

The impact of Fairtrade: Evidence, shaping factors, and future pathways

VALERIE NELSON and ADRIENNE MARTIN

What is the evidence base for the impact of Fairtrade and how and why is the impact agenda evolving? We explore issues of design and the use of theories of change in mapping impact pathways as part of evaluations. We outline some of the findings on the different dimensions of impact (e.g. household income, livelihoods and quality of life, organizational, wider community and economy impacts), as well as environmental, empowerment, and gender impacts. This analysis draws upon a meta-review which analysed studies available in 2009 and also on more recently published studies. Finally, we identify the five key factors shaping the impact of Fairtrade and the implications for the impact assessment agenda.

Keywords: Fairtrade, impact, benefits, smallholders, workers

Evidence on the
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EVIDENCE ON THE SOCIO-ECONOMIC IMPACT of Fairtrade is limited. This includes information on the extent to which Fairtrade can reach vulnerable producers and workers and on what scale. Environmental impact studies are exceedingly scarce. This situation is beginning to change, however, with more empirical studies being conducted, meta-reviews of existing studies being undertaken (e.g. Nelson and Pound, 2009), and an active debate underway on how best to design impact-evaluation initiatives that can produce the kind of information demanded by different actors and that can make a useful contribution to policy. This paper discusses: (1) how and why the impact agenda in relation to Fairtrade is evolving; (2) issues of design and methods; (3) some practical examples of impact; and (4) key factors shaping Fairtrade impact.

The impact agenda and Fairtrade

In the early days of voluntary trade standards and labels such as Fairtrade and Rainforest Alliance, the focus of attention was understandably primarily on implementation. Although there has been a steady trickle of studies on the impact of Fairtrade over the past 10

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© Practical Action Publishing, 2012, www.practicalaction.org
doi: 10.3362/2046-1887.2012.005 ISSN: 2046-1879 (print) 2046-1887 (online)

Standard organizations are under increasing pressure to demonstrate their impact

years, recently there has been a noticeable increase in independent studies (commissioned by Fairtrade organizations, donors or through academic routes), as Fairtrade itself has grown and scrutiny has increased. Learning about impact is important both for improving and proving impact, for understanding both positive and negative impacts, and for taking account of intended as well as unintended outcomes. Standard bodies and organizations are keen to learn how well their systems are working in order to act upon the findings and improve their impact, but are under increasing pressure from donors, journalists, and consumers to *demonstrate* their impact as well. Some donors, especially those that have supported standard systems directly, such as the UK Department for International Development (DfID), are keen to establish solid evidence on whether standards are an effective approach for development. This is done by measuring and evaluating their impact in order to inform future policies and ongoing debates, but also for accountability purposes.

It is not clear whether demand for impact assessment is articulated by individual producers and workers; many are not aware of the standards adopted by the management levels of their organizations. Participatory, learning-oriented studies are more likely to be able to engage producers and workers in assessing impact themselves and in making improvements, but capacity issues and the time and resources required to undertake such exercises are still a challenge, just as they are for more quantitative, survey-based approaches. Managers of estates and farmer organizations may be interested to understand the costs, benefits, and impacts of standards, but this is unlikely to be a top priority for them.

Theories of change and the importance of context

To evaluate impact it is first necessary to understand what standard systems are trying to achieve

To evaluate impact it is first necessary to understand what standard systems are trying to achieve. What is their impact pathway or theory of change by which they expect to see results? Despite a great deal of literature on its aims, the theory of change (i.e. the linkages along the impact chain or how the activities and tools of Fairtrade actually lead to outputs, outcomes, and impacts) has not been clearly articulated. In an ongoing DFID-funded study we therefore developed our own theories of change for Fairtrade (as well as other standards such as Rainforest Alliance) (see Nelson et al., 2009; Nelson and Martin, 2011). See Figure 1 for a Fairtrade impact chain.

In developing these theories of change it became clear that it is not just what is written in documents produced by standard bodies that is important, but also the other kinds of activity and input provided by the entire standard system. In Fairtrade there are the well-known 'inputs' of the Fairtrade premiums, the Fairtrade minimum price,

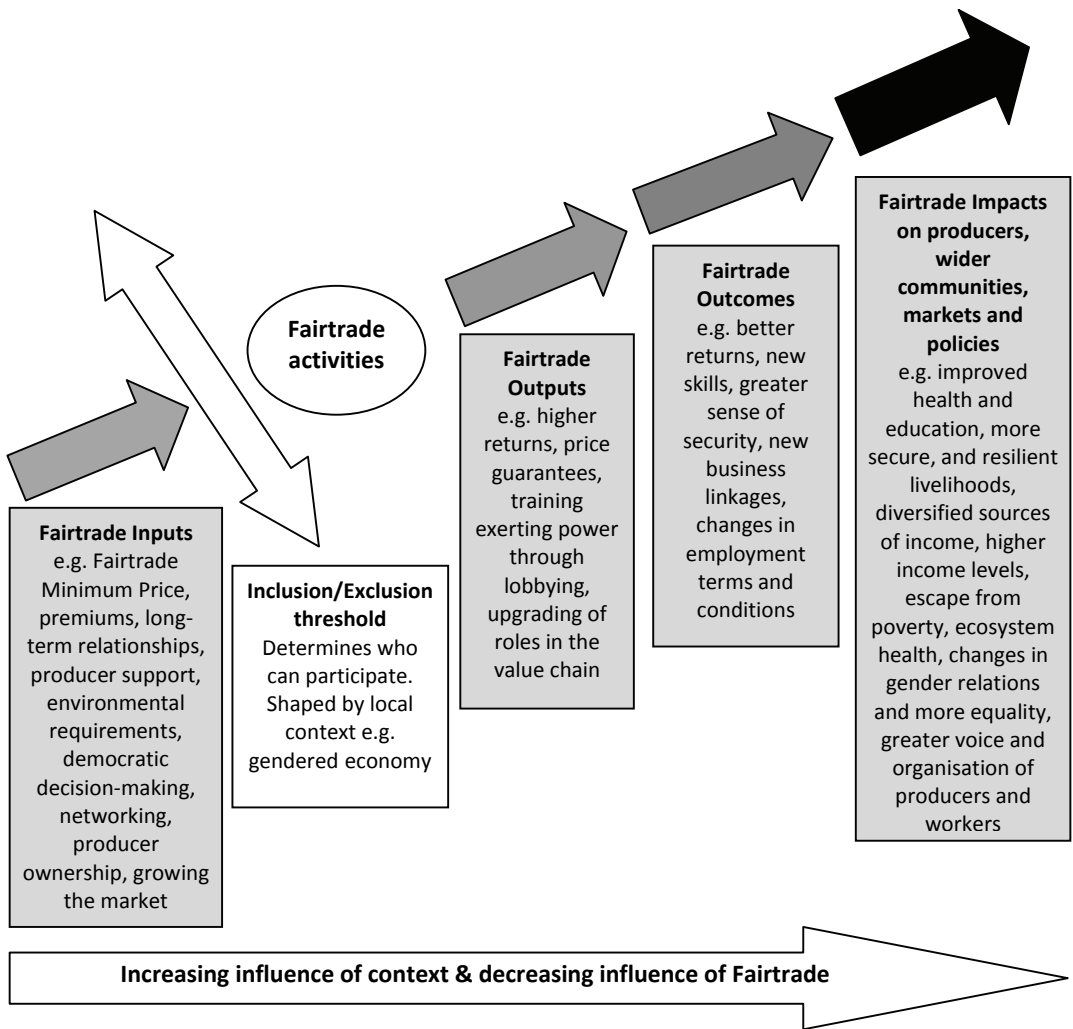


Figure 1. A hypothetical impact chain, which can be explored in a ‘plausible impact chain’ approach (after Roche, 1999)

the producer and trader standards. There are also capacity-building inputs from liaison officers, plus representation mechanisms through regional producer networks for producer advocacy (although not for hired labour). Additionally, there is joint ownership and representation on the board of Fairtrade International and major efforts by national labelling initiatives to grow markets. Although standards are uniform, their implementation will vary, for example, depending on what support is actually given and by whom. The specific outcomes will be grounded in place, value chain dynamics, and time, and hence

a theory of change is just that – a theory. The importance of context thus cannot be overstated, a point which is becoming increasingly clear from newly emerging studies. While indicators of impact can be identified, measurement and attribution without ambiguity can be even more challenging.

Once the hypothetical impact pathway has been worked out, it is then necessary to explore in practice whether and how the uptake of a standard has had an impact. This involves three questions. First, the *distribution of impacts* between different social groups and gender differences: How many people are benefiting? Who is excluded from participating? Second, the different *kinds of impact*: for example on incomes, household assets and livelihoods, gender and social equality, organizational development, and market access, as well as community and national effects, and farm level and landscape environmental impacts. Third, the *scale of impact*: are people's livelihoods improving and by how much? Are they escaping poverty? A further point to consider is what the situation would have been *without* the standard (termed the counterfactual). The views of different stakeholders should be elicited, because perceptions and perspective may vary at different scales, times, and positions. Once the questions relating to impact are formulated, the actual design and methods of impact assessment must be specified. The most effective ways of measuring or learning about impact are contested. There is an ongoing and lively debate over what are the most appropriate designs and methods for assessing the impact of standards and what constitutes 'credible evidence'.

There is an ongoing, lively debate over methods for assessing the impact of standards

The current evidence base and what constitutes evidence

A recent meta-review analysed the contemporary evidence base and found many gaps in the commodities covered and geographical locations. Commodities other than coffee and African and Asian studies were under-represented (Nelson and Pound, 2009). Several studies have recently been completed, however, and others are underway that should fill some of these gaps, albeit with varying purposes, methods, and levels of credibility amongst different audiences.

Earlier studies tended to be snapshot studies of varying quality (Nelson and Pound, 2009). There are still more qualitative studies than quantitative and few include counterfactuals of any kind. These studies have followed a 'plausible impact chain learning' approach, using in-depth qualitative methods with triangulation of sources and methods to increase the trustworthiness of data. In more recent years, there have been several longitudinal studies involving quasi-experimental research designs (e.g. Ruben et al., 2008) and an ongoing Natural Resources Institute (NRI) study that is

using a combination of quantitative methods with robust sampling techniques and in-depth qualitative methods across a number of commodities, countries, and enterprises (<http://www.nri.org/projects/tradestandards/index.html>). A quasi-experimental research design enables the comparison of a group of participants with a non-participating group which, as far as possible, is similar in every other respect to the participating group. An experimental research design randomly selects the participant and non-participant groups from the same eligible population, before the intervention starts (Leeuw and Vaessen, 2009). The problem with the first approach is overcoming selection bias – particularly the problem of pre-existing differences between the participating and non-participating group. The second approach is usually not possible since the decision to adopt a standard lies with private sector bodies, farmers' associations, and the standard bodies and is negotiated over time.

Blackman and Rivera (2010) discount qualitative impact studies because they do not have appropriate counterfactuals, but this ignores the value and insights that can be provided by such studies, particularly for standard bodies themselves wishing to improve their own impact. White (2009) argues that there are different definitions of the term 'impact': first, in the sense of 'attribution analysis' with a credible counterfactual allowing measurement of impact; and second, an approach which examines the outcomes and longer-term effects from an intervention, but does not try to analyse attribution. Depending upon the study objective, the relative importance of accountability and learning will change and as a result there will be different designs and methodologies and different levels of success in dealing with complexities.

Longitudinal studies have their own challenges, these include: the inherent volatility of markets which means contextual conditions can change rapidly; practical issues such as keeping research teams and constituent members on board over several years at a time to provide continuity and build up capacity; and the dynamism amongst standards and their reach. Some producer organizations may seek new certifications during the course of a project, and others might exit or be decertified. This can complicate comparisons between standards and the ability to sustain a counterfactual. Well-known ethical issues also arise with experimental and quasi-experimental approaches, which tend to be more extractive than participatory in nature.

To assess the impact of Fairtrade it is important to gather evidence from a range of sources and most importantly to hear the voices of those whom Fairtrade is intended to support – the smallholder producers and workers on estates, which remain curiously absent from the discourse. Even participatory studies lack sufficient resources to adequately support participatory learning at the local level and

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communication of findings by producers and workers at higher levels. Innovation is needed, such as the use of participatory video for communication, although it is important to take into consideration whose interests drive such a process, and copyright issues and protection for participants where materials are to be published. Rather than conform to a single, prescriptive, methodological approach, there is scope for combination of quantitative and qualitative methods, as appropriate for the context.

Findings on the impact of Fairtrade

There are many different dimensions to the impact of Fairtrade. In this section we discuss the ability to participate in Fairtrade, impacts on income and household assets, plus wider impacts on organizations, communities, and economies. This section draws on several recent studies that have just been or are about to be published. The Nelson and Pound (2009) meta-review analysed over 80 studies, but only 23 reports contained in-depth evidence of impact at producer level. It is not possible to cite each 'impact' study, but these 23 reports contained 33 separate case studies, comprising journal articles, working papers, and 'grey' literature.

Ability to participate

Not all producers are in a position to benefit from Fairtrade and there is evidence that geographic marginality may work against successful participation (Nelson and Pound, 2009). This is particularly the case in more mainstream value chains, compared with the value chains in which alternative trade organizations actively support more disadvantaged producers groups in poor, marginal areas. In retailer own-brand value chains, which do not necessarily show a long-term commitment to a specific supplier, nor seek out the marginal groups, the question arises as to whether more mainstream producer groups are more likely to be targeted for involvement at the expense of marginal producer groups. Will Fairtrade sales for a producer organization hold up when there are new entrants? Is the market sufficiently large to absorb expansion in overall sales from increasing numbers of producer groups or could there be winners and losers? Empirical evidence on such questions is scant. There is competition between existing and newer entrants to Fairtrade, particularly where Fairtrade International has expanded its reach by broadening its standards to now include contract production or hired labour scenarios. Stringent organic and environmental requirements for Northern markets may also represent a barrier to market access, particularly for smallholders, and these are not always appropriate to local conditions (Nelson and Pound, 2009).

Stringent organic and environmental requirements may represent a barrier to market access for smallholders

Few of the earlier studies reviewed the assets and characteristics of producers opting to, or able to, participate in Fairtrade. Many of these may already have belonged to a farmer organization compared with those who have fewer resources, may not be part of a farmer organization, and may not become involved in Fairtrade. There are, however, some positive findings: the majority of Fairtrade coffee producers in Caranavi Province, Yungas, Bolivia, are poor and of indigenous origin (Imhof and Lee, 2007). Similarly, the Fairtrade-certified cooperative Coocafé represents primary societies that are all in marginal areas (Ronchi, 2002). A recent Malawi tea study (Pound and Phiri, 2009) found that membership conforms to the definition of smallholder producers and membership is voluntary and open. However, this relies on tea smallholders owning a tea plantation. In a recent cotton study (Nelson and Smith, 2011), participation in the farmers' group under the contract production standard in India required a land title, which effectively excludes women.

Smallholder incomes, livelihoods, and quality of life

Fairtrade provides
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Strong evidence was found in the literature that Fairtrade provides a favourable economic opportunity for smallholder farming families who are able to form producer organizations and provide products of the right specifications for the market (Nelson and Pound, 2009). A high proportion of the studies found higher returns and more stable incomes for Fairtrade producers from sales to Fairtrade markets compared with sales into conventional ones. For example, a comparative study of impact of Fairtrade on coffee and banana producers in Peru, Costa Rica, and Ghana (Ruben et al., 2008) found that, in most cases, involvement in Fairtrade increased output and/or yield of their key crops and had positive effects on average net household income. Revenues derived from Fairtrade activities constituted an average income share of between 70 and 90 per cent. They also found that, in general, those involved with Fairtrade devoted relatively more of their expenditure on long-term investments in household durables, house improvements, and particularly education. The studies considered in this review were, however, largely undertaken at a time when many agricultural commodity prices were lower than they are today. Recent price rises have meant that the Fairtrade minimum price may not be active, thus reducing the effect of the Fairtrade. The safety net function is still effective, but may not be obvious to individual producers, who are not familiar with the workings of Fairtrade. The costs of production have also risen in recent years: multi-country studies of cotton (Nelson and Smith, 2011) and bananas (Smith, 2010) found evidence that Fairtrade producers received higher prices for their produce compared with

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non-Fairtrade producers, but the positive effects of the overall price uplift were being negated by input price rises.

Many of the studies emphasize the importance of basing assessments of Fairtrade impact on more than income differentials (e.g. Jaffee's 2007 study of the Michiza Fairtrade Co-operative in Oaxaca, Mexico considered a range of impact indicators and analysed household budgets in detail). During the coffee crisis, Fairtrade acted as a buffer or safety net for many Latin American coffee cooperatives and producer members, helping them to remain on the land (Raynolds, 2002; Murray et al., 2003; Utting-Chamorro, 2005; Arnould et al., 2006; Imhof and Lee, 2007). Fairtrade cannot remove all market risks for small producers, however, nor can Fairtrade farmers be made immune to the vagaries of the international market (OPM/IIED, 2000; Moberg, 2005; Jaffee, 2007). Evidence suggests that the non-income impacts of Fairtrade are at least as important as income benefits for smallholder farmers. Some studies find only small or non-existent income differentials (e.g. Jaffee, 2007) although many studies also point to other important types of impact (e.g. capacity building, stability of income, market information and access, self-confidence, access to credit, national representation etc.) as being important for tackling poverty. Consideration of a broad range of welfare/quality of life and empowerment indicators is required and most importantly the views of participants should be sought and communicated to policymakers.

Ruben et al. (2008), in their study (which involved counterfactuals), found that more stability of income enabled small Fairtrade producers to take a more long-term view in relation to expenditure and investments – certainly more so than their counterparts in conventional trading chains (Jaffee, 2007; Ruben et al., 2008) – and the OPM/IIED 2000 study found that Fairtrade's longer-term relations and stability provided a basis for innovation. For those able to participate in Fairtrade, the increased stability provided by guaranteed prices, long-term contracts, and the availability of credit, enables farmers to invest in their land, domestic facilities, and children's education. Positive benefits may also accrue from promoting social cohesion in post-conflict situations as observed in a study of Fairtrade in Guatemala (Lyon, undated) in which the solidarity ethos of cooperatives is supported and civil spaces for participation are created. Aguilar (2007) also found that Fairtrade farmers felt more able to communicate within their group and better able to resolve tensions than they had in the past.

A more thorny issue is the degree to which Fairtrade alone can enable producers to escape poverty

A more thorny issue is the degree to which Fairtrade alone can enable producers to escape poverty. While a few of the studies reviewed by Nelson and Pound (2009) mention dramatic improvements in livelihoods, most emphasize that producer families are still

only surviving and covering basic needs (e.g. Jaffee, 2007). Those within the Fairtrade movement would not claim that Fairtrade can solve all the problems of rural development, and it is important not to expect too much of Fairtrade, but in assessing impact it is important to consider the relative contribution that Fairtrade can make to tackling poverty, the cost-effectiveness of the approach compared with other kinds of intervention, and what else needs to be done in a particular situation to tackle poverty. Structural challenges such as land fragmentation among Kenyan tea smallholders, labour shortages in South Indian tea estates, casualization of the agrarian workforce on South African vineyards, and the continuing economic inequalities in the post-apartheid era, may all be beyond the reach of Fairtrade. This is certainly the case unless the representation and influence of the Fairtrade producer networks can be increased significantly and coordinated in broader civil society alliances to seek structural changes. Clearly, for Fairtrade to have a deeper and broader impact it needs to be supplemented by changes in development policies and coordination with other development actors, funds, and initiatives to raise rural livelihoods to a more sustainable level.

Product quality is an important aspect influencing market access for smallholders and hence their future livelihoods. Fairtrade supports improvements in quality in cotton through price incentives and market requirements (see Nelson and Smith, 2011). The evidence on how far Fairtrade is improving quality in coffee production is rather mixed (Nelson and Pound, 2009). Fairtrade is seen as having a positive effect in enabling smallholder producer organizations, especially smaller sized groups, to convert to certified organic coffee production, bringing environmental benefits. The studies were divided in terms of the direct economic benefits of organic production, however, because the labour costs can be high.

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There is a dearth of information about the impact of investment of the Fairtrade premium. This premium is often given a great deal of attention in debates on Fairtrade impact, because the investments can or should be fairly visible. Analysis of the uses of the premium and their impact, however, specifically what difference activities and investments have made and to whom, has been very limited. Nelson and Pound (2009) found that as well as health and education type investments, there is also increasing investment in agricultural development. A recent Fairtrade International monitoring report noted a trend towards greater investment in agricultural infrastructure and skills (Kilpatrick, 2011). In a study of three Malawian tea smallholder organizations, both outgrowers and estates, Pound and Phiri (2009) found that significant premium payments are starting to translate into projects that benefit individual members' short- and longer-term livelihoods, their organizations, and communities.

**Studies of Fairtrade
impact on workers
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Positive benefits have accrued, including supporting the survival of economically vulnerable producers in some instances, but in-depth analysis is lacking and it can be difficult for independent studies not funded by Fairtrade organizations to obtain information on premium statistics. More strategic and coordinated use of funds is suggested by several papers (e.g. Parrish et al., 2005) including greater coordination with other development agencies in a specific locale. This finding is also a conclusion of the recent global assessment on bananas (Smith, 2010) and cotton (Nelson and Smith, 2011).

Studies of Fairtrade impact on workers are very limited. Tea worker conditions and rights at a Malawian tea estate were found to have improved, according to Pound and Phiri (2009), leading to greater workforce motivation, increased demand for work on the estate, and improvements in gender equality. The recent banana global impact study found that workers on certified banana estates achieved higher incomes on average compared with non-certified counterparts, but that payments still fall short of achieving a living wage. Workers have, however, benefited from improved employment contracts, job security, and working conditions (e.g. health and safety provisions and paid leave), but the benefits are not enabling them to escape poverty. Housing, education, and financial bonuses were valued by workers and they were able to make some minor investments for further income generation (Smith, 2010), but women were trapped in low-paid jobs and migrant and temporary workers were not benefiting as much as permanent workers.

Environmental impacts

None of the papers reviewed by Nelson and Pound (2009) presents a methodical assessment of the sustainability of farm practices at the local level, let alone a more systemic analysis of the impact on ecosystem services across scales (e.g. including broader landscape level, not just farm-level practices and outcomes). Some Fairtrade producers are diversifying (e.g. Murray et al., 2003), whilst others are specializing using additional income derived from participation in Fairtrade (Ruben et al., 2008). Several studies cite diversification into other activities, such as alternative income-generating activities and uptake of more agro-ecological practices, which help reduce the vulnerability of smallholders (Nelson and Pound, 2009). There is evidence that Fairtrade is promoting good environmental practices in agricultural production, especially in coffee, such as shade production, although more evidence is needed before generalization across commodities is possible. In bananas, for example, although standards have encouraged more environmentally sensitive production practices, there is no broader management of the risks

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of monocropping (Smith, 2010). More analysis is needed on specific ecosystem services and the performance of Fairtrade in terms of each service at different scales.

Empowerment impacts

Individual
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Finding indicators for individual empowerment is something which requires more attention in relation to Fairtrade. In the majority of cases, individual producer knowledge of Fairtrade was found to be very limited, although more understanding of Fairtrade was found at cooperative management level. A small number of studies found that smallholders identify Fairtrade actors as powerful external agents more than equitable partners (e.g. Moberg, 2005). Improving understanding is an important element of producer empowerment, but a larger proportion of sales for smallholders on Fairtrade terms would more easily facilitate this by making the benefits more visible. Nelson and Pound (2009) found strong evidence in the literature that positive empowerment impacts are being experienced by individual producers and producer organizations flowing from Fairtrade participation – but that the extent of this impact was limited (i.e. it fell short of being really transformative). The recent studies of bananas (Smith, 2010), tea (Pound and Phiri, 2009), and cotton (Nelson and Smith, 2011) have also found empowerment benefits, although somewhat limited in scope. The banana study found that worker committees have been formed, enabling some better protection of worker rights where historical and political barriers constrict trade-union activity, but the question arises as to whether this may then act as a disincentive to unionization (Smith, 2010).

Strengthening producer organizations

Fairtrade support
is particularly
important for
marketing and
trading reform

A large number of studies found improvements in smallholder market knowledge and negotiating skills, with Fairtrade support being of particular importance in contexts of marketing and trading reform. Several studies note the critical role Fairtrade has played, not only in supporting individual producers in times of real hardship, but also in enabling cooperatives to survive economic shocks and stresses – particularly the Fairtrade coffee cooperatives during the coffee crisis. More coordinated use of premium funds is suggested: the Parrish et al. 2005 study compares support to the KNCU coffee cooperative in Tanzania with the support from the US NGO Technoserve to coffee farmer associations in the same area. It suggests the importance of combining support for gaining a strategic return on the crop with support for community infrastructure and democratic processes – and that both areas of development are needed in the long run.

There is strong evidence that Fairtrade support leads to strengthening of producer organizations

There is strong evidence that Fairtrade support leads to a strengthening of producer organizations, in terms of their internal democratic workings and participation, and in their confidence and ability to negotiate with international buyers. The OPM/IIED (2000) study finds that the most important impact of Fairtrade is the building of producer groups and their bargaining power. There are still weaknesses to be addressed in some cases. For example, attention needs to be paid to the distribution of benefits – avoiding building the capacity of small numbers of individuals at management level, particularly powerful leaders, and bureaucracy should be reduced where possible to increase efficiency. Fairtrade support may be of particular importance during, and in the aftermath of, marketing and trading reforms, as found in Ghanaian cocoa and Tanzanian coffee (OPM/IIED, 2000).

In the more recent study of three FLO-certified Malawian tea-producing organizations (Pound and Phiri, 2009), considerable organizational changes, both structural and procedural, have been achieved. These changes have contributed to greater transparency, democracy, and accountability and increased the voice of smallholder tea producers and tea estate workers in their own organizations and, through them, to the national level. The three organizations are still fragile, however, and dependent on their respective estates. Additional support and capacity strengthening will be needed before the smallholder groups are able to operate independently, with investment to improve administration, financial and information management, communications, and technical project management urgently required (Pound and Phiri, 2009). The study also questions whether groups could enter Fairtrade without support from an alternative trade organization, as standards can be restrictive and certification costs high. A reduction in Fairtrade tea sales was also found to present sustainability challenges. Despite identifying these serious questions about Fairtrade impact in tea, the study finds significant premium payments are leading to benefits for producers, are strengthening producer organizations, and have initiated the empowerment process for office holders. Furthermore, certification has led to access to previously unavailable markets, and tea workers' conditions and voice have improved (Pound and Phiri, 2009).

The banana global Fairtrade impact assessment (Smith, 2010) found that organizational strengthening had led to improved access to agricultural services and premium markets and greater stability of the producer organization (allowing some offsetting of very low prices on conventional markets), as well as more democracy and transparency in the organization. Members are highly satisfied with their organizations, especially in relation to premium uses, and had achieved greater bargaining power with transporters, exporters, and government. Long-term trading relationships between producer

organizations and other actors had not yet been achieved and a risk of dependency on the premium and individual buyers persists. Concerns about stricter standards and competition from Fairtrade plantations were also found (Smith, 2010).

Wider impacts

Few of the earlier impact studies adequately consider wider impacts (i.e. those beyond individual producers and their organizations). A more territorial approach is needed which considers the full range of stakeholders that can be affected by Fairtrade in a particular territory and assesses the magnitude of impact (if any) on, for example, the regional economy.

Fairtrade participation has enabled smallholder producer organizations to increase their influence at a national level (Nelson and Pound, 2009), but there is very little information on how effective producer lobbying has been and how far this can be attributed to Fairtrade. The banana study (Smith, 2010) found that Fairtrade has indirectly stimulated the local economy, and supported social and community development and the development of the sector in the Windward Islands and Dominican Republic through the capture of a larger proportion of the market. It has not generated new employment, and overall volumes of Fairtrade bananas are too small to make significant national economic impact. No voice or platform was found influencing public policy except in the Windward Islands (Smith, 2010).

A number of studies reviewed by Nelson and Pound (2009) find demonstration effects, for example, where organic production of coffee and vegetables has spread between farmers (Jaffee, 2007). Some commentators suggest that there might be negative economic externalities to Fairtrade (Berndt, 2007), but empirical evidence is lacking. The issue is likely to become more relevant in the future if Fairtrade continues to expand and gains greater coverage of a particular market.

The impact of Fairtrade producer networking through regional Fairtrade producer networks is under-researched, but it is an increasingly important element of the overall Fairtrade 'package'. Although these networks are relatively young, comparative learning studies could be very useful. In Malawi, the creation of a national network of Fairtrade producers also presents possibilities of greater influence for smallholders in the future at a national level (Pound and Phiri, 2009).

Understanding of how Fairtrade affects producers' and workers' ability to respond to climate change is also lacking. None of the studies reviewed by Nelson and Pound (2009) mentions climate change and its implications for producers' and workers' livelihoods. This is important given the focus of Fairtrade on export commodities,

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and the fact that a changing climate may render some environments unsuitable for cultivation of specific crops (Nelson et al., 2009).

Gender and social difference

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The ability of Fairtrade to challenge gender norms and empower women is not well understood. The evidence on women's representation is somewhat mixed, with positive narratives on improvements in women's representation in farmer cooperatives, but some questions arising over how far women are able to take on cooperative leadership and decision-making positions and to speak up in meetings (Ronchi, 2002). It is difficult for Fairtrade to challenge gender inequalities, because these are so entrenched. This may be especially the case where organizations only sell small proportions of their crops to Fairtrade compared with their sales to conventional markets – because the mechanisms by which Fairtrade has an impact are not strong. Even for producer organizations that sell 100 per cent to Fairtrade markets, however, gender relations are often still highly unequal. A great deal more needs to be done in terms of challenging gender norms and in supporting women's empowerment. More attention also needs to be paid to understanding the gender-differentiated impacts of Fairtrade in the context of the gender inequalities in agricultural trade and development. Gender audits for Fairtrade organizations in different parts of the movement are recommended. In Malawian Fairtrade tea, some positive indications relating to female representation via the Joint Body were noted (Pound and Phiri, 2009), but the banana study found no clear gender impact, with women workers insufficiently represented in workforces, still trapped in lower-paid jobs, and some women workers indicating that premium benefits had not been evenly distributed (Smith, 2010).

Migrant and
temporary workers
benefit less than
permanent workers
in Fairtrade banana
value chains

The limited benefits to hired labourers employed by smallholders were highlighted in some of the earlier impact studies (Nelson and Pound, 2009). Smith (2010) finds that migrant and temporary workers are benefiting less than permanent workers in the banana Fairtrade value chains studied. On-farm labourers are obviously more difficult to reach, but more research and action is likely to be required.

Five factors shaping impact

The analysis provided above amply demonstrates that Fairtrade impact varies across time, place, and scale and that there are differences in the types of impact that may result (and for whom) and pathways by which these might be achieved. In this section, we outline some of the factors which shape impact, although this list is not exhaustive.

Institutions

Formal and informal institutions shape the regulatory, policy, and legal frameworks in which companies and organizations operate, as well as accepted business practices and cultural beliefs and norms (e.g. which shape gender relations). Institutions are defined here as 'rules of the game' (North, 1990). This recognizes that in addition to formal institutions (for example, the legal system with official mechanisms to enforce rules), informal institutions are shared beliefs and norms of behaviour, largely enforced through social relationships. In the everyday practice of trading, different actors enact these beliefs and practices within a particular context and with differing levels of power. Thus, the outcomes of uniform standards are not inevitable.

Resource and livelihood asset endowments vary from place to place: for example, a particular country has a particular endowment of resources (soils, topography, climate, human capital, technology, infrastructure, etc.). Access to particular resources is not even, but depends on socio-cultural relations and power dynamics. Jaffee (2007) suggests that local community members benefit from premium investments. This benefit is particularly felt in the close-knit, remote communities of rural Mexico, where a strong ethic of reciprocity exists. Farmers are also learning from each other in these communities, with a spread of organic practices to neighbours' food production (Jaffee, 2007).

Beyond the 'endowments' of a particular location, and the entitlements which determine differentiated access to resources, the national context also influences Fairtrade impacts, because the nexus between the state, civil society, and private sector will vary significantly between countries and over time. For example, the strength and capabilities of civil society will vary, the historical acceptance of trade union organization by companies and government differs, and the relationship and accepted roles of state, NGOs, and business are diverse. The capacity of labour inspectorates, the extent and enforcement of labour legislation, and the nature of agricultural policies are variable. The 'political literacy' (or 'understanding of position and rights') of workers and smallholders is not the same the world over, but depends on factors such as education levels, relative awareness, and organizing around labour issues, access to information, and ability of civil society organizations to network and create alliances for advocacy purposes. All of these contextual factors shape the outcomes of standards as they are taken up and implemented by different organizations.

Structural issues represent severe challenges to Fairtrade organizations seeking to support disadvantaged workers and smallholders. Many of the international companies sourcing cocoa from Ghanaian farmers are concerned about declining productivity, ageing, and out-migration of the rural population, as threats to their security of supply. As a result there are several multinational investment

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programmes providing capacity building and socio-economic investment in farmers' business skills and infrastructure in Ghana. Fairtrade alone is unable to make significant in-roads, and this is certainly the case without major growth in markets. The prevalence of child labour in West Africa is not mirrored in Latin America and standards that guarantee no child labour have to respond more vigorously to require their producer organizations to invest and comply in Africa as a result. A shortage of labour in the Nilgiris tea industry, South India, which is located in an upland region, also stands in contrast to the situation in Kenya, where labour is abundant and the topography is relatively flat (making mechanization much easier). These varying contexts place different sets of pressures on managers and the actors throughout the value chain.

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Cultural norms and power relations shape what are considered appropriate gender and social roles and there may also be very differing organizational cultures and internal power dynamics. Politics within a large producer organization, especially those that cross multiple scales, can influence how standards are taken up and what impact they have. Characteristics of the commodity itself – the types of processing involved, the opportunities for value addition, and the governance and structure of the value chain are also critical factors. For example, for the KuapaKokoo Farmers Union (KKFU) in Ghana, the business of buying cocoa beans from farmers is very competitive and requires significant financial capital to obtain farmers' products over and above other licensed buyers in the Ghanaian system. The KKFU is a large organization that still requires capacity strengthening, and it needs to be more directive of the company it owns, which buys and transports the cocoa from members. In 2000 the OPM/IIED study concluded that newly liberalized economies present challenges for small producers with which Fairtrade can assist (see OPM/IIED, 2000). Until recently, however, KuapaKokoo was only able to sell a small proportion of its cocoa on Fairtrade terms owing to limited market demand. World market prices for cocoa are currently high, meaning that individual producers do not see a price uplift via this mechanism for their cocoa sales to the cooperative. This may undermine the ability of the cooperative to create loyalty amongst members, as other licensed buyers also offer incentives, such as soap, to those that sell their cocoa beans to them.

The existing capacity of a farmer organization and its degree of federation can make a difference in terms of ability to manage information, improve business and management skills, develop new markets, and build democratic processes. The large cotton producer organizations in West Africa, for example, are federated and well-established, but are somewhat top-down in nature (Nelson and Smith, 2011).

Management style and capacity at an estate can shape attitudes towards corporate responsibility and influence whether certification is seen as an end in itself or the start of a process of improvement. Location and type of ownership of an estate are also likely to be relevant because they influence corporate policy responses to market signals. Many of the agri-food commodities that are now certified by standards were originally traded in the colonial era, and many of the estates were established during that time. While changes are occurring, some inequalities and cultural norms persist. Cultural practices within such settings can be very entrenched; current workers may be the latest in many generations that have lived and worked on a particular estate.

Globalization and market trends

Global economic processes shape outcomes at the local level and have driven the expansion of standards as well as mediating their potential impact. The international trade agreement in coffee broke down in the late 1980s, leading to very low commodity prices and negative impacts on smallholders; at the time Fairtrade provided a lifeline to many smallholders. Consolidation has since occurred in the international coffee industry, and now trading draws on sophisticated electronic data exchanges. Additionally, the futures trade in coffee and cocoa has increased leading to financialization – again with serious implications for local producers (Neilson and Pritchard, 2009). Voluntary standards have increased their reach in recent years because retailers and brand owners push them onto suppliers to ensure quality, food safety, and ethical standards.

Many agricultural commodity prices have increased in recent years, affecting the ability of certain Fairtrade mechanisms to achieve an impact. In Ghana, COCOBOD, a national cocoa body, sets the price farmers should receive for their cocoa each year, unlike in Côte d'Ivoire where there is full privatization. Because world market prices are currently relatively high, the COCOBOD price in Ghana is above the market price and both are above the Fairtrade minimum price – therefore this particular mechanism of Fairtrade is not currently active.

Value chain governance and relationships

The nature of value chain relationships has a significant influence on the impacts at the organizational, community, and individual levels. The type of buyer and their relative power and interests are likely to have an influence on the buyer commitment to Fairtrade and to specific suppliers. Some buyers are driven by their own mission

The futures trade in coffee and cocoa has increased, leading to serious implications for local producers

It is unclear whether Fairtrade market capacity is sufficient for both existing and new entrants

(e.g. to support disadvantaged smallholders) and these actively seek out more marginal producer organizations. Commercially driven value chains may involve Fairtrade, but many of the actors remain the same: commercial considerations and market differentiation represent primary drivers for engagement and they may be more likely to switch suppliers to less marginal ones, potentially negatively affecting existing Fairtrade organizations that have invested in Fairtrade for a period of time. It is unclear whether the capacity of Fairtrade markets is sufficient to absorb existing and new entrants in each commodity sector. The market for Fairtrade cotton is huge and sales grew rapidly from 2004 to 2008, especially in the UK, but these sales have not been sustained on account of pressure on margins for most big retailers (Nelson and Smith, 2011). Price remains a key factor shaping sourcing decisions, and this places West and Central Africa Fairtrade lint at a disadvantage compared with Indian lint. The lack of a well-developed textile sector in West and Central Africa compared with the existence of structured, vertically integrated sector in India is a further disadvantage for the region's producers. With an increase in Fairtrade-registered operators, there remains little difference between the Fairtrade and conventional value chains (Nelson and Smith, 2011).

Support extended to Fairtrade certified organizations

Involvement of NGOs appears to increase the level of impact of Fairtrade

Involvement of non-governmental organizations (beyond the producer support provided by FLO e.V., for example, which in the past has focused on achieving certification) appears to increase the level of impact of Fairtrade. This is because additional funds and capacity building are often needed to realize the benefits which can be achieved by the Fairtrade system alone. In a cotton study in Mali (Nelson and Smith, 2011) it was found that of the primary level farmer groups that are currently Fairtrade certified, the one with support from an international NGO appeared to have achieved the clearest impacts. In Malawian tea production, the smallholder organizations studied have received significant support from the estates they are linked to and new entrants would require this kind of assistance to participate in Fairtrade (Pound and Phiri, 2009). The support provided by the standard system varies; the capacity, skill, and orientation of individual Fairtrade liaison officers will differ and different Fairtrade organizations provide producer support – inputs not always adequately considered in exploring impact pathways in evaluations.

Size of a Fairtrade market

It is sometimes assumed by consumers that all the produce sold by a certified cooperative is sold on Fairtrade terms. While all produce of a certified organization is produced under Fairtrade conditions, it is often the case that only a proportion of their sales will be on Fairtrade terms. The labelling initiatives (e.g. the Fairtrade Foundation in the UK) seek to grow the markets by communicating with and persuading retailers, brand owners, and importers in their own country to support Fairtrade. Fairtrade sales have expanded rapidly, particularly in certain commodities, such as cocoa, where a company makes a commitment to source a whole line of products from Fairtrade suppliers. When a buyer switches its sales to Fairtrade this can make a difference to the proportions of producers' products sold on Fairtrade terms. This could translate into bigger impacts, but dependence on a particular buyer is also a risk. More analysis is needed of whether, and by what means, Fairtrade is expanding sales for existing and new Fairtrade producers. In some locations there are concerns that new entrants (especially where new categories of producers are allowed into the system) will undermine the position of existing producers. Some might argue that there is room for all Fairtrade producers, but this depends on the room to grow in developed country markets (e.g. in the US there is scope for massive expansion, but less so in the UK).

Conclusions

The question of 'what is the impact of Fairtrade?' is therefore multi-dimensional. This is hardly a surprise to those that recognize the multi-dimensional nature of rural poverty and the complexities of development processes and interventions. Yet the public profile of Fairtrade adds pressure on Fairtrade organizations to give clear messages about positive impact. We would like to emphasize that not all impacts can be achieved in a short time. In particular, capacity building of producer organizations is a longer-term task. Where improvements are occurring in producer organizations, sometimes additional support from development agencies and bigger markets is required in order to realize the full potential of the Fairtrade system. Generalizing about the impact of Fairtrade is clearly a difficult task and it will vary according to a number of dynamic factors. A better understanding of how Fairtrade has an impact in different contexts – time, place, and scale – based on the perspectives of farmers and workers, is urgently needed.

Fairtrade International (FLO) is currently establishing a global monitoring and evaluation system, which should enable a more systematic gathering of information, combined with some external independent assessments. Global indicators are being developed

A better understanding of how Fairtrade has an impact is urgently needed, based on producers' perspectives

by most of the ISEAL Alliance standard organizations, including Fairtrade, although the extent to which these could include locally developed indicators is not clear. The current donor focus emphasizes the need for evidence or 'proof' as derived primarily from quasi-experimental or experimental approaches. Reviews of impact of Fairtrade have not identified any practical examples of experimental approaches to impact evaluation; one of the reasons is that the 'treatment' (participation in Fairtrade) is not randomly assigned. The difficulties with quasi-experimental approaches are also becoming clear. Associated with this is the tendency, where mixed methods are involved, to treat the qualitative and sometimes participatory elements of impact assessments as being of secondary importance. Little innovation is occurring in the generation of numbers using participatory techniques. It may be worthwhile for the Fairtrade movement, following its ethos of empowerment and social justice, to return to the key principles of participation outlined in the 1990s, which challenged extractive research as being unethical, but also full of potential biases and limitations. Fairtrade organizations have commissioned learning-oriented studies, but sometimes these also fall short of truly participatory processes which start with producer interests in and capacities for tracking change.

More creative approaches are needed, for example in: (1) the quantification of perceptions; (2) support for producers and workers to define their own indicators of poverty or wealth; (3) use of unit-less scoring methods, where households are classified into quintiles based on their own indicators, and compared between two different points in time or between locations to measure relative poverty/wealth impacts; and (4) facilitation of participatory learning and video processes, whereby farmers and workers document their own experiences and advocate to those they need to influence (in an exercise *not* linked to marketing departments and final consumers). Where Fairtrade organizations are anxious to measure impact, there is scope for integration of such participatory methods into quasi-experimental approaches, although this would still remain a fairly instrumental approach to participation, and the benefits for non-Fairtrade farmers is hard to see. Where a learning objective is emphasized, then participatory approaches can greatly assist towards embedding a learning culture in Fairtrade systems. Such approaches still require significant resources and time as they are not necessarily quicker, but they might enable the generation of both qualitative and quantitative data in ways that are much more empowering of producers and workers. Extractive studies abound. Much rarer are the truly participatory action research approaches which do not have closed agendas and that enable producer and worker interests to allow their voices to be heard in arenas that they wish to influence.

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