



Institute of
Development Studies

**DOES FAIRTRADE MAKE A
DIFFERENCE? WHAT DOES THE
EVIDENCE SAY?**

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Areas of Fairtrade impact



Economic
impact



Social impact

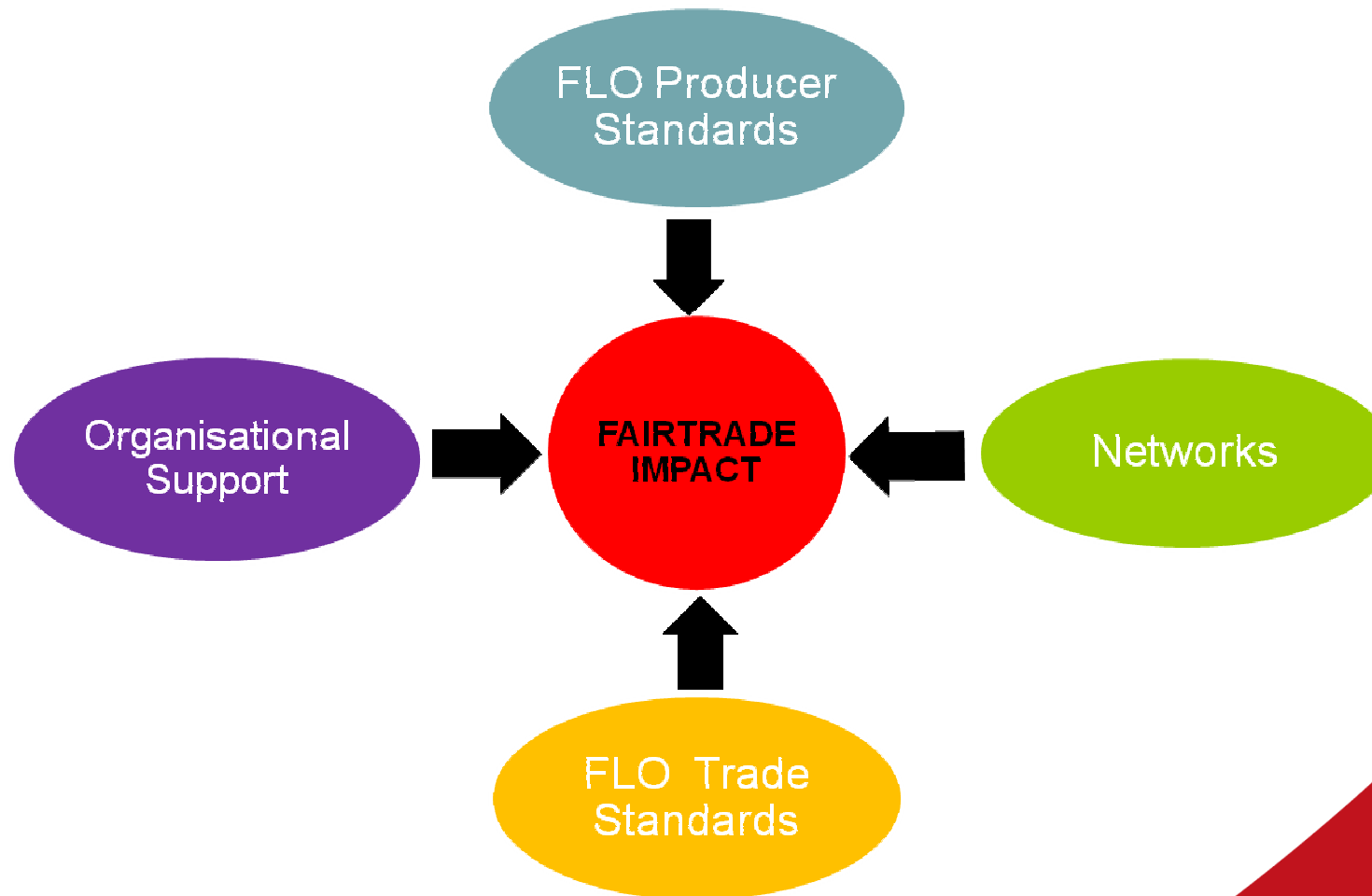
- Quality of life
- Empowerment



Environmental
impact



Avenues of Fairtrade Impact



What is the evidence base?

- Review of 38 impact studies (NRI 2008)
 - 29 with coffee producers
 - 28 Latin America and Caribbean
 - Few studies on workers, other sectors, other regions
- IDS research with coffee, tea, cocoa, and fruit producers and workers (2001-2007)
- IDS sector study of Fairtrade bananas from small producers and plantations (2008-9)

Economic impact of Fairtrade

- Guaranteed minimum prices → increased and more stable income for small producers over time
- Fairtrade can also:
 - improve access to credit
 - enable improvements in quality and transition to organic production
 - facilitate diversification of income sources
 - facilitate upgrading in value chains



production → processing → export → marketing → retail

- Mainstream Fairtrade markets create opportunities and challenges (growth vs. quality demands, cost pressures, insecurity)
- Less evidence of impact on workers' wages

Social impact of Fairtrade: Quality of Life

- Majority of studies find positive effects on quality of life:
 - higher standard of living
 - reduced vulnerability
 - household and community cohesion
 - reduced migration

- But many producers still poor, other strategies needed for sustainable development versus poverty reduction

Social impact of Fairtrade: Empowerment

- Majority of studies on small producers find empowerment effects such as:
 - Producer self confidence, self esteem, cultural identity
 - Strengthened producer organisations (democracy, services, negotiation capacity, political influence)
- Empowerment of workers limited by weak organisation and employer-employee relationship
- Gender analysis suggests largely neutral impact on women
- Fairtrade experienced by some as ‘control’ or ‘charity’
- Structural relations of power in international trade may not be altered in mainstream markets

Environmental impact of Fairtrade

- Fairtrade (standards, price premiums/stability) encourages good environmental practices, incl. resisting higher yielding, less ecologically sound production
- Often linked to organic certification – premiums but also costs, duplication, barriers to entry for poorest
- Little assessment of climate change (e.g. implications of reliance on single cash crops)

Avenues of Impact

ORGANISATIONAL SUPPORT

- Most SPOs receive considerable support – essential role in overall impact
- Support for plantations limited; more paternalistic approach

FLO PRODUCER STANDARDS

- Catalyst/reference point for good practice and continuous improvement
- Wide ranging positive impacts
- Some impacts weak and/or potentially negative
- Top down implementation

IMPACT OF FAIRTRADE

FLO TRADE STANDARDS

- Min. price important but income/wages can still be low
- FT Premium – significant positive impact though not always evenly distributed or empowering
- Terms and conditions of trade may be unaffected – retailers call the shots

NETWORKS

- FT creates/strengthens networks of small producers with impacts at various levels
- Little impact on networking workers to date

Key challenges for future

1. Increase returns from FT production and ensure workers benefit
2. Protect the position of small producers in FT
3. Strengthen worker organisation and networking
4. Strengthen gender perspectives
5. Ensure mainstream commercial actors are aligned to Fairtrade principles