups (18-26 years, 27-42 years, 43-55 years, and above 55 years) were first introduced separately and then interacted. We only report findings that are statistically significant at a 95% confidence interval.

¹⁰ For Good Governance, we asked four questions on: (i) POs having a strategic and or/ business plan, (ii) POs developing sales plans and cash projections annually, (iii) ability to influence policies and regulations within the Fairtrade system, and (iv) ability to influence government policies. For Economic Resilience, we asked six questions on: (i) trading relationships, (ii) perception of Fairtrade supporting higher prices, (iii) ability to negotiate prices and contractual conditions, (iv) financial sustainability of the PO, (v) receiving credit from Fairtrade buyers, and (vi) POs taking action to support income diversification/ food security. For Environmental Integrity, we asked seven questions on: POs having environmental management/protection plans in place in the areas of (i) waste management, (ii) water management, (iii) reducing deforestation, (iv) promoting agroforestry, (v) biodiversity, (vi) organic production, and (vii) other. For Social Wellbeing, we asked three questions on: (i) POs consulting members/ workers on their needs, (ii) POs consulting members/ workers on the use of Fairtrade premium, and (iii) POs contributing to the health needs of members/workers/community. The total possible score ranges from 0-20 points.

Resilience was then measured as the percentage of the attained score relative to the total possible score: the higher the score the more resilient the producer organizations.

Overall, Fairtrade producer organizations attained a 62% score on the resilience index. By SAFA component, Fairtrade producer organizations scored highest in Social Wellbeing (average score of 83%), followed by Good Governance (65%), Economic Resilience (57%), and Environmental Integrity (56%). No difference was observed in the average resilience score by producer type and product type. However, producer organizations from Africa (with 64%) had a slightly higher resilience score compared to Latin America (59%) and Asia Pacific (49%).

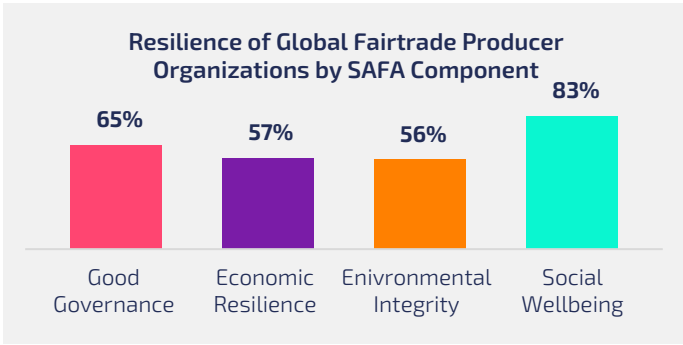


Figure 7: Resilience by SAFA component – global level (n=157)

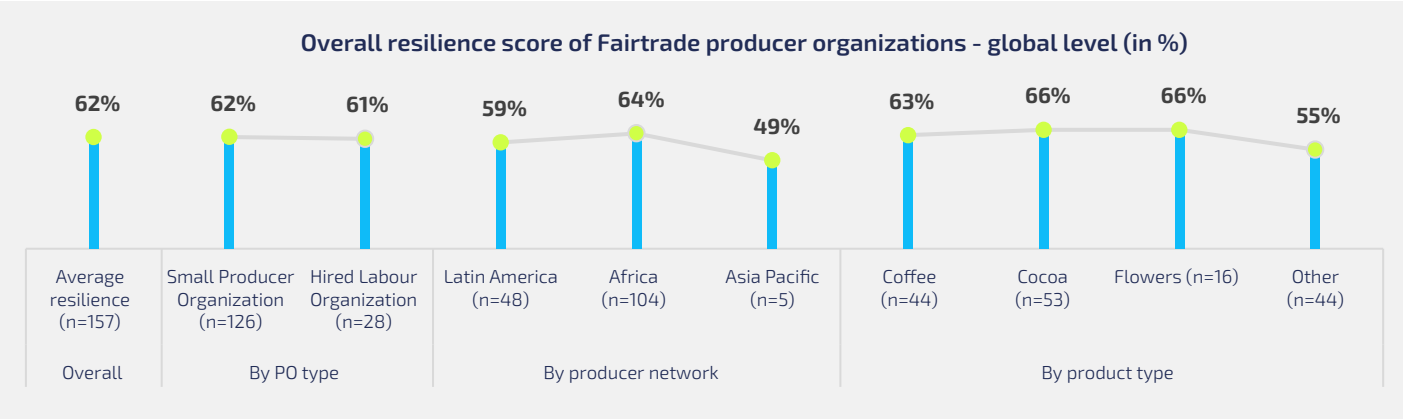


Figure 8: Average resilience score of Fairtrade producer organizations – overall, by type of producer, by region, by product

Case Studies

Insights from Peru, Indonesia, and Kenya on the resilience of Fairtrade certified and non-Fairtrade certified producers



Based on the survey with seven Fairtrade certified producer organizations, and six non-Fairtrade organizations across three regions, the research team developed a similar resilience index, consisting of a total of 26 points across the four SAFA¹¹ components of Good Governance (4 possible points), Environmental Integrity (4 points), Economic Resilience (8 points), and Social Wellbeing (10 points).¹² Resilience was then measured as the percentage of the attained score relative to the total possible score: the higher the score, the more resilient the household.

Figure 9. A and B show the obtained resilience score (in per cent) by certification status. Households related to **Fairtrade certified producer organizations were**, on average, **more resilient than those from non-Fairtrade certified producer organizations**, attaining a 64% resilience score versus 55% for non-Fairtrade certified producer organizations. Specifically, **Fairtrade is associated with a higher**

Social Wellbeing of households (65% score for Fairtrade versus 47% for non-Fairtrade). For Economic Resilience, Fairtrade households obtained a 61% score versus 55% for non-Fairtrade households.

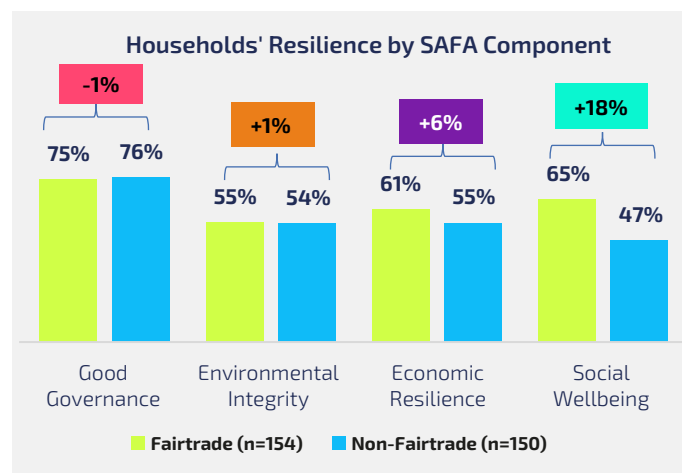
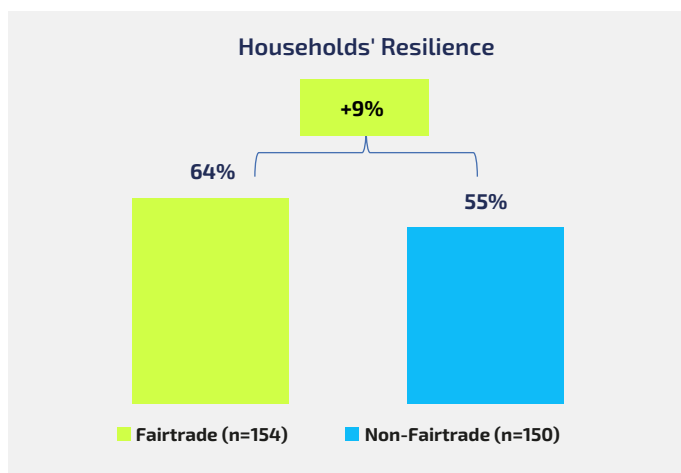
Whilst a recent study (Mauthofer et al. 2022) shows that Fairtrade certification strengthens Good Governance systems over time, this study does not detect a positive impact of Fairtrade certification on Good Governance. Although all households (Fairtrade as well as non-Fairtrade) scored highest on Good Governance (and Good Governance is the 2nd highest score among Global Fairtrade certified Producers), we find **hardly any difference (-1%)** in the obtained **Good Governance score** between those related to producer organizations with Fairtrade certification relative to those without. This could be due to the selection of the comparison group, as half of the non-Fairtrade certified Producer Organizations had alternative certifications such as CAFÉ Practice and Global GAP, which also have high Good Governance standards.

Furthermore, we hardly find a difference in the Environmental Integrity scores of the two groups (+1%). The literature review indicates that this small effect may be because Fairtrade Premium investments in environmental projects often remain low, and producers invest more in socio-economic projects¹³. For instance, in Peru, most of the banana farmers are organic and therefore do not further invest in environmental aspects but rather focus on socio-economic activities.

¹¹ The Sustainability Assessment of Food and Agriculture systems (SAFA) by the United Nations' Food and Agriculture Organization (FAO).

¹² For Good Governance, we asked four questions on management and the opinions towards youth and gender such as "Do you think that the management of your Producer Organization understands what your priorities are?". For Environmental Integrity, we ask four questions on good practices such as "In the last calendar year/production cycle, which of the following environmental, biodiversity, and climate change practices did your household implement?". For Economic Resilience we ask eight questions on financial literacy, bookkeeping, insurance, and savings. For Social Wellbeing we asked ten questions about food and nutrition security and school attendance of children. The total possible score ranges from 0-26 points.

¹³ CODImpact data 2014-16.



Figures 9.A and 9.B: Resilience of Households (Descriptive Statistics)

Figure A (left): Overall Resilience in % ((attained score/26) *100) and Figure B (right): Resilience by the individual SAFA Component

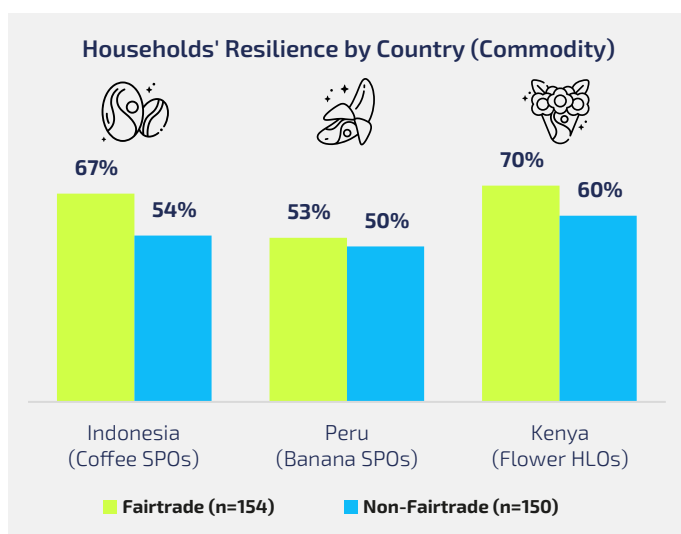


Figure 10: Producer Households' Resilience Score by country and commodity (Descriptive Statistics)

Figure 10 illustrates that amongst the three case studies, households in flower hired labour organizations in Kenya were the most resilient, attaining 68% 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 the certification of their producer organization. On average they attained 52% on the resilience score. This could be because banana farmers in Peru are mostly remotely located subsistence farmers, with low levels of education. Furthermore, cultural influences that undermine the measures producer organizations undertake to include women and youth remain predominant. While households of Fairtrade farmers and workers were on average more resilient in all countries studied, the difference with non-Fairtrade households was most significant in Indonesia and Kenya.

After statistically controlling for characteristics that may influence the results and should have been similar before the pandemic, by comparing similar households (that are of the same size, with farmers of the same gender, education, and age) which produce the same commodity in the same country, we not only confirm the results but find that that:

Fairtrade certification has an even more positive effect (+1 percentage point), increasing the resilience of households by +10% in general, and by SAFA dimensions:

Social Wellbeing (+20%), Economic Resilience (+7%), Environmental Integrity (+3%), and Good Governance (-0.3%).¹⁴

Using regression analysis that controls for other variables that may influence the results¹⁵, we find:

Education: Each year of education adds 1% to the person's resilience score.

Gender & Age¹⁶: Individually, neither gender nor age had an effect on resilience. However, in combination, we find that women in general (relative to men aged 55 years and older) had a lower Good Governance score. Qualitative insights suggest that this may be due to the economic status and leadership roles that elderly men have often acquired within producer organizations.

¹⁴ The results stem from Propensity Score Matching and therefore differ from those depicted in figure 9.A and B, which are based purely on descriptive statistics.

¹⁵ In the regression analysis, which controls for age, gender, education, etc, Fairtrade certification is associated with a 6% increase in overall resilience, -7.4% decrease in Good Governance, -1.8% decrease in Environmental Integrity, 3.9% increase in Economic Resilience, and 16.3% in Social Wellbeing. However, treatment (Fairtrade) and comparison (non-Fairtrade) groups were not drawn randomly and have statistically significant differences along a set of socio-economic characteristics. Therefore, comparing treatment and comparison groups without matching along observable differences (as in the regression analysis) could upward or downward bias the actual effect of Fairtrade certification. Therefore, we use Propensity Score Matching and present those results.

¹⁶ Age- and gender-related findings stem from a regression analysis where gender and age groups (18-26 years, 27-42 years, 43-55 years, and above 55 years) were first introduced separately and then interacted. We only report findings that are statistically significant at a 95% confidence interval.

Consolidated Findings by SAFA dimensions

SAFA	Impact	Literature review	Global resilience survey	Case studies
Social Wellbeing	Fairtrade effect on resilience	<ul style="list-style-type: none"> ⊙ Social Wellbeing is the most ambiguous SAFA dimension. Many studies find positive results (77%) but also no impact (38%) ⊙ Fairtrade can lead to improvements in quality of life, such as food security but has mixed effects on gender empowerment 	<ul style="list-style-type: none"> ⊙ Social Wellbeing was the highest-scoring SAFA dimension for Fairtrade producer organizations 	<ul style="list-style-type: none"> ⊙ Fairtrade had a highly positive effect on the Social Wellbeing of households
	Impact of COVID-19		<ul style="list-style-type: none"> ⊙ Fairtrade producer organizations' activities supporting food and nutrition security (and income diversification) had a positive impact 	<ul style="list-style-type: none"> ⊙ Among the case studies, a high Social Wellbeing score is significantly associated with a lower impact of COVID-19 on households
Economic Resilience	Fairtrade effect on resilience	<ul style="list-style-type: none"> ⊙ Most studies analyse aspects of Fairtrade's impact on Economic Resilience (78%), finding mostly positive results (88%) ⊙ Fairtrade can lead to higher prices and incomes for producers, although the evidence is more substantial for small-scale producer organizations than hired labour organizations 	<ul style="list-style-type: none"> ⊙ Economic Resilience was the third highest-scoring SAFA dimension for Fairtrade producer organizations 	<ul style="list-style-type: none"> ⊙ Fairtrade had a positive effect on the Economic Resilience of households
	Impact of COVID-19		<ul style="list-style-type: none"> ⊙ Although a higher Economic Resilience score did not correlate with a lower COVID-19 impact on producers, various aspects of Economic Resilience did, such as the producer organization's financial standing, access to credit, the price received for products 	<ul style="list-style-type: none"> ⊙ Among the case studies, a significant association was not found between a higher Economic Resilience and a lower impact of COVID-19 on households, but individual factors did (e.g., savings)
Environmental Integrity	Fairtrade effect on resilience	<ul style="list-style-type: none"> ⊙ Few studies (39%) analyse Fairtrade's impact on Environmental Integrity ⊙ As Fairtrade Premium-related investments in environmental projects remain low, Fairtrade alone does not have a substantial impact on promoting sustainable agricultural practices, but it does in combination with organic certification 	<ul style="list-style-type: none"> ⊙ Environmental Integrity was the lowest-scoring SAFA dimension for Fairtrade producer organizations 	<ul style="list-style-type: none"> ⊙ Fairtrade had a small but positive effect on Environmental Integrity
	Impact of COVID-19		<ul style="list-style-type: none"> ⊙ At the global level, a greater Environmental Integrity score did not influence the COVID-19 impact on producer organizations' farmers and workers 	<ul style="list-style-type: none"> ⊙ Among the case studies, a high Environmental Integrity score is not associated with a lower impact of COVID-19 on members and workers of producer organizations
Good Governance	Fairtrade effect on resilience	<ul style="list-style-type: none"> ⊙ Few studies (45%) analyse aspects of Fairtrade's impact on Good Governance, but nearly all find positive results (90%) ⊙ Fairtrade can lead to more robust, better managed, more democratic producer organizations, and participation by women. Yet, the number of women in leadership positions remains low 	<ul style="list-style-type: none"> ⊙ Good governance was the second highest-scoring SAFA dimension for Fairtrade producer organizations 	<ul style="list-style-type: none"> ⊙ Fairtrade has a neutral effect on Good Governance. Most households (regardless of Fairtrade certification) scored high on Good Governance
	Impact of COVID-19		<ul style="list-style-type: none"> ⊙ A greater Good Governance score did not influence the COVID-19 impact on producer organizations' farmers and workers 	<ul style="list-style-type: none"> ⊙ A higher Good Governance score had no significant effect on lowering the impact of COVID-19 on households

 No finding/no (positive) effect

 Small positive effect

 Large positive effect

4. Key Findings – Resilience enablers for Fairtrade producer organizations

Factors influencing the resilience of Fairtrade certified producer organizations against the impact of COVID-19

Using the resilience survey data, the research team conducted a multiple regression analysis (a logit model) to identify the factors influencing the resilience of Fairtrade certified producer organizations

to external shocks and stresses such as COVID-19. The analysis also controlled for other factors that potentially influence COVID-19's impact on farmers and workers, such as producer type, product, region, age, leadership's education, years of Fairtrade certification, and macro factors, i.e., COVID-19 infections and deaths per million population. The most influential factors that were identified are presented in the graphs below (Figures 11. A and B). A high percentage indicates a higher impact of COVID-19, and likewise, a low percentage indicates a lower impact of COVID-19.

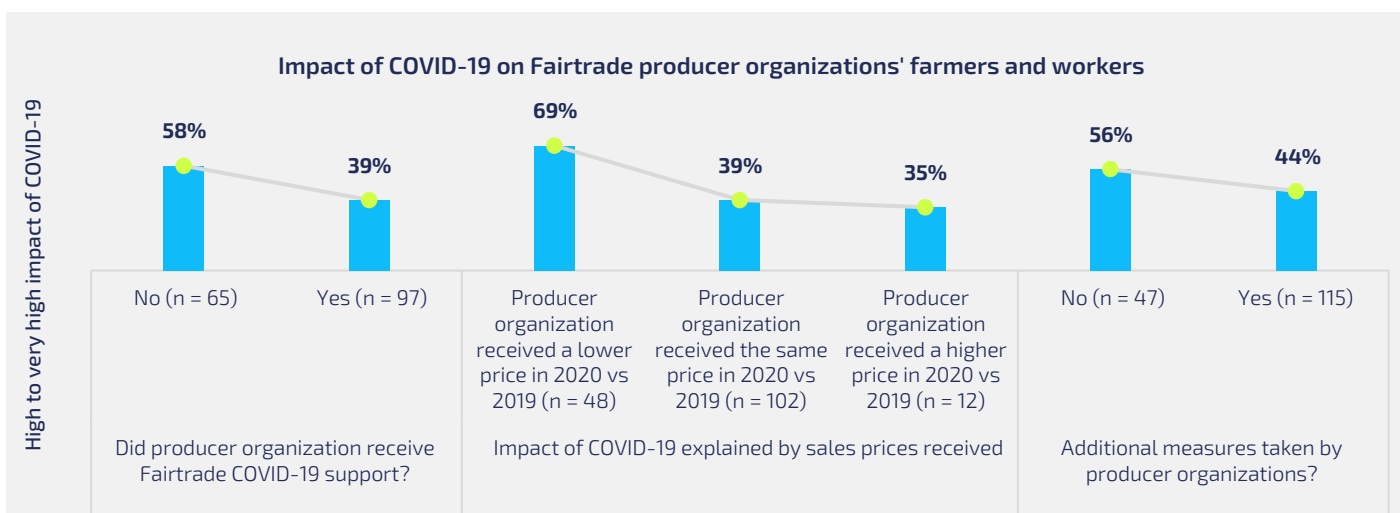


Figure 11.A: Individual Factors Influencing the Impact COVID-19 on the lives of producer organizations' farmers and workers

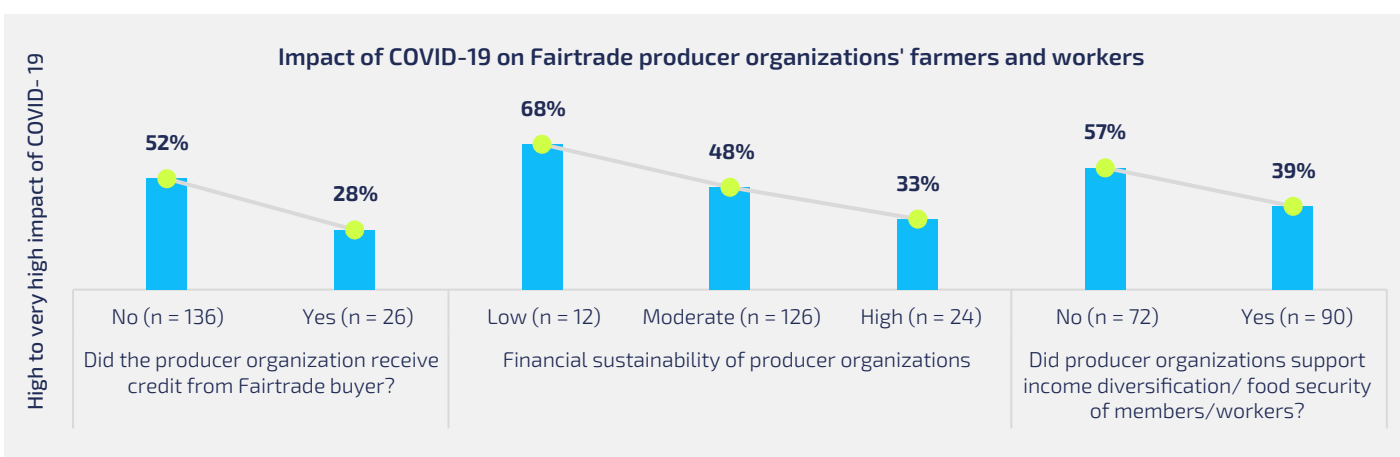


Figure 11.B: Individual Factors Influencing the Impact COVID-19 on the lives of producer organizations' farmers and workers who reported high to very high COVID impact

- Fairtrade COVID-19 support cushioned against the impact of COVID-19:** Around 66% of Fairtrade producer organizations in our sample received targeted immediate relief support. 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/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 than the previous year were 34% less likely

to report a high impact of COVID-19 on their members/workers. Higher product prices thus considerably contribute to building the resilience of producer organizations and their members/workers.

- Financial sustainability reduced COVID-19 impact:** Producer organizations reporting high financial sustainability¹⁷ were 35% less likely to report a high impact of 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 long-term and fairer sourcing contracts.

¹⁷ Financial sustainability 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

- ⊙ **Access to finance helped build resilience:** Access to credit helped producers mitigate the impact of COVID-19 on their members/workers. Producer organizations receiving the credit from Fairtrade buyers were 24% less likely to report a high impact. This also signifies the critical role of Fairtrade certification in building long-term relations and solidarity of buyers with their producer partners in times of crisis.
- ⊙ **Targeted self-initiatives by producers contributed too:** Proactive initiatives driven by producers themselves, e.g., as part of participatory /committee decisions on the use of the Fairtrade Premiums, largely contributed to mitigating external shocks and stresses. Producer organizations that took additional measures¹⁸ 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/food security were 18% less likely to report a high impact of COVID-19.

Learnings & Recommendations

LEARNINGS

- ⊙ **Measurement of resilience:** Few studies so far have studied the relationship between Fairtrade certification and resilience as measured by the SAFA dimensions (Mauthofer et al., 2022). Given the SAFA framework's wide array of topics and sub-topics, the measurement of resilience can vary largely, even within the SAFA framework. This calls for a streamlining of the topics and sub-topics to be included in the measurement of resilience, so that future study results can be compared better.
- ⊙ **Resilience and COVID-19 impact:** COVID-19 impacted nearly all workers and farmers in Fairtrade value chains and beyond. Yet, resilience played a role in lowering the impact of COVID-19 on their producer organizations and their members.
- ⊙ **Fairtrade and resilience:** Based on the surveys and case study analysis, Fairtrade has a positive effect on Social Wellbeing and Economic Resilience, but only a small effect on Environmental Integrity and no effect on Good Governance.
- ⊙ **Fairtrade and COVID-19 impact:** Whilst Fairtrade certification led to a lower impact of COVID-19 on households in Indonesia (coffee farmers) and Kenya (flower workers), it did not in Peru (banana farmers), given the macro factors affecting the country.
- ⊙ **Women and youth:** Fairtrade seems to have a neutral effect on the resilience of young women during COVID-19, as both in Fairtrade and non-Fairtrade producer organizations, young women were more affected by COVID-19 than elderly men.

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 have better access to 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.



Photo: Agnes Chebil of Karen Roses Ltd. Credit: Christoph Köstlin

¹⁸ Additional measures include the distribution of Personal Protective Equipment (masks and gloves), conducting awareness of skill-building activities, distributing food products, providing material for growing food, and distributing low-cost loans.

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.

We are encouraged by the findings that Fairtrade certified producer organizations generally reported less impact from COVID-19 than non-Fairtrade certified organizations, and that through the case studies, Fairtrade coffee, banana and flower producer households also reported greater resilience, especially in social wellbeing and economic resilience.

The study identifies factors that relieved some of the burden of the pandemic on producer organizations and households. These include producer organization's financial sustainability (which reduced the negative impact of the pandemic by 35%), receiving a higher price from buyers in 2020 (34%), access to credit (24%), and support from Fairtrade's €15 million COVID-19 relief and resilience fund (19%). Income diversification and food security initiatives also provided a buffer for households.

These are all aspects that Fairtrade contributes to, through the Fairtrade Standards, via trainings, projects, and other support available for producer organizations, and through Fairtrade Minimum Prices and Premium funds, which producer organizations also used to address urgent COVID-19 priorities.

The report also contains important learnings of relevance to Fairtrade and beyond. Here we emphasize several:

- ③ **Strengthen social dialogue and social protection of plantation workers:** Workers are especially vulnerable in times of economic crisis. Respect for workers' rights and collective bargaining is part of the Fairtrade Standards and awareness-raising directly with workers. Fairtrade's work on social dialogue is recognised by the ILO/OECD's Global Deal Initiative. Hired labour organizations should proactively establish safety nets and ensure real wages

continuously increase to close the gap to a living wage.

- ③ **Encourage loans for producer organizations:** The Fairtrade Standard for Traders encourages the extension of credit on fair terms for producer organizations as part of long-term trading relationships. In addition, Fairtrade producers have access to the Fairtrade Access Fund and certain lower-cost financial services, such as FairCapital.
- ③ **Encourage producer organizations to support income diversification, especially for women and young people:** When farmers diversify into other crops, expand agroforestry or develop side businesses, they become better protected against income loss if one crop fails, and are also more resilient to climate change. That's why income diversification is a key element of our living income strategy. Women and young people in more than 300 producer organizations in 17 countries in Africa invested in alternative income generation sources through Fairtrade's COVID-19 response funds.

Given the existential challenges that face producers, particularly with climate extremes further expected to worsen¹⁹, it is essential to invest in resilience now. We call on companies, governments, and NGOs to prioritise the resilience of farmers and workers **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 ensure 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.

¹⁹ <https://www.fairtrade.net/library/fairtrade-and-climate-change-systematic-review-hotspot-analysis-and-survey>



Photo: Coffee seedlings at Koptan Gayo Megah Berseri cooperative.
Credit: Rosa Panggabean / Fairtrade Canada / Fairpicture

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