

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



## At-a-glance

### Introduction

In 2021, Fairtrade Germany and Fairtrade Austria commissioned Mainlevel Consulting to implement an applied research project that aims at identifying the contribution of Fairtrade on poverty reduction through rural development. The research assesses Fairtrade's contribution across four different sustainability dimensions – economic resilience, social wellbeing, good governance and environmental integrity. The case study model compares Fairtrade certified and non-certified small-scale producer organizations of three products in three settings: cocoa in Central Ghana, bananas in Northern Peru, and coffee in Central Peru. It represents the third study within a decade (first in 2012, second in 2018) with the same Fairtrade certified producer organizations, providing rare insights into the organizations' development and experiences over time.

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### Key findings

#### Economic resilience

Farmers that are members of Fairtrade certified organizations report greater economic resilience than non-Fairtrade farmers. This is due to the safety net of Fairtrade Minimum Price and Premium, as well as diversification activities and better yields. Good governance of producer organization, one of the other sustainability dimensions, is also strongly linked to greater economic benefits for farmer members. At the same time, the economic situation of all producer organizations is threatened by the effects of climate change, COVID-19 and rising costs of living.



#### Highlights from the study



La Florida coffee farmers report an average income 50% higher than non-Fairtrade farmers (€7,340 compared to €4,804 EUR).



Kuapa Kokoo's cocoa farmers' productivity and yields have been increasing, as compared to non-Fairtrade farmers. Their savings behaviours are also better.

## Social wellbeing

Fairtrade certified producer organizations can better support social development within their membership and communities, for instance through health insurance schemes and providing funds for families to cover education expenses. Women tend to enjoy greater participation in Fairtrade cooperatives than in non-Fairtrade cooperatives. This was not the case in the coffee case study, however women in the Fairtrade cooperative reported receiving more favourable prices as compared to their non-Fairtrade counterparts, where the gap between what men and women were paid for their coffee was greater.



### Highlights from the study



Well established Fairtrade banana cooperatives use Fairtrade Premium to provide health services and trainings, including on COVID-19, as well as medical benefits for the community.



Fairtrade cocoa farmers report that women show more confidence in speaking up and voicing their thoughts. Decision-making power for Fairtrade cocoa farmers has improved in the last four years.

## Good governance

The governance dimension relates to the process of making and implementing decisions, including decisions in environmental, economic or social spheres. The Fairtrade certified producer organizations tended to be more transparent, and engage more widely with stakeholders, from government to industry. Fairtrade producers have more financial resources and capacity to carry out democratic processes than non-certified organizations, thanks in part to democratic management of the Fairtrade Premium.



### Highlights from the study



La Florida coffee cooperative used Fairtrade Premium to recover after severe financial losses due to the "la roya" coffee rust epidemic in 2014-15. Members also received cash payments, enabling them to improve productivity and quality.



The researchers emphasize that "unless good governance is seriously considered, sustainability will remain a mirage."



# Environmental integrity

The producer organizations are at various stages when it comes to environmental protection practices. Some efforts toward soil improvement are common to all, but other practices vary: the Fairtrade cocoa producer organization has emphasized climate change adaptation, while the banana producers have acted to reduce waste and improve disposal. While awareness of environmental issues is high, the challenges of COVID-19 and rising costs have undercut organizations' resources to invest in environmental issues as compared to 2018 and some issues have received limited attention. Climate change is predicted to continue to severely impact production in the three product regions.



## Highlights from the study



Fairtrade cocoa farmers have greater awareness of environmental topics than non-Fairtrade farmers. They perceive larger effects from climate change than four years ago, with large implications for the future of cocoa production and livelihoods. The researchers emphasize that “unless good governance is seriously considered, sustainability will remain a mirage.”



Despite challenges caused by climate change, environmental awareness among banana producers has increased, with a greater focus on soil quality and better waste reduction practices. The Fairtrade Premium helps with technical assistance, and access to fully organic fertilizers.

## Serious threats to sustainability and viability

The study finds three factors undermining the benefits that producers have gained through Fairtrade over the past decade.



**1.** Climate change is causing an increase in plant disease and pests, as well as extreme weather events that destroy crops. This study is yet another data point pointing to the urgent need to support farmers to adapt to climate change, including diversify their income sources, as well as continue to adopt climate-friendly farming practices. (Examples of Fairtrade projects can be found [here](#).)

**2.** COVID-19 has cut sales for some producers, and raised costs for things like fertilizer and transport. Farmers' incomes, already strained, have been even further reduced. The Fairtrade producers in this study have survived thanks to Fairtrade's safety net, including the Minimum Price and Premium, low- or no-interest loans, provision of farm inputs by the cooperative, and support in income diversification and other trainings. Fairtrade's relief and resilience funds for COVID-19 have also supported some cooperatives to pay for necessary health and safety measures and improve food security.

**3.** Farm and daily living costs have risen rapidly, sinking most of the gains that farmers were beginning to see. Fairtrade has supported the cooperatives in the study to weather these financial challenges, but progress toward reducing poverty – as well as the ultimate goal of achieving living incomes – will be stalled if farmers aren't paid more.

## Research Methods

The study is based on a framework of indicators developed by the Sustainability Assessment of Food and Agriculture (SAFA) framework.<sup>1</sup> Using a case study approach, the findings are based on primary qualitative data derived from focus group discussions and key informant interviews. Quantitative data on key variables (such as household income, trainings and prices) was collected at producer level and participatory observations were conducted. In spite of the ongoing COVID-19 pandemic, data collection took place between June and October 2021. Findings are structured along the economic, social, governance and environmental themes of the SAFA dimensions and include cross-sectional, i.e. Fairtrade and non-Fairtrade case study comparison, and longitudinal, i.e. comparison over time (2012 – 2018 – 2021) results.

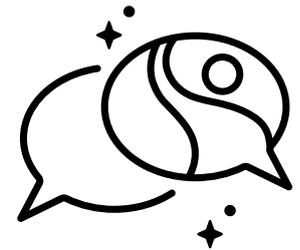


<sup>1</sup> The SAFA framework was specifically designed to assess smallholder agricultural organizations, adapted from another framework developed by the Committee of Sustainability Assessment (COSA).

## Recommendations

The report outlines the necessary actions to restart progress toward sustainable livelihoods for farmers and ensure a future for smallholder products like bananas, cocoa and coffee. These include:

- 1.** Funding and implementation of climate change adaptation measures to limit the increasing threat to agricultural production and food security
- 2.** Paying higher prices to farmers that will support a living income and enable investments into the farms
- 3.** Financing and supporting farmers to diversify their incomes and modernize and improve farm management
- 4.** Increasing demand and trade commitments so that cooperatives can increase their Fairtrade sales
- 5.** Supporting cooperatives to expand into value creation further along their supply chains (which also attracts young people to go into farming)
- 6.** Measuring and mitigating into the disproportionate effect of COVID-19 on women and vulnerable populations.



## Fairtrade's Response

The study shows that Fairtrade contributes to stronger cooperatives and more resilient and sustainable farming households, specifically in economic, social, environmental and good governance dimensions.

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: climate change, the COVID-19 pandemic, and farm prices that are too low to cover rising costs of farming and daily life.

Fairtrade offers solutions to address these issues, and we urgently call 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. Such actions are essential to ensure future generations of farmers and a sustainable planet.

