



Assessing the benefits of Fairtrade orange juice for Brazilian small-scale farmers

Response from commissioning agencies Max Havelaar Foundation Netherlands and Max Havelaar Foundation (Switzerland)

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Introduction

Fairtrade certified orange juice has been on the market for almost 15 years, a big part coming from its most important supplying country Brazil. In the last few years, it has become an increasingly interesting product in the Swiss and the Dutch markets. Recognizing this, the national Fairtrade organizations in Switzerland and the Netherlands, in collaboration with Fairtrade International, commissioned an independent study to assess the benefits of Fairtrade orange juice for small-scale farmers in Brazil.

Monitoring, evaluation and learning are essential for Fairtrade to continuously improve its impact and effectiveness. We commissioned this research to BSD Consulting, an organization with experience in researching the Brazilian orange sector. The research will help us develop appropriate strategies to build the market and understand the needs and challenges of orange producers.

For the research, three Fairtrade orange growers' cooperatives were selected, representing producers in all major orange producing regions of Brazil. The study assessed the social, economic and environmental benefits of Fairtrade for the producers and their workers, their organizations and their community/region. Due to the limited scope of the research, there was no control group. Results should be treated as a valuable case study insight into the three organizations studied.

Summary of results

Fairtrade certification has helped certified producer organizations to achieve strong market linkages and attract other partner organizations offering training and financial help to farmers. Two of the cooperatives studied achieved an important breakthrough, as they began subcontracting a processing facility and were able to process and sell their concentrate



directly to the importer. This has helped the producer groups increase their independence and move up the supply chain. One producer has gained even more control over the sales of its product by building its own processing facility.

The research found that selling on Fairtrade terms has helped the small-scale producers survive during the crisis years in a market dominated by a few large companies. In Brazil, many non-certified small-scale farmers have left orange production and now rent out their land to large sugar cane producers. According to the management of some of the assessed cooperatives, Fairtrade certification was decisive in their economic survival as orange producers.

For the majority of producers interviewed, Fairtrade certification had a positive impact on their economic situation and quality of life. As a result of the increase in prices and Fairtrade Premium income, they were able to invest in education and improvement of housing. The safety net of the Fairtrade Minimum Price for orange juice reduced farmers' vulnerability to market volatility while strong and long-term relationships with buyers enabled sales in difficult market circumstances.

Compliance with the Fairtrade Standard has also helped to increase the quality governance and transparency within the cooperatives studied, which in turn has promoted trust between farmers and cooperatives. The development of strong internal control systems has supported enforcement of labour laws and safety regulations. Furthermore, Fairtrade certification has also supported a reduction of the use of pesticides and the fostering of occupational health and safety procedures among orange farmers.

Challenges and recommendations

Besides the positive findings, several challenges have come to light. The study showed that farm workers have not experienced the same improvements to livelihood experienced by the Fairtrade farmers. The report therefore recommends better inclusion of workers in the scope of certification of smallholder farmer organizations, which is fully acknowledged by Fairtrade.

A new Workers' Rights Strategy was approved by the Board of Fairtrade International in 2012. Implementation of the workers' rights strategy will include a series of activities, including:

- Determining the needs of workers in relation to the economic capabilities of smallholder farmers,
- Identifying best practices of employment in small producer organizations,
- Improving the protection of the rights of workers of smallholders under Fairtrade's Standard and



- Enhancing worker participation, solidarity and development of common goals in farmer-worker communities.

In 2014 research will be conducted and strategic proposals will be developed. This will inform a revision of the Fairtrade Standard for Small Producer Organizations in 2015.

The study also recommends that Fairtrade increase training for producers in marketing and business planning, and monitor the impact of such trainings. The research found that Fairtrade certification helped producers (and workers) to get training, but the understanding of specific Fairtrade-related issues such as price policy and price composition, as well as trading relations is still limited.

Fairtrade's producer support and liaison officers strive to give as much assistance as possible by supporting producers to collect, describe and analyze the costs of production of their crop. During the orange price review (system-wide consultation on Minimum Prices for orange juice), that took place just after the research was conducted, Fairtrade International's Standards Unit offered information about the market and historical price series to provide the producers with a clear context of the product in Fairtrade and conventional markets. Furthermore, Fairtrade staff arranged meetings between producers and traders to agree on a price that covers production costs while keeping it competitive in the market. Fairtrade will continue to help producers with business planning and pricing policy and is committed to increase its support.

The report also recommends that Fairtrade support the orange juice producers to diversify production and trade relationships. The majority of organizations in the study is highly dependent on a single product and relied on limited market relationships. Strengthening Fairtrade producer networks, which is one of the strategic priorities of the global Fairtrade system, will foster exchange processes between producer organizations in order to share experiences of successful diversification models.

Growing the market

The study also shows that economic stability and business continuity have improved for producers, but they do not have enough resources to make all the necessary investments they would need to sustain significant growth. In order to achieve this, the volumes of juice sold on Fairtrade terms must increase. Fairtrade will continue its efforts to achieve this. This study documents the valuable contributions that Fairtrade can make to improving the sustainability of small producer organizations in the orange juice sector. We therefore continue to invite juice companies to join us in growing the Fairtrade market.