

Assessing the Impact of Fairtrade on Poverty Reduction and Economic Resilience through Rural Development

Fairtrade Management Response

We are encouraged by the study's findings that Fairtrade contributes to stronger cooperatives and more resilient and sustainable farming households, especially in the areas of economic resilience, social wellbeing, and good governance.

However, the study also presents the grim reality that farmers' gains in recent years, especially when it comes to incomes and farm investments, have been undercut by three major threats: the COVID-19 pandemic, farm prices that are too low to cover rising costs of farming and daily life, and climate change.

Fairtrade offers solutions to address each of these challenges.

First, Fairtrade contributed and worked with partners to raise more than €15 million in 2020 in COVID-19 relief and resilience funds, which are still being administered. We published a [report](#) on the use of these funds in March, and an additional impact report is forthcoming.

Second, sourcing on Fairtrade terms ensures that farmers have at least the safety net of the Fairtrade Minimum Price and Premium, and the advantages of being able to invest in their businesses, cooperatives and communities. We have developed a living income strategy that includes voluntary higher 'living income reference prices' based on local costs of living and calculations of sustainable yields and viable farm sizes, validated with farmers themselves. So far these reference prices are available for cocoa, coffee, and vanilla, each regionally specific. Combining prices with programmes to diversify incomes and improve yields, farmers are bringing together the elements needed to earn a decent livelihood.

Related to climate change, Fairtrade's three regional producer networks train certified organizations on climate-related issues. Fairtrade carbon credits projects offer producers the resources to invest in [measures to adapt to climate change](#).

In addition, Fairtrade partners with companies and producers to develop and implement climate adaptation projects, such as crop diversification, water conservation, enhancing biodiversity, and more. Projects often incorporate other aims such as income improvement and increasing opportunities for women and young people. Such investments are often beyond the means of individual farmers or even cooperatives without additional support: our [recent report](#) analysing our learnings from such projects illustrates the kinds of partnerships that are needed.

However, these Fairtrade solutions require partners to join in – by buying Fairtrade certified products and ingredients, and going further with additional programme investment – in order to create change on a large enough scale to counteract these global challenges. This will also help to provide incentives for the next generation of small farmers to stay in agriculture, thereby also ensuring that companies actually can continue sourcing food commodities in times of climate change. The food industries' business model can only work, if there are food commodities to buy.

Fairtrade urgently calls for action by all stakeholders, including governments, companies and NGOs, to act on the recommendations in the study, particularly as relates to climate change

adaptation, paying higher prices and diversification so farmers can progress toward living incomes. These challenges must be addressed in order to avoid a backward slide in the economic, social and environmental wellbeing of farmers and their communities – and ultimately, a turn away from farming altogether.