

FAIRTRADE COTTON: ASSESSING IMPACT IN MALI, SENEGAL, CAMEROON AND INDIA

Synthesis Report

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ABBREVIATIONS

CFDT	Compagnie Française pour le Développement des Fibres Textiles (French Textile Development Company)
CMDT	Compagnie Malienne pour le Développement des Textiles (Malian Textile Development Company)
CPC	Cotton Producers' Cooperative
CNPC	Confédération Nationale des Producteurs de Coton du Cameroun
CPCB	Coopérative des Producteurs de Coton Biologique (Organic Cotton Producers' Cooperative)
CPS	Contract Production Standard
EIG	Economic Interest Group
FLO	Fairtrade Labelling Organization
GIC	Groupe d'Initiative Commune (Producers' Group in Cameroon)
GPC	Groupement de Producteurs de Coton (Cotton Producers' Group in Senegal)
ICAC	International Cotton Advisory Committee
INR	Indian Rupee
MHF	Max Havelaar, France
MOBIOM	Mouvement Biologique Malien (Malian Organic Movement)
NGO	Non-governmental organization
OHVN	Office de la Haute Vallée du Niger (Upper Niger Valley Office)
PB	Promoting Body
PO	Producer Organization
SODECOTON	Société de Développement du Coton du Cameroun (Cameroonesse Cotton Development Company)
SODEFITEX	Société de Développement et des Fibres Textiles (Senegalese Textile Development Company)
SPO	Small Producer Organization
W&CA	West and Central Africa

SUMMARY

This study assesses the impact of Fairtrade on cotton producers and their organizations in Mali, Senegal, Cameroon and India. One Producer Organization (PO) from each country participated in the study, selected by Max Havelaar France and the Fairtrade Foundation, UK (who jointly commissioned the research). The impact analysis forms the basis for a series of recommendations aimed at improving the Fairtrade system in favour of cotton producers, on-farm workers, and their organizations and communities.

1. Methodology

Fairtrade International's methodological guidelines for impact assessment were used as the basis for the study design. They identify four main mechanisms through which Fairtrade has the potential to create impacts (positive and negative): Producer Standards; Trade standards; organizational support; and networks. The possible areas of impact studied were: social differentiation and inequality; the socio-economic status of participants; the organization of smallholders and workers; local, regional and national development; and finally the management of natural resources.

The research team explored with farmers, their households, PO management and staff, community leaders, Fairtrade bodies, value chain actors and other relevant key informants whether and how Fairtrade is having an impact. Fieldwork was carried out by in-country research partners accompanied by NRI and IDS staff and associates. Primary level farmer groups were selected according to criteria such as geographical location and the length of time participating in Fairtrade. FLO-Cert inspection reports were analysed and relevant available data gathered from Fairtrade International (FLO). A small number of in-depth interviews with Fairtrade traders were undertaken and an independent cotton expert was commissioned to help unpack how global economic and cotton sector trends, and Fairtrade market and value chain dynamics, affect producers and their families.

The three West and Central African POs included in the study are all certified against the Fairtrade Standard for Small Producer Organizations (SPO). The (nascent) Indian PO participates alongside a Promoting Body (a company working with cotton farmers to provide services and buy their cotton) under the Fairtrade Standard for Contract Production Systems (CPS). The draft country study reports and the draft synthesis report were all shared firstly with the POs and then with a wider range of Fairtrade stakeholders to gather their comments, cross-check the accuracy of data, and to identify any gaps. Where producers or other stakeholders disagreed with a particular finding, their views were incorporated into the final report highlighting any discrepancy with other sources of information.

2. Global cotton context

Cotton is grown in more than 100 countries on about 2.5% of global arable land. Processing of cotton has shifted from developed to developing countries over the last decade. Both world cotton production and consumption are trending higher, reaching a record in 2008-09 before the global economic crisis affected consumer demand. The largest producers are China, India, the USA and Pakistan and yield increases have led to an overall growth in global production although yields vary from place to place. The largest consumers (importing cotton for processing) are China, India, Pakistan and Turkey. Over 150 countries are involved in the

export or import of cotton, but as many of the top producers are also large consumers, overall trading is on average less than one-third of world output and represents only 0.1% of total world product exports. The expanding textile industry in Asia has led to it becoming the leading importing region. The US has been the world's largest cotton exporter since 1834.

Over 500 firms are involved in global cotton and textiles trade, but thirteen of these handle around a quarter of world production. International merchants buy from ginneries when they want to sell and sell when spinners want to buy, which rarely happens simultaneously, hedging their physical position with 'futures'. Direct trades between ginneries and spinners are rare as they can only work with long-term trading relationships and averaging of prices.

Cotton is traded in US dollars and prices are volatile and have been trending lower, although at the time of the research they were on an upswing. Trade-distorting subsidies put pressure on prices (10 out of the 11 largest cotton producing countries provide governmental protection measures to cotton producers). However, even if these were eliminated and production declined in countries that subsidize cotton, it may rapidly expand in other lower cost producing countries in response to higher prices. Technology-driven productivity gains, competition with polyester and increased competition at the retail level add to the downward price pressure along the value chain, ultimately affecting the prices received by farmers of seed cotton.

Cotton textile value chains are very complex. Cotton fibres are firstly separated from the seed in ginning to form lint, and then spun into yarn. The yarn is used to manufacture textile goods, involving activities such as weaving, knitting, dyeing, printing, and finally sewing into garments, accessories and homeware products. The different stages of the value chain can occur in different countries, although in some cases there is a high degree of vertical integration in which a single company or parts of a corporate group perform several chain functions, especially in the stages between spinning and manufacturing. Companies in the chain may also be linked via shareholdings, holding companies and joint ventures. Trade is also affected by a range of distorting practices, including subsidies, quotas, smuggling, exploitative labour conditions, currency manipulation, fake origin labelling and counterfeiting.

The price of seed cotton comprises a relatively small share of the total retail cost of textile products, as value is added from processing, manufacturing, and distribution services as the cotton moves through the marketing channel. The impact of seed cotton and lint prices on retail values depend on the quantity of cotton contained in the finished product and on the processing needed. However, the cost of raw cotton as a share of the retail value is estimated to not exceed 10%. As a result, a 10% increase in the seed cotton price may translate into an increase in the retail price of only 1% or less, although there may be some compounding of costs through the value chain. The retail segment often receives over half of the final retail value of the various cotton finished products.

Organic and Fairtrade cottons are more expensive than conventional cotton, but this does not necessarily translate into a much higher cost of the end-product because the retail value of a clothing item is typically about 25 to 30 times the value of the cotton contained in it. A mark-up of around 30-50% on the price of organic or Fairtrade cotton lint would in theory translate into a 1-2% mark-up on the final product and consumers will normally not care about such a price difference. However, in practice retail mark-ups on organic or Fairtrade cotton items are much higher, generally about 20-40%, but occasionally up to 100%. The higher sales price is usually explained by the additional costs involved in niche markets.

Conventional cotton production relies heavily on the use of agro-chemicals with serious implications for human and ecosystem health, and water and soil use is also a key challenge to sustainable production. Organic certification of cotton has expanded rapidly in recent years, but still only accounts for 1% of world output. The use of genetically modified varieties may have increased yields but poses risks for human health and

biodiversity which are not fully understood and preventing cross-contamination is an increasing challenge for organic farmers.

3. Regional contexts and trends

The cotton ginning companies in the West and Central Africa (W&CA) case study countries are all ex-state cotton boards which have been (partially) liberalized. They buy seed cotton directly from producers and provide them with farm inputs and credit. Pan-territorial/pan-seasonal price guarantee mechanisms pass high levels of financial risk to cotton companies. There is a crisis in W&CA cotton, with all cotton companies operating at a loss since 2004-05. In contrast, in India most seed cotton is purchased from growers at marketing yards by middlemen who sell it to ginneries or are paid a commission by ginneries. Those traders often supply inputs (for cash or on credit) to farmers.

Quality is of increasing importance in the cotton trade and handpicked cottons from India and Africa trade at a discount to machine-picked cottons for contamination-related reasons. Indian cotton has the reputation of being the most contaminated, with African cotton taking second place.

India is the major competitor of African organic and Fairtrade cottons. In recent times Indian lint has been cheaper than W&CA lint, largely because of currency fluctuations (although other factors also contribute to the difference).

Cotton production is of critical importance to the economies of all four case study countries, particularly in terms of rural employment. In all of the study regions there are hundreds of thousands of smallholder farming families relying on the cash income from cotton to secure their livelihoods. However, many are suffering as prices have fallen while costs of production have risen.

4. Fairtrade in cotton

Launched in 2004, Fairtrade cotton began in four countries in West and Central Africa (Mali, Senegal, Cameroon and Burkina Faso) with smallholder organizations being given support from Max Havelaar France (as well as Geocoton, national cotton companies and donor funding), and soon after in India with support from Max Havelaar Switzerland. The aim was to provide support to small cotton producers suffering from a long-term decline in prices, to manage environmental and health risks from cotton production, and respond to the crisis in the African cotton sector. As yet there is no separate FLO standard to cover other vulnerable groups in textile value chains, such as factory workers in garment manufacture, but FLO's Trade Standards require all operators in Fairtrade cotton value chains to submit evidence of their efforts to comply with key ILO Conventions on labour rights.

In early 2011, after nearly 6 years in existence, Fairtrade cotton is being produced in seven countries (four in W&CA, as well as India, Kyrgyzstan and Egypt) and involves an estimated 55,000 producers. Fairtrade cotton products are primarily sold in Europe – the UK, France, and Switzerland and to a lesser extent in Germany, Denmark and Finland, with additional markets emerging all the time. Sales volumes have benefited greatly from the involvement of large brands and retailers, motivated as much by corporate social responsibility considerations as by expressed consumer demand. Sales grew rapidly in the first years, but slowed down in 2009-10, with the key UK market experiencing a 33% drop in unit sales from 2009 to 2010 due to challenging retail conditions on the high street.

Fairtrade can have a diverse range of impacts on individual producers, their households, organizations and communities, and more broadly on local and national development and the natural environment. The main impacts are outlined below, grouped according to the type of impact and the level at which they occur.

5. Fairtrade Impact on social difference and inequality

- Positive impacts on women's economic empowerment have been achieved in W&CA, including more cotton produced by women farmers and greater control by women of their cotton income, although the effect is not consistent across all women.
- Improvements in women's representation and participation in Producer Organizations were found in all four case studies, although there is concern that women may still feel obliged to vote as their spouse does and board representation is sometimes only symbolic.
- Gendered social norms and the gender division of labour still limit women's participation and ability to benefit from Fairtrade.
- Enhanced community solidarity and social cohesion in Mali and Senegal was found, but some anecdotal evidence suggested labour exchange traditions may have been undermined by Fairtrade production requirements –more research is needed to verify this phenomenon and its scale.
- Inconclusive findings on the impact of Fairtrade on child labour, but at minimum there has been sensitization of producer group leaders and male farmers.

6. Fairtrade impacts on Income

- Fairtrade producers in W&CA received substantially higher prices under Fairtrade between 2004 and 2007: between 22% and 40% higher for conventional cotton and up to 70% higher for organic cotton. However, case study PO sales on Fairtrade markets dropped off in 2007-08 and reduced to zero in 2008-09, mainly because supply exceeded demand and cotton companies were holding a back stock of Fairtrade cotton from previous years.
- There has been less direct impact on producer income in the Indian case study PO due to market prices generally being above the Fairtrade minimum price.
- The potential price uplift for average production in W&CA was estimated to be only between USD 40 and USD 133/year for the 2008-9 harvest, if all production had been sold on Fairtrade markets. A lack of reliable cost of production data limited the analysis that could be done on net profits from Fairtrade production. There is some evidence that Fairtrade has increased the cost of inputs and labour, but quality and yield improvements may counterbalance this.
- Fairtrade price incentives and technical assistance (linked to Fairtrade status) have brought improvements in quality. In India a new seed variety is promoted by the Promoting Body to meet the quality requirements of Fairtrade buyers (and because it is higher yielding), but it is less drought-tolerant and so represents a risk in drought-prone areas and for farmers without irrigation (who may be the poorest).

7. Fairtrade impacts on household standard of living & quality of life

- Cotton is the most important income source for Fairtrade farming households in the study groups, although in Cameroon cotton production has been de-prioritised by farmers in recent years due to lack of sales on Fairtrade markets, low prices on conventional markets and higher costs of production.
- The precise impact of improved prices on household standard of living is hard to measure because households pursue a range of livelihood strategies simultaneously (and because payments from cotton companies are staggered). Case study producers reported that cotton income is used to help cover basic household expenses, including health care and children's education. W&CA case study households said they are more able to cover these costs when Fairtrade prices are available.
- Some Fairtrade farmers in all countries reported using surplus income from cotton for small investments in income-generating activities, farm equipment, savings and/or land, but this evidence of sustainable development was less often found for farmers with small areas of cotton and/or low yields.
- The recent lack of sales has undermined the positive income effects in W&CA. In India the impact on household income for case study producers was minimal anyway.
- Use of hired labour is relatively common in India, while in W&CA most producers rely on family labour and unpaid labour exchange with neighbours. There is anecdotal evidence of some improvements in working conditions as a result of Fairtrade, but more research is needed to verify this.

8. Fairtrade impacts on strengthening of producer organizations

- Smallholders were already organized into large, multi-level farmer organizations in W&CA. Fairtrade has strengthened these organizations (e.g. skills development, improved regularity of meetings, greater transparency of financial transactions). In the Indian case Fairtrade has supported the emergence of a new farmer organization, with the support of the Promoting Body (PB).
- The number of FLO-certified producers grew rapidly in W&CA but has fallen back with the slump in sales. Membership of the PO in India has increased year on year.
- Indian farmers were positive about their organization and said it should continue even if Fairtrade did not persist because of its worth. Farmers felt the exchange of information from attending more regular meetings was a particular benefit. In all three W&CA case studies Fairtrade farmers observed improvements in the transparency and management of their organizations, but some said there is more to do to achieve good governance at all levels.
- Over-dependence on other organizations is an issue in both W&CA and India. In W&CA the case study POs are still heavily reliant on the national cotton companies, largely for structural reasons but also due to weaknesses in internal capacity. In India the nascent PO is still entirely dependent upon the PB. Although the PB has provided support for organizational development – a process which takes time and requires considerable capacity building – the PB lacks a clear incentive to build up the organization to independence.
- All case study POs still lack the networks and capacity to market independently, with market access only through the national cotton companies/PB. Although improvements in organizational democracy and management capacity in all four cases could in the longer-term help farmer organizations have greater autonomy, their ability to absorb the risks involved in cotton marketing is questionable.
- Producers' access to high value export markets has improved as a result of quality improvements brought about directly or indirectly by Fairtrade. In the Mali and India cases farmers already accessed

organic certified markets, but Fairtrade Premium investments support farmers to continue to meet the organic market requirements and to achieve more sustainable production methods.

- The Fairtrade Premium has been used for a range of purposes including: paying for health officers and buildings; construction of schools, scholarships and uniforms; water supply; rural electrification; agricultural infrastructure and sustainable agriculture investments; producer organization offices. There were many positive observations of these outcomes.
- The Fairtrade Premium decision-making process was viewed positively by producers in all four cases, with some changes instituted by FLO (in India) leading to improvements. However, in W&CA members' confidence in their POs has been affected by the slump in sales, which has made it difficult for the POs to cover certification costs, reduced available Fairtrade Premiums and undermined their ability to make timely Premium payments. At the time of the research Cameroonian farmers were missing out on *both* SODECOTON and Fairtrade Premium funds for community investments. Their producer groups were also unable to commit sufficient funds to the community contribution when this role was decentralized to them, preventing more effective investments and coherent projects. Some Indian producers questioned the sharing of the Premium across all communities, especially when there are not many members in a particular community.
- In all four cases individual Fairtrade farmers have only limited knowledge of the principles and (sometimes) the basic mechanisms of Fairtrade and there is sometimes confusion with organic certification. More knowledge was, unsurprisingly, found at higher levels in producer organizations, but few farmers understand where the cotton is sold, and the actors and margins involved, partly because of their lack of involvement in ginning, input supplies and exportation. This lack of understanding worsens the confusion and loss of confidence created by the drop-off in sales.

9. Fairtrade impact on local and national development

- In the early years when sales expanded rapidly, Fairtrade was helping to revitalize the nationally important West and Central African cotton sectors in the study countries, offering a potential strategy for greater financial viability and sustainability at both producer and cotton company levels. Unfortunately the stalling of sales is undermining this impact. More generally, there are structural issues such as limited land holdings, high levels of illiteracy, lack of textile industry infrastructure, currency fluctuations, climatic and natural resource endowments which limit the impact that Fairtrade has and which may be beyond the scope of the Fairtrade system to address. However, Fairtrade could increase its analysis of these factors and its development of suitable strategies to help tackle them, such as through international advocacy.
- At a national or state level there has been minimal impact in India, given the size of the cotton sector and the relatively small proportion that Fairtrade production represents.
- The complexity of cotton value chains and the power of some intermediaries and retailers to determine value chain outcomes (such as who is included and excluded) also represent key challenges for FLO and Fairtrade actors in meeting their objective of sustainable development for small producers. This is exemplified by the fluctuations in sales in W&CA, but the case study PB in India also says it is struggling to sustain a longer-term trading relationship with the PO given the costs of certification, fluctuations in market demand, competition between Fairtrade suppliers and lack of willingness of buyers to commit to buying Fairtrade over longer periods.

- There is little evidence of increased advocacy activities or any change in the political influence of the W&CA case study producer groups as a result of their participation in Fairtrade. The PO in Mali has made most progress in developing support partnerships and engaging in lobbying, with crucial capacity building support being provided by NGOs. More networking is recommended at the local level in Cameroon; the PO has received donor support, but this has not increased its political influence significantly. In Senegal some support partnerships have been created, but with limited impact to date. The Indian PO has only just been established and it is too early to expect much progress in terms of political influence; in the meantime the PB is representing it in Fairtrade networks and other forums. The question is over what timescale should greater PO independence be expected to happen, and how can FLO and Fairtrade actors address the fact that the incentives may not be sufficient for PBs to support producer organizations to independence?

10. Fairtrade impact on natural resources management and environmental impact

- The Fairtrade Premium is an incentive which enables farmers to invest in changing their agricultural practices, and the Fairtrade standards can provide a framework for improvements. However, external support has been of critical importance in delivering positive impacts on sustainable agricultural practices (e.g. a donor-supported project for Fairtrade producers in Cameroon, donor support for the PO in Mali).
- Organic certification in Mali and India predates Fairtrade and it is not easy to assess the relative impacts of each certification, in particular where external capacity building support is being provided as well. However, good synergies were found to be occurring between Fairtrade and organic standards in achieving sustainable agriculture – whilst sales are happening – because of investment of the Fairtrade Premium in low input agriculture.
- Switching to less toxic pesticides is an important achievement in both organic and non-organic Fairtrade situations. It is not possible to separate out whether these impacts are the result of Fairtrade or Organic certification, but it is likely that both certification systems contribute through their requirements, training and financial mechanisms. In Mali positive human health impacts were observed by farmers as a result of the decrease in toxic pesticide use. But the consistency/persistence of switching is not always clear. Some farmers in W&CA are resistant because of negative side-effects (e.g. more snakes in fields), higher costs and perceived ineffectiveness of the Fairtrade-approved alternatives, although the W&CA national cotton companies argue that the pesticides work differently and are slow-acting, rather than being less effective.
- Some socio-environmental concerns were also raised about: whether farmers are still re-using pesticide containers for food and water storage (Cameroon); the risks of GMO contamination (India); increased work burdens involved in organic and sustainable agriculture methods (India); the riskiness of the switch to an higher quality but less drought-tolerant seed variety in India to meet Fairtrade quality requirements; and about salinity ingress into groundwater (India).
- Farmers in Mali and India reported increasingly irregular and late rains (which have knock-on effects worsening the impact of pests) and salinization is a problem in India that is likely to be exacerbated by climate change. Support for sustainable agricultural production as well as better terms of trade are likely to be important elements in building up resilience of Fairtrade farmers to increasing climate variability at least in the short-term, but attention needs to be paid to the issue of drought-tolerance in India.

- Organic Fairtrade producers in Mali report lower input costs compared to conventional Fairtrade producers, who are suffering as input prices rise, but they also have substantially lower yields.

11. Fairtrade Cotton market and value chain analysis

- Global cotton sales grew rapidly in the early years but slowed down in 2009 and were predicted to drop off in 2010, mainly due to a 33% reduction in UK sales (the biggest market for Fairtrade cotton). This was due to the challenging retail environment prompted by the onset of recession in 2008-09 combined with price sensitivity of the types of products sold as Fairtrade.
- Production of Fairtrade seed cotton grew almost exponentially from 2004 to 2009, as more POs gained certification (doubling between 2008 and 2009) and membership of existing POs expanded fast. POs, especially those in W&CA, were unable to sell hardly any Fairtrade cotton from the 2007-09 seasons as the over-supply from previous years needed to be cleared. Backlogs have apparently now cleared, but production in W&CA for 2009-11 was much lower, suggesting ongoing problems with supply and demand fluctuations.
- FLO has responded by establishing a Cotton Working Group with oversight by a Global Product Manager which aims to improve intelligence gathering, as well as communication and coordination between Fairtrade organizations, businesses involved in Fairtrade cotton and producers.
- Most Fairtrade cotton was sourced from West and Central Africa until 2007-08 when there was increased availability and hence competition from Indian Fairtrade cotton. W&CA prices for Fairtrade cotton lint were reportedly up to 25% higher than Indian prices until 2009, mainly due to the strong Euro/weak dollar. The FOB price difference has now reduced as the dollar has strengthened, but most W&CA cotton is shipped to India for further processing incurring additional costs of transport, storage, insurance, logistics and import duties. Indian spinners are more familiar with Indian lint and other value chain operators have preferences for sourcing locally (due to high levels of vertical integration in the Indian textile sector). All of this disadvantages African producers. Some retailers specifically want cotton from Africa, but they are in the minority and most focus on keeping costs down.
- Fairtrade can add cost to final products in the following ways:
 - cost of FLO certification/registration and licence fee;
 - processing costs associated with running small volumes on separate production lines and not being able to blend cotton of different qualities;
 - lack of Fairtrade market for waste;
 - costs of monitoring, reporting and marketing;
 - value chain operators may charge higher margins for Fairtrade cotton, maybe because their margins are unsustainably low in conventional cotton (although evidence for this is anecdotal). Importantly, margins are generally calculated on the basis of processing costs, not including raw materials, which means that the higher cost of Fairtrade lint should not be compounded along the value chain.
- According to key informants, there may be no substantial differences between the trading relationships in Fairtrade value chains and those in conventional cotton. Many of the same actors are involved and commercial decisions are based on similar factors. Fairtrade has not been able to

guarantee long-term trading relationships over the past two years as measured by stable sales; this is largely to do with the length and complexity of Fairtrade cotton value chains, the types of products being sold as Fairtrade, and the timing of transactions along the chain.

- However, more efforts are being made by FLO and LIs to work with traders and retailers to develop more sustainable Fairtrade value chains; there is some evidence that Fairtrade can create opportunities for collaboration and partnerships in developing innovative models which address some of the difficulties that have been faced to date. It will be important to monitor the effect of these efforts in the coming years.

12. Fairtrade Avenues of Impact

In order to improve the impact of Fairtrade, it is important to explore *how* Fairtrade has had an impact upon cotton producers and their organizations, by analysing the operation of the main avenues of Fairtrade impact, as follows.

FLO Producer Standards

- Fairtrade (FLO) Producer Standards and the auditing system have contributed to increased organizational democracy and transparency of the case study POs in W&CA, through establishing required standards for certification. Capacity building from cotton companies and/or external agencies has been important in bringing about this organizational change (see below).
- An element of pre-selection has occurred with more organized local level groups within the umbrella bodies participating in Fairtrade first.
- In India the Contract Production Standard has provided a framework for engaging with a Promoting Body to support the emergence of a farmer organization, complemented by the audit process which has supported ongoing improvements.
- The Producer Standards, along with the financial incentives related to Fairtrade, have stimulated greater participation of women as members and representatives of POs, particularly in W&CA where they account for up to 40% of PO members. This is less true for the Indian case study PO where women are disadvantaged by the membership requirement to hold a land title, although women are able to attend meetings in place of their husbands and are represented at board level in the PO. Other potentially excluded groups in India have also benefited from the non-discrimination requirements of Fairtrade, such as Harijans, although more needs to be done to tackle entrenched inequalities, including those based on gender. As for other aspects of organizational strengthening, the support of external agencies has been critical for achieving impact in this area.
- Relatively limited awareness of Fairtrade principles, processes and markets among producers, particularly at the lower levels of the organizations, has made it all the more difficult for them to understand the stalling of sales.
- There is anecdotal evidence of improvements in hired labour conditions in India, Mali and Cameroon (although there is little hired labour use in W&CA); it is not clear if the reported changes are widespread and if they are a result of the Producer Standards and auditing, increases in farmgate prices, or other effects (e.g. PO level initiatives).

- The Fairtrade standards, along with support from external agencies, have increased awareness of child labour issues amongst case study PO leaders and male farmers, but there is conflicting evidence as to whether it exists on Fairtrade farms and under what conditions.
- The Producer Standards have led to significant environmental benefits (sometimes in combination with organic certification) in the reduction of the use of harmful pesticides, better disposal of chemical containers, introduction and strengthening of sustainable agriculture farming methods. There are costs incurred as well however (e.g. more expensive pesticides, not being able to use containers for storage, higher labour costs, etc.) and the measures have not all been universally popular.

FLO Trade Standards

- *The Fairtrade Minimum Price (FTMP)*

The FTMP had a positive impact on producer income in all three of the W&CA case studies until the stalling of sales in 2007-08 onwards, which undermined the impact achieved. In India the FTMP has had no discernible impact as it has been lower than local market prices and since 2008 the government guaranteed base price. FTMP is set in Euros for all countries now, but until 2008 it was set in dollars for India and a weak Euro from 2004-08 made W&CA cotton expensive relative to Indian cotton, which exacerbated the tendency for sourcing to move from Africa to Asia.

Cotton companies in W&CA also benefitted from higher FOB prices (until sales stalled), enabling them to cover the costs of buying seed cotton, whereas conventionally traded cotton is often sold at a loss. As such Fairtrade appeared to offer a (partial) solution to the long term crisis in cotton sectors of the region. However, confidence has been knocked by the sales slump and a rise in non-Fairtrade cotton prices in 2010 is also further reducing the relative attractiveness of Fairtrade, although a further change in Fairtrade and non-Fairtrade market dynamics could reverse this (e.g. if more secure and longer term guarantees for sales can be established).

- *Fairtrade Premium*

According to producers, the Premium has brought positive benefits in all four case study countries from investments in education, health, water, agricultural infrastructure and support for organic production. Some problems have been experienced with late payment of the Premium due to the drop-off in sales and an inability to sustain the benefits. Specific difficulties have arisen in Cameroon with producers not being reinstated as recipients of cotton company community project investment after Fairtrade sales, and therefore Premium funds, dried up in 2008. Some POs have used some of the Fairtrade Premium to cover operational costs, with the aim of making them less dependent on external support, but this means volatility in sales has a negative effect on their financial stability.

- *Terms of trading*

An increase in registered operators means that Fairtrade value chains are not significantly different to conventional ones in terms of the businesses involved. There are examples of Fairtrade helping to build collaborative value chains with innovative models for getting Fairtrade products to market, but equally there are examples of retailers and other value chain actors dominating sourcing decisions and not giving guarantees of purchases in advance. There is significant price competition between Fairtrade suppliers and in a context of over-supply this undermines compliance with the key Fairtrade principle of long-term trading relationships. In this competition SPO producers in W&CA (and perhaps

also SPOs in India) are likely to lose out to Indian producers operating under contract production systems, given established sourcing preferences of conventional cotton operators. However, even the case study PB is struggling with the costs of certification and competition with cheaper cotton coming from other Indian states, as well as the lack of secure, consistent Fairtrade markets to sustain the long-term relationship with farmers. As a result of these problems, FLO and its partners are focusing on developing markets for products that involve less fluctuation in demand and allow for the development of longer-term trading relationships.

Organizational strengthening and business development

External support has been critical in building the capacity of the case study POs in all four countries. This support has come from different sources: an NGO in Mali, the national cotton companies in Cameroon and Senegal and the PB in India. All of this support is indirectly linked to Fairtrade as it helps producers to meet Fairtrade standards and the requirements of Fairtrade buyers. External support also covers operational costs in some cases (with help from the Fairtrade Premium), and has encouraged more democratic decision-making and the participation of women. But the W&CA POs, especially in Senegal and Cameroon, remain very dependent on the cotton companies (for inputs, transport, ginning, and technical advice) and some individual producers are confused between the identity of the cotton company and the PO. In Mali financial and operational dependence on NGOs is also an issue, but greater progress has been made in encouraging independence.

Support for organizational strengthening and business development has also been carried out, or financed, directly by Fairtrade organizations, especially the Labelling Initiatives (LIs) in France, Switzerland and the UK. Max Havelaar France played a critical role in establishing Fairtrade cotton in W&CA, securing funding and bringing together key players (e.g. national cotton companies, COPACO) to develop management systems and build up supply. Max Havelaar Switzerland was similarly involved in developing cotton supply from India. The Fairtrade Foundation has worked on developing UK markets and trying to reduce costs in Fairtrade cotton value chains, as well as providing access to funds for capacity building. In India, the FLO Liaison Officer helped in the formation of the PO and has supported more democratic decision-making and representation.

Fairtrade market requirements for quality cotton, as well as the financial incentives associated with Fairtrade, have combined with technical advice and training from support organizations to achieve quality improvements in all four country case studies. In India the new cotton variety promoted by the case study PB has led to quality improvements, but also creates some risks for farmers in drought conditions.

Networking

Fairtrade has had little impact in terms of supporting producer networking (e.g. for business development or advocacy) in the case study POs. The PB is representing the Indian PO in the Fairtrade Network of Asian Producers, but producers are not yet themselves involved. In W&CA networking has also been limited and there is no apparent impact from Fairtrade, although in Mali the PO has developed some new partnerships and representatives participate in national and regional meetings as a result of support from an NGO, and there may be some indirect links with Fairtrade (based on Fairtrade's contribution to sustaining the PO). It was noted that there is no clear platform for networking of local level Fairtrade groups to find their voice in the larger organization in Cameroon.

13. Key recommendations

- **Reduce the volatility of Fairtrade markets:** take steps to achieve greater balance between supply and demand in Fairtrade cotton; ensure understanding of and commitment to Fairtrade principles among all businesses involved in Fairtrade cotton value chains; identify and support the development of value chains and products which best fit with Fairtrade principles and objectives; introduce a mechanism which protects producers from currency fluctuations.
- **Improve awareness and understanding throughout value chain:** support POs to improve training and communication on Fairtrade principles, processes and markets with farmers; improve data gathering and transparency on costs and margins in Fairtrade value chains; learn from innovative value chains models which seek to maximise the benefits to producers while minimizing retail prices; build consumer awareness.
- **Increase returns and promote income diversification:** ensure continued capacity building support to improve productivity, reduce costs, increase quality and produce more sustainably; promote linkages with organic production; support POs to engage in other functions in the value chain (e.g. input supply, transportation, processing) and promote/ facilitate product diversification to reduce dependence on cotton; develop a strategy to help African producers compete; conduct further analysis of producer empowerment in contract production systems.
- **Tackle gender inequality and empowerment of women:** give a higher priority to gender within Fairtrade International and FLO-Cert, including provision of training to all staff and collection of gender-disaggregated data; develop guidance and strategies to tackle gender inequality and support positive changes in household gender relations and women's active participation in POs.
- **Strengthen actions on hired labour and child labour:** Raise awareness of Fairtrade requirements for hired labour and assist POs to develop strategies to meet standards, especially in India; commission a dedicated study on child labour, using appropriate methods.
- **Support sustainable production and environmental stewardship:** seek partnerships with other organizations/private companies to develop programmes supporting climate change adaptation and sustainable production; gather more data on costs of Fairtrade production and ensure adequate consideration of costs/risks of different types of production/seed varieties.
- **Improve payment and use of Fairtrade Premium:** Ensure timely payment of the Premium and greater transparency and communication with producers; encourage strategic use of Premium, through building the capacity of POs and linking with other agencies, local authorities, etc; support learning about good practice.
- **Support organizational development and networking:** Develop strategies of organizational support which facilitate progress towards PO independence, including linking to government or development agencies for capacity building, agricultural extension services and access to credit; support innovative approaches which help PO representatives to network and lobby within national and Fairtrade policy circles.

14. Impact methodology recommendations

- Extend FLO methodology which was originally established as a guide and requires fleshing out (e.g. review pros and cons, and potential trade-offs, of different approaches to impact assessment; clarify hypothetical and actual causal impact chains; elaborate on contextual conditions affecting impacts; provide guidance for researchers on operationalizing methodology).

- Ensure expectations, timescales and budgets for impact studies are realistic. Prioritize themes for in-depth exploration to avoid budgetary constraints limiting the depth of findings (e.g. on the full range of issues affecting economic sustainability; on child labour; on the dynamics of Fairtrade impact in Contract Production Systems versus Small Producer Organization situations, etc.)
- Reflect on the impact of impact studies themselves to maximise use and to ensure that the Fairtrade system responds to key findings. It is often the case that impact studies do not reveal new information to those inside a standard system, and that they are grappling with these issues on a day to day basis, but independent evidence gathered as part of a learning process can and should be a critical part of organizational reflection and decision-making;
- Seek to publish findings to inform debates on the impact of Fairtrade and raising the bar in terms of transparency to encourage other certification systems to do the same. Try to educate others about why these studies are complex (because of contextual changes, lack of consistent data, confounding factors) and why it is not always so easy to attribute impact solely to Fairtrade.

1. INTRODUCTION

With the growth in Fairtrade sales (in terms of volume and value) comes increased demand from diverse stakeholders for the measurement and demonstration of the impact of Fairtrade on participating producers and workers (and their families) in developing countries, as well as the differences made to the producer organization (PO) and wider community. Fairtrade also seeks to promote learning and accountability amongst the organizations involved in Fairtrade – the PO, labelling initiatives, FLO, commercial actors and NGOs - about the effectiveness of the tools and processes used to achieve the objectives of Fairtrade labelling. Impact assessment provides a way for PO's to inform the Fairtrade labelling system of their views on impact in order for changes to be effected.

Moving beyond a single case study approach, multiple case studies across different country contexts but within the same sector can enable FLO to draw broader conclusions about the potential role of Fairtrade in different contexts and within a particular product sector. This study adopts this more strategic approach, focusing on the cotton sector but covering four case studies in different countries to provide a more in-depth analysis of the impact of FT for small farmers, producer organizations and the wider community in different situations.

Fairtrade cotton was launched in 2004 with Western African cotton producers, fostered by Max Havelaar France, along with the FLO system and other institutional partners such as the French Ministry of Foreign Affairs and the Center for the Enterprise Development. In the meantime Max Havelaar Switzerland was contributing to the development of Fairtrade Cotton in India. The project was initiated with four producing countries, Mali, Senegal, Cameroon and Burkina Faso. In 2011, after 6 years, Fairtrade cotton is being produced in seven countries, four in western Africa, but also India, Krygyzstan and Egypt and involves approximately 55,000 producers.

Given the diversity among producers (countries, different types of organizations, of production standards, differences among organic and conventional productions) it is important to have a broader picture of the situation in order to draw general conclusions while being able to point at differences or gaps possibly appearing amongst different types of producers. It is important to have an understanding of the national context (e.g. government's role and influence, political and economical) in order to draw conclusions.

Fairtrade cotton products are primarily sold in the UK, France and Switzerland, but also Germany, Denmark and Finland, with additional markets emerging all the time. Distributors involved in this market are keen to know more about the impact of Fairtrade cotton, and where field evidence shows positive Fairtrade cotton impact this can be of use to encourage new commitment and market growth. After a rapid growth in the first three years, the market demand stabilized while producers were still expecting an increased access to the market. A global assessment of the situation at both producer and sector level was thus required, so that action to improve the system can be proposed and implemented.

The primary objectives of this study were outlined by the Fairtrade Foundation and Max Havelaar France, and are listed below:

- a. To understand the aims and objectives of cotton producers in the Fairtrade system in terms of sustainable development and empowerment, and to assess the role that Fairtrade plays in helping them progress towards their goals; including economic viability, social equity and ecological sustainability;

- b. To gain understanding of the changes (both positive and negative) brought about for cotton producers, their organizations and their local and national environment, due to participation in the Fairtrade system;
- c. To identify opportunities to improve the Fairtrade system in favour of producers, workers and their organizations and communities, including understanding the role played by different actors and tools.

When possible, the study also aimed to incorporate an examination of the livelihood opportunities available to producers/workers who are not involved in Fairtrade and/or the cotton industry in order to get a greater understanding of the comparative impact that Fairtrade has had upon participants.

The secondary objectives of the study were:

- a. To understand how the Fairtrade tools (minimum price, premium etc - see avenues of impact section below) can maximise the positive outcomes of international trade for producers and workers
- b. To gain better understanding from primary producer of how the Fairtrade labelling system can best work with actors along the supply chain to improve the impact of Fairtrade certification

This report presents the methodology (Section 2) and the global context of cotton (section 3). The national contexts of the study countries are discussed (Section 4) including an overview of the case study organizations. The impact of Fairtrade on cotton producers and their organizations is then assessed in terms of changes in social differentiation and inequality (Section 5), changes in the socio-economic status of cotton producers (Section 6), and the differences resulting in the organization of farmers and hired labourers (Section 7). The findings on the impacts on local and national development (Section 8) and on the management of natural resources (Section 9) are also identified. In Section 10 we explore market and value chain dynamics affecting impact on producers and their organizations. Finally we present a discussion of the avenues or pathways by which Fairtrade has had an impact in cotton (Section 11) and our recommendations (Section 12). The annexes provide additional information on the workings and impact of Fairtrade cotton on the ground as collected by the field teams. Specifically, annexes 5-12 present the detailed country-level information for each of the main indicators of impact covered in the report.

2. METHODOLOGY

2.1 Methodological framework

The methodological framework employed for the study was based on the generic FLO impact framework created by Eberhart and Smith (2008) for FLO.³ Following this framework and having discussed the priority research questions for this study with FTF and MHF (who commissioned the study), guidance checklists were produced for use by each country team – and each was adapted to the local context by the country research team (see annex 1).

To understand how Fairtrade could hypothetically have an impact upon producers and their organizations we have used the ‘avenues of impact’ identified in the FLO methodology, which is similar to ‘impact chains or pathways’ or ‘theory of change’ approaches. The pathways by which Fairtrade is creating change provided us with a discussion tool in the initial management discussions with producer organizations and with an analytical framework for identifying causality and attribution (see section 2.7 for more information on attribution). The four avenues of impact are outlined in box 1 below.

Box 1: Avenues of Impact

1. Producer standards – how the FLO smallholder/contract production standard has made an impact through the process of meeting compliance with the minimum standards for certification and the progress standards for continuous improvement.
2. Trade Standards – how the key trading aspects of Fairtrade – minimum price, premium, long term trading relationship – have made a difference.
3. Organizational support and business development – how support activities of Fairtrade organizations (e.g. FLO, National Initiatives, ATOs) and other stakeholders (NGOs and commercial actors) have affected the development and strengthening of Fairtrade producer’s capacity, skills and trade. Also, whether FLO certification has helped facilitate contact with new buyers, attract new business and retain existing clients.
4. Networking - how the development of the Fairtrade producer networks and links with other network organizations has shaped the political influence and access to information of producers and workers (and their organizations).

We also used the FLO methodology (Eberhart and Smith, 2008) in guiding our analysis along the lines of the possible areas of impact which could be identified resulting from participation in Fairtrade. These areas of impact are outlined in box 2 below.

Box 2: Areas of Impact

1. Changes in social differentiation (e.g. status of women, migrants and other vulnerable groups);

³ For full details of the generic methodology see: Eberhart, N. and Smith, S. (2008) A Methodological Guide for Assessing the Impact of Fairtrade. Prepared for FLO International: Bonn.

2. Changes in the socio-economic situation of participating producers/workers and their households;
3. Changes in the organization of rural areas, specifically organization of small producers and workers;
4. Changes in local, regional and national development;
5. Changes in the management of natural resources.

2.2 Focus on priority research questions

In the initial stages of our research, we identified a list of priority research questions to guide our study, given the breadth of issues in the cotton sector, the limited resources and timescale available to cover studies in four countries and drawing on the expertise of those within Max Havelaar France and the Fairtrade Foundation in Fairtrade cotton.

The priority questions agreed with the Fairtrade Foundation and Max Havelaar were as follows:

- Producer income: Impacts of Fairtrade on cotton producer incomes through price effects, or other avenues (e.g. improved productivity, access to credit);
- Household standard of living: investments of any additional income and changes in livelihood strategies, use and impacts of the Fairtrade Premium, security of livelihoods;
- Gender: The impact of Fairtrade on gender relations and women's empowerment amongst cotton producers;
- Hired Labour: Identifying hired labour on cotton smallholder farms and the impact, if any, of Fairtrade for these workers;
- Child labour/Young People: Are children involved in cotton production and if yes, how? How does this affect children's schooling? What impact, if any, has Fairtrade had? Do young people envisage a future in cotton production?;
- Empowerment: Impacts of Fairtrade on producer organizations (strength, services provided, ability to represent farmers in negotiations with buyers, in policy-making and in price setting. Distinguishing Fairtrade impacts on power, responsibilities and transparency in cotton value chains. Is Fairtrade driving producer upgrading, independent organization and commercialization? Identification of any differences in impact between producer organizations dependent on ginners versus NGOs?;
- Community empowerment: Does the Fairtrade Premium empower producers and communities? Impacts of Fairtrade on community governance? Exploration of the perspectives of producers and community members of Fairtrade;
- Sustainability of impact: Fairtrade sales trends and stability. Differences between different markets, between end buyers and in comparison to conventional markets. Comparison of market access for organic Fairtrade cotton compared to conventional Fairtrade cotton and of market access for Fairtrade producers in different business models (e.g. contract producers, producer organizations connected to ginners or NGOs). Evidence of a shift in Fairtrade sales from Africa and Asia and the reasons for this. Awareness of producer organizations about international market dynamics, other certification schemes, potential effects of the likely privatization of cotton companies in West and Central Africa;
- Environment: Fairtrade impact on cotton production in terms of pesticide or water use, soil conservation etc and the benefits and costs of these changes to farmers. Changes in farmers'

attitudes towards cotton production and the environment and the nature of linkages between Fairtrade and organic cotton production.

2.3 Producer participation

One of the key principles followed was the maximization of producer participation in shaping the assessment. The study team aimed to support the involvement of producers in the study as far as possible. In the timeframe available it was not possible to involve the producer organizations in designing the research from the outset and in carrying out field research themselves (as would occur in a fully participatory impact assessment). However, specific efforts were made to involve producer representatives at key stages of each case study (see box 3 below).

Box 3: Supporting producer involvement in the study

- The aims and objectives of the research were shared with producer and worker representatives at an introductory workshop and participants were invited to identify areas of potential impact that should be explored;
- Steps were taken to ensure that a diverse cross-section of farmers was interviewed in each producer organization, as well as interviews with a wide range of stakeholders. Whilst checklists were used for these discussions, the researchers facilitated open discussions and sought to probe on priority issues emerging in these debates.
- Producer representatives were given first view of the draft case study reports.
- The final case study reports took their feedback into account, including additional evidence or information that provided depth to the analysis. Where representatives were in disagreement with a particular finding, their views were incorporated into the final report highlighting any discrepancy with other sources of information.

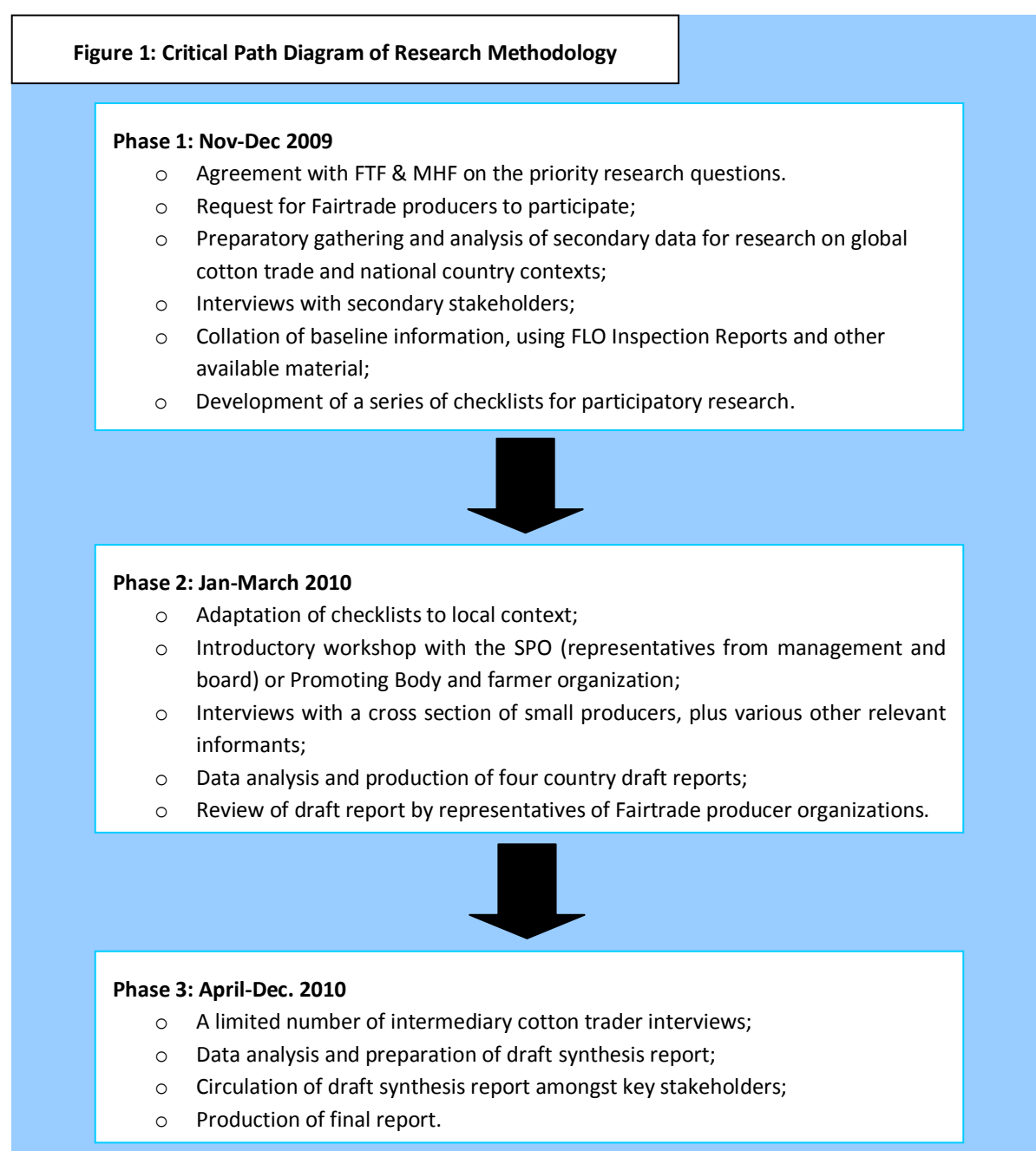
2.4 Key steps

NRI and IDS jointly led the study providing overall coordination and oversight of the case studies, conducting stakeholder and value chain interviews and producing the synthesis report. Research partners were identified in each study country to lead the field study (ENDA Pronat in Senegal and Mali, Gujarat Institute of Development Research in India, and Marthe Wandou, a freelance consultant, in Cameroon) with accompaniment from an NRI or IDS staff member or associate. The research partners helped further define and shape the research agenda and methods, based on their extensive experience with rural communities and/or cotton producers in each location.

The research was divided into three main phases: first, preparatory secondary data gathering and analysis and stakeholder interviews with key informants within Fairtrade; second, case studies with four FLO certified cotton producers in four countries; third, value chain research and synthesis of the study findings in this final report. Figure 1 below shows the key stages and steps of the research.

A series of checklists were developed by NRI and IDS to serve as guides for the field research teams. These included a range of questions based on the priority research questions outlined above. NRI and IDS staff

accompanied the research partner in the field in each case working with them to adapt these checklists to the local context. Checklists were designed for FT participants and non-FT participants, for on-farm workers/hired labourers, for community leaders and other key stakeholders, as well as for management. Participatory approaches encourage the use of checklists only as a starting point for an open discussion, with encouragement of probing into unusual or interesting points raised by participants. However, due to the large number of research questions raised in this research and the limited timescale for field research it is possible that on certain occasions the discussions would have necessarily been more directed than in more in-depth participatory research processes. Findings were corroborated by triangulation of findings – different sources of information were used (e.g. audit reports, but also interviews), and different interviewees (a range of stakeholders were interviewed and commonalities and divergences of viewpoint reflected in the writing up process).



2.5 Selecting the case studies

Four case studies were selected by the Fairtrade Foundation and Max Havelaar France at the start of the study. The cases chosen provide representation across the two key locations of Fairtrade cotton production (India and West and Central Africa) and also cover both smallholder production and contract production situations. Three case studies were chosen in West and Central Africa (W&CA), all certified against the FLO Small Producer Organization standard, and one in India, in which the FLO Contract Production Standard model is used.

Table 1: Case Study Producer Organizations and key cotton and Fairtrade actors

Location	Case Study Producer Organization	Other value chain actors
Southeast Senegal	117 village level cooperatives (GPCs, Groupements de Producteurs de coton) make up the Union Sectorielle de Producteurs de Coton de Kédougou (US-GPC Kédougou), with a maximum of 4,238 members.	SODEFITEX is the previously state-owned and now national public-private enterprise which supervises cotton production, provides inputs, carries out ginning and handling, and is the sole licensed exporter of cotton in the country. Fairtrade began with support from Max Havelaar France and Dagrís (now Geocoton), funded by the French Ministry for Foreign Affairs and the Centre for Development of Enterprise (an ACP/EU joint institution).
Mali – Bougouni and Kita zones	73 CPCBs - Coopératives des Producteurs de Coton Biologique (Organic Cotton Producers' Cooperatives) at the primary level are federated in the secondary level in MOBIOM (Mouvement Biologique Malien, or Malian Organic Movement). 6,500 members and 3 Mango Co-operatives	CMDT or Compagnie Malienne pour le Développement des Textiles is the cotton company which is the owner of the ginning factories and sole exporter of cotton, and provides technical support to farmers. CMDT, Geocoton, and MH France area have supported Fairtrade cotton in Kita zone. Helvetas Mali, MH Switzerland and Reinhart Inc. have supported supported Fairtrade, organic production in Bougouni region, which has spread in all CMDT subsidiaries from 2008
Cameroon	CNPCC - Confédération Nationale des Producteurs de Coton du Cameroun (National Confederation of Cotton Producers of Cameroon) is the central organization of cotton producers. Six local producer groups (Groupe d'Initiative Commune, GIC) initially certified Fairtrade, increasing to 198 GICs producing cotton to Fairtrade standards in 2008-9 and 187 in 2009-10. There are 27,553 producers involved in FT.	SODECOTON is the national cotton monopoly organization. COPACO is a French cotton trading company which is a subsidiary of Geocoton. Max Havelaar France began FT cotton in Cameroon with COPACO, SODECOTON and CPCC.
India	Agrocel Pure and Fair Cotton Growers'	Agrocel Industries, an agricultural products

	<p>Association, a group of cotton farmers from the Mandvi area of Kutch, are participating in an organic conversion project started by Agrocel Industries Ltd. The farmer organization has 50 members (38 certified organic, 12 in conversion) and was formally established in 2005 with assistance from Agrocel which was then certified under Fairtrade as the Promoting Body.</p>	<p>marketing company, is the Promoting Body under the Contract Production Standard (CPS) and can supply seed cotton on Fairtrade terms.</p> <p>Agrocel has been linked with Traidcraft for the past 26 years in the trading of organic Fairtrade food products and cotton garments. Vericott collaborates with Agrocel in both Fairtrade and organic cotton. Vericott designs and sells the cotton materials produced by Agrocel. Agrocel has a shareholding in Vericott⁴</p>
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*Formerly OPCC

Whilst these four case studies do not constitute a representative sample, by covering a diverse set of country contexts, as well as different Fairtrade models (CPS and SPO), and organizations of different sizes, this study starts to provide a more coherent analysis of Fairtrade impact across the sector than has been available previously.

In each country the research team selected specific primary level farmer groups to visit, according to certain criteria, such as providing a geographical spread, different lengths of time within the Fairtrade system and inclusion of both Fairtrade participants and a smaller number of neighbouring non-participating farmers, etc. These included four groups in Mali, four GICs in Cameroon, GPCs in five villages in Senegal and eight villages participating in contract production for Fairtrade cotton in India.

2.6 Stakeholder and value chain interviews and data gathering

Interviews with relevant stakeholders were carried out before, during and after the country case studies, in an iterative process of gathering, verifying and cross-checking information. Meetings and interviews were held with relevant staff from FLO, the Fairtrade Foundation and Max Havelaar France, who also provided substantial secondary data and materials. In addition, a limited number of interviews were conducted with FLO registered 'operators' - traders, spinners, weavers and manufacturers that operate in Fairtrade cotton value chains, mainly selling to the UK and French markets (see section 10 for more details).

2.7 Impact attribution

Different research methods, sources of information and types of information were used in the study to triangulate the findings and to increase the trustworthiness of the findings. We used interview recall methods, supported by different sources of documentary evidence (e.g. FLO Inspection Reports, producer organization annual reports and financial statements, FLO studies on the costs of production in cotton, other consultancy and academic literature and a specially commissioned study from a cotton sector expert) and comparison with conventional producers outside the Fairtrade system (as far as resources would allow) to tease out the impacts which are likely to be the result of Fairtrade participation. Case study field research was focused on small

⁴ Source: telephonic conversation with Agrocel on 30th August 2010.

farmers and, where relevant, hired labour working on their farms, but in-depth interviews were also held with PO and Promoting Body management and staff, and other stakeholders and key informants, such as FLO Liaison Officers, development project staff and industry bodies. The information gathered during the case studies was complemented by interviews with Fairtrade organizations and value chain operators, as described above. Through these steps the research team was able to establish which impacts are likely to be the direct or indirect result of Fairtrade rather than changes which are essentially contextual in nature. However, it is difficult to tease out attribution of some impacts where there are confounding factors, such as pre-existing certification to organic standards in some cases (Mali and India) as well as external support from NGOs and donors.

Table 2: Research interviews with Fairtrade producers and other stakeholders in each case study

	Key stakeholders interviewed	Farmers and hired labour interviews
India	Promoting Body Manager and Producer Executive Body (PEB) members in the selected locations.	16 Fairtrade couples interviewed using household case study and individual producer checklists (2 couples per village). 10 non-Fairtrade couples interviewed 8 Women's FGDs were held and 9 Men's FGDs. 7 interviews with hired labour & sharecroppers 3 interviews with elected village leaders ('Sarpanches')
Senegal	Head of the Innovations Training Service – in charge of Fairtrade for SODEFITEX SODEFITEX Regional Manager FLO Representatives in the region and Producer Organization representatives.	Interviews with group leaders in each of the five selected villages 10 Focus Group interviews (CPCs, women, and farmers) 6 household surveys 4 interviews with ex-producers 3 interviews with local leaders Interviews with 'relay' producers (local technicians) to collect the GPC's production figures in each of the five selected villages
Mali	Directors of MOBIOM and Helvetas Mali. Interview with the FLO-CERT local manager and with MOBIOM monitoring manager. The CMDT director and the sector head for the villages along with GPC leaders for each group selected were interviewed 'Relay' producers or local technicians	4 CPCBs in MOBIOM visited. Approximately 30 interviews (individual and group) among producers were conducted as well as interviews with non-Fairtrade producers in case study regions and some Fairtrade producers who are part of the CMDT and CPC system and not part of MOBIOM in one zone.
Cameroon	Interviews with CPCC staff, CPCC partners and with CPCC's Board of cotton producers in the Far North.	Interviews with the leaders of the three GICs involved. Interviews with individual producers (15 men and 5 women) A meeting with a non-Fairtrade GIC and with a woman delegate from a non-Fairtrade GIB and a member of its board. A meeting with a former Fairtrade producer as well.

2.8 Limitations of the study

Resource and time constraints presented the study team with a number of a priori limitations. As noted above the study was only able to cover individual cases within each of the four country studies and this does not provide a complete picture of the sector. Moreover, although interviews were held with some neighbouring farmers it was not possible to conduct an analysis of non-Fairtrade farmers with a rigour equal to that of the Fairtrade participants and therefore our ability to construct a counterfactual (i.e. what would have happened without Fairtrade) was limited. In addition, although the study looked at other livelihood opportunities it was not able to provide an exhaustive comparative analysis of Fairtrade versus other livelihood options. Finally, because of the complexity of cotton value chains and given resource constraints, it was not possible to conduct a full value chain analysis; in particular, retailers were not interviewed as part of this study.

The study was designed as a snapshot analysis rather than as a baseline in a longitudinal assessment, and thus would be shaped by the particular conditions at the time of study. For example, following the problems in matching supply and demand in the Fairtrade cotton system, many of the Fairtrade producers and intermediaries have experienced a stalling in Fairtrade sales. This has had a marked influence on their perspectives of Fairtrade and its impact.

2.9 Recommendations

Reflecting on this research and on other impact assessment studies of trade standards, we have a number of recommendations for FLO and others commissioning research in this field and seeking to prove and improve impact:

- Refine and extend the FLO methodology (Eberhart and Smith, 2008). This is a useful starting point for designing impact studies, but it would benefit from further development. Firstly, the causal chains between ‘avenues of impact’ and ‘types of impact’ should be teased out more clearly. Secondly, the role of contextual conditions should be more clearly elaborated. Thirdly, more guidance for researchers on how to operationalise this methodology would be welcome. Fourthly, explore more innovative approaches to impact assessment than are currently included in existing Fairtrade impact studies (e.g. ‘most significant change’ methods, participatory video, outcome mapping and learning alliances etc.).
- Review the different approaches to impact assessment in order to inform future FLO studies, taking into account the pros and cons of differing methodological approaches. Constructing counter-factuals in a rigorous statistical trial is very expensive and fraught with difficulty. This does not mean, however, that a rigorous qualitative study could not be conducted with a control group of non-participants – but this requires appropriate funding. It is worth noting that in some instances there is no clear counter-factual.
- Follow up snapshot studies in order to track impact across time, especially for impacts of Fairtrade (such as from FLO minimum prices) which are likely to change significantly when the market context changes; alternatively commission longitudinal studies, but these require substantial funds;

- It is important to include more than one country in order to capture contextual differences, but it should be recognized that covering individual cases (even where these are large in scale) may still not produce a 'sectoral' study;
- Adopt a more strategic approach to impact assessment. Build up research partner and producer group capacity to undertake studies and reflective processes, ensuring adequate training is provided to meet quality requirements, and to enable them to manage such research and to act on the findings. Explore potential collaboration with other standard bodies conducting impact assessments, to facilitate learning from studies using different methodologies, as well as comparative studies using similar methodologies;
- Ensure that detailed value chain analysis (VCA) is incorporated into impact assessments to ensure that the findings can reflect adequately on how value chain structure and governance shapes the outcomes at the local level and the implications for value chain actors further up the chain (e.g. textile factory workers).
- Match expectations of commissioned research to funds made available and the timescale allowed for completion of work. The quality of the process and of the outcomes of research planning, field work, analysis and consultation may be compromised if timescales and funding are inadequate for tasks outlined. In particular research tenders should ensure that all bidders are required to set out costings for the full range of requested activities from the start – including consultation meetings with clients, consultation processes, and presentation of findings, rather than treating these as unfunded add-ons. In particular it is important to recognize the significant additional work required to produce a 'sectoral' study above 4 individual case studies.
- Ensure full transparency between producer groups and researchers on what is expected of them during the research process:
 - from the in-country research partner point of view this should take account of research quality, confidentiality and participation requirements, but also the need to have access at times to individual farmers without producer group management attendance;
 - ensure that producer groups are fully aware of what is entailed by an impact assessment, what will be required of them in terms of participation (an agreed schedule of meetings is proposed as a pre-requisite before researchers travel into the field to avoid wasted efforts in trying to meet with producers), staffing, commenting and what they can expect in terms of capacity building in conducting impact assessment, feedback and support to follow-up on findings.
- Explore some of the conundrums emerging from the need to conduct multi-country studies, diverse levels of capacity and knowledge amongst research partners (particularly when it comes to the specifics of the FLO system), supporting more participatory research approaches and producing a systematic comparison. Analysing country studies which have all followed slightly differing methods and producing a coherent and comprehensive synthesis report is not a straightforward task and should not be under-estimated. The research team should discuss how to do this from the start, including obtaining clear agreements from research groups in different countries that they will try to follow similar methods and will write up following a common framework. The research lead can provide guidance materials on this but a longer lead in time to research might provide more time to come to an agreement on the checklists, methods, and to agree a writing up structure.

- Explore different approaches for assessing child labour issues. In a rapid study like this one which already had to cover a large number of complex issues in a complex value chain and had both resource and time constraints, it was very difficult to further explore responses on child labour and follow-up on the apparent inconsistencies reported by men and women. Additionally, since many Fairtrade participants would be sensitised to the child labour issue through Fairtrade producer support trainings on the Standards requirements and/or through NGO partners of the producer organization, responses given on child labour by the producers and adult community members maybe an indication of their awareness and not necessarily about actual child labour use. Uncovering child labour practices require different set of detection tools and must include direct responses from children themselves with the assurance that responses given by boys and girls would cause no harm to themselves and those that matter to them and their families. Furthermore, it would include ensuring that questions directed to girls and boys would be child sensitive and that a child protection system would be in place had the researchers to identify children impacted by abuse and violence.
- Further research should be commissioned to compare directly between FLO contract production standards and small producer standards situations;
- Reflect on the impact of impact studies conducted to date in order to identify ways of maximising the findings of research by Fairtrade organizations. Consider the role of different approaches, engagement of key decision-makers in the process, and diverse approaches to dissemination. In particular it is important to increase the voices of producers in the process, with direct engagement of representatives in dialogue with FLO and the wider public.

3. GLOBAL CONTEXT OF THE COTTON TRADE⁵

3.1 Global cotton supply and demand

Cotton is an annual crop, grown in more than 100 countries on about 2.5 percent of the world's arable land. World cotton production and consumption are trending higher. Global cotton production rose from 6.6 million tons in 1950/51 to surpass 20 million tons in 1991/92. Production jumped from 21 million tons in 2003/04 to a bumper crop of 27 million tons in 2004/05, but fell below 24 million tons in 2008/09. The 4 largest producers (China, India, USA and Pakistan) accounted for 75% of the world output in 2008/09⁶. With the total area under cotton rather stable, between 30 and 36 million hectares, all the growth in world cotton production came from improved yields. The world average yield rose from 230 kg of lint per hectare in the 1950s to 650 kg/ha in 2003/04, and climbed to a record of almost 800 kg/ha in 2007/08. As production conditions vary widely from country to country, average yields ranged between 240 kg/ha in East Africa, 520 kg/ha in India and 2 tons per ha in Australia.

Cotton's share of world textile fibre use fell from more than 70% in the 1950s to less than 40% by 2005⁷. World mill use of cotton rose from 6 million tons in the early 1950s to 20 million tons in 2000/01. Consumption reached a record of 26.5 million tons in 2007/08, but relapsed to 23.3 million tons in 2008/09, due to the global economic crisis affecting consumer demand. The 4 largest consumers accounted for 70% of the world output in 2008/09⁸. Most of the increase during the last decade occurred in China and in the Indian subcontinent, and processing of cotton has shifted from developed countries to developing countries.

3.2 Global cotton trade

Over 150 countries are involved in the export or import of cotton. Several of the top cotton producing countries also rank among the top consuming countries, notably China and India. As a result, on average less than one-third of world output is traded internationally. World cotton trade reached 3.6 million tons in 1926/27 and that level was not surpassed before the early 1950s. World trade rose dramatically from 5.9 million tons in 2000/01 to a record of 9.7 million tons in 2005/06 due to the widening gap between demand and production in China. The volume of international trade dropped to 6.6 million tons in 2008/09 due to the global economic crisis.

To feed the expansion of its textile industry, Asia has become the leading importing region. Chinese imports skyrocketed from 50,000 tons in 2000/01 to 4.2 million tons in 2005/06 (43% of world imports), but dropped

⁵ The information in this section was provided by Gérald Estur, a consultant with specialist knowledge of global cotton production and trade. The statistics cited are primarily drawn from the International Cotton Advisory Committee (ICAC), see: www.icac.org. This was the main source, unless stated otherwise in the text.

⁶ Production: China - 8 million tons; India - 4.9; USA - 2.8; Pakistan - 2.

⁷ Cotton consumption per capita has been almost constant since 1960, at about 4 kg per annum, while total textile fibre consumption per capita more than doubled.

⁸ Consumption: China - 9 million tons; India - 3.9; Pakistan - 2.5; Turkey - 1.1

to 1.5 million tons in 2008/09 (22% of world imports)⁹. The United States has been the largest cotton exporter since 1834¹⁰.

The estimated nominal value of world exports was approximately US\$9bn during the 2008/9 marketing season (August-July). Nevertheless, cotton represents a very small share of the world trade in terms of value, accounting for about 0.1% of total world product exports.

3.3 Cotton prices

Cotton prices are volatile and trending low, although they are currently on an upswing. Cotton is traded in US dollars and as with all commodity prices, international cotton prices are volatile. From 2000 to 2009, the recognized benchmark for international prices, the Cotlook A Index, averaged 58.5 cents per pound (CFR Far East) and has fluctuated between 35 and 90 cents per pound. International prices averaged 72 cents per pound during each of the previous two decades (Cotton Outlook, 2010). The average cost of production varies widely across countries, but the cost of production of most producers is between 50 and 60 cents per pound of lint ex-ginnery (ICAC, 2009). Global cotton prices are affected by a complex set of factors: supply and demand, costs of production, changes in technology, textile demand, competition from chemical fibres, exchange rate fluctuations and inflation.

Trade-distorting subsidies have an impact upon prices but the main drivers for the downward trend in prices are productivity gains, the competition with polyester and increased competition at the retail level. International cotton prices have declined in real terms over the last six decades because of advances in technology leading to productivity gains. The average world yield jumped 33% during the last decade, from 600 kg of lint per hectare to almost 800 kg/ha. Prices of clothing at retail fell from the late 1990s and the elimination of quotas has accelerated the trend since 2005. The decline in prices for consumer goods is placing increased pressure on suppliers along the cotton textile value chain, and eventually on prices paid to growers for seed cotton.

Further information is provided specifically on cotton prices in W&CA and India in section 4.6.

3.4 Cotton subsidies

Cotton production and trade are distorted by subsidies. Cotton producers benefit from governmental protection measures in 10 out of the 11 largest cotton producing countries (the only exception being Australia). Between 1998/99 and 2008/09, the total amount of direct income and price support averaged \$5.5bn per season (between \$2.7bn and \$7.7bn), which represents about 20% of the estimated value of world production, and 60% of the total value of world cotton trade.

⁹ The other largest importers were Bangladesh (650,000 tons), Turkey (630,000 tons), Pakistan (475,000 tons), Indonesia (430,000 tons) and Thailand (350,000 tons).

¹⁰ US exports reached a record 3.8 million in 2005/06 (August-July), with a market share of 39%. US exports fell to 2.9 million tons in 2008/09, but their market share increased to 44%, well ahead of Brazil (600,000 tons), Uzbekistan (560,000 tons), India (515,000 tons), the CFA zone (470,000 tons), Australia (260,000 tons), Greece (220,000 tons) and Burkina Faso (160,000 tons).

The Cotton Initiative launched in 2003 by the Cotton-4 (Benin, Burkina Faso, Chad, Mali) during the Doha Round of WTO trade negotiations pointed out the connection between the low and declining price of cotton in the global market and trade-distorting subsidies in developed countries, especially the US cotton direct support programme. The US government eliminated export subsidies for upland cotton, and agreed to lower or eliminate domestic subsidies, but only within the context of an overall agreement on agriculture.

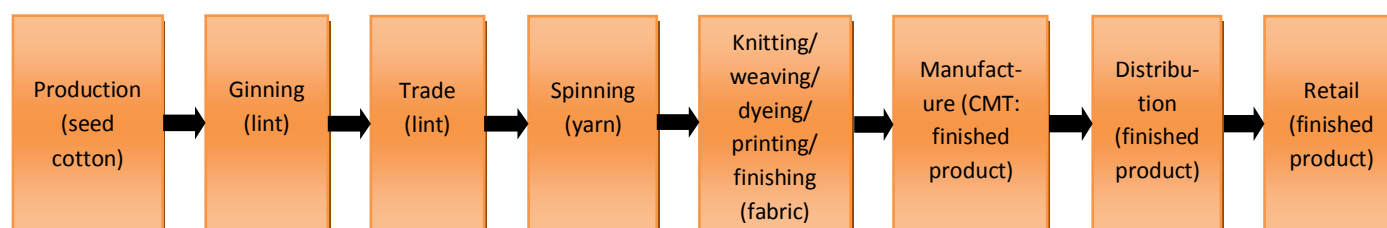
Nevertheless, from 2005/06 to 2008/09 production fell in the US¹¹ and in the EU, while it increased in China and India¹². Government measures that boost cotton production have a negative effect on average international prices in the short run, although estimates vary on the magnitude of the impact. If subsidies were eliminated (which seems unlikely in the short run) production would decline in countries that subsidize cotton, but would rapidly expand in other countries in response to higher prices. As a result production would shift toward lower-cost producing countries. The trade in textile and clothing products is also distorted by various unfair practices such as subsidies, quotas, smuggling, child labour, currency manipulation, fake origin labelling and counterfeiting.

3.5 Cotton textile value chains

Cotton undergoes several stages of processing before being sold to the final consumer. Cotton fibres must first be separated from the seed (ginning) before they can be spun to yarn and used to manufacture textile goods. The producer price for seed cotton typically represents about two thirds of the value of lint and seeds ex-ginner. Almost all cotton is spun into yarn as the first step in the manufacturing process. The cost of lint represents about 50% of the cost of yarn. Depending on quality, the range in yarn prices is wide, usually between 1.5 and 2.5 times the price of cotton in world markets. Textile processing continues through various processes: weaving, knitting, dyeing, finishing, garment-making (cutting and sewing).

The basic stages in cotton value chains are represented in Figure 2, which illustrates the large number of steps in the chain. However, this simple representation disguises various layers of complexity in transforming seed cotton into finished products such as garments, accessories and homeware, including the fact that each stage in the chain may take place in a different country. In some chains there may be high degree of vertical integration, with a single company (or parts of a corporate group) performing several functions in the chain. This is particularly common in the stages between spinning and manufacturing. There are also often links between companies in a value chain via shareholdings, holding companies and joint ventures.

Figure 2: Basic structure of cotton value chains



¹¹ US production fell from 5.2 million tons to 2.8 million tons in this period.

¹² From 6.6 million tons to 8 million tons in China and from 4.1 million tons to 4.9 million tons in India.

The price of cotton comprises a relatively small share of the total retail cost of textile products. The share of the retail price tends to increase as cotton moves through the marketing channel and accumulates value from processing, manufacturing, and distribution services. The impact of lint prices (cost to spinning mills) on retail values depend on the quantity of cotton contained in the finished product and on the processing needed (about 0.35 kg is needed for shirt, and about 0.9 kg for a pair of denim jeans).

The cost of raw cotton as a share of the retail value does not exceed 10% (about 3% for a typical shirt, and 8% for denim jeans). As a result, a 10% increase in the cotton price may translate into an increase in the retail price of products of 1% or less, although there may be some compounding of costs through the value chain. It is estimated that the retail segment receives over half of the final retail value of the various cotton finished products.

3.6 The role of intermediaries

In W&CAW&CA, seed cotton is purchased directly from producers by cotton ginning companies. Pan-territorial/pan-seasonal price mechanisms pass high levels of financial risk to cotton companies. All cotton companies have been losing money every season since 2004/05. In India, most seed cotton is purchased from growers at marketing yards by middlemen (traders) who sell it to ginners or are paid a commission by ginners. Those traders often supply inputs (for cash or on credit) to farmers.

The world cotton trade is very competitive. Some five hundred firms are involved, at least in part, in the cotton trade and the thirteen largest cotton organizations are estimated to handle about one-fourth of world production¹³. Direct export sales from ginners to spinners are exceptional. One of the major roles of international merchants is to buy when ginners want to sell (taking a long position), and to sell when spinners want to buy (taking a short position), which occurs rarely at the same time. Merchants make most of their money (or most of their losses) from price fluctuations and/or changes on this basis (when they hedge their physical position with futures). Therefore, at any given point of time, it is very difficult, if not impossible, for a spinner buying direct from the origin (or for a merchant doing back-to-back sales and purchases) to compete with offers from merchants holding a long position. To overcome this problem of timing, direct business between ginners and spinners can only succeed with long term trading relationships averaging prices.

3.7 Cotton quality and pricing

Cotton is not a homogeneous product. However, cotton is traditionally treated as a homogeneous commodity and priced against the recognized benchmark for international cotton prices, called the Cotlook A Index. Fibre properties affect textile processing performance, quality, costs and value. Price differentials (premiums or

¹³ The 13 largest companies (trading over 200,000 tonnes annually) are: Allenberg Cotton Co (USA); Cargill Cotton (USA); Dunavant Enterprises Inc (USA); Staple Cotton Cooperative Association (USA); Olam International Ltd (Singapore); Chinatex (China); Paul Reinhart AG (Switzerland); Ecom USA Inc (SA); Joint-Stock Company Uzinterimpex (Uzbekistan); Plexus Cotton Ltd (UK); State Joint Stock Foreign Trade Company "Uzmarkazimpex," (Uzbekistan); Uzprommashimpeks (Uzbekistan); Toyo Cotton (Japan) Co (Japan). Source: ICAC (2009) Structure of World Cotton Trade.

discounts) vary widely, with a ratio of about 1:4 between the lowest and highest quality lints. Quality is increasingly important for cotton production, as the world market demand for quality is becoming more and more stringent.

There are many different varieties and types of cotton, and their characteristics determine the use for the cotton, and subsequently its value. Fibre specifications (the intrinsic quality of lint) depend primarily on the variety grown, and on agro-climatic conditions, crop management practices, harvesting, collection, storage and ginning methods. Cotton is traded according to its type. All other things being equal, spinners pay a higher price for longer, finer and more resistant cotton lint that is white, bright and fully mature.

Traditionally, the price of cotton was largely determined by staple length, grade, colour and micronaire (the size of an individual cotton fibre taken in cross-section). The textile industry has been striving to improve quality and efficiency through automatic high-speed machinery, which requires better fibre characteristics to operate at maximum efficiency and spin high quality yarns, raising the importance of other properties of cotton (strength, uniformity, elongation, short fibre content, or neps¹⁴).

Contamination of lint with foreign matter is the most serious problem facing handpicked cottons, and is crucial in pricing. Handpicked cotton is cleaner as it contains less plant material organic matter than machine-picked cottons. The fibre obtained after ginning is of better quality than machine-picked cotton which must be cleaned at the ginnery, since it contains more vegetal matter. Therefore, handpicked cottons should normally be purchased at a premium price over mechanically harvested cottons. However, contamination by foreign matter (especially plastic strings) is more serious with handpicked cotton as cotton may get contaminated during picking, storage, handling or transport of seed cotton. As contamination by foreign matter is the main concern for quality yarn and fabric producers, spinners tend to give preference to machine-picked cotton over handpicked cottons. As a result, handpicked cottons from India and Africa, currently (at the time of the research) trade at a discount to machine-picked cottons.

Indian cotton has the reputation of being the most contaminated, and African cotton is the second most contaminated. Thus, the elimination of contamination stands out as the first priority for quality improvement, as it could potentially increase lint prices by up to 15%. In the conventional system, there are little price incentives to improve quality, as cotton is often bought regardless of the contamination level (under a fixed price system). Fairtrade cotton can potentially contribute to quality improvement by increasing the commitment of farmers to quality.

3.8 Conventional, Organic and Genetically Modified Cotton Production

Conventional cotton production relies heavily on the use of agro-chemicals. Cotton is grown on about 2.5% of world arable land and it has been estimated that in the 1990s cotton used approximately 9% of the world's agrochemical pesticides, about 20% of the world's insecticides and 8% of the world's chemical fertilizers. The amounts of chemicals needed to grow cotton affect human health and the world's eco-system. According to figures cited by ICAC, the share of cotton in the world consumption of insecticides dropped from 19% in 2000 to just under 16% in 2008¹⁵, but this is still a high proportion. More than 90% of total world cotton area is

¹⁴ Neps are short immature fibres or portions of mature fibres which are tangled or broken.

¹⁵ ICAC documents: <http://www.icac.org/seep/documents/english.html>

treated with one or more insecticide application per season. The insecticides presently in use are significantly disruptive to most beneficial insects and have significant environmental residue problems.

Pesticides also affect human health. Irrigated cotton is frequently grown in regions where fresh water is in short supply. Fertilization practices increase risks of erosion, and diffusion of residues of synthetic fertilizer increases risk of contamination of surface and ground water. Current production technology affects the sustainability of cotton production worldwide. The solution lies in developing alternative approaches, which are less dangerous to human health and the environment. The longer-term success of cotton production depends on the lesser use of chemicals, and the best use of available resources, like water and soil.

According to Organic Exchange, (2009) production of organic cotton worldwide skyrocketed from less than 10,000 tons in 2004/05 to 175,000 tons in 2008/09, or 0.7% of total world production of cotton. Organic cotton was grown in 22 countries on 253,000 hectares by approximately 220,000 farmers. India was the top producer of organic cotton, followed (in order of rank) by Turkey, Syria, Tanzania, China, United States, Uganda, Peru, Egypt and Burkina Faso.

Cotton is considered 'organic' in international trade, when it has been certified by independent inspection and certification bodies according to specific rules and regulations. Farmers wishing to convert to organic agriculture have to go through a conversion period of one to three years. Organic production is generally more labour intensive, and yields are usually lower than in conventional production. Organic producers usually obtain a premium in order to compensate for lower yields, higher labour requirements and for additional costs such as inspection and certification.

Organic cotton production and trade is promoted as a more viable and sustainable alternative to conventional cotton production. However, farmers generally do not adopt new production techniques unless they are profitable. Organic seed cotton yields tend to be lower than conventional ones, and even lower than what might be acceptable in view of lower production costs. Although production of organic cotton is expanding rapidly, it has not yet proven to be an economically attractive alternative for farmers in many areas in the world, and conventional cotton still accounts for more than 99% of total world output.

The world cotton industry has been transformed by new technologies, primarily biotechnology. There is an obvious relationship between the increase in yields during the last decade and the expansion of the use of genetically modified varieties that are resistant to certain insects and/or tolerant to certain herbicides. Biotech cotton is genetically modified to produce a toxin that kills certain insects (*Bacillus thuringiensis*, Bt), or resists certain herbicides (glyphosate), not to increase yields. Claims made about the ability of biotech cotton to increase yields relate to its capacity to reduce damage caused by insects or weeds. As a result of the adoption of insect-resistant cotton, the number of insecticide applications and the quantity of insecticide used per hectare of cotton have decreased. However, farmers still have to spray for non-target insects that are not controlled by biotech cotton.

Farming with Bt cotton has an immediate positive effect on the environment, as these varieties are designed to reduce the use of pesticides that are harmful to human and environmental health. In Burkina Faso, the use of Bt cotton is reported to increase yields by 15 to 30% (under trial conditions) and to reduce the number of pesticide sprayings from 6 to 2 (diminishing labour and water requirements). Genetic modification is a new technique, however, that is far from fully understood and the potential harmful effects on the environment (biodiversity) and human health could take years to appear. One of the major concerns is that target pests could develop resistance to the Bt toxin, leading to increased pest problems. One of the major economic disadvantages is the relatively high cost of the seed and technology fee. Countries have to pay a technology

fee to owners of the genes, and are legally bound not to insert the genes into their own varieties. The economic benefits of biotech cotton depend on whether the increase in yields and the reduction in chemical application costs outweigh the higher seed cost.

In developed countries, biotech cotton is primarily risk-reducing and cost-reducing. In developing countries, such as India, biotechnology has enhanced yields by improving protection against insects in areas where insecticide sprayings were inadequate. Insect resistant Bt cotton was first planted on commercial scale in 1996 in Australia and the USA. Biotech cotton has been officially approved for commercial release in ten countries (out of some 100 producing countries) including China, India, the USA, and two African countries (South Africa and Burkina Faso). Experimentation is underway in several other countries.

It is estimated that 47% of the world cotton area was planted to GM cotton varieties in 2008/09, accounting for over 50% of world production and world exports. India has rapidly adopted biotech cotton varieties. This has contributed to rising yields and production in the country, and in the world (since India constitutes more than 25% of world area under cotton). The cost of Bt cotton has, however, been accused of being the main cause for farmers suicides in recent seasons.¹⁶ The growing importance of GM cotton in the world also creates direct additional costs for organic cotton production, because of the separation between fields that is required to prevent contamination.

3.9 Cotton labelling

Some consumers are willing to pay a premium for textiles and clothing made out of Fairtrade cotton or certified organic cotton, and labelled as such. There are no regulations in place to ensure that organic cotton items sold to consumers actually contain organic cotton fibre, other than several private schemes which have not yet found large recognition in the marketplace. Most consumers are probably unable to distinguish between the various labels and not aware of the exact criteria behind the various labels (Organic/non-Fairtrade, Fairtrade/non-Organic, Fairtrade/Organic).

Consumers are likely to be even more confused by two other initiatives:

- 'Cotton Made in Africa' (CmiA) initiated by the Aid by Trade Foundation and developed in six countries (Benin, Burkina Faso, Côte d'Ivoire, Malawi and Uganda and Zambia) with the assistance of German cooperation and the Bill and Melissa Gates Foundation, the concept corresponds to social and ecological criteria less stringent than Fairtrade cotton, but aiming at a wider market. Production in 2010 is estimated at about 5,000 tons. Products are sold with the CmiA logo and verification of compliance with CmiA criteria along the value chain is undertaken periodically by independent bodies.
- 'Better Cotton Initiative' (BCI); an association involving mainstream actors of the cotton supply chain (producer organizations, ginners, traders, textile manufacturers, retailers, civil society) promoting the "Better Cotton System" with the objective of making "global cotton production better for the people who produce it, better for the environment it grows in, and better for the sector's future". BCI is not a labelling system, but the use of BCI cotton may be used in statements about the provenance and qualities of cotton. Compliance with its production criteria is assessed using self-assessment and credibility checks, along with monitoring and evaluation and impact assessment.

¹⁶ See: <http://www.i-sis.org.uk/farmersSuicidesBtCottonIndia.php>

Consumers may wish to avoid biotech products because of ethical or safety concerns although there are, at the moment, no provisions for labelling in textiles or in cotton seed oil. There are no price differentials for biotech and non-biotech cotton lint having similar quality characteristics, or textiles containing biotech cotton, simply because markets do not identify biotech cotton content. The vast majority of consumers are unaware or ignore the fact that Biotech varieties account for about half of world cotton production and exports (the percentage is even higher in textiles made in China).

3.10 Fairtrade cotton

Fairtrade is promoted by a wide array of organizations, and in 2011 Fairtrade cotton is being produced in seven countries, four in West and Central Africa (W&CA), but also India, Krygyzstan and Egypt and involves over 55,000 producers. At the time of the research there were 33 cotton producer groups in India, Burkina Faso, Cameroon, Mali, Senegal, Brazil, Egypt, Peru and Krygyzstan, with W&CA and India the biggest Fairtrade cotton producing areas. Fairtrade certified cotton products were launched in France in early 2005, and then in the UK later in the year with a press launch 'Cotton on to Fairtrade' in London (see http://www.fairtrade.org.uk/what_is_fairtrade/history.aspx). Following this there was a period of rapid growth, especially in the UK, although sales growth has dropped off in recent years.

Fairtrade cotton in Africa was started by Max Havelaar France in collaboration with the Dagris Group (now called Geocoton) and the national cotton companies using funding from the French Ministry of Foreign Affairs and the Center for Enterprise Development. The aim was to establish Fairtrade cotton as a way to help resolve the crisis in the African cotton sector, as well as to manage the environmental and health risks related to the agricultural methods used in cotton production. The project involved groups in three eco-geographical regions in Africa: West Africa, Central Africa and North Africa, but the initial focus was on Mali, Senegal, Cameroon and Burkina Faso. In India there are both Small Producer Organizations (SPOs) producing Fairtrade cotton, but also groups within the Contract Production Standard (such as Agrocél and the APFCGA that forms one of the case studies in this report).

Fairtrade standards require traders to pay producers a guaranteed minimum price. The minimum price should be high enough to cover the costs of production and the producer's costs of living, plus the costs of control and certification by the inspection body FLO-Cert which certifies against the Fairtrade standards established by FLO. In addition to the Fairtrade price a Fairtrade Premium is paid to the producer organization for investment in projects that have been collectively decided upon by its members. There are a number of other stipulations in FLO's product specific standards for seed cotton, as summarised in Box 4 below. In recognition that there are vulnerable people in the manufacturing supply chain of cotton products, these standards require all operators involved in Fairtrade cotton to supply evidence that they are making efforts to comply with a range of ILO Conventions (e.g. through membership in initiatives such as the Ethical Trading Initiative or certification against the SA8000 code of labour practice).

Box 4: Content overview of Fairtrade Trade Standards for Seed Cotton

- **Product description**, i.e. seed cotton;
- **Scope** of the standards from the purchasing of the seed cotton through to the sale of processed products;
- **Certification** - all operators in the value chain must be certified as compliant with the standards;
- **Traceability** – a system must be in place to ensure all Fairtrade cotton can be traced to a certified source;
- Cotton sales **contracts** must be mutually agreed between buyer and seller and provide adequate information and protection for producers;
- **Sourcing plans** must cover each harvest to guarantee sustained trade;
- **Prefinance** - up to 60% of the value of the contract available as prefinance;
- **Published Fairtrade Minimum Prices and Fairtrade Premium levels** for Fairtrade products;
- **Payment terms** – payment must be made on receipt of the product;
- **Product sourcing** - except where specifically provided in these standards, all cotton in Fairtrade Cotton products must be sourced originally from certified producers.
- **Additional requirements on labour standards for operators in the cotton chain** (formally known as “Section 8”).

Source: Fairtrade Standards for Seed Cotton for Small Producer Organizations, Part C: Trade Standards for Seed Cotton, 2009

FLO's generic standards for Small Producer Organizations are summarised in Box 5 below. The standards include provisions for social, socioeconomic and environmental development, as well as for labour conditions. Although FLO does not require cotton to be produced organically, it cautions producers about pesticide use, prohibiting a several chemicals in use in conventional cotton production in some countries.

Box 5: Overview of Generic Fairtrade Standards for Small Producers' Organizations (FLO, 2009)

Three main aspects of the Fairtrade standards for small producers' organizations are worthy of note:

1. Social Development

- Fairtrade adds development potential through the income from cotton. Organizations have to draw up and monitor a plan to share the benefits of Fairtrade (including the premium) on the basis of democratic decisions the beneficiaries.
- Members are small producers, i.e. they have family farms that depend on family labour.
- The organization must be an instrument for social and economic development. It must have democratic structures in place and a transparent administration.
- Non-discrimination. FLO follows the ILO Convention 111 on ending discrimination of workers. It is imperative that women working in production receive their wages directly and that these are not given to their husbands.

2. Socioeconomic Development

- The organization has the commitment and capacity to administer the Fairtrade Premium in a way that is transparent for beneficiaries and for FLO.
- The organization has access to the logistical, administrative and technical means to supply a quality product to the international market.
- The organization should take gradual steps to assume more control over the entire trading

process. This may for example be through accumulating working capital, putting in place a quality control system, training courses or a risk management system, etc.

3. Environmental Development

- The organization is expected to assess the environmental impacts of its members' operations, to develop plans designed to mitigate those impacts and to monitor the implementation of those plans

Contract Production Standards were most recently revised by FLO in January 2010 (see box 6 below for summary of content). These are standards for small-scale producers who are not yet democratically organized, but who have support from an exporter or NGO (termed a 'Promoting Body') to assist them to form an independent organization. This is intended as a temporary measure to enable producers and the Promoting Body, to participate in Fairtrade. There are requirements (both minimum and progress) which the Promoting Body and registered producers and Producer Organizations have to comply with.

Box 6: Content Overview of FLO Contract Production Standards (January 2010, FLO)

Part A

This contains the requirements (both minimum and progress) with which the Promoting Body must Comply.

- **A1. Social development**
 - Fairtrade adds to development
 - Fairtrade products are sourced from Small Producers
 - Democracy, Participation and Transparency
 - Non Discrimination
- **A2. Economic development**
 - Fairtrade Price
 - Fairtrade Premium
 - Marketing and production support
 - Contracts
- **A3. Environmental development**
- **A4. Labour Conditions**
 - Freedom of labour
 - Freedom from discrimination

Part B

This contains the requirements (both minimum and progress) that the registered producers and Producer Organization(s) must comply with, with support from and for which the Promoting Body is responsible.

- **B1. Social development**
 - Fairtrade adds to development
 - Fairtrade products are sourced from Small Producers
 - Democracy, participation and transparency
 - Non Discrimination
- **B2. Economic development**
 - Fairtrade Price
 - Fairtrade Premium
 - Economic strengthening of the organization
- **B3. Environmental development**
- **B4. Labour Conditions**

- Freedom of Labour
- Freedom from Discrimination
- Employment policy

N.B. Requirements for workers in the context of these standards are included in part B4 on “Labour Conditions”. The Producer Organization is not required to ensure benefits to workers that go beyond the level of benefits to the registered producers.

3.11 Niche market trends

The involvement of large brands and retailers in niche markets is motivated as much by corporate social responsibility considerations as by expressed consumer demand. After an initial rapid growth, the market demand for non-conventional cottons (organic and/or Fairtrade) has recently levelled off, while producers have still been expecting increased access to the market to obtain a larger share of their product’s value. In several cases, W&CA cotton companies have been unable to market organic and Fairtrade cotton rapidly, and so supplies were finally sold as conventional cotton, without any price premium (see section 10).

As for conventional cotton, India is the major competitor of African organic and Fairtrade cottons. In 2008/09, the estimated FOB cost of Fairtrade cotton from India was 5% cheaper compared to Fairtrade cotton from Burkina Faso, and 10% cheaper than FT cotton from Mali, according to international cotton traders. Organic and Fairtrade cottons are more expensive than conventional cotton lint. However, this does not necessarily translate into a much higher cost of the end-product.

The retail value of a clothing item is typically about 25-30 times the value of the cotton that is contained in it. A mark-up of around 30-50% on the price of organic or Fairtrade cotton lint (3-4% of total value) translates into a 1-2% mark-up on the final clothing product. Consumers will normally not care about such a price difference. However, in practice retail mark-ups on prices of organic or Fairtrade cotton items are much higher, generally about 20–40%, but occasionally up to 100%. The higher sales price is usually explained by the additional costs for niche markets (Cotton Exporter’s Guide, Chapter 5, International Trade Centre, 2007).

In this section we have set out in detail the global conventional trade in cotton, and also explored niche market trends and the requirements of Fairtrade cotton standards. In the next section we compare the contexts for cotton in two different regions, that of W&CA and India, before discussing the specific national contexts in the four case study countries in terms of socio-economic status, labour markets, agrarian context, importance of cotton in national economies, and the organization of cotton production in each country.

4. REGIONAL AND NATIONAL COUNTRY CONTEXTS

4.1 Socio-economic status

It was not feasible within the resources and time available to gather large amounts of information about the socio-economic profile of all case study locations, although some details are provided below. At the country level, UNDP Human Development indicators show that all of the countries are ranked in the lower sections of the overall HDI index (although India is slightly higher than the W&CA studies). In terms of poverty headcount (numbers living below a certain threshold) Mali scored the highest, with India second highest. In fact on all the indicators highlighted in table 3, Mali ranks amongst the most poorest of countries. Cameroon has the highest adult literacy rates of the four and has the higher per capita GDP, although these figures can mask inequalities.

Table 3: Social and economic development indicators for case study countries

	Cameroon	Senegal	Mali	India
Human Development Index rank (out of 182 countries)	153	166	178	134
Poverty headcount below US\$1.25 (PPP)/day	No data	33.5 (2005)	51.4 (2006)	41.6 (2005)
Per capita GDP (US\$)	1,226	1,087	688	1,017
Per capita GNI (US\$ PPP)	2,170	1,780	1,100	2,930
Adult literacy (% over 15s able to read)	75.9	41.9 (2006)	26.2 (2006)	62.8 (2006)
Under 5s mortality rate (per 1,000 live births)	69	108	194	131

Source: UNDP Human Development Report 2009, based on 2007 figures; World Bank Key Development Data and Statistics: data.worldbank.org (2008 unless stated otherwise)

Cameroon is a diverse country biophysically and culturally, and whilst politically it is relatively stable and well endowed with primary commodities, the country is dogged by corruption, poverty and insecurity. Despite rapid rates of urbanization with population concentrations in the Northwest, Central and Littoral Regions, subsistence agriculture remains the single most important economic activity. The cotton belt comprises the Northern Region and most of the Far North Region, and parts of Adamawa Region. The population of the cotton belt (an estimated 3.6 million people) is governed largely under a traditional feudal power structure, with tribal chieftains called Lamibe in charge.

Cameroon is placed at 136th on the UNDP Human Development Index, giving it a rank of 'Medium Human Development' and it is higher than its neighbouring countries. However, the cotton belt of Cameroon is one of the poorest parts of the country, with a high level of illiteracy. Annual rainfall varies from 600 to 1100 mm and the risk of food deficits due to drought is recurrent. The Cameroon Poverty Reduction Strategy Paper (PRSP, 2003) finds that the incidence of income poverty was at 40.2% in 2001. The PRSP also indicates wide geographical variation in poverty in Cameroon, with poverty in rural areas being higher than urban areas (50% and 22% respectively). For farmers poverty rates are higher at 57% and informal rural sector operators (54%). The PRSP indicates that education and infrastructure services are important in explaining these differences.

Half of poor people are living in a household where the main income provider does not have a primary education. Access to basic social services (education, health, water and roads) is more difficult for the poor than for the non-poor.

The PRSP quantitative analysis finds that economic growth contributed 11.7% of the 13% decline in poverty incidence between 1996 and 2001, while 'redistribution' accounted for less than 2%. Their analysis of the determinants of poverty confirms the importance of factors such as agro-ecological zone, and its dominant sector of economic activity, education level of the population and the availability of and access to infrastructure and other social services. Although poverty dropped in the late 1990s, another study in 2007 found that poverty had only dropped slightly to 39.9% in the intervening six years¹⁷. The years since then, during the global financial crisis, have been even worse.

Similarly, poverty in **Senegal** is largely a rural phenomenon, with over 80 percent of poor households located in rural areas (Millennium Project 2004). Cotton cultivation is concentrated in some of the poorest regions (Kolda, Kaolack and Tambacounda – PRSP 2007). The majority of rural dwellers have little access to health care facilities and personnel, and they are similarly disadvantaged when it comes to water and sanitation - 90% of the urban population have access to drinking water compared to only 64% in rural areas (PRSP 2007), while 94% of urban dwellers have access to sanitation compared to 48% of rural dwellers (Millennium Project 2004). According to the 2007 PRSP, only 70% of rural children attend school; this is partly explained by lack of availability (30 percent of rural children live more than 30 minutes walk from a school) and poor quality. There is also poor access to energy suppliers in rural areas, with tasks such as water collection and searching for fuel wood for cooking based on use of rudimentary tools and physical work (often delegated to women).

In **Mali** cotton contributes to the economic development of rural areas (an estimated 80 to 124 billion FCFA of gross income of rural areas). It accounts for 30 to 45% of total export earnings and 8% of GDP. The drop in cotton prices in recent years has contributed to an increase in monetary poverty among rural people in cotton growing areas which were once amongst the most prosperous regions. According to IFAD, factors that contribute to rural poverty include inadequate and costly basic social services, rural isolation, the cost of energy and a weak information and communication network. Climatic changes and low rainfall in particular, also deepen the vulnerability of the rural population.

Kutch district is the second largest in **India**, and it covers 25% of the area of Gujarat State. It is a semi-arid region and known for its extreme climatic conditions. The water resources of the area are concentrated in only 3% of the region. Irrigation largely draws upon underground water. Very little irrigation water comes from the dams constructed by government. Only 10% of agriculture is irrigated in this region, with 90% being rainfed. The rainfed areas rely on underground water, leading to declining water tables and salinity ingress, especially where bore holes have now gone below more than 400ft. The problem of soil salinity has been increasing each year adversely affecting agricultural production. The monsoon is very erratic and the frequent occurrence of drought or scarcity conditions is a common feature.

¹⁷ <http://www.whiteband.org/regions/africa/cmr/gcap-cameroon-learning-brief-2009>

Agriculture is the main source of livelihood in Kutch, but vast areas are used for grazing and handicrafts also play a role in the district economy. Along the coast many populations rely on fishing. Most of the villages have mixed caste composition, whereas a few are homogeneous. The rural population comprises about 67% of the total population of the district, and 23.3% of the population falls below the official poverty line. Some villages of the region do not have access to basic facilities like electricity, roads, drinking water, schools or transportation.

4.2 Labour markets

In 2004, Cameroon's labour force was estimated at 6.8 million, or 42% of the total population (ILO, Eurostat 2006). The latest available data for employment by sector, from 1990, reported 60% of people employed in agriculture. Cotton production in Cameroon is almost exclusively smallholder-based, and labour is predominantly family labour. Better-off households are sometimes able to employ additional casual labour from within communities or, in some areas, migrant labour from other regions or even countries. Certainly there is no full-time wage labour or unionized labour operating in the production of cotton¹⁸. Occasional labour is paid on a piece-work basis – the “quart” or quarter hectare, or even the row. Rates are negotiated individually. Cameroon has a minimum wage – latest data 23,514 FCFA (US\$47)/month, but this appears to apply only to full-time formal labour situations, in which employers and employees also pay social security contributions, and it is difficult to assess whether piece work occasional labour conforms to this standard.

In Senegal there is a labour force of approximately 3.2 million (2006 ILO), over 30% of whom are directly engaged in agriculture. While Senegal is a relatively small-scale exporter of cotton on a global scale, the crop is second only to groundnuts in terms of production, and is central to the livelihoods of smallholders across the south of the country. Senegal has a national minimum wage of 209 FCFA per hour, though this standard may be of limited direct relevance to smallholders, whose real earnings fluctuate above and below these levels based upon crop prices, yields, and input costs.

Mali has a labour force of approximately 3.2 million (2007 est.) with over 40% of its labour force engaged in agricultural activities (ILO 2004), with cotton being the most important. Mali is currently Africa's top cotton exporter and cotton accounts for approximately 25% of the country's export earnings. The vast majority of Malian cotton is produced by smallholder families with very little wage labour employed. There is a national minimum wage of 28,465 FCFA per month along with benefits, including social security and health care, but as is the case in Cameroon, this appears to only apply to full-time formal labour situations.

Out of the national population of 1.2 billion in India, the labour force is estimated to be 39.1 per cent. 26.5 per cent of the total national workforce is engaged in agriculture. In Gujarat, 24.3 percent of the total workforce is engaged in agriculture. According to a study by Chaudhury and Gaurs (2010) 6.3 million farmers in India are engaged in cotton cultivation.

¹⁸ Cameroon has over 200 labour unions and the unionization rate in 2009 was nearly 50%, but being so diverse, and scattered, the unions have little real impact in labour negotiations. Each trade union stands for a precise cause and none wants to break away from their positions. They suffer a lack of support from their members.

4.3 Comparing West and Central African and Indian cotton sector development strategies

The national context has a strong influence on cotton sectors. Cotton in W&CAW&CA was historically considered as the engine of rural development in areas where it was the only cash crop (alongside groundnuts in Senegal). The cotton sector was vertically integrated, with a national cotton company promoting cotton production, providing agricultural advice and inputs to growers, purchasing all seed cotton produced at a fixed guaranteed price, transporting and ginning it, and marketing lint and seeds. Although the sector has been or is being liberalized, with a clear separation of the industrial and commercial functions and the social role, there is no competition between ginners for purchasing seed cotton and the basic principles of pricing still prevails. Cotton in W&CAW&CA did not really serve as a catalyst for industrialization, except in the setting up of oil mills to process cotton seeds. More than 95% of lint production is exported.

In contrast, most Indian cotton is processed by the domestic textile industry. The cotton sector is liberalized, very competitive, and largely driven by the textile industry. In 2000 in order to improve production, the productivity and the quality of the Indian cotton, the Government of India set up the Technology Mission on Cotton (TMC) in order to increase the income of cotton growers and the supply of quality cotton to the textile mills¹⁹.

4.4 Cotton production trends in West and Central Africa and India

In the CFA²⁰ zone in W&CA production increased earlier in the mid-2000s but then fell back in 2008/9 and exports also tumbled in that year. Yields have declined in the last decade and the harvested area has declined as smaller producers have struggled to cover the costs of production (as prices declined and input costs increased) and some larger farmers exited cotton frustrated at the joint liability with smaller scale farmers in their groups.

Box 7: Cotton production trends in the CFA zone of West and Central Africa

- Production in the CFA zone more than doubled from 520,000 tons in 2003/04 to a record of 1.1 million tons in 2004/05, and fell back to 525,000 tons in 2008/09. Exports reached a peak of 1 million tons and stumbled to 470,000 tons in 2008/09.
- Yields averaged 425 kg of lint per ha (about 1 ton seed cotton/ha at the farm level) during the 90s, and declined to a 3-year average of 360 kg/ha (2006/07 to 2008/09).
- Harvested area dropped from 2.5 million hectares in 2004/05 to 1.4 million hectares in 2008/09, essentially because producer prices reduced while costs of inputs increased and it became difficult for farmers not reaching yields over a tonne of seed cotton/ha to cover their production costs. A perverse effect of the joint liability within producer associations contributed to the

¹⁹ Four mini-missions had the following objectives: development of better varieties/hybrid, cotton crop surveillance, integrated pest management and integrated cotton cultivation (contract farming), technology transfer through demonstration and training, supply of de-linted certified seeds, improvement of marketing yards, modernization/upgrading of existing ginning and pressing factories.

²⁰ CFA zone stands for '*Communauté financière d'Afrique*' ("Financial Community of Africa"). The W&CA CFA franc is the currency of eight independent states spanning over 1,350,000 square miles (3,500,000 km²), namely Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

decline in yields and production: frustrated for having to pay for the inputs used by farmers who could not break even, many high-yielding farmers abandoned cotton cultivation.

Source: ICAC

In contrast in India cotton production has increased since 2000, yields have stagnated until recently with the introduction of GM cotton and exports and production has begun to exceed consumption leading to India becoming a net exporter of cotton.

Box 8: Cotton production trends in India

- Production in India more than doubled between 2000/01 and 2007/08, from 2.4 million tons to 5.2 million tons. India surpassed the US to become the second largest producer in 2006/07.
- Yields were stagnating around 300 kg of lint per hectare in the 1990s, half the world average despite the fact that 35% of cotton areas are irrigated in India. With the expansion of GM cotton, yields rose to 560 kg/ha in 2007/08.
- Production started to exceed domestic consumption in 2003/04. India was the second largest importer in 2001/02 (500,000 tons), became a net exporter in 2005/06, and overtook Uzbekistan as second largest exporter in 2007/08 (1.5 million tons).

Source: ICAC

India is an important market for African cotton and has become its main competitor in the international market, with a competitive advantage in terms of shipping costs to China and to the other Asian importing countries.

4.5 Agrarian context and the importance of cotton sectors in West and Central Africa and India

In W&CA, seed cotton is the most important cash crop (and often the only cash crop with a guaranteed market) in the producing areas and is by far the main source of cash income for the subsistence farmers who grow it. Food crops such as corn, millet, sorghum and peanuts are also grown in rotation with cotton for family consumption with any surplus sold on the local market. Farms rely mostly on family labor, and hired labor is rarely employed.

4.5.1 Mali

In Mali cotton is of huge importance underpinning the livelihoods for an estimated 3.2 million people²¹. Rainfed cotton is grown on tens of thousands of family farms in association or combination with cereal crops. National annual cotton production is in the range of 500,000 tonnes (in a normal year) and this is entirely ginned at local plants with a capacity of 580,000 tonnes. Cotton accounts for 30 to 40% of total export earnings and 8% of GDP. There are three operational plants in Mali processing just 1% of production, however, with the remainder being exported. Cotton in Mali is produced across the Sudano-Sahelian, Sudanian and Guinean climatic zones. The cotton zone stretches down into the south of Mali, which is known as the 'CMDT

²¹ The Malian economy is essentially based on the primary sector, which accounts for 44% of GDP and employs over 60% of the active workforce. The primary sector is dominated by cotton.

zone' and which produces about 85% of the total cotton. Around 10% is produced in the Kita zone in the west, which is also under CMDT control. The remaining 5% are produced in the OHVN zone.

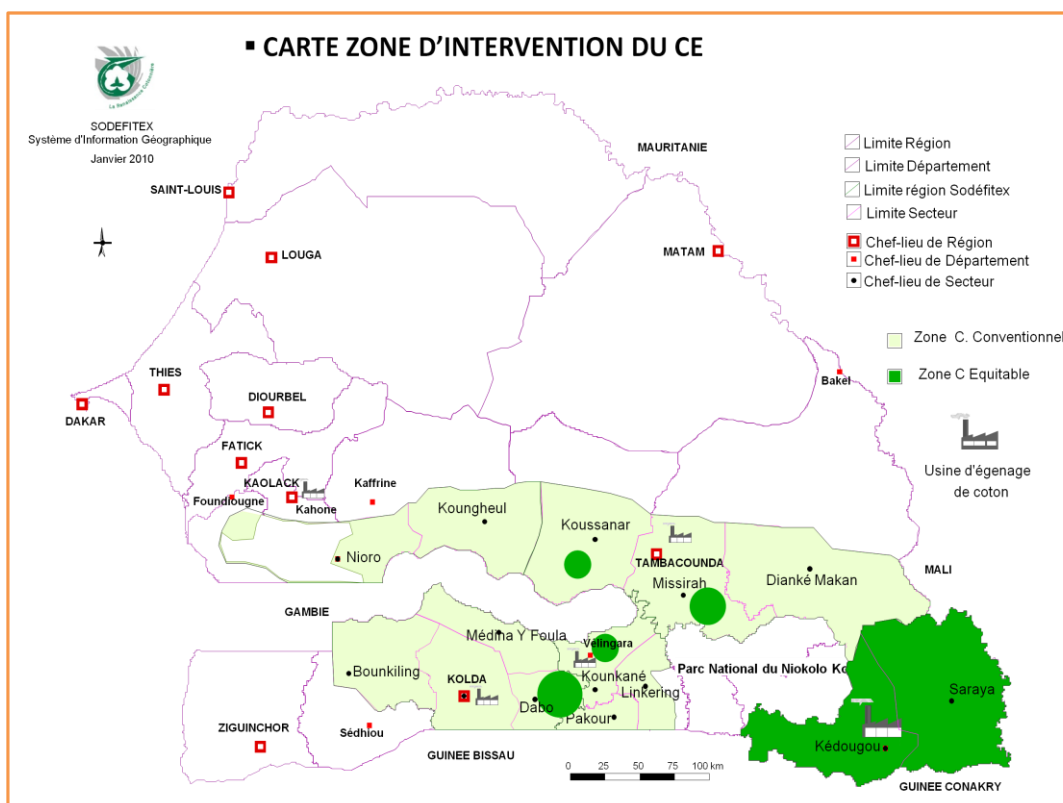


Map 1: Cotton zones in Mali

Source: http://www.maliagriculture.org/services_tech/cmdt/page-cmdt.html

4.5.2 Senegal

Conventional cotton production has been practiced in Senegal since the 1960s in three main administrative regions (Kaolack, Kolda and Tambacounda). It is Senegal's second most important cash crop after groundnuts, employing approximately 71,000 farmers, and with approximately 570,000 people dependant on the cotton industry in 1998-99 (Glin et al., 2006). Producers typically farm between 0.5 and 2 ha of rain-fed cotton (ibid.). Since 1974 the cotton production chain (filier) has been overseen by SODEFITEX (Société de Développement des Fibres Textiles), which provide seed-to-market services including credit, inputs, ginning and marketing and some rural infrastructure and support programmes. Significant value is added to the seed cotton through in-country processing and the re-sale of by products including cottonseed oil, soap, and livestock feed: for which industries have emerged since the start of cotton production in Senegal. Senegal's cotton production zone lies primarily in the south-east of the country, a zone that has historically seen good rainfall (between 500 and 700mm isohyets), but has seen increasing variability.

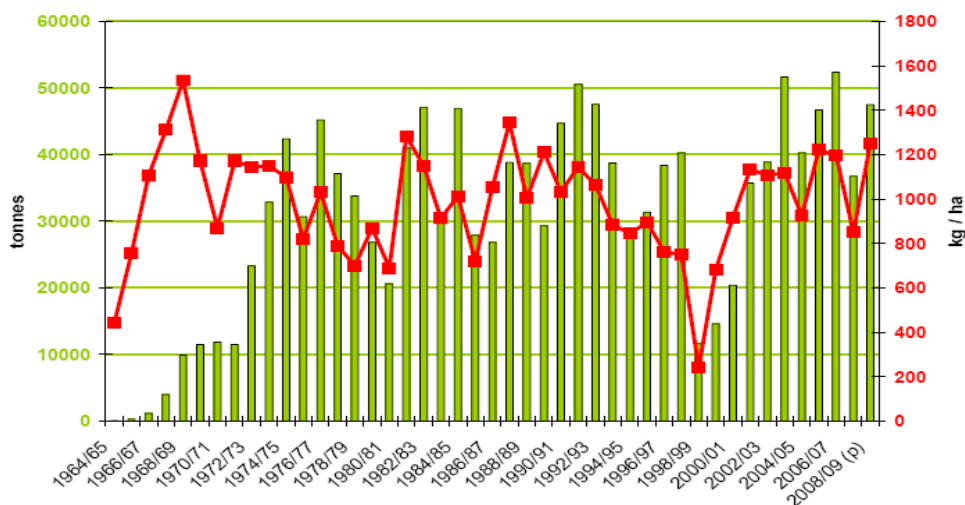


Map 2: Conventional and Fairtrade cotton production zones in Senegal (conventional is shaded, fairtrade is green).

Source: SODEFITEX (2010)

The 1998 crash in global fibre markets prompted a significant drop in Senegal's cotton production (see figure 3 below), but production levels gradually recovered in the years that followed. Cotton production continues to serve as a significant source of revenue for producers and young rural adults involved in its commercialization. It also has a significant role in rural development by attracting investment into infrastructure including roads, schools, health centres and mosques.

Figure 3 Historical cotton production (tonnes) and yields (kg seed cotton/ha) in Senegal



4.5.3 Cameroon

Cameroon is amongst the world's twenty largest cotton producers, and cotton has been grown in the North and Far North Regions of the country since the 1950s, and more recently in a few areas in the northern part of Adamawa Region. While the cotton sector accounts for nearly a quarter of Cameroon's agricultural exports, the oil sector dominates the national economy, and overall, cotton accounts for only 6% of its total export earnings. Cotton is thus not a major contributor to the national economy. However, it is the major cash crop for northern Cameroon, where approximately 370,000 small farmers in some 1900 producer groups cultivate an average of 0.6 ha of the crop annually.

The cotton growing areas of Cameroon, in the Adamawa, North and Far-North are very heterogeneous with regard to rainfall (600 to 1100 mm), relief (vast plains and steep mountains) and population density²². The semi-arid Far-North is where cotton cultivation started and developed, but accounts for only one third of production. This northern zone is overpopulated, land pressure is high, and the climate is harsher than further south. Average annual rainfall is 700-800 mm and vegetation is mostly savannah scrub, its stature reduced by clearance for agriculture and frequent burning. The province suffers a high risk of drought, especially at the beginning of the planting season. The main crops are millet, sorghum, cotton, ground nuts, cowpea and where water permits, rice. Major crop rotations are cotton-cereals or cotton-legumes-cereals. There is little fallowing of land. Most livestock-raising is carried out by transhumant ethnic groups, but settled agriculturalists also keep a few head of cattle, sheep, goats, or in Christian/animist areas, pigs, particularly in the more densely populated areas (mountains and east of the province). Average farm size is moderate: 2 to 3 ha.

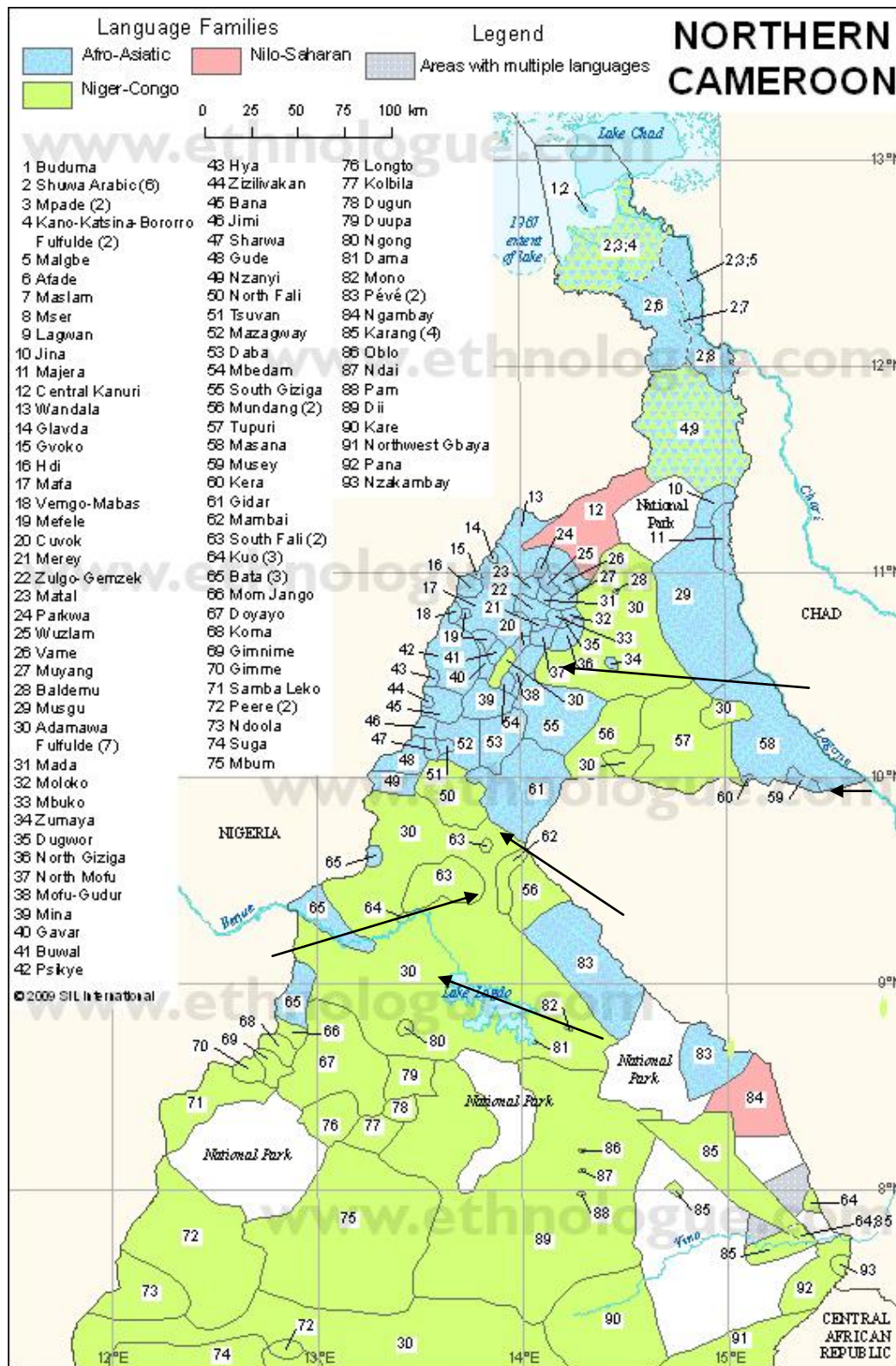
In the southern zone (North and Adamawa Provinces), rainfall is higher (900-1100 mm yearly), so the risk of drought is lower. Land pressure is also lower, and consequently, soil fertility is higher, farms are larger and yields higher, and around two-thirds of the cotton produced comes from these two provinces. The potential for further development is concentrated in the southern belt and farmers are migrating from the Far North to take advantage of it. Millet is still the most important crop, but the higher rainfall permits the planting of maize and cassava. The mainstay of the economy and the dominant Fulbe ethnic group, however, is cattle. Goats and sheep are also common, but as the Fulbe are Muslims, pigs are not.

Depending on the rainfall regime, cotton planting takes place between May and July, and harvesting, between October and December. Average areas planted to cotton are small by West and Central African standards, at only 0.6 ha. The soil conditions vary locally, but tend everywhere to be on the decline because the traditional land tenure system perpetuated by the Lamibé Muslim chieftains does not give farmers secure ownership of the land they cultivate. Declining soil fertility is also a consequence of high land pressure, increasing cultivation on marginal and fragile lands, erosion, and inappropriate techniques for maintaining soil fertility.

Given the small farm size and current prices for seed cotton and inputs, cotton does not provide enough income to keep the smaller farmers out of poverty. However, it has undoubtedly contributed to preventing mass emigration from the cotton belt to the central and southern cities. People continue to grow cotton, in part because they have grown up with cotton, and can hardly conceive of life without it, and in part because it is the only crop for which they can obtain inputs on credit. If a farmer is not registered with SODECOTON as a cotton producer, s/he cannot access SODECOTON's other programmes, in soy, maize and livestock.

²² 200 persons/km² in the mountains to 20 persons/km² in the North

The cotton belt is effectively isolated from major transport routes with very difficult links to the capital and to the main port of Douala. Bales are transported on trucks from the ginneries to the railroad terminal Ngaoundere where they are sent on to Douala. Both roads and railroads are in poor condition and result in delays and extra costs.



Map 3: Languages of Northern Cameroon, and GICs visited

4.5.4 India

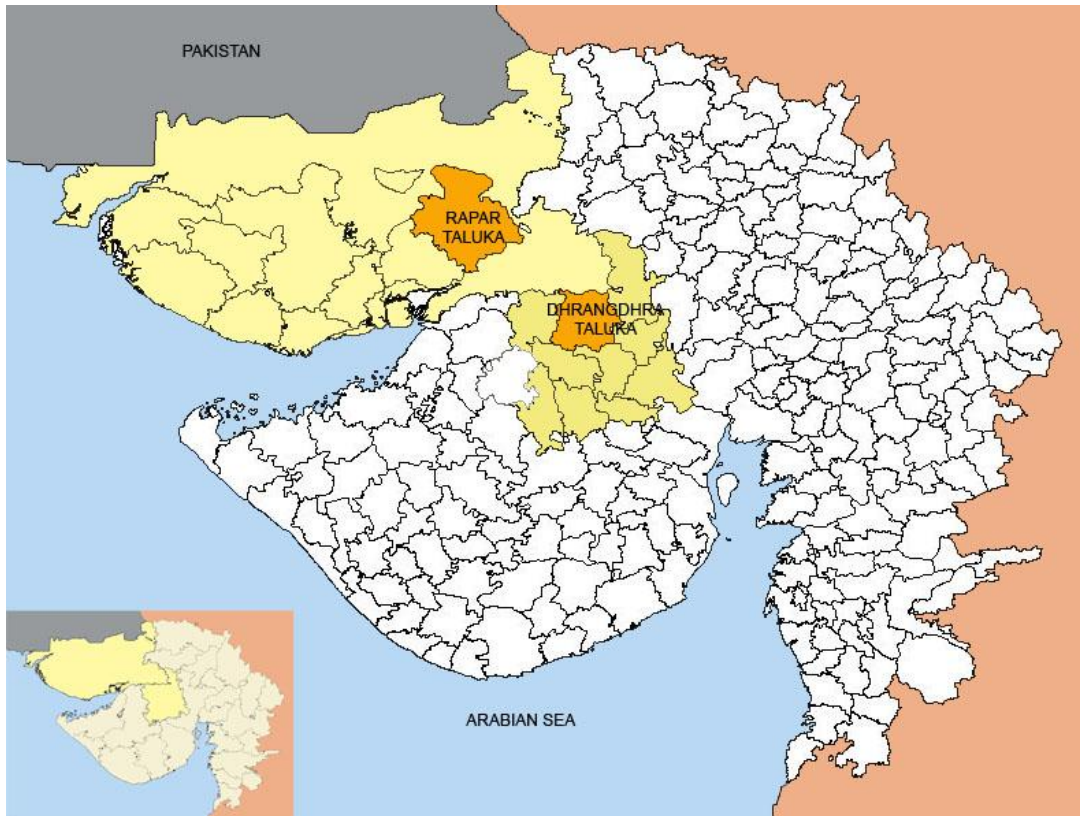
Cotton is an important cash crop in India, grown on more than 9.5 million hectares across nine states - Gujarat, Maharashtra and Madhyapradesh (Central zone), Punjab, Haryana and Rajasthan (North Zone) and Karnataka, Tamil Nadu and Andhra Pradesh (South Zone). India's share in world cotton area has stagnated and increased only marginally from 24% in 1961-62 to 28% in 2007-08, production during the same period has increased from 8 to 16% (21% according to the Cotton Advisory Board, (Anupam and Gautam, 2009). Increasing production in recent years has resulted in reducing the gap between the world and India in cotton production from 338 KG lint per hectare in 2001-02 to 212 KG lint per hectare in 2007-08. India ranks second in production (16%) following China (26%). Cotton covers about 7% of the total Kharif crops (those sown in early summer for harvesting at the beginning of winter) in India and the livelihoods of 60 million people in India depend on cotton cultivation, processing, trade and textiles. Textiles including cotton contribute a significant 20.24% of the total exports (Barik and Gautam, 2009). Productivity in cotton production in India has been low due to the poor resource endowments of farmers, particularly, access to irrigation; only 35% of the total area under cotton cultivation in India is under irrigated conditions.

In India, incomes from cotton farming are low. Input costs have increased, while credit is not available or very costly. It is therefore risky to adopt new technologies, and farmers have no protection in case of crop failure. As a result, most farmers are defaulters on loans. Since the 1990s, thousands of farmers ashamed of defaulting on loans have committed suicide.

Whilst cotton from the North Zone is cultivated under irrigated conditions, 80% of the area under the central zone is rainfed production. The Southern Zone has both rainfed and irrigated cotton. Bollworm and sucking pests affect productivity. India commercialized the world's first cotton hybrid H-4, an intra-hirsutum (i.e., both parents hirsutums) in 1970. By 2004/05, publicly developed hybrids and proprietary hybrids (all of which are largely intra-hirsutum) accounted for about two-thirds of the cotton growing area in India (Murugkar, Ramaswami and Shelar, 2006). While hybrids are higher yielding than desi varieties, the flip side of the displacement of desi varieties has been a rapid rise in pesticide consumption. Whether this is due to technology alone or because of other factors (such as price and distribution) is not as yet clear.

Cotton is imported when international prices fall and to meet the demands of the textile mills for high quality cotton particularly the extra long staple varieties. Cotton exports have increased: approximately 1.2 mn bales in 2003-04, 8.5mn bales in 2007-08 mainly due to improvements in quality and demand from the USA and China (Barik Anupam and Gautam, 2009).

In the state of Gujarat, G. Arboream, G. Herbaceum and G.Hirsutum varieties are grown. In 2001-02, 17% of the cultivated area was under cotton cultivation. Of this however, only around 40% of the area is under irrigation. Gujarat farmers have been highly receptive of the hybrids introduced by the Gujarat State Seeds Sales Corporation (GSSSC), which were nevertheless susceptible to pests. However, after the introduction of the genetically modified cotton by the Government of India in a few states including Gujarat, cultivation of unapproved GM seeds has also been found. Desi varieties accounted for more than 50% of the area under cotton in 1991-92 in Gujarat, but this figure has reduced to 26.5 % in 2007-08. Desi varieties are still the preferred varieties of farmers especially for their pest resistance and are often cultivated under rain-fed conditions. On the other hand the various hybrids which gained over the Desi varieties in the mid-1990s have lost to the Bt hybrids that presently account for 51.7% of the area.



Map 4: Rapar Taluka and Dhrangdhra Taluka districts, Gujarat State



Map 5: Surendranagar district, Gujarat State

Kutch is the second largest district of India and covers 25% of the area of Gujarat State. Administratively the district is divided into 10 blocks and has a population of 1.5 million with a population density of 33 persons per sq. km. Agriculture is the main source of livelihood but animal husbandry is also equally important as vast areas of land are available for grazing. It is a semi-arid area, renowned for its extreme climatic conditions (such as irregular rainfall and drought, saline soils etc). Irrigation draws on underground water sources and water tables are declining and salinization occurring as a result. Frequent drought conditions affect cropping patterns in the Kutch district. Sorghum and Bajri are the main rainfed crops, especially in the Kharif season, alongside pulses. Among oilseed crops, groundnut has been the main crop, but its planted area has declined in the last decade due to the problem of salinity: of late, castor has been gaining ground. Horticultural crops are also gaining farmers' attention. Cotton is a key cash crop in the area, with production on average 2.6, 3.02 and 115% in terms of area, production and yield, between the years of 2006-9. Cotton yields have been higher than the state's average²³.

4.6 Cotton producer prices

In most W&CA countries, the price of seed cotton is decided each year jointly by the producer associations and the cotton companies prior to plantings, usually with a formula based on world cotton price forecasts. The minimum guaranteed price is set up for the entire country at a fixed level for the whole season. A top-up payment ("ristourne") is eventually paid at the end of the marketing season based on the actual average market price. The pricing mechanism is generally linked to a support fund or a smoothing fund to mitigate the impact of year-to-year price fluctuations on producer prices. Payment is usually paid to farmers at least 10 days after delivery.

- In 2008/09, W&CA conventional cotton producers received between 165 and 200 FCFA/kg seed cotton (1st grade), equivalent to 36-44 US cents per kg, or 39-48 US cents per pound in lint equivalent (average ginning outturn: 42%).
- The seed cotton price has decreased in recent years, due to the combination of low world prices and, above all, to the depreciation of the US dollar against the euro. The FCFA is pegged to the euro at a fixed exchange rate (1 euro = 655.957 FCFA). The exchange rate dropped from 750 FCFA to the dollar in early 2002 to about 450 FCFA in 2008.
- As a result, the average cost of production of 750 FCFA/kg FOB (W&CA port) was equivalent to 45 cents per pound in 2002, and, all things being equal, was equivalent to 75 cents per pound in 2008. Yet, the lowest producer price paid in 2008/09, 165 FCFA/kg seed cotton, is equivalent to 36 US cents per kg of lint, which is 38% above the equivalent of the typical price of 200 FCFA/kg paid in 2001/02 (26 US cents/kg).
- While the US dollar lost 40% against the FCFA, it lost only 5% against the Indian currency during the same period.

²³ The *Gossypium harboreum* variety of cotton grown in Kutch is known for its lower cost of production. It is resistant to sucking pests and bollworm and immune to leaf curl virus. It has coarse and short fibre and is more suitable for rain fed conditions. Bt hybrids and other hybrids are also under cultivation in the region. The region is also known for its organic cultivation of cotton.

These pan-seasonal/pan-territorial guaranteed prices result from pricing formulas adopted within the 'interprofession' or discussed between the producers' and ginners' associations. They were officially announced prior to plantings (when world market price was much lower than at the time of the research), and are being paid throughout the seed cotton marketing season. A top-up payment will be paid at the end of the season in Burkina Faso and Mali based on the actual average world price for cotton lint.

In the competitive sector of India, cotton seed cotton prices fluctuate daily during the season depending on market conditions, and differ from one marketing yard to the other. Cotton is paid cash at delivery to producers. However, for every crop year, the Government of India fixes a Minimum Support Price (MSP). This price is usually based on expected production costs and not on market price, and represents the rate at which the parastatal Cotton Corporation of India (CCI) will purchase seed cotton from farmers if the price offered by traders is lower. In September 2008, the MSP of medium long staple cotton was raised by 40% to Rs 2,850 per quintal. This price was equivalent to about 60 US cents per kg, or 78 cents per pound in lint equivalent (average ginning outturn: 35%), well above the international market price. CCI purchased 1.5 million tons at the MSP in 2008/09.

Advance payment and long-term relationships with buyers offered by Fairtrade can be very attractive to cotton producers who have no guarantee to market their seed cotton or are paid a long time after harvesting.

4.7 Structure and organization of cotton production

There are clear historical differences in the structure and evolution of cotton sectors in W&CA and India. In W&CA, Cameroon, Senegal and Mali share a similar history of the organization of the sector, because in colonial times, the cotton sector across Francophone W&CA was controlled by the Compagnie Française de Développement des Fibres Textiles (CFDT), a French parastatal which had been created a decade earlier to supply the French textile industry with fibre and with marketing handled by a subsidiary – COPACO. In the post-colonial era monopoly cotton boards have changed ownership and management and producer groups have risen and evolved. All cotton producers in W&CA now belong to farmer organizations (co-operatives, associations or other groups) at the village level, and their umbrella organizations at the regional and national level, are very important actors in most W&CA cotton sectors. They are responsible for the primary collection of cotton, and for estimating the needs for inputs at the village level. They are also in charge of distribution of inputs to individual farmers, and often of recovering credit on inputs from those individual farmers. Capacity building of these producers associations is an essential component for the overall organization of the cotton sector. Networking between national organizations, sharing knowledge and experiences, has enabled AProCA (Association des Producteurs de Coton Africains) to be recognized in national and international forums. Policy changes in relation to producer prices and input subsidies across W&CA have affected the incentives for farmers and their capacity to engage in cotton production.

In Mali the CMDT acts as the sole cotton board and local farmer groups have emerged (called CPCs) and are now powerful federations. This process is detailed in box 9 below.

Box 9: The Malian cotton sector

Malian cotton production is run by a national cotton company, which is the sole exporter of cotton and owns the ginning factories. Called the CMDT (Compagnie Malienne pour le Développement des Textiles), the state owns 75.4% of it and the Geocoton Group (previously called DAGRIS) has a 24.5% stake. CMDT

provides input supplies, sales, ginning and exports of cotton fibre as well as technical assistance to producers through village based advisors which originated from a network of non-profit groups and have since developed into powerful regional and national federations. Producer representatives tender for chemical inputs and pesticides and fix the annual purchase price for seed cotton and agricultural inputs.

In Mali primary level farmer organizations, known as CPCs (cotton producer co-operatives), organize the village buying points where cotton is weighed and loaded for transport and manage inputs including agricultural credit and tender for inputs and negotiate prices. The regional and national federations of producer organizations have become increasingly powerful over recent decades as a result of state and donor support, as opposed to strong grassroots support and despite their lack of autonomy.

The drop in world cotton prices since 1998 has affected the Malian cotton sector and producer incomes. As a result CMDT refocused its efforts on cotton in 2003. Until now the CMDT has had a monopoly on input supplies for cotton as well as on sales of cotton fibre to a range of buyers including COPACO, Dunavant, Cargill, Louis Dreyfus, Paul Reinhart, Plexus, Devcot, CDI, GOENCA, Mambo Commodities and Weil Brothers and Stern. The structural crisis affecting the sector, the state and other actors in the industry have reacted to calls from development partners and initiated a scheme to liberalise the sector. However, for strategic, political and union reasons, a process that has been planned since 2004 has not yet started, despite constant reminders of its imminence. Liberalization would lead to the division of CMDT into three or four independent subsidiaries operating in separate geographical zones. It would also lead to a restructuring of farmers' organizations and it has been said that the producer organizations should have a financial stake in the new companies (cf. www.afrik.com/article19135.html).

The development of the Senegalese cotton sector follows a similar path to that of Mali, with CFDT being replaced by a national cotton board – SODEFITEX, which controls input supply and services to farmers and organizes downstream services. The emergence of federations of local cotton producer groups or GPCs has also occurred in the post-colonial era (see box 10 below).

Box 10 : The Senegalese cotton sector

In Senegal, cotton production is controlled by SODEFITEX a national public-private enterprise established in 1974 (replacing the CFDT) to supervise production, provide inputs and to provide downstream services to producers (ginning, handling, export etc). The entire seed cotton crop is processed in five ginning factories (total capacity of 65,000 tonnes). 95% of cotton lint is sold onto the world market, with a small proportion processed locally in domestic spinning mills and by local crafts people. Primary level producer associations exist at the local level, although their structure and names have changed over recent years, initially being called Associations de Base de Producteurs (ABP – grassroots producer associations), which any farmer could join. As the ABPs gradually took on greater responsibilities and with a literacy campaign by SODEFITEX, a new professional structure based on cotton producers has been retained. Groupements de Producteurs de Coton (GPC – cotton producer groups) were established, replacing the APBs. The GPCs are federations of small local groups (of 15 to 200 members from several villages), which are linked up in an area matching a SODEFITEX supervision area (or secteur d'encadrement) and eventually leading to the establishment of the Fédération Nationale de Producteurs de Coton (FNPC – National Federation of Cotton Producers) in 1997. The FNPC is only open to cotton farmers and all the GPCs are affiliated. The FNPC is a member of the Conseil National de Concertation et de Coopération des Ruraux (CNCR – National Council of Dialogue and Cooperation with Rural People), which is a forum for the representation of rural people.

A similar evolution of the cotton sector can be found in Cameroon as has been described in Mali and Senegal above. See box 11 below for details of the emergence of SODECOTON in the post-colonial era, following the nationalization and potential privatization of the cotton company.

Box 11: The Cameroonian cotton Sector

In the colonial era cotton production was under the control of the Compagnie Française pour le Développement des Fibres Textiles (CFDT), a French parastatal operating throughout Francophone W&CA, which had been created a decade earlier to supply the French textile industry with fibre and with marketing handled by a subsidiary – COPACO. Based in the Far North Region of Cameroon, operations were fully integrated, with farmers receiving technical assistance and seeds to plant 0.25ha+, and selling their seed cotton to the CFDT for ginning and marketing. Production was extensive, did not involve the use of agro-chemicals and at its peak in 1969 reached 90,000 MT of cotton (on approx. 100,000 ha), but then declined after a series of droughts. In the post-colonial era, there have been changes to the ownership and management of the monopoly cotton company and the rise and evolution of producer groups at the local level. SODECOTON was nationalised in 1974²⁴, and its' mandate expanded to include economic development of the cotton growing areas through agricultural modernization. Between 1974 and 1988 cotton production expanded (to 165,000MT) as farmers received fertilizers and pesticides on credit, access to credit to buy oxen and ploughs for land preparation and carts to transport the cotton, as well as seeds. A large network of extension workers and favourable cotton prices supported the farmers, but led to an enormous deficit for SODECOTON, and in 1988 a rescue package was required (from government and donors such as ADF) with a concomitant safeguard strategy. Management responsibility transferred solely to SODECOTON, with the Government retaining a dominant share, but assuming more of a monitoring role. Producer prices were adjusted downwards and inputs increased in price, new research was aimed at reducing production costs and extension costs were cut. Production dropped because of these factors and due to the overvaluation of the FCFA, although devaluation in 1994 provided a new stimulus and production reached a new peak (300,000 MT in 2004/5). Since then production has declined precipitously to just 111,000 MT in 2008 as input prices increased and cotton prices stagnated. In 2000, CFDT, SODECOTON's French parastatal partner, was reorganized and renamed DAGRIS (Développement des Agro-Industries du Sud) and then in 2008 it was privatised and renamed Groupe Geocoton Holding. It still retains a 30% holding in SODECOTON.

The IMF and the World Bank began pressuring the Government of Cameroon to privatise SODECOTON, as part of the structural adjustment package of 1994, and a drive across W&CA to break up state controlled monopolies on cotton production. However, the decision was never definitively made, and SODECOTON's history of losing money discouraged most investors. In 2002, one deal collapsed as an investor went bankrupt and corruption clouded the transaction. In 2003 a proposed consultancy failed to happen because of disagreements within government. Privatization is still on the agenda, but there is still no timetable or consensus regarding the form it should take. CPCC or Organisation de Producteurs de Coton de Cameroun – the cotton producer umbrella group - remains a possible bidder and is building up reserves to participate in privatization should it occur.

In box 12 the rise of producer groups in Cameroon is detailed, following a similar path to that of producer groups in Mali and Senegal.

²⁴ The government took a controlling share of 59% share, but CFDT retained 30% interest, with the remaining 11% owned by various other partners over the years, currently *Société Mobilière d'Investissement du Cameroun* (SMIC), an indigenous holding company managed by a consortium of senior politicians northern Cameroon (Gergly 2006).

Box 12 : The rise of cotton producer groups in Cameroon

In the late 1970s Groupes Villageois de Producteurs de Coton (GVPCs) emerged. These were informal village cotton farmer organizations, distributing non-cotton agricultural inputs to their members and selling cotton, although village chiefs were in control of relations with SODECOTON. In 1982 SODECOTON promoted the formation of Associations Villageoises des Producteurs de Coton, (AVP) to take over the enormous task of cotton production. Support was generous, prices were high and SODECOTON agents came to the villages and paid cash directly for the cotton. AVPs took charge of the 'surplus pont bascule' to implement community micro-projects. In 1994 a new donor funded project, the Small Farm Development and Land Management or *Projet de Développement Paysannal et de Gestion des Terroirs* (DPGT), was begun and government legislation led to the development of rural producer groups as Groupes d'Initiative Commune (GIC) or Associations (also stimulated by the mooted privatization and the potential for a producer buy-out). Most of the GICs had been formed by 1997 and have on average of 150 members, but some exceed 400 (which SODECOTON and CPCC view as unmanageable).

In each GIC there are smaller groups of 10 to 20 farmers ('Cercles de Caution') who guarantee credit for the other members. Since the creation of GIC's, farmers receive credits for cotton and they give an advance (30% of input value) and the remaining credit is used for cotton, but all the costs for other crops must be paid in advance to SODECOTON. Each Fairtrade group has an environmental committee which should monitor bush fires, regulate pesticide spraying regimes and collect and destroy empty pesticide containers. The GICs vary in terms of management capacity and have different levels of support from SODECOTON, but SODECOTON and CNPCC, the umbrella group, have been slow to transfer responsibilities to them especially those with high levels of illiteracy. One hundred GICs did not receive credit in 2006 because of risks of mismanagement of funds. Since the creation of GICs farmers still receive credit for cotton but inputs for other crops and equipment have to be paid in advance to SODECOTON (in cash or maize) and many cannot afford to do so. GICs use some of the money from cotton sales to SODECOTON to cover their operational costs and to fund community projects, but Fairtrade GICs do not receive these payments but rely on the Fairtrade premium. If the Fairtrade premium is not forthcoming the PO does not receive anything.

In the second phase of the DPGT development project in 1999, vertical organization of the producer groups was initiated, leading to the establishment of a national umbrella group, in 2000, called the *Organization de Producteurs de Coton de Cameroon* (OPCC, now CNPCC). The CNPCC's member GICs are hierarchically organized into 9 regions and 47 sectors. The General Assembly is constituted of one delegate per sector. It meets twice per year and elects an administrative council which represents members to SODECOTON and local government. CNPCC plays an important role in providing extension services and supplying inputs, as well as determining the producer price of cotton through negotiations. The initial price is decided by SODECOTON, the final price is reached by consensus with CNPCC. The premium paid by SODECOTON at the end of profitable seasons is now paid to CNPCC and not directly to producers, and even passes through GIC accounts without the CNPCC being informed. CNPCC decides whether to save the premium in a reserve account or pay it out the following season to producers as a complement to SODECOTON's producer price. CNPCC is perhaps insufficiently independent from SODECOTON, as the former has office space at the SODECOTON building in Garoua, receives a subvention from them and senior staff of CNPCC are mostly ex-employees of SODECOTON. In late 2009, OPCC-GIE was renamed CPC-Cameroon, *Confédération des Producteurs de Coton – Cameroun*, in an attempt to enhance producers' sense of ownership of the organization.

In contrast, in India, cotton smallholders are either unorganized or are organized into structures which have no legal status. Contract farming standards were developed after the standards for SPOs in the FLO Fairtrade system. In India 30% of the cotton is marketed by the Cotton Corporation of India and other state federations and the other 70% is marketed by private processors and traders.

Box 13: The Gujarati cotton sector, India

The local Agricultural Produce Marketing Committee (APMC) regulates and monitors product prices. Auctions take place at local mandis, where the day's prices are shown on a big screen, including minimum and maximum prices (which are quality-related). These prices are published in newspapers the following day and AGROCEL receives the prices through an SMS message at 11 am. International market forces ultimately determine the market price. During the last two years the state government has set a minimum support price (MSP) that is higher than the Fairtrade price – a 40% increase compared with the previous state MSP.

If the local market price falls below the MSP, the government cotton body Cotton Corporation of India intervenes and buys the cotton. If the market price is more than the MSP AGROCEL must pay its producers the market price. Each producer is free to decide when (s)he wants to sell: AGROCEL informs him/her of the price on any given day – but they tend to know the market price anyway, through television and newspaper reports. AGROCEL's storage facility at Mandvi can be used by farmers if the day's price is low and the farmers want to wait for the price to change for better. According to AGROCEL if it fixed the price with its producers well in advance of purchase, and the market price turned out to be higher, then the producers would sell at least some of their Deviraj cotton to other buyers. The term 'contract farming' has bad connotations with farmers and politicians in Gujarat. Farmers are free to sell to any buyer, but they must notify AGROCEL first and explain the reason. However, if they do that they won't get the FT premium. Traders do occasionally offer higher prices than AGROCEL. It appears that there is also some social (moral?) pressure on individual producers to sell to AGROCEL. As of February 2010, Rs.27.5 and Rs.26 (Rs/kg) prevailed for government MSP and FT MSP respectively. Rapar market prices (32-36) tend to be higher than Surendranagar market prices (27.5 – 36). (NB. A maund in Rapar is 40 kg, so current Rapar prices are equivalent to 1280-1440 Rs/Maund.)

4.8 Case study producer organizations

This section provides descriptions of the case study producer organizations and the other key actors in Fairtrade and conventional cotton production and trading in each country included in this study.

4.8.1 Mali

In the Fairtrade value chain the primary level farmer organizations in the study are called CPCBs - the Coopératives des Producteurs de Coton Biologique (Organic Cotton Producers' Cooperative). The secondary level farmer organization representing these CPCBs is called MOBIOM - the Mouvement Biologique Malien (Malian Organic Movement) – established in 2002 facilitated by Helvetas Mali, which has been supporting organic cotton producers since 1998. MOBIOM promotes organic and more recently Fairtrade cotton, defends producer interests, provides capacity building for producers by a large technical dept of 40+ staff, holds an annual general assembly of member representatives, deciding on supplies, markets and negotiations. MOBIOM became a non-profit cooperative society in 2007 and it is currently a federation of 73 Fairtrade CPCBs (with a further 3 cooperatives which do not produce cotton and focus primarily on organic mango production) directed by a 15 Member Board (elected by the CPCBs). MOBIOM covers 8 zones (Yanfofila,

Bougouni, Kolondieba, Garalo, OHVN zone, Yorosso, Bla and Kita). The cotton board (CMDT) also provides logistical support to MOBIOM farmers, collecting and transporting the cotton according to organic protocols and arranging for its export.

There are two Fairtrade supply chains in Mali both in the CMDT zone:

- Fairtrade in the Kita area, established with support from CMDT, Geocoton and Max Havelaar France have supported, and began in the 2003-4 season. Fairtrade allows the 'reasonable' use of chemical fertilisers in conjunction with or to complement organic matter as well as of a restricted number of chemical products known to be less harmful to humans and the environment. In particular, there is a strict ban on the use of Endosulfan. 12 co-operatives are involved in the project and Fairtrade cotton production has expanded rapidly.
- Fairtrade organic Bougouni region supply chain (Helvetas Mali, Max Havelaar Switzerland and the company Reinhart Inc. with assistance from CMDT) since 2004. As well as following Fairtrade, these groups are certified organic (only using organic matter for fertiliser and plant extracts as pesticides). It is estimated that 6,500 producers were participating in the project across 73 CPCBs at the time of the research.

Helvetas Mali currently provides a substantial part of MOBIOM's operating budget (75%) with the rest funded by membership fees levied on cotton sales (25%). A strategy to phase out this dependency on Helvetas was developed with a view of establishing financial independence by 2010. To this end an increased percentage of Fairtrade premium returns on a cotton sales tax (28 FCFA/kg) is being used to support MOBIOM's operational costs, as well as a tax of 10 FCFA on the Fairtrade Premium (34FCFA/kg) that contributes to the same objective. The recent lack of cotton sales, however, have meant that plans for achieving financial independence by 2010 have had to be put on hold. In each of the 8 zones where MOBIOM works, there are approximately 10 CPCBs, (farmer groups), each of which is directed by an elected board and has between 20 and 200 smallholder members. The vast majority of members farm less than 1 hectare of cotton. MOBIOM has expanded rapidly from 11 CPCBs in 2004 to 70 in 2008.

A summary of inspection reports indicates rapid expansion since MOBIOM's creation, but in the 2009/10 season the area sown with cotton and production both fell. Although MOBIOM was keen to increase the area under cotton production and to guarantee its own autonomy as a result, CMDT and MOBIOM advised the primary level farmer organizations, the CPCBs, to revise their forecasts downwards to ensure they could be paid after a slump in sales in cotton stocks. At the same time MOBIOM has emphasized further its product diversification policy, supporting the introduction sesame, fonio, and shea butter as cash crops and plans to build sesame oil processing plants and a spinning mill with its own equipment.

4.8.2 Senegal

Fairtrade cotton began as part of the wider West and Central African project outlined earlier, initiated in 2003 by the FNPC; SODEFITEX; Dagris and the MHF and with funding from the French Ministry for Foreign Affairs and the Centre for the Development of Enterprise (an ACP/EU joint institution). The SODEFITEX Cotton Production Department has a training and innovations service which leads the Fairtrade cotton project. The project began with three GPCs in Kédougou region in 2004, later in the year spreading to other parts of this region, and to Saraya (2006), Velingara Dabo (2007) and Koussanar (2008) and Missira (2009), with 117 GPCs from US-GPC Kédougou involved by 2008-09 (dropping to 99 in 2009-10). In 2010 there were 223 certified GPCs having sown cotton at a national level. Support was provided to producers in how to implement the Fairtrade standards through training and the establishment of steering committee structures and a 'sustainable environment' committee.

4.8.3 Cameroon

In Cameroon, SODECOTON and CPCC were the local partners of the Fairtrade project. By April 2004, the Fairtrade standards for cotton had been approved by FLO-International, and by October 2004, CPCC had recruited the GICs which met the required organizational standards to participate and they had been inspected and approved by FLO-Cert. The first Fairtrade cotton products appeared on the market in early 2005.

Marketing of lint cotton is the exclusive responsibility of SODECOTON. In its first years, COPACO (a subsidiary of DAGRIS) acted as SODECOTON's selling agent, taking a 1% fee. In 1994, SODECOTON began marketing 40% of its own production, selling directly through weekly auctions to a number of selected traders. This system was generalized in 2000. The company now sells its entire weekly output through such auctions to the three highest bidders and less than 5 percent of total output is now sold to COPACO. However, COPACO returned to the scene for the marketing of Fairtrade cotton, under the original Fairtrade cotton establishment project agreement.

In 2008/09, 80% of Cameroon's conventional cotton production was sold to China. Other importing countries included Bangladesh (5%), Malaysia (5%) and India (3%). About 5% is sold on domestic market (audit report 05). In previous years, Pakistan, Turkey and Thailand have also been customers. Since 2007, there has only been one order for Fairtrade cotton, and for only 57 tonnes. India was initially the main destination for Fairtrade cotton, but since Fairtrade cotton production started there in 2006, this market has dried up, and the global financial crisis appears to have hit demand in the other main importing countries, Morocco, Turkey and Portugal. There is just one integrated textile mill and a number of other firms which concentrate on spinning, weaving, dyeing or garment manufacturing (Voest and Holzmann, 2006)²⁵.

4.8.4 India

Agrocel Industries has two divisions, the Agriculture Service Division and the Marine Chemicals Division. The Service Division was founded in 1988 to provide support to farmers, particularly small farmers in marginal areas, to improve farming methods, maintain soil fertility and increase output marketing. The field engineers have established contacts with over 20,000 farmers selling inputs, giving training and advice and helping in documentation of and education about organic and Fairtrade certification and providing loans. Products may be classified as conventional, Fairtrade conventional and Fairtrade organic certified²⁶.

²⁵ CICAM (*Cotonnière Industrielle du Cameroun*) with its head office in Douala, and its sister company/subsidiary SOLICAM (*Société Textile du Cameroun pour Linge de Maison*), based in Garoua, represent more than 90 percent of the domestic cotton based manufacturing activity. The latter operates the spinning mill supplying itself and two other weaving companies, but using only 50% of its productive capacity. It uses ring spindles, which although an older and slower technology, produce yarns for fine fabric and apparel. SOLICAM also has some 400 old spindle looms with a capacity of 24 million linear metres, which produce base fabrics for African print cloth, and also have wide-width Somet looms (up to 3.95 meters) with a capacity of approximately 5 million lm per annum (sheeting fabrics) and a few old jacquard looms used for the production of towels. CICAM operates a dyeing plant in Douala. There are seven or eight garment manufacturers, producing for the domestic and export markets, and there are plans to establish more.

²⁶ Under the Fairtrade conventional classification, the products offered are cotton (fibre, yarn, fabric, clothing), cotton fabrics (hand spun and woven), paddy, basmati rice, sesame, ground nuts, cashew nuts, raisins, raw sugar and wheat, mustard (black, yellow and brown) and gram (green and brown). Products of Fairtrade organic certified are cotton include fibre, yarn, fabric, clothing, and also basmati rice, sesame, ground nuts, mustard (black, yellow and brown). Under the Fairtrade conventional classification, the products offered are cotton (fibre, yarn, fabric, clothing), cotton fabrics (hand spun and woven), paddy, basmati rice, sesame, ground nuts, cashew nuts, raisin, raw sugar and wheat, mustard (black, yellow and brown) and gram (green and brown). Products that are certified as Fairtrade and organic include cotton (fibre, yarn, fabric, clothing), as well as basmati rice and sesame, ground nuts, mustard (black, yellow and brown).

Box 14: History of Agrocel support to farmers in Gujarat

In 2002-3 Agrocel applied for organic cotton certification under Control Union Certification (CUC). Organic production began with 160 farmers at Rapar Taluka.

In 2005 Agrocel engaged with Fairtrade, the first to do so in Indian cotton. Three villages and 50 farmers were linked with PRO-CERT to produce Fairtrade cotton. Later in the year 356 farmers spread over 5 villages were included. The Agrocel Pure and Fair Cotton Growers' Association (APFCGA) was formed and the Producer Executive Body (PEB) was created.

The APFCG Association attained legal status in 2006 and received its first Fairtrade premium of Rs 2.29 lakhs (approximately USD 5,000). The premium for organic cotton (calculated by volume of cotton per farmer) was also distributed to producers (currently it is 8% of total cotton sales, in which 4% of money is returned in cash and the other 4% in subsidy on seeds or other agricultural inputs. Agrocel's reputation benefited in this year significantly amongst farmers.

In 2007 village level sub-committees were formed in the APFCGA. Farmers from Dhrangadra in Surendra nagar district sought to join Fairtrade. Agrocel initiated an 'Organic and Fairtrade' Park which included the establishment of a Ginning and Processing Unit and Storage and Weighing Unit at Dhrangadra. Agrocel launched Fairtrade cotton production with farmers from Ravagada District, Orissa. A total of 458 new farmers have joined Fairtrade cotton production during this year.

Until 2008 Dhrangadra and Rapar had separate Producer Executive Bodies (or PEBs) for their association, but in 2008 a joint PEB was formed. 1452 farmers from 32 villages of Dhrangadra joined Fairtrade cotton production in this year. Agrocel launched its Fairtrade cotton production in Salur in Andhra Pradesh and bought cotton from every farmer of the Rapar area of Kutch, totalling 250 trucks of Fairtrade cotton. Four women's Self Help Groups were also created.

By 2009, 1930 farmers were producing Fairtrade cotton. At the time of the 2009 inspection there were 257 organic producers and 424 in conversion. The cotton markets declined because of the global recession and Agrocel could not buy all the cotton from the farmers associated with it or with Fairtrade cotton production. As a result around 60 trucks of Deviraj cotton (an improved variety of Desi cotton called 'Deviraj' introduced by Agrocel was sold on the open market rather than to AGROCEL, which procured around 125 trucks of Fairtrade Deviraj cotton this year.

In 2010 demand increased for Deviraj Fairtrade cotton but at the time of the study it was not as good as prior to the global recession. It was estimated that Agrocel would procure 35 trucks of Deviraj Fairtrade cotton in addition to the 115 trucks procured already (at time of harvest season).

Source: Discussions with the Agrocel officer responsible for Rapar region and the Agrocel website.

Agrocel are also linked to 'Best Management Practices cotton', which is a standard of IKEA (the Swedish furniture retailer) and is primarily environmental and they recently obtained certification with 'Shop for Change', which is promoting fair trade in India covering a variety of crops (e.g. grams, castor, sesame, cumin, mustard and groundnut; and cereals include wheat, pearl millet, sorghum and rice).

In this section we have explored in detail the regional and national contexts for cotton production and have set out in the specificities of cotton production in each of the four case study countries. This analysis provides the background against which the impact of Fairtrade has to be considered. The next sections attempt to identify the impacts of Fairtrade on: social differentiation and inequality (section 5), producer socio-economic status (section 6), the organization of cotton producers (section 7), local and national development (sections 8 and 9) and on natural resources management.

5. FAIRTRADE IMPACTS ON SOCIAL DIFFERENTIATION AND INEQUALITY

Fairtrade aims to support sustainable development for producers and workers who have been “economically disadvantaged or marginalised by the conventional trading system”²⁷. This section gives an overview of Fairtrade cotton producers in terms of household characteristics, livelihood systems and cotton production, and assesses the impact Fairtrade on social differentiation within producer households, communities and organizations, with special emphasis on the status of women.

5.1 Profile of Fairtrade cotton producers

5.1.1 Producer and household characteristics

Fairtrade producer households are organized in a similar way in the three W&CA case study countries, with a household broadly defined as all the members of a family living on the same plot of land, sharing meals and working in the fields together. This is typically the father (household head), his wife or wives, married sons and their wives and children who are still dependent on the family, and other children. Households therefore contain between 10 and 30 people on average and the organization of labour and decision making is defined by social, cultural and religious²⁸ norms related to gender and position in the family. The household head typically decides how land held by the family is allocated, i.e. to which crops and under whose control. Labour is mainly drawn from within the household and is primarily employed to work on the household head’s fields, including cash crops such as cotton and staple food crops such as groundnuts and grain (for household needs and/or sale on local markets). In W&CA it was noted that unpaid labour exchange takes place between households within communities, and also within extended family networks. Not only is this necessary for economic reasons, as most farmers can’t afford to pay for hired labour, it is important for sustaining community relations. Only households that are better off are able to employ additional casual labour from within communities or, in some areas, domestic or international migrant labour (e.g. in Cameroon migrants from Chad sometimes work on cotton).

Fairtrade producer households in India have an average of 6-7 members and are organized quite differently. In India the household generally consists of the father (who is considered the head of the household), mother, married sons, their wives and children (including unmarried daughters). The majority of the farmers in this area are illiterate or have not completed their primary education. For the majority of the households in the study, farming is the most important livelihood activity and crop sales are the main – sometimes only – source of income. A few households get an additional income through remittances. At the household level decision-making is usually dominated by the male partner, although women often have a say in decision making on those matters relating to the household. Men are usually the ones making decisions about farm-related operations (like ploughing, sowing, operating motor for irrigation, buying of seeds and selling of output, area to be sown etc) men are usually. In the field women’s main activities are weeding and harvesting. While family labour is engaged in farm related work, if required labourers are hired for weeding and harvesting.

The majority of Fairtrade cotton producers in the W&CA case study countries are also illiterate (e.g. over 80% in Mali) or have not completed their primary education. This compares to national averages of between 26%

²⁷ Wording used in the introduction to FLO’s Generic Standards for Hired Labour.

²⁸ Islam was the dominant religion in case study areas in Senegal, Mali and Cameroon.

and 78% of adults over 15 being able to read. This poses significant challenges for the transfer of responsibilities to primary level organizations.

5.1.2 Livelihood activities and sources of household income

Like most rural households in both W&CA and India, Fairtrade producers and their families pursue multiple livelihood activities in order to meet household needs. This includes producing crops and rearing livestock for household use and/or sale, and other activities to generate cash income (e.g. small businesses/petty trade, working as hired labour). Table 4 lists the most common livelihood activities pursued by the households in the case study samples. Some households also receive remittances from relatives that have migrated.

Table 4: Common livelihood activities pursued by Fairtrade producer households

Country	Livelihood activities
Senegal	Cotton, groundnuts, maize, small business, mango
Mali	Cotton, livestock, cereals, charcoal, market gardening, shea butter, small business
Cameroon	Cotton, maize, groundnut, millet, niébé, cattle breeding, sales of bilibili, small business
India	Cotton, castor, groundnut, cereals, legumes, spices, milk production, small business

Source: Case study research

The time and resources invested in each type of activity depends upon the contribution it makes to the household economy, both directly (e.g. amount of food or cash generated) or indirectly (e.g. as a route to gaining access to inputs and credit, or as savings, dowry or bride price). Households also place value on activities that generate cash at certain times of the year, such as during the 'hungry season', when food crops are scarce (for own use or to sell). In general, crop production is the main type of activity and source of household income in all four countries, although the balance of activities (e.g. crop, livestock, small-medium enterprises) vary from one household to the next. Cotton was reported to be the most important source of cash income for the majority of Fairtrade producer households, with the exception of Cameroon (see section 6 for full details).

5.1.3 Production characteristics of Fairtrade producers

The amount of land that Fairtrade producers have under production in 2008-09 (2007/08 figures for India) range from 1.14 ha in Senegal to 4.29 ha in India (see Table 5). The amount of land planted with cotton typically does not exceed 1 hectare in W&CA, with producers in Senegal having an average of 0.38 ha of cotton in 2008-09²⁹, while in Mali the average rises from 0.51 ha in 2005 to 0.62 ha in 2008-09. In Cameroon the average is 0.67 ha per producer in 2008-09. According to FLO-Cert Inspection Reports, the figures for Cameroon and Senegal are in line with regional averages, suggesting that Fairtrade farmers are broadly representative of cotton producers, but in Mali FLO-Cert gives the average for non Fairtrade producers in the region as 3 ha of cotton compared to 0.62 ha for Fairtrade producers. However, other sources (e.g. USDA) give an average of around 1 ha, meaning the area planted by Fairtrade producers is only slightly below average. In

²⁹ The average ranged over the years from a high of 1.5 ha in 2005-06 to this low of 0.38 ha in 2008-09. The reduction in area planted was specifically aimed at producing higher quality cotton which would sell at Fairtrade prices – a strategy that paid off with an increase from 79% to 89% of production classed as 1st grade.

India Fairtrade cotton producers in the case study area (Rapar Taluka block in Kutch district) have slightly larger plots, with an average of 2.47 ha of land planted to cotton per farmer in 2007-08. This compares with an average of 1.5 ha per farm for Indian cotton farmers (Choudhary B and Gaur K, 2010)

Table 5: Production figures for case study Fairtrade producers

	Senegal 2008-09	Mali (organic cotton) 2008-09	Cameroon 2008-09	India (Kutch district) 2007-08
Average land area under production (ha)	1.14	1.85	No data	4.29 (10.6 acres)
Average land under cotton (ha)	0.38	0.62	0.67	2.47 (6.1 acres)
Total area FT cotton (ha)	1,677	4,002	22,477	1,745 (4,311.5 acres)
Total production FT seed cotton ³⁰ (MT)	2,071	1,235	23,466	3,554
Average yield (kg seed cotton/ha)	1,235	308	1,044	2,037

Source: FLO Inspection reports; producer organization annual reports; data collected during fieldwork

Average figures can sometimes conceal wide variation among producers in a particular organization, but Table 6 indicates that the vast majority of producers in all 4 case study organizations would classify as small producers by Fairtrade and local standards³¹.

Table 6: Distribution of Fairtrade producers by size of cotton fields/landholding in 2008-09 (% in each category)

Land under cotton	<4 ha	5-10 ha	10-20 ha	>20 ha
Senegal	99.94	0.06	0	0
Mali	99.89	0.07	0.04	0
Cameroon	99.60	0.39	0.01	0
Total landholding	<3 ha	3-7 ha	>7 ha	
India (2007-08)	73.20	24.40	2.40	

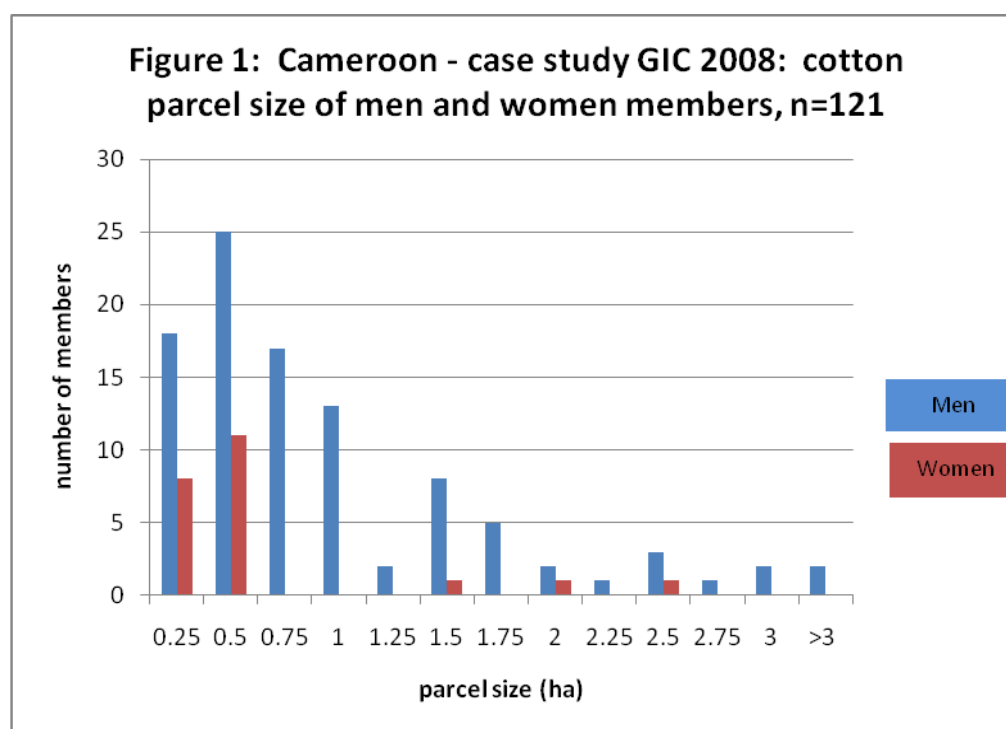
Source: FLO inspection reports; data collected during fieldwork (India)

³⁰ Some of these figures are estimates. Also, they are for total production by FT farmers, but not all seed cotton will meet the required grade for sale to Fairtrade markets.

³¹ There are no special rules in Fairtrade specifying what is a cotton smallholder, and therefore the generic SPO and CP standard definition applies (i.e. the majority of producers should be smallholders who don't depend on hired workers all the time, but run their farm mainly by using their own and their family's labour).

Average figures also conceal differences along gender lines. In W&CA women have less cotton on average than men; for instance, in one GIC in Cameroon men planted an average of 1 ha compared to 0.5 ha for women (see Figure 4 below). Similarly, in Mali men in a case study village planted an average 0.61 ha compared to 0.47 ha for women in 2008-09.

Figure 4: Cameroon cotton parcel sizes



In India Fairtrade producers grow two different types of cotton: deviraj, which is high quality cotton that Agrocel promotes and buys; and desi – a local variety that is more resistant to drought but produces lower quality fibre. Fairtrade producers with only small plots of land tend to grow exclusively deviraj, whereas those that have small to large plots have 30-40% sown to desi (at the time of the field research). This has potential implications for income security – this is explored in section 6.

5.1.4 Yields

Average yields for Fairtrade cotton producers in the case studies vary considerably: 308 kg of seed cotton per hectare in Mali (for organic production), 1,044 kg/ha in Cameroon, 1,235 kg/ha in Senegal and 2,037 kg/ha in India (see Table 7). Average yields in Mali have fallen from 434 kg/h in 2005-06 to 308 kg/ha in 2008-09; it is thought this is due to the rapid growth in MOBIOM members during this period and associated difficulties of providing adequate extension services on organic Fairtrade production³². This is not the only reason, however, as Bassett (2010) finds that average yields in organic cotton fields in Mali are half that of conventional cotton,

³² Conversion to organic production typically causes a drop in yields in the first few years and it takes 3-5 years to reach optimal levels.

and there has been a nation-wide decline in yields since 2004/5: in 2005-6 the average yield in Mali's organic cotton fields was 525 kg/ha, 8% lower than the 2004/2005 average of 570 kg/ha. Organic cotton yields fell further in 2006 to 369 kg/ha. In contrast, the average yield for conventional cotton is just over 1 ton/ha (Bassett 2010).

Meanwhile, in India yields for the Kutch district case study farmers were calculated to be almost double yields in the other case studies, at 2,037 kg of seed cotton per hectare. The national average for India in terms of yields is 524 kg of cotton lint per ha in 2008-09 (Choudhary and Gaur, 2010) which, using a ginning outturn of 40%, would equate to a cotton seed yield of 1,310 kg/ha. The FLO Standards Unit and the Fairtrade Foundation in 2008 estimated that Fairtrade organic and conventional producers in India had yields of 1119 kg seed cotton/ha India.

There is always considerable variation in yields between countries, and even between regions within countries, due to factors such as: type of water supply (rainfed versus irrigated); soil fertility; use of fertilisers and insecticides; seed type and quality. Socio-economic and political factors also affect yields of individual farmers; for example, levels of poverty and government policies can determine availability of and access to animal traction and inputs. Sub-Saharan Africa typically performs poorly on yields compared to world averages, for various reasons (e.g. little irrigated production, poor soil fertility, sub-optimal use of fertilisers, high poverty levels)³³, while in India yields have shown steady increases over the years, especially with Bt Cotton. However, the reasons behind the very wide cross-country variation are not entirely clear from the case studies and there are some doubts about the reliability of some of the data.

For comparison, data collected from Fairtrade producers by FLO for a cotton price review in 2008 produced the yield estimates shown in Table 7 below, which indicate significantly less variation on average across all Fairtrade producer organizations in the case study countries.

Table 7: FLO data on annual seed cotton yield per hectare (kg) for Fairtrade producers in case study countries³⁴

	Organic	Conventional
Mali	1050	1000
Senegal	No data	No data
Cameroon	1080	n/a
Western and Middle Africa average	1116	716
India	1119	1119

Source: FLO Standards Unit and Fairtrade Foundation, 2008

Typically, yields for women tend to be lower than for men, as they tend to have less access to farm inputs and equipment, as well as having to prioritise work on the household head's fields which means production tasks

³³ For analysis of yields in Sub-Saharan Africa compared to worldwide averages, see: Tschirley et al. (2009) Organization and Performance of Cotton Sectors in Africa: Learning from reform experience. World Bank: Washington, D.C.

³⁴ It should be noted that not all FLO certified POs submitted data for the 2008 price review. The figures presented here are averages from the data that was submitted.

on their own cotton are not always carried out at optimal times. For example, in one local farmer group, or CPCB in Mali, men have an average yield of 333 kg/ha compared to 313 kg/ha for women (2008/09 figures).

5.1.5 Comparison of Fairtrade producers with others in their communities

Ideally we would like to be able to compare the socio-economic situation of Fairtrade farmers with those of non-Fairtrade farmers and others in their communities, i.e. to give a sense of how poor and marginalized they are. However, the research teams were not able to gather evidence on this given the time and resource constraints. It was observed that cotton producers in Senegal and Mali can include some of the very poorest farmers, but there is diversity in land holding and wealth.

5.2 Fairtrade impact on women's income and status within the household

The key area in which Fairtrade has had a discernible impact on social differentiation in Senegal, Mali and Cameroon is the inclusion of women as members of producer organizations and recognition of their right to earn their own income from cotton. This is set in the context of household organization in these countries, as described above. While women may be consulted if they work on the household head's crops and may be allocated some of the income generated, they generally do not have decision-making authority over production issues unless they 'own' the land themselves (e.g. widows living alone with young children). However, in addition to helping on the family fields, most women have customary rights to cultivate their own small plots of land with crops such as groundnuts, maize, vegetables or rice, and in some cases cotton, which they use to contribute to the household diet and as a source of cash income for family needs (e.g. clothing, condiments, kitchen utensils, school-related costs). Additional sources of household income and/or savings come from livestock rearing and petty trading, which are also organized along gender lines (e.g. in Mali cattle are reared by men and small ruminants and poultry are reared by women).

Participation in Fairtrade has led to raised awareness of women's rights to cultivate their own plots of cotton and to benefit from the income derived from their labour (on their own or others' fields). In Mali women hardly grew any cotton before the introduction of organic cotton in the late 1990s. In 2002 women constituted around 17% of organic cotton farmers, but by 2005 they represented 40% of MOBIOM members. This was explained by the fact organic cotton does not have adverse effects on health and involves less risk of falling into debt (inputs are virtually free), making it more attractive to women, but also by the fact that Fairtrade requires that they receive their payments for cotton directly. Similarly, in Senegal there had been an increase in the proportion of local farmer organization (GPC) members that were women, reaching a high of 37% of Fairtrade producers in 2008-09 (although there is considerable variation from one GPC to another), and women were reportedly earning considerable amounts of money from cotton for the first time. This had allowed them to cover more of the household's expenses and to develop new income generating activities (e.g. livestock rearing, small businesses). In Cameroon it was reported that prior to Fairtrade women had little involvement producing cotton on their own account because they were too busy labouring on their husband's fields and growing subsistence crops on their own plots, or were prohibited by their husbands from involvement because of fears around the effects of harmful chemicals or due to social/religious conventions. Fairtrade has helped increase the number of women farming entire fields of cotton and made it more likely they are paid directly for their cotton sales. However, in some cases women said they still do not receive payments for their cotton directly, while others are only passive members of GICs and do not attempt to sell their cotton as Fairtrade.

In India women represent just 4% of APFCGA members and this proportion hasn't changed since the Association was formed. As in W&CA, the majority of women's time is spent on reproductive work and on other types of livelihood activity (e.g. looking after livestock), but they do get involved in harvesting and weeding cotton. However, they do not farm cotton separately from their husbands unless they have their own land, and therefore do not usually have a separate income stream from cotton. This explains the low membership figures, as only farmers with title to land can become members of the Association.

5.2.1 Changes in household gender relations

In W&CA there is evidence that increased participation of women in cotton production and sensitization linked to Fairtrade has affected gender relations at the household level, giving women greater involvement in family discussions about allocation of resources and more freedom in deciding how to use their income from cotton. However, this effect is not consistent and in both Senegal and Mali men (particularly household heads) continue to decide on use of the primary assets of land and farming equipment and often still have ultimate control over all aspects of household income, including that of women. Similarly, in Cameroon women acknowledged that they can now discuss more with their husbands, thanks to Fairtrade rules and an awareness raising campaign about gender issues by CPCC, but not all have control over their income from cotton. The quotes in Box 14 from women in Mali are testament to the variation found in all three countries.

Box 15: Women's control over income from Fairtrade cotton in Mali – a mixed picture

"Husbands let their wives manage their own income."

"Husbands and wives agree on how to spend the money together."

"The husband takes everything and decides on his own how the money is used."

"I grew conventional cotton in 2008/09 and I received all the money for my crop, but the following year my husband took it all to pay off his debts."

Some women in Senegal said that they may be better able to calculate how much they earned in their own right, and more confident in preventing their husbands from intercepting part of their earnings, if they were literate. It was also noted in Cameroon that when women gain more independence and economic power from cotton, their husbands sometimes react by withdrawing some of their financial support to the family, and use the money for their own personal purposes, in some cases, to take additional wives. This is usually to the detriment of the woman and her children, sometimes leading to more work on a larger sized farm area.

According to women interviewed during the Indian case study, men take all decisions about farm-related operations and women follow their instructions. This situation appears unchanged by Fairtrade. They also noted a potentially negative impact on women's labour resulting from the introduction of organic farming, in that it requires more manual weeding and this is almost exclusively a female activity.

5.3 Inclusion in Producer Organizations

As described in Section 4, in the three W&CA case study countries producers are organized into small geographical units of between 15 and 200 members (sometimes more in Cameroon), drawn from single villages or groups of villages (GPCs in Senegal, CPCBs in Mali and GICs in Cameroon). These primary level organizations are part of the national structure of the cotton sector and are closely linked to the cotton companies. In order to sell to the cotton companies (which are the sole buyers of cotton in each country),

producers need to belong to their local producer organization and therefore all cotton producers automatically become members. In general, anyone managing their own field of cotton and intending to grow cotton in the upcoming season can become a member, which includes household heads and others in the household that are responsible for a piece of land (e.g. sons, wives), albeit without holding the legal title to that land.

The involvement of these primary level organizations in Fairtrade began in 2003-04, with the number of Fairtrade producer organizations growing almost exponentially year-on-year until 2008-09 when Fairtrade markets experienced a sudden downturn (see section 10 on sales). As well as affecting the strength of producer organizations (see section 7), Fairtrade has led these organizations to be more inclusive, as it has encouraged women and young people to participate (see below). In Senegal and Cameroon it was reported that the drop off in Fairtrade sales in the last two years, along with the increasing cost of inputs, has led some producers to reduce or abandon cotton cultivation, potentially reversing this impact, although experiences suggests that if sales and profits were to improve they are likely to once again give it a higher priority in their livelihood systems.

The situation in India is quite different as almost all Fairtrade cotton is produced under the contract production system, whereby a commercial organization (the Promoting Body, PB) works with incipient producer organizations to develop their independence over time. Fairtrade therefore has an impact in terms of creating new organizations. In the case study example Fairtrade has resulted in the formalization of a cotton producers association, the APFCGA, in 2005, led by a Producers Executive Body (PEB) composed entirely of farmers. The APFCGA has village level sub-committees with between 3 and 10 representatives, with the total number of Fairtrade farmers growing from 50 at the start of 2005 to 1,930 in 2009. However, there appear to be some examples of exclusion in terms of who can be a member of the APFCGA. As noted above, only those with land titles can be members and this excludes many women from membership as they are less likely to hold titles to land. In addition, interviews with Fairtrade and non Fairtrade farmers indicated that to become an APFCGA member it is necessary to be on personal terms with Agrocel staff, with one non member complaining that he has not been included by staff.

Table 8: Evolution of Fairtrade producer groups in case study producer organizations

	Senegal		Mali		Cameroon		India (Kutch district)	
	FT GPCs	FT Producers	FT CPCBs	FT Producers	FT GICs	FT Producers	Village committees	FT Producers
2004-05	3	No data	11	No data	5	1,062	No data	50
2005-06	13	1,196	16	1,748	36	6,419	11	No data
2006-07	59	2,514	29	3,419	56	12,657	13	458
2007-08	82	4,292	33	4,155	199	23,182	21	709
2008-09	117	4,380	70	6,500	197	33,471	21	1,448
2009-10	99	3,382	73	No data	197	27,553	No data	1,930

Source: FLO Inspection Reports and data gathered during case studies

5.3.1 Participation of women in producer organizations

There was fairly consistent agreement across the case studies that Fairtrade has contributed to an increase in the number of women that are members of producer organizations (except in India), as well as greater participation by women in producer organization structures and meetings (including India). Table 9 gives the data that is available with regard to the gender breakdown of producer organization membership by year, but this information is only partial and does not say much about trends. The case study research found that Fairtrade (and local implementing/support organizations) has raised awareness of women's right to belong to producer organizations, attend meetings and be involved in decision making. It was reported that women in some producer organizations have begun to speak out and have their views heard and are gradually gaining in confidence and influence. Women in India said they appreciate being able to attend APFCGA meeting in place of their husbands and feel that their awareness has increased, particularly of government schemes. Women also constitute 6 out of 21 PEB members, which is very high considering they only make up 4% of APFCGA members. This is a direct impact of Fairtrade which promotes representation of marginalised groups in producer organizations. In W&CA women have also taken on key positions within their organizations. In Cameroon, for instance, some GICs have women chef de cercles (credit group leaders), treasurers or vice-delegate, and two women are on the board of CPCC (out of nine board members in total), although this is not exclusively a result of Fairtrade (none of the 3 GICs in CPCC that have female delegates are FLO certified). It was found that when women get involved in GICs, especially as officials, they can act as a catalyst encouraging other women to join.

Table 9: Number/percentage of women in case study producer organizations, 2002-10

Members	Senegal		Mali		Cameroon		India	
	Female	% total	Female	% total	Female	% total	Female	% total
2002				17%				
2005-06			699	40%				
2006-07			1,368	>40%				
2007-08			1,496	36%				
2008-09		37%	2,500	31%				
2009-10		17%	2050	31%		8%	77	4%

Source: FLO inspection reports; data gathered from POs during field research

However, in all countries women often do not speak very much in mixed meetings and are apparently reluctant to assert their views or challenge the positions of men in authority, which relates very much to the socio-cultural contexts in which they live. Even when they have formal roles in the producer organizations, this is often more on paper than in practice (e.g. in Cameroon vice-delegates sometimes end up working in the kitchen or cleaning during meetings). It was also noted that women's availability to be actively involved in producer organizations is limited by the responsibilities they have for household reproductive tasks (food preparation, childcare, etc.). This should not be taken as evidence that women have no influence over the

decisions taken by producer organizations, as the nature of gender relations is more complex than this³⁵, but it does suggest that women and men do not participate equally, for various reasons. This is supported by the fact that some women in Mali said they are not convinced the producer organization always defends women's interests. However, CPCB leaders are aware of the limitations women face, especially in terms of social conventions, and are developing strategies to improve participation by women, for instance by raising awareness among men and improving women's literacy levels and access to farming equipment.

5.3.2 Participation of young people in producer organizations

The Cameroon case study highlighted that the higher prices associated with Fairtrade has made cotton farming more attractive to young men and women. For instance, 20 unmarried young people (including 2 girls) have enrolled in one of the case study GICs and are selling cotton in their own name like everyone else.³⁶ Young men also said that helping their GIC to join Fairtrade has improved their status in their communities. Unfortunately the lack of sales in the last two years has undermined this enthusiasm.

5.3.4 Participation of other marginalised groups

In India the PEB includes a representative from the Harijan community.³⁷ This is a direct impact of Fairtrade (i.e. following a recommendation from a FLO-Cert inspection).

5.4 Child labour

According to local sources, it is common for children to assist with household cotton production, as well as other productive and domestic activities, in both India and W&CA. The explanation provided for children's work is that it is part of the child's acquisition of life skills. In Cameroon it was suggested by key informants and producers that work on cotton does not interfere with children's schooling (e.g. they work on Saturdays and Sundays during the harvest) and would not be classified as child labour. Similarly, staff from Agrocél said child labour is not prevalent on Fairtrade farms in India, although some farmers bring their children to the farm to train them to do some light work under their supervision. In all four case studies it was reported that in conventional cotton children are commonly involved in harvesting cotton, as it is the most labour intensive period of production. However, the care taken during harvesting also has a critical impact on quality and there were some reports in the case studies that less child labour is used for Fairtrade cotton because of the need to achieve high quality standards for Fairtrade markets. However, it was difficult to obtain reliable information about this issue during the course of the research, as most producers (especially men and producer organization representatives) are highly sensitised to the fact that Fairtrade prohibits the use of child labour. In some cases men and women differed in their accounts of child labour; for instance, in India one man said there

³⁵ Women's actions, as men's, are guided by the social conventions in a particular setting which establish 'expected' behaviour for different members of households and wider communities. In deciding how to act, people take into account (whether consciously or unconsciously) various factors and make decisions based on how their individual and collective interests are likely to be best served, accepting that trade-offs are inevitable. For example, women cotton producers may decide that speaking out in public against men would not serve their interests as well as trying to influence male relatives' opinions within the 'private' setting of the household, given a context of kinship based access to resources.

³⁶ In Mali a similar effect may have taken place, as it was noted that young people were receiving income from cotton and this helped to prevent them migrating to cities, but there was insufficient evidence to draw conclusions.

³⁷ Harijan is also known as the scheduled caste. Inclusion of someone from this caste, which is considered a backward caste, indicates that the PEB includes a marginalized group in the decision making process.

is no child labour while his wife said it is prevalent, while in Mali a group of women said openly that children start working in the fields helping their mothers from the age of 10, but CPCB leaders in the same village said no children were employed. Unfortunately it was not possible to carry out a full field exploration of child labour use because of time, resource and methodological constraints.

5.5 Community solidarity

In Senegal 90% of the producers interviewed cited reinforced solidarity between producers within and between villages as one of the positive impacts of Fairtrade. This has resulted from having more frequent meetings and better communication, and also stems from the Fairtrade Premium investments in community services and infrastructure. The same effect was reported in Mali, where Fairtrade is said to have helped strengthen cohesion and social justice within and between villages, and created more supportive relationships between CPCB members (e.g. in relation to repaying debts).

In Cameroon it was noted that certain aspects of Fairtrade production (specifically grading) has made it more difficult to draw on the help of friends, neighbours and relatives in cotton farming, perhaps lessening opportunities for building social capital. Unfortunately there was not sufficient time to explore the implications of this in any depth; it is an area which merits further investigation in future studies (including in other countries).

Summary of Fairtrade impacts on social differentiation and inequality

Unfortunately, the research team were not able to gather data on the relative poverty of Fairtrade cotton producers compared with non-Fairtrade cotton producers in a systematic way.

The main area in which Fairtrade has had an impact on social differentiation is in relation to women. Fairtrade has led to an increase in the amount of cotton produced by women in all three W&CA countries, and has made it more likely that they receive the income from that cotton directly. This has enabled them to contribute more to the household economy and has led to some improvements in their status within the household, including in terms of control and influence over household resources. However, for some women there has been no marked change in household gender relations and in general, women have less access to agricultural equipment and resources with which to increase productivity levels.

Fairtrade has also raised awareness of women's right to belong to producer organizations, attend meetings and be involved in decision making – this has resulted in an increase in the proportion of Producer Organization members that are women in Cameroon, Senegal and Mali, and more active participation by women in POs in all four case studies. Women are starting to speak out and be heard in meetings and are represented at board level in India, Cameroon and in Mali and Senegal, although some concern was expressed in Mali and Senegal as to whether women still felt obliged to vote in line with their husband's wishes or that their representation on a board is only symbolic. Participation levels are still limited by norms and conventions governing social behaviour in the contexts of each country, which often makes it difficult for women to speak in mixed groups or challenge the views of men, as well as the double burden of work (productive and reproductive) experienced by women.

In Mali and Senegal Fairtrade has reportedly enhanced community solidarity and cohesion, as a result of having more regular communication and meetings. More supportive relations between producers were another outcome reported in Mali. In contrast, in Cameroon Fairtrade production requirements have made

labour exchange between community members less common, thereby potentially undermining a common foundation of community relations (although this requires further investigation).

The study cannot make conclusive statements about Fairtrade impact on child labour. Men and PO leaders, who are generally more aware of Fairtrade standards, tend to say that child labour is never used or it is only used under the conditions allowed by the standards (e.g. it does not interfere with schooling), while women sometimes say it is common. In several cases it was claimed that the higher quality standards required by Fairtrade markets mean that children cannot be used even during harvesting. It was not possible to investigate this sensitive issue fully during the study, due to time and resource constraints; more focused research is required in order to fully assess the impact of Fairtrade in this area.

6. FAIRTRADE IMPACTS ON THE SOCIO-ECONOMIC SITUATION OF PRODUCERS AND THEIR HOUSEHOLDS

A central aim of Fairtrade is to provide small producers with better terms of trade than offered by conventional trading systems. For cotton producers this centres on guaranteeing them a minimum price for their cotton, as well as various other improvements in trading conditions. In this section we analyse the impact of Fairtrade on producer income from cotton and, in turn, the effect on household standard of living and wellbeing. We also look briefly at the impact of Fairtrade on the socio-economic situation of workers hired by cotton producers.

6.1 Fairtrade impact on income from cotton

The direct income effects of Fairtrade production depend on:

- Amount of cotton sold as Fairtrade/Fairtrade organic;
- Prices for Fairtrade compared to non Fairtrade cotton;
- Costs of production for Fairtrade/Fairtrade organic compared to non Fairtrade cotton.

There are also indirect income effects associated with changes in quality and yields, use of the Fairtrade Premium to improve production, and other aspects of service provision by support organizations. Each of these elements of is discussed below.

6.1.1 Fairtrade Production and Sales

For the first three years producers in W&CA were able to sell almost all of their cotton on Fairtrade markets (see Table 10). However, in 2007-08 the proportion sold as Fairtrade began to fall and in 2008-09 it reduced to zero, or close to zero. This is apparently due to a combination of over-optimistic forecasting for Fairtrade sales by UK retailers which led ginners and traders to buy up large quantities of cotton which they were then unable to sell in the same year, and the entry of new Fairtrade cotton suppliers into the market, specifically from India, which made W&CA cotton a less popular source (see Section 10 for more detailed information). Interviews with cotton traders and FLO staff suggest demand for W&CA Fairtrade cotton picked up in 2010 and the back-stock is now all but sold, but it is unclear whether sales from W&CA producers will return to former levels. As explained in section 6.1.2 below, producers only receive the Fairtrade price and Premium for their cotton if it ends up being sold on Fairtrade markets, i.e. not when it is sold to the national ginning companies.

Table 10: Fairtrade production and sales for West and Central Africa, 2003-2009 (Metric Tonnes)

	Senegal – lint		Mali – seed cotton ³⁸		Cameroon – lint	
	Total FT production	Amount sold as FT (%)	Total FT production	Amount sold as FT (%)	Total FT production	Amount sold as FT (%)

³⁸ The figures for lint were not available for Mali, so production and export figures for seed cotton were used.

2003-04	20	20 (100%)	81	81 (100%)		
2004-05	229	229 (100%)	169	165 (97%)	118	118 (100%)
2005-06	631	631 (100%)	386	386 (100%)	2,179	2,114 (96%)
2006-07	1,577	1,577 (100%)	613	613 (100%)	2,868	2,452 (86%)
2007-08	1,825	1,566 (86%)	797	797 (100%)	6,970	2,850 (41%)
2008-09	1,799	0 (0%)	1,235	0 (0%)	9,187	60 (0.7%)

Source: FLO inspection reports; SPO annual reports; Data gathered during fieldwork

In India the story is less clear, in part due to a lack of a full data on total production and sales by Fairtrade producers. Unlike in W&CA, producers can sell their cotton to different buyers and so it is more difficult to ascertain how much they sold as Fairtrade. Figures from Agrocel indicate that their purchases of conventional Fairtrade cotton increased substantially in the 2005-08 period, but then dropped down to 10% of the previous year's purchases in 2008-09 (see Table 11). However, their sales figures show year on year increases across the entire period, suggesting that, as in W&CA, there was a backlog of stock that needed clearing but that overall there was consistent growth (unlike in W&CA). Meanwhile, purchases and sale of organic Fairtrade cotton were less variable and also suggested an underlying positive trend, with the exception of a marked dip in purchases in 2007-08.

Table 11: Agrocel purchases and sales of Fairtrade cotton in Gujarat, 2005-2009

	Conventional Fairtrade		Organic Fairtrade	
	Purchase of seed cotton (MT)	Sales of cotton lint (MT)	Purchase of seed cotton (MT)	Sales of cotton lint (MT)*
2005-06	749	119	951	422
2006-07	513	283	1,096	415
2007-08	2,942	576	340	649
2008-09	297	714	946	651

Source: Agrocel data

*The Agrocel figures were supplied to us as stated here. However, the authors note that there must be inaccuracies given the ginning outturn that these figures imply.

6.1.2 Prices for Fairtrade and non Fairtrade cotton

In most countries in W&CA a standard price for non-Fairtrade cotton is set by the cotton companies in negotiation with national level producer organizations (e.g. Cameroon) or through a commonly agreed pricing

formula (e.g. Mali), as a continuation from the days of nationalized cotton sectors. A two-tiered system is usually used whereby a base price is set for 1st grade quality cotton at the beginning of the cropping season and a price complement is paid at the end of the season if the cotton company makes a profit (e.g. Cameroon) or the market price is above the base price (e.g. Mali).³⁹

Fairtrade cotton producers are paid at the state price for their 1st grade cotton and then additional payments are made according to how much of it ends up being sold on Fairtrade or Fairtrade organic markets by the ginning companies/traders. The Fairtrade price is set by FLO in Euros, as cotton from W&CA is traded in Euros, and then converted into W&CA Francs (FCFAs) at the pegged exchange rate. Fairtrade Minimum Prices (FTMPs) were increased in July 2008 following an extensive review of costs of production. As Table 12 demonstrates, the FTMPs have been significantly higher than the state prices – between 22% and 49% higher for conventional cotton, and up to 78% higher for organic cotton (compared to the state price for conventional cotton).

Table 12: State and Fairtrade farmgate (Ex Works) prices for 1st grade seed cotton in West and Central Africa (not including Fairtrade Social Premium), 2004-10

	Senegal			Mali			Cameroon		
	State price FCFA/kg	FT price FCFA/kg	% uplift	State price FCFA/kg ⁴⁰	FT price FCFA/kg	% uplift	State price FCFA/kg ⁴¹	FT price FCFA/kg	% uplift
2004-05	195	238	22.1%	210 (conv.)	272 (FT organic)	29.5%	190	238	25.3%
2005-06	180	238	32.2%	165 (conv.)	272 (FT organic)	64.8%	170	238	40.0%
2006-07	180	238	32.2%	160 (conv.)	272 (FT organic)	70.0%	175	238	36.0%
2007-08	190	238	25.3%	171 (conv.)	272 (FT organic)	59.1%	175	238	36.0%
2008-09	185	276	49.2%	200 (conv.)	328/ 300 ⁴² (FT organic)	64.0%/ 50.0%	185	276	49.2%
2009-10	185	276	49.2%	184 (conv)	328/ 300 (FT organic)	78.3%/ 63.0%	195	276	41.5%

Source: FLO inspection reports and minimum price data; SODEFITEX for Senegal state prices; Mission de Restructuration du Secteur Coton (MRSC) for Mali state prices; SODECOTON for Cameroon state prices

Producers in all three W&CA countries receive their additional Fairtrade payments spread across several instalments. Given they are only paid the Fairtrade Premium once cotton is sold to buyers it can be several

³⁹ Tschirley et al. (2009)

⁴⁰ This is the pre-planting guaranteed price paid during the marketing season plus the top-up payment received by farmers at the end of the season (not including payments made by CMDT to the price support fund belonging to producers).

⁴¹ This is the price paid by SODECOTON plus the supplement paid from the producers support fund.

⁴² MOBIOM receives 328 FCFA/kg for Fairtrade organic sales, but in 2008/09 it was decided that members would contribute FCFA 28 FCFA/kg to the functioning of the organization, making the farmgate price 300 FCFA/kg.

years before farmers receive full payment. Also, not all their production will reach the required quality standards. This makes it difficult for them to keep track of exactly what price they receive. In some of the case studies the price premium for Fairtrade cotton reported by producers does not equate with the FTMP once it has been added to the national base price (e.g. Senegal, Mali), but this may simply be a result of this complexity. To give an example of how complicated it can be, Table 13 shows the proportion of total production by FLO certified GICs in Cameroon that converted into Fairtrade sales from 2004 to 2009.

Table 13: Conversion of Fairtrade production of seed cotton into Fairtrade sales, Cameroon 2004-9

	2004-05	2005-06	2006-07	2007-08	2008-09
Total production seed cotton by FT GICs (MT)	1,148.3	5,321.7	6,833.0	No data	No data
Total production FT quality seed cotton (MT)	302.2	5,273.5	5,853.0	17,800.0	No data
% FT quality	23	99	85.7	n/a	n/a
Total FT lint production (MT)	117.8	2,179.0	2,686.0	6,970.0	9,187.0
Total FT lint sold (MT)	117.8	2,114.0	2,452.0	2,850.0	60.0
% FT cotton sold	100	97	85.5	40.9	0.7

Source: FLO Inspection Reports, CPCC Annual Reports

For India it is even more difficult to establish the price differential associated with Fairtrade because cotton is traded on local auctions and prices vary from day to day. Furthermore, cotton producing state governments set a Minimum Support Price (MSP) to protect producers – when market prices fall below the level of the MSP, the government’s Cotton Corporation of India steps in to buy the cotton at the MSP. In September 2008 the MSP was increased by 40% in Gujarat, where the case study took place, which took it well above the FTMP. Agrocel must therefore pay producers more than the MSP, and its contract producers are free to decide when to sell their cotton, depending on market prices, which are widely published. They are also free to sell to other buyers, who sometimes offer higher prices, although they must notify Agrocel and explain why; there is apparently a degree of social or moral pressure not to sell outside Agrocel. At the time of the case study research in February 2010, local market prices stood at INR 32-26/kg, compared to a MSP of INR 27.5/kg and a FTMP of INR 26/kg (see Table 14). Agrocel claimed to be paying producers around 2% more than local market prices for the same kind of cotton (Deviraj variety), equating to around INR 0.75/kg – although this can vary and at times private traders may pay more than Agrocel. This was confirmed in interviews with farmers, who said the uplift was INR 1.25 to INR 2.50 per kilo.

Table 14: Market and Fairtrade prices in Rapar, Gujarat state, February 2010 (INR/kg)

Different prices	Amounts
Fairtrade Minimum Price	26
Gujarat State Minimum Support Price	27.5
Rapar market price	32 – 36
Agrocel price	32.75 – 36.75

Source: Data gathered during fieldwork

Table 15 compares the prices paid by Agrocel from 2005 to 2009 with the relevant minimum FLO price, demonstrating that Agrocel prices were consistently higher throughout the period (although this may in part be explained by changes in the USD:INR exchange rate).

Table 15: Average prices paid by Agrocel compared to FTMP, 2005-09 (INR/kg)

	Agrocel average price		FTMP ⁴³	
	Conventional FT	Organic FT	Conventional FT	Organic FT
2005-06	INR 22.30	INR 22.30	USD 0.45 (min. INR 20.86)	USD 0.45 (min. INR 20.86)
2006-07	INR 24.64	INR 24.68	USD 0.45 (min. INR 20.86 min)	USD 0.45 (min. INR 20.86)
2007-08	INR 29.37	INR 27.40	USD 0.45 (min. INR 20.86)	USD 0.45 (min. INR 20.86)
2008-09	INR 29.32	INR 27.87	Euro 0.34 EXW ⁴⁴ INR 23.19	Euro 0.42 EXW INR 28.65

Source: Document provided by Agrocel during field visit February 2010 ⁴⁵

Table 16 calculates the potential price premium that farmers would receive from Fairtrade production in the 2008-09 harvest if all their cotton were sold as Fairtrade. It shows that the uplift from Fairtrade represents a significant increase in payment in percentage terms for the W&CA producers, but is relatively moderate in absolute terms (between USD 40 and USD 133 per year for each farmer on average). For Indian farmers there is no price benefit associated with the FTMP, because of the Gujarat state Minimum Price, but Agrocel does still sell at a slightly higher price usually than competitors. Although some private traders sometimes offer slightly higher prices than Agrocel, and farmers are free to sell in principle elsewhere, most farmers still sell to Agrocel because of the trust they have in the organization. Importantly, because Indian APFCGA Fairtrade farmers farm more cotton and have higher yields, they have much higher incomes from cotton than Fairtrade producers in W&CA.

⁴³ Until July 2008, the FTMP was set in USD for India and an equivalent level in INR was given as a minimum price in local currency. The INR price was calculated on the basis of the prevailing INR/USD exchange rate at the time of price setting. The applicable exchange rate for 2004-2008 was 1 USD = INR 46.365 (FLO Standards Unit and FTF, 2008). If the USD fell below this rate, then the minimum price in INR had to be paid. From July 2008 onwards, the FTMP was set in Euros, to reduce the effect of currency fluctuations on the price of seed cotton from different origins. The INR equivalent in the table was based on the exchange rate for 1 July 2008 of Euro 1 = INR 68.21 (from www.xe.com).

⁴⁴ This is the Ex Works FTMP less €0.04 per kilo which the Promoting Body is allowed to charge (as a maximum) for Direct Fairtrade Costs.

⁴⁵ Agrocel said that the organic price is driven by domestic markets compared to the international focus of Fairtrade markets.

Table 16: Hypothetical example of average price premium from Fairtrade versus non Fairtrade production in 2008-09, assuming all seed cotton is sold as Fairtrade/ Fairtrade organic

	Senegal	Mali ⁴⁶	Cameroon	India
Average annual production for 2008-09 (total production ⁴⁷ /# producers, Kg)	470	190	700	2,450
Market price for average annual production	FCFA 86,950 USD 182.13	FCFA 38,000 USD 79.60	FCFA 129,500 USD 271.26	INR 69,997 ⁴⁸ USD 1,446.82
Fairtrade price for average annual production	FCFA 129,720 USD 271.72	FCFA 57,000 USD 119.39	FCFA 193,200 USD 404.68	INR 71,834 ⁴⁹ USD 1,484.79
Additional payment due to Fairtrade	FCFA 42,770 USD 59.59	FCFA 19,000 USD 39.80	FCFA 63,700 USD 133.43	INR 1,837 USD 37.97
Additional payment as % of non Fairtrade market price	49%	50%	49%	2.6%

Source: Calculations based on information in FLO Inspection Reports and Agrocel figures

This section has detailed the price differential associated with Fairtrade, but the net income effect depends on the costs of production for Fairtrade compared to non Fairtrade production, as well as other direct and indirect income costs and benefits associated with Fairtrade. These are explored in the next two sections.

6.1.3 Costs of production

It was beyond the scope of the present study to gather full data on costs of production for Fairtrade and non-Fairtrade production. However, FLO standards Unit and the Fairtrade Foundation undertook an extensive review of the cost of sustainable production (COSP) for Fairtrade cotton in 2007-08. They collected 84 sets of COSP data from 16 countries, including Mali, Cameroon and India. Although a standard format was used, not all producers reported costs in all areas, especially in terms of organizational costs and business margins. FLO therefore made assumptions about these costs, as well as drawing on secondary data on national average yields, to come up with national and regional averages, as shown in Table 17. There is a lack of transparency in costs between production and FOB prices, which producers complain about in many of the W&CA case study organizations. The FLO calculation of farmgate costs are thorough (including organizational and labour costs which are ignored by cotton company calculations), and this creates a difference in the COP data from FLO and from ICAC. All figures should be treated as estimates, as they are based on relatively small samples and costs vary quite considerably even within one country, due to different yields, irrigation methods, farmer skills, cost of inputs, etc.

⁴⁶ For Mali the figures compare conventional prices with Fairtrade organic prices, as prices for non-Fairtrade organic were not available.

⁴⁷ Some of these figures are estimates.

⁴⁸ Assumes Agrocel price is INR 0.75 higher than local market price

⁴⁹ This is the price Agrocel paid not the FTMP, as the FTMP was lower than the market price.

Table 17: FLO estimates of Cost of Sustainable Production and Fairtrade Minimum Prices (USD/kg) for case study countries, 2007-08⁵⁰

	COSP		FTMP pre-July 2008		FTMP post-July 2008	
	Organic	Conventional	Organic	Conventional	Organic	Conventional
Senegal	No data	No data	0.60	0.53	0.74	0.62
Cameroon	n/a	0.84	0.60	0.53	0.74	0.62
Mali	0.87	0.71	0.60	0.53	0.74	0.62
W&CA average	0.96	0.56	0.60	0.53	0.74	0.62
India	0.63	0.63	0.45	0.45	0.68	0.57

Source: FLO Standards Unit and Fairtrade Foundation, 2008

The figures in Table 17 suggest that Fairtrade producers may not make much profit on their cotton from the FTMP, especially prior to the increase in minimum prices in July 2008. However, this is not the case if ICAC (International Cotton Advisory Committee) calculations for costs of production are used. Relevant figures for the case study countries are compared with the FLO COSP estimates, as well as the FTMP, in Table 18. The fact FLO's COSP figures are much higher than ICAC national averages may be explained the different ways that costs are calculated by each organization, rather than indicating that Fairtrade production is more expensive than non-Fairtrade production. For instance, FLO includes organizational and certification costs and a business margin of 10% in its calculations, as well as a full costing of family labour. However, during the case studies producers did report two factors that potentially increase the cost of Fairtrade production at farmer level. The first was the cost and effectiveness of agro-chemicals, as FLO bans the use of some of the commonly used products (on safety and environmental grounds) and those used in their place were said by farmers to be more expensive (in Cameroon) or less effective (Senegal). For example, in Cameroon the banned product Endosulfan reportedly cost FCFA 2,000/litre compared to the FLO-approved Avaunt at FCFA 30,000/litre. The other potential increase in costs relates to the need to ensure high and consistent quality for Fairtrade markets, which can add cost in terms of labour.

Table 18: Comparing ICAC cost of production data with FLO estimated COSP and FTMP for 2007 (USD per kilo, conventional cotton)

	ICAC	FLO COSP	FTMP – pre July 2008
W&CA average	0.35	0.59	0.56
Cameroon	0.35	0.88	0.56
India	0.252	0.63	0.45

Source: ICAC 2007, cited in FLO Standards Unit and Fairtrade Foundation, 2008

⁵⁰ The average exchange rate for 2007-08 was Euro 1 = USD 1.471; USD1 = Euro 0.682 (calculated from 01/07/07 to 30/06/08 using www.oanda.com/currency/historical-rates)

Given the partial and inconsistent nature of the data we have on prices and costs of production, it is difficult to say with precision what returns Fairtrade producers have made on their cotton. Instead, we draw on the qualitative data gathered during semi-structured interviews and focus group discussions with producers, in relation to their perceptions of impact on household income and wellbeing – see section 6.3. However, first we look at other direct and indirect effects on income resulting from Fairtrade.

6.1.4 Changes in quality and yields

There were various other direct and indirect income benefits associated with Fairtrade production in the case study countries. The main one, which was consistent across all case studies, was an improvement in cotton quality, including reductions in contamination, enabling producers to increase their percentage of 1st grade cotton. This was due to a combination of the Fairtrade price premiums incentivising producers to take more care when harvesting and grading cotton (e.g. not employing hired labour or children to do it), and technical assistance provided by support organizations. For example, in Cameroon producers have benefited from participation in a SODECOTON project aimed at improving natural resource management – the Water, Soil and Trees project (Eau, Sols et Arbres: ESA). ESA takes a comprehensive approach to introducing sustainable agriculture techniques, including through improved quality and yields. Although ESA is financed and managed independently of Fairtrade, the Fairtrade GICs were selected as the first GICs for project implementation because they were the most advanced and then there was a local vote. Fairtrade farmers involved in the project reported improved yields as a result of the training they have received, for example by using organic manure, building bunds, and rotating crops.

Likewise, MOBIOM (with Helvetas Mali), SODEFITEX and Agrocél each provide technical advice and services to Fairtrade producers to help them improve quality in order to sell to Fairtrade and/or organic markets (latter for Mali and India only). The Fairtrade Premium has also been used for this purpose; for example, in India it has been used to purchase protective clothing which has reduced contamination rates. Overall, improvements in quality and sometimes also yields as a result of Fairtrade (directly or indirectly) were noted in all four countries. For example, in Senegal the proportion of cotton reaching first grade had increased from 79% in 2005 to 89% in 2008. The research team found that quality has been less of a priority focus in the Malian case study organization, and perhaps this is because the cotton grown is already of higher quality: Bassett (2010, p. 51) found that: “Up to 80% of the ginned cotton in Mali and Burkina Faso typically falls within the highest - grade classes. It contains little debris (dry leaves, stems, etc.) and has an above average fibre length (1 1/800 or 28.6 mm).” However, MOBIOM did not provide details on quality and so it is difficult for us to draw clear conclusions on the level of changes in quality achieved. Max Havelaar France informed the study team that a quality charter was drafted and implemented in the field in 2004-5 by Dagrís, and was specific to Fairtrade. This may have had some impact on quality, but this charter may have been abandoned with the slump in sales. According to Max Havelaar France, the environmental requirements of Fairtrade involving switching to less toxic pesticides (for non-organic producers) and this may challenge producers’ ability to meet the top quality levels, but this was not reported in the field studies.

6.1.5 Other income benefits associated with Fairtrade production

There are potentially some indirect Fairtrade impacts on income associated with services provided by the producer organizations, ginning companies and other support organizations. In Mali, for instance, producers have better access to agricultural equipment as a result of low interest loans and subsidies from MOBIOM. In India Agrocél collects cotton from farmers which saves them the transport and opportunity (lost labour) costs of taking their cotton to local markets. This arrangement also means that producers can sell when they want, when the price is right, whereas if they transport it to a market they do not know the price in advance and could be in a weaker bargaining position as buyers would know they would not want to transport their cotton

back home again. Indian producers also said they have benefited from the reliability of payments, with full payment within a week of purchase, unlike local traders who tend to pay a small amount upfront and may then delay paying the balance for a considerable time (although farmers also said some payment from Agrocel on the day of delivery would be preferred). A participant in the Chotapar women's focus group discussion said that with Agrocel 'payments are as sure as death'. In general, they appreciate the ease of contract farming cotton for Agrocel, referring to it as 'peaceful agriculture'. The extent to which these can be classed as impacts of Fairtrade depends on how closely the support is linked to participation in Fairtrade markets. Given that MOBIOM focuses on Fairtrade organic markets, the linkages are strong, whereas in India it is less possible to claim these as indirect impacts as non Fairtrade producers selling to Agrocel had access to similar benefits.

Some indirect effects may also come about as a result of the introduction of organic production, which is linked to Fairtrade through markets. Both MOBIOM and Agrocel representatives argue that organic producers have lower production costs; and this is confirmed by some farmers who said they did not have to spend money on pesticides and manure, and could now use fodder for feeding livestock. The fact that fewer inputs are required may also reduce the risk of indebtedness, as inputs are typically acquired on credit. However, these positive effects have been somewhat offset by the increased labour costs of spreading manure and weeding. Importantly, although the cost per kilo may be less or even the same as conventional production (see Table 17 on COSP), yields for organic production tend to be lower, at least for the first 3-5 years, meaning overall income can be reduced.

6.1.6 Remaining challenges for cotton producers

Farmers in Senegal, Mali and Cameroon identified the following ongoing challenges in relation to cotton production. These are detailed in table 19.

Table 19: Challenges identified by cotton producers

Ongoing challenges reported by cotton producers	Reported in:
Low cotton prices/drop in sales on Fairtrade markets and so less payment of Fairtrade additional price and Premium in last 1-3 years	Senegal, Mali, Cameroon
Delays in payment of the base price, additional price and Fairtrade Premium	Senegal, Cameroon, India
Insufficient/unaffordable agricultural equipment (carts, ploughs, crop dusters, draught animals), especially for women	Senegal, Mali
High price of inputs especially as soil fertility declines	Senegal, Mali, Cameroon
Difficulties in grading cotton and transporting it from the fields	Cameroon
Increased work associated with organic production and/or lack of available labour to do this work	Mali, India
Irregular rains which come later and later in the year, thereby exacerbating problems with pests and reducing yields and quality	Senegal, Mali
Limited irrigation, restricting the amount of Deviraj cotton that can be cultivated	India
Illiteracy as an obstacle to learning/monitoring Fairtrade standards and processes	Senegal

Lack of market information and information on price distribution in the value chain	Senegal
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6.2 The importance of cotton to household income⁵¹

As described in section 5.1, Fairtrade producer households pursue a multitude of livelihood activities to meet their household needs. Table 20 summarises the importance of each type of activity/crop to household cash income in the case study samples, and shows that cotton was generally in the top position.⁵²

Table 20: Importance of different sources of income in case study sample households

Importance to household income	Senegal	Mali	Cameroon ⁵³	India
1 st	Cotton	Cotton	Groundnuts	Cotton
2 nd	Maize	Livestock rearing	Millet and maize	Castor
3 rd	Groundnut	Cereals, charcoal and market gardening	Cattle rearing and keeping small ruminants	Groundnut/ Cumin
4 th	small business and mangoes	Shea butter and small business	Cotton/ Sales of bilibili and small business	Various other crops (grams, gower, wheat, pearl millet, etc.)

Source: Interviews with Fairtrade producers

In Cameroon the importance of cotton varies from one village to the next, as does the amounts of land planted to cotton, but in general it was reported to be less important than other sources of income. However, with the Fairtrade financial benefits prior to 2007 cotton formed a more significant share of household income. The fact that cotton was so low down the list at the time of the research was due to a lack of Fairtrade sales since 2007 (hence no top-up payments had been received), reduced areas planted to cotton (because of the lack of a price incentive), increased costs of inputs and low productivity. In most cases farmers said they continue to farm cotton in order to gain access to inputs on credit (via SODECOTON) which they can use on other crops, as well as agricultural extension. A similar story emerged from the Senegal case study, where producers have reduced the area planted to cotton as they are struggling with the high price of inputs and are disillusioned with Fairtrade as they have received only 38% of the price premium from 2007, and no additional payments

⁵¹ The information in this section is taken largely from the sample of villages included in each case study. Given the very small sample sizes, it is not necessarily representative of all Fairtrade producers in each country, but gives some insight into the types of livelihood profiles Fairtrade households had.

⁵² It should be noted that livestock was often reared as a way of saving money, especially in W&CA, and so it was not always mentioned in terms of its importance to household income. Equally, income from remittances may not have been taken into account.

⁵³ In one of the case study villages the rankings were somewhat different, with cotton coming second on the list after cattle breeding and fattening. In this village 85% of inhabitants produced cotton and most had over 1ha of cotton.

from 2008 onwards (see Box 15). According to SODEFITEX, this has led to a 20% reduction in the area under cotton in Kédougou, with ex-cotton producers pursuing alternative economic opportunities such as mining and small business.

Box 16: Quotes from Fairtrade producers in Senegal about the cost of inputs and lack of Fairtrade markets

“A bag of fertiliser used to cost 7,000 FCFA; now it costs 10,000 FCFA. The cost of labour used to be 15,000 FCFA/ha but now it’s 25,000 FCFA/ha. What’s more, the farming equipment always arrives late, at the end of the year when field operations are over. Lastly, there are only old people left farming in the village; young people would rather leave to look for other sources of income.”

“With my two hectares of cotton, I owe SODEFITEX 180,000 FCFA for inputs.”

“Producers have to pay for five sprays in advance. This isn’t reimbursed if they don’t use them.”

“Up until 2008 Fairtrade raised our earnings by 20%, but due to the crisis and the increase in the price of inputs, our earnings have fallen by 30%.”

6.3 Fairtrade impact on household standard of living and wellbeing

The analysis presented thus far indicates that, in general, Fairtrade has had a positive – though difficult to quantify – impact on household income in all case study countries, but in W&CA this impact has been markedly reduced from 2007-08 onwards. During the case study research, Fairtrade producers were asked what use they made of the additional income from Fairtrade. Given that income from various sources is pooled, this was not always easy for them to answer and in general they said additional Fairtrade cotton income was helping to pay for basic needs (food, water, health care, clothing, etc.) as well as social events/marriage, schooling, household utensils, home improvements, taxes and debts (see Table 21). The increased income resulting from Fairtrade had enhanced households’ ability to cover these costs. In W&CA an important element of this was that the Fairtrade payment (prior to 2008) came during the ‘hunger gap’ which enabled families to stock up on foodstuffs and have enough food year round. Also, the additional payment for Fairtrade sales was paid at the beginning of the school year in Cameroon, which helped producers send their children to school. The Fairtrade impact on children’s education was also enhanced by increases in women’s involvement in cotton production, as schooling costs often come out of women’s income.

In addition, some producers in India, Senegal and Mali reported being able to use surplus income to make investments in income generating activities, farm equipment and land (India only). When women in Cameroon earned a lot from cotton, with support from Fairtrade, they said they were able to buy their own sheep or goats to keep as a form of savings, and even (in one case) purchase oxen. However, in general in Cameroon there was less evidence of producers being able to make investments or purchase additional land, livestock or equipment as a result of Fairtrade, with the exception of larger producers (so long as their families were not too big and the family did not face emergency expenses). This difference may be due to the fact producers were reporting on their current rather than historical income levels from Fairtrade, or it may reflect differences in the cost of living in the different case study countries. Other pressing expenses and insecurity caused by banditry may play a role in this inability or choice not to invest in livestock, land and equipment.

Table 21: Use of extra income from cotton by Fairtrade producers

	Most common uses mentioned	Rank in order of importance (Mali)/
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		frequency of response (India)
Senegal	Food (stock up on foodstuffs which run out during 'hunger gap') Primary healthcare (improved access) Children's education Finance IGAs(e.g. animal husbandry, small businesses) Build huts Household equipment (kitchen utensils, small tools, etc) Weddings	No ranks given
Mali	Basic needs (food, water, electricity, health) Children's education Others/taxes/debts Reinvestment in cotton Investment in other crops New IGAs (livestock)	1 2 2 3 3 3
Cameroon	Basic needs (food, health and clothing) Weddings Children's education Home improvements/repairs Purchase animals (sheep, goats, oxen) Purchase material (clothing), kitchen utensils	1 5 2 4 3 4
India	Basic needs (food, water, electricity, health) Home improvements/repairs Marriage/social functions Land investments Savings Reinvestment in cotton Children's education Land improvements New IGAs Gold Insurance	1 2 2 3 3 4 4 4 4 5 6

Source: Interviews with Fairtrade producers in case study villages

6.3.1 Comparison with non-Fairtrade producers

A small sample of non-Fairtrade cotton producers from the same or similar villages was interviewed for each case study, to draw out possible differences with Fairtrade producers, but we did not have the resources to undertake a full comparative study based on statistically representative samples. As such our conclusions about the comparative advantages of Fairtrade in terms of household income are tentative and should be read as such.

In Mali both Fairtrade and non-Fairtrade producers put cotton top of their list of sources of income, but Fairtrade, organic producers have a wider range of income sources and have a higher overall income: between FCFA 320,000 and 770,000 per year for Fairtrade households, of which 47-52% came from cotton, compared to FCFA 105,000 and 670,000 for non-Fairtrade households, of which only 14-45% came from cotton. Fairtrade households said their access to income, credit, know-how and land have all increased slightly or greatly during the previous 3 years, whereas non-Fairtrade producers reported greatly reduced access to food. Furthermore, non-Fairtrade producers seemed to be forced to sell some of their cereals to cover their monetary needs, which could jeopardise their food security. Further evidence was obtained when producers were asked what they used their income from cotton for – Fairtrade producers talked about investments in cotton and in children's education in addition to the uses non-Fairtrade producers mentioned (basic needs, taxes, debts, etc.).

In Cameroon, cotton was not generally top of the list as a source of livelihood, as people attached greater importance to their food crops. However, for most households interviewed cotton was typically the first or second most important source of cash income, along with livestock, ground nuts and trade.

In India 75% of Fairtrade farmers said cotton was the most important source of household income, while 63% of non-Fairtrade farmers said other crops were more important than cotton. Fairtrade farmers were judged to earn significantly higher incomes than non-Fairtrade farmers under favourable rainfall conditions (i.e. non drought years), as a result of growing Deviraj cotton rather than Desi cotton – an additional annual household income of INR 65,100 (USD 1,346) for the average area of cotton grown by the case study sample of Fairtrade producers (4.65 acres). However, in years with low rainfall, yields for Deviraj were so poor that producers were calculated to incur a net financial loss (see 3 for calculations). This suggests Fairtrade cotton is a high risk option for farmers with no access to irrigation.

6.3.2 Diversification and food security

Fairtrade producers are being encouraged to diversify into other crops in Cameroon and Mali. In Cameroon this is part of the ESA programme described above and is driven by the low world prices for cotton, with SODECOTON promoting diversification into crops such as soya beans, rissint and jatropha. Diversification is also a strategy pursued by MOBIOM to ameliorate the effect of fluctuations in cotton prices and markets; at the time of the research it was already trading in organic sesame, shea nut and groundnuts, as well as Fairtrade organic mango. Both schemes have the potential to strengthen Fairtrade producers' livelihoods, but they could only be classed as indirect impacts of Fairtrade.

In India the move to organic production has also encouraged crop diversification in some cases, but there is also evidence that farmers have increased the area planted to Deviraj and reduced production of other types of cotton, wheat and castor. Given that Deviraj is less resistant to drought, there may be a risk of increased food insecurity for producers that are only cultivating this type of cotton and are heavily dependent on their sales to Agrocél, especially given that Agrocél's purchases of cotton dropped in 2009. However, it was not clear how many producers this involves and again, this is only an indirect impact of Fairtrade.

Beyond crop rotation, diversification was not being promoted by US-GPC Kédougou or SODEFITEX in Senegal.

As mentioned above, in W&CA additional payments for Fairtrade cotton came during the 'hunger gap' and in some cases this had enabled producers to stock up on food and thereby enhance household food security.

6.4 Fairtrade impact on wages and working conditions of Hired Labour

As discussed earlier, there is little use of hired labour by Fairtrade cotton farmers in W&CA, as most labour is drawn from within the household or from other households as part of unpaid labour exchange. Only producers with larger plots of land, or those that do not have enough family labour, employ waged labour and in most of these cases Fairtrade has apparently had little impact on working conditions and pay. However, there are a couple of possible exceptions, as follows.

- In Mali households that do not have enough family labour call on groups of women during peak production periods (hoeing, harvesting). It was noted that these women are often from female headed households and are among the poorest members of rural societies, earning between 500 and 1,000 FCFA per day. Organic, Fairtrade producers said they paid FCFA 1,000 per day for a 7 hour day, compared to FCFA 1,250 paid by non-Fairtrade producers for a 10 hour day. However, it is not clear

the extent to which this difference is a result of Fairtrade, with farmers that were interviewed disagreeing on this point.

- In one of the case study villages in Cameroon migrant workers from Chad have reportedly demanded higher wages than normal as they are aware of the higher Fairtrade prices, but also because more care is needed when harvesting and grading Fairtrade cotton.

In India there is more widespread use of hired labour, of three types: daily labourer, seasonal/migrant labourer, permanent labourer/sharecropper:

- Daily labourers (local): Wage rates are between INR 70 and INR 150 per day, depending on the type of work, the local supply of labour and the urgency of the activity. Although it was reported that men and women are paid the same, lower daily rates are paid for weeding, which is generally done by women. Food, drink and tobacco are also sometimes provided.
- Seasonal/migrant labour: Migrants are mostly from tribal districts, and often work the entire season on both Fairtrade and non-Fairtrade farms. They are generally paid on a piece-rate basis to incentivise them to work hard, and can reportedly earn more than INR 100 per day by doing so, but it has not been possible to determine how their rates of pay per hour compare to local workers. They are provided tea twice a day, tobacco, and one meal. They also have access to emergency credit.
- Permanent labourers/sharecroppers: Some Fairtrade producers employ a sharecropper to cultivate their crops for them. According to one sharecropper, he is responsible for all production decisions, including hiring and paying for labourers, and in return receives one third of the revenue. The landowner covers input costs (seeds, fertiliser, irrigation). This arrangement suits the sharecropper, as he does not want to bear the risk of investment in inputs.

There is little concrete evidence of Fairtrade impact on wages and working conditions for any of these groups. One change that is attributed to Fairtrade is the introduction of an 8 hour working day and a formal lunch break for daily labourers. Seasonal/migrant workers are unlikely to have benefited from this change in working conditions, given that they work piece-rates. Some Fairtrade farmers, and also a hired labourer that was interviewed, concurred that wages for labourers increase when higher prices are received for cotton; however, given local market prices in recent years have been higher than the FTMP, there is little evidence of this being an impact of Fairtrade to date.

Summary of Fairtrade impacts on the socio-economic situation of producers and their households

From 2004 to 2007, Fairtrade has resulted in substantial increases in prices paid to farmers in Senegal, Mali and Cameroon – an uplift of between 22% and 40% for conventional Fairtrade cotton, and up to 70% for organic Fairtrade cotton. However, from 2007 onwards the cotton companies in W&CA have struggled to find markets for Fairtrade cotton and as such producers have received only the official state price for most, if not all, of their cotton since then. In India market prices have generally been above the Fairtrade Minimum Price and as such Fairtrade has had far less direct impact on producer income. However, farmers have benefited from higher prices where they grow a higher quality cotton variety required by Fairtrade, although this is a high risk strategy which can lead to losses in low rainfall years for farmers without access to irrigation. All farmers – whether Fairtrade or not – benefit from Agrocel paying reliably and offering services such as transport of goods from the farm which reduces the labour costs for farmers of loading, unloading and transporting the product to market.

We were unable to establish how much profit Fairtrade producers made from their cotton production, given a lack of reliable data on costs of production. A review carried out by FLO in 2008 indicated that returns may be minimal if full costs are taken into account, while cost of production data produced by ICAC paint a more positive picture. There is some evidence that Fairtrade has increased the cost of inputs (more expensive agrochemicals) and labour. This is counterbalanced by improvements in quality (especially reductions in contamination) and yields as a result of price incentives and technical assistance linked to Fairtrade.

Fairtrade producer households in all four countries combine food production with livelihood activities to earn cash income. Cotton is the most important income source in all but Cameroon, where cotton has declined in importance due to low prices in recent years (including as a result of the drop off in Fairtrade sales) and higher costs. Income from cotton is primarily used to cover basic household expenses, including health care and schooling for children – when the higher Fairtrade prices were available these had improved producers' ability to cover these costs (especially in W&CA). In Senegal, Mali and India some producers report being able to use surplus income from cotton for small investments in income generating activities (crop production, livestock, small business), farming equipment, savings and/or land. This indicates that Fairtrade is helping to strengthen livelihoods and supporting processes of sustainable development, at least for producers with above average cotton production. For those with small areas of cotton and/or low yields (which include the majority of producers in W&CA, but fewer in India), the income effects are likely to be limited to improvements in household food security and wellbeing, i.e. some reduction in poverty but limited long-term development potential. Unfortunately, the lack of sales in recent years has undermined the positive income effects in the W&CA cases. Meanwhile, in India the impact of Fairtrade on household income was less marked anyway, given high prices on local markets.

Hired labour is not used extensively in W&CA, as most labour is drawn from within households or from community members as part of unpaid labour exchange. In contrast, there is fairly widespread use of waged labour in India, including daily paid workers, seasonal/migrant labour, and sharecroppers. There is some indication that Fairtrade has brought improvements in working conditions in Mali, Cameroon and India (e.g. shorter working day, higher wages), but the evidence is largely anecdotal and further research is required to establish general trends even within the case study regions.

7. FAIRTRADE IMPACTS ON THE ORGANIZATION OF SMALL PRODUCERS

One of the distinguishing features of Fairtrade compared to other labels is the emphasis it places on the democratic and independent organization of small producers and workers. This strengthening of producer and worker organization is an end in itself, contributing to sustainable rural development, but specifically should ensure the fair and transparent distribution of the Fairtrade Premium. This section explores the evidence from all four countries on the impact of Fairtrade on the organization of small producers, changes in the legitimacy of the organizations in the eyes of their members, differences made in access to markets, and the types of changes in management capacity and financial stability that can be observed. Finally, the uses, impact and decision-making relating to the Fairtrade Premium are outlined.

7.1 Fairtrade impacts on producer organization

In all the W&CA cases producer organizations emerged in the post-colonial era in cotton sectors controlled by a sole cotton board. This has led to commonalities in the roles of the now privatized cotton companies and farmer organizations with the relationship characterized by over-dependence of the farmer groups on the former.

There are specificities in each case.

- For example, in Mali, support from an external organization, Helvetas Mali has enabled the farmer organization, MOBIOM, to develop its capacity and to support farmers in both organic and Fairtrade certification.
- In Cameroon a donor project (DPGT) has supported capacity building amongst the Fairtrade GICs, especially the early entrants. The GICs also receive payments from SODECOTON for community projects as part of the existing set-up, prior to the Fairtrade Premium.

Fairtrade has not had a major change in the types of roles played by the different organizations involved in W&CA, although there has been some organizational strengthening. In Senegal there has been skill development and employment of technicians and representatives, with more regular meetings being held and attendance has improved. In both Senegal and Mali Fairtrade has made the organizations more accessible to women. In Mali CPCB delegates and representatives have also been trained (although technicians are part of the MOBIOM structure). There have been some improvements in the management of community projects, and in transparency and management capacity. For example, in Cameroon the cotton company, SODECOTON, and the farmer organization, CPCC, have received external international cooperation to build GIC capacity, including the lengthy period of preparation for the three GICs initially selected for Fairtrade. These Fairtrade GICs were supported to the point where they have their own store keeper, technical support officer, manager and watchman. The numbers of participants within each organization in W&CA has grown, partially falling back with the slump in Fairtrade sales.

In India, the context is different: cotton smallholders in Kutch district, Gujarat, were not organized into a formal farmers' association when Fairtrade Contract Production became a possibility. Support from Agrocél, as the Promoting Body under the CPS, has led to the formalization of the farmer organization – 'Agrocél Pure and Fair Cotton Growers Association (APFCGA) -Rapar' and membership has been growing steadily. Membership has increased from 50 in 2005, to 458 in 2006, to 2007 in 1448 and 1930 in 2009. However, recently some members have said that the Premium is spread too thinly and is not directed to members but to the whole community, and they suggest this is affecting expansion of the organization. APFCGA is increasing in capacity, but is still some way from being an independent organization. Since the formation of APFCGA there have been

some changes in governance to ensure all villages are now represented on the Producer Executive Body (PEB). More decentralization has been agreed with new hamlet level groups being formed, to increase accountability and communication, although Agrocel staff is somewhat unsure about how this change will affect their ability to communicate with APFCGA.

Further details on the organization of small producers in each country case study are provided in Annex 5.

Summary of Fairtrade impacts on the organization of small producers

In all of the W&CA case studies cotton smallholders were already organized into large, multi-level farmer organizations and so Fairtrade has had less of a role to play in bringing farmers together, although it has helped to strengthen each organization. For example in Senegal skills have been built up and the regularity of meetings improved. In contrast, Fairtrade in India has had a key role to play in supporting farmer organization, with support from the Promoting Body, Agrocel, leading to the formalization of a farmer association.

Few new roles have been taken on by the W&CA producer organizations, but the numbers of producers involved in Fairtrade expanded rapidly in W&CA, only falling back slightly with the stalling of Fairtrade sales. In India membership has also increased, but there is some dissatisfaction with the levels of Premium payments because these are shared across whole communities and this has affected growth in membership. In W&CA all of the producer organizations are still overly dependent upon the sole cotton companies in their respective countries. Similarly, in India, the farmer association is linked to Agrocel under the Contract Production Standard, and despite advances in organizational development, there is limited progress towards independence.

7.2 Legitimacy

Fairtrade aims to strengthen producer organizations and to build their legitimacy and credibility amongst members. Field survey findings on the legitimacy of the farmer organizations are limited, but it seems that participation in Fairtrade has led to some improvements in the legitimacy of the farmer organizations in the eyes of the producer members. However, there are also limitations where high levels of illiteracy prevent members from understanding the transactions involved in Fairtrade in their own organization.

In W&CA, farmer members look positively on the improvements in transparency in decision-making which have been achieved. For example:

- In Cameroon it seems that most of the members trust the executive committee, which now reports back at the General Assembly and presents financial statements and bank statements at those meetings. Members can check the GIC's bank account, but given the high illiteracy rate, many of them cannot understand how transactions are calculated, but they say that they trust the members of the executive committee. Many of the members of the Fairtrade GICs interviewed said that they respect each other and get on well together, and that the board members are trustworthy, although it is not clear if this is merely a pre-existing situation within these GICs or this social cohesion has been instituted by participation in Fairtrade. A positive outcome of Fairtrade involvement is that the minutes of meetings are now drawn up and signed by all the members when a decision is taken,

which is a strong point of how the GIC is run according to the members. No one pointed out any weaknesses. The umbrella producer organization, CPCC, has now recognized that some GICs fulfil the requirements of good governance and are therefore granted autonomy, meaning that the GIC pays the salaries of four staff directly, who are employed to monitor the activities of the GIC and its members regarding cotton production and sales (this is the case for Dziguiléo and Héri). This increased responsibility is thought to be one change that is strongly linked to the Fairtrade cotton project. However, the members of the Fairtrade GIC's also decide how much money every member should contribute to carry out community projects. Unfortunately, these commitments are not adequately fulfilled with the rates set too low for coherent or effective projects to be carried out.

- In Senegal, information available about how individual Fairtrade farmers assess the GPC, the Union, the FNPC and SODEFITEX varied. To some extent, it seems that producers would like greater independence from SODEFITEX, but recognize the capacity gaps which prevent this from happening currently as well as the limited options they have given SODEFITEX's control of the national supply and export chains. They also recognize the benefits flowing from Fairtrade in terms of strengthening the producer organization.
- In Mali producers expressed satisfaction with the Fairtrade Premium investments and said that transparency and democracy has increased within MOBIOM. It also emerged that the MOBIOM Fairtrade/organic CPCBs are also more tolerant towards members with debts than conventional CPCs. If a member cannot repay their debts because their crop has failed, the CPCB will grant them a moratorium and allow them another harvest so that he/she can get the money together to repay his/her debts when his crop is sold. In the same situation, a conventional CPC would apparently use coercive methods such as confiscating agricultural equipment, calling the police, etc. This is likely to be popular amongst members, who commonly reported fears of indebtedness and police coercion to pay back loans, although it can add pressure on financial management within the organization. This was confirmed by the conventional Fairtrade producers in Kita zone that were interviewed, who said they are very unhappy about the joint and several guarantee scheme. They are frustrated to see the income from all their hard work go to pay off other people's debts.

In India there are also positive benefits for producer organization legitimacy arising from participation in Fairtrade, and a number of concerns:

- Increasing membership in the producer organization indicates that farmers are positive about the organization, although some members mentioned that the Premium can be spread too thinly, and this may be slowing entry of new farmers in joining the PO. The PO is focusing on developing its independence and providing services to members, and has, as yet, not engaged in larger political processes.
- Representatives of the PEB have the ambition to expand and seem positive about the potential of their organization: "We want to organize small farmers and make them feel that Fairtrade is really an exploitation-free and safe trade. Presently, we are in the beginning but in future we want to take advantage of Fairtrade people's experience and organize ourselves at a large scale". However, they recognized their current capacity gaps and were generally supportive of the services provided by Agrocél. Some individual farmers expressed support for the farmer association and valued the meetings and information exchange involved (e.g. learning about composting) and said that the organization would continue now, even if Agrocél stops buying cotton from them, continuing to implement development works and trying to improve agriculture. Other farmers said they would continue to produce Deviraj (the higher quality variety promoted under Fairtrade) organically, even if they were not selling it to Agrocél, by using their own cotton seed or buying it from other sources,

such as cooperatives societies. However, many farmers also said they would prefer to continue the relationship with Agrocél, because the company is continually doing research to provide better products.

Summary of Fairtrade impacts on producer organization legitimacy

Producer organization legitimacy has been improved in all four country case studies, although more in-depth information is needed to provide a systematic picture of producer member perceptions. In India farmers are positive about the development of their association, although they also recognized some of its limitations. Similarly, in W&CA, farmers observed improvements in the transparency and management of their organizations, but many also indicated that there is more to do to achieve good governance at all levels and to achieve greater independence. High levels of illiteracy in W&CA complicate the situation, as Fairtrade members in the organizations find it hard to follow the Fairtrade transactions.

7.3 Fairtrade impact on access to markets

Producer organizations in W&CA have guaranteed market access via the national cotton companies, which buy all cotton of suitable grades. However, participation in high value, niche export markets was new to the SPOs in Senegal and Cameroon with the introduction of Fairtrade. In Mali the SPO was already supplying export markets with organic cotton, but Fairtrade has supported further farmer capacity building in organic production and helped the organization access the additional market opportunities and higher prices associated with Fairtrade organic cotton. Similarly, in India there is a symbiotic relationship between Fairtrade and organic certification, with Fairtrade Premium investments, in particular, building up capacity to produce organically as well as helping to strengthen farmer organizations.

As described in section 6, in the initial years (2004 to 2007) the case study producer organizations in W&CA had ample access to Fairtrade markets, in most cases selling all their available certified cotton as Fairtrade. However, sales on Fairtrade markets declined in 2007-08 and then in 2008-09 stalled altogether, although they have apparently started to pick up again in 2010. The reasons for this are explored in section 10, but for producer organizations it means that their access to high value markets is unreliable and they may be just as vulnerable to the variations in supply and demand that exist for non-Fairtrade cotton. Also, in the W&CA examples the national cotton companies control ginning and cotton exports and producer organizations have no opportunity to export directly – this has not changed with Fairtrade.

In India the producer organization is weaker than in W&CA, having only recently been formed and is still very reliant on the Promoting Body, Agrocél, for many of the necessary services, inputs, ginning and export. It is still far from being an independent organization, able to sell directly to national and international markets. Agrocél staff indicated that they did not think the farmer organization could operate independently in the near future, although the FLO Liaison Officer support is helping to guide the transfer of responsibilities and capacity building, etc. PEB participants in a focus group discussion in Rapar said themselves that the PEB is still heavily dependent on Agrocél and does not take any initiatives independently of Agrocél. They said that the association cannot access markets independently. They felt they could not break the traders' chain, and bypass the middleman, because it is pernicious. In any case, Agrocél pays the best price and if they sold to another agent they would not receive the Fairtrade Premium. If they were certified as an SPO they would receive the Premium but perhaps this indicates a lack of knowledge of the operation of Fairtrade. These interviewees from

AGPCGA also said that they had not considered getting involved in other collective agricultural service activities, and asked who would organize this, perhaps indicating a lack of capacity and confidence. Continuing farmer requirement of support from external agencies has been a common feature of producer bodies under the contract production standard (Sambrani and Ellman, Evaluation of FLO CP Standards, 2009) and this seems to apply in this case as well.

Access to high value markets has been enhanced by improvements in quality, which in turn are linked to services provided by producer organizations and/or support organizations in connection with Fairtrade. From the start emphasis was placed on the need to ensure high quality cotton for Fairtrade (and organic) markets. In a general sense, early Fairtrade Premium investments were used to support production related services provided by the producer organizations, as well as building and improving infrastructure, all of which have helped to improve quality. Quality improvements have also been achieved as a result of technical assistance from the cotton companies in Senegal and Cameroon, Helvetas Mali in Mali, and Agrocel in India. Some of the specific strategies used include:

- In Mali a Quality Charter was established which goes beyond Fairtrade standards;
- In Senegal cotton farmers have been advised that they should plan the amount of cotton planted in line with their capacity to tend the crop properly;
- In India Agrocel supports farmers to produce a higher quality cotton variety, Deviraj, to meet quality requirements of Fairtrade buyers.

Summary of Fairtrade impacts on the access to markets of producer organizations

In the W&CA examples Fairtrade sales expanded rapidly in the initial years, but then collapsed in 2008-09. This was apparently a result of over-optimistic forecasting by retailers, which resulted in ginners and traders buying up large volumes of Fairtrade cotton in 2007-8 which they then struggled to sell on in the same year, as well as the effects of the global recession on retail sales. It was also due to increased competition from Indian sources of Fairtrade seed cotton. Whilst market demand for Fairtrade cotton from W&CA has apparently picked up again, this volatility has dented confidence at different levels.

Most of the W&CA producer groups have not been able to access new markets independently of the national cotton companies, for structural reasons, and they remain overly dependent on them. MOBIOM has had some success in accessing new markets, but this is almost entirely due to reliance on Helvetas. In India, the producer organization is still very dependent on the Promoting Body. Agrocel staff said they did not see the farmer organization being able to operate independently as yet. Thus, access to markets has either been reliant on national companies or NGO intervention, with producer organizations feeling that they did not have the networks or the capacity to work toward independence. However, Fairtrade is making some improvements in organizational democracy and management capacity, which in the longer-term could help farmer organizations have greater autonomy.

In all countries there have been improvements in quality as a result of a combination of Fairtrade price incentives and technical assistance from support organizations to enable producers to access Fairtrade markets (Fairtrade buyers only want high quality cotton). The Fairtrade Premium has also been used for investments in improving production (e.g. paying for technical assistance, infrastructure, etc.). In Mali and India farmers already accessed organic certified markets, but Fairtrade Premium investments support farmers to continue to meet organic market requirements. This has enhanced producers' access to high value export markets.

7.4 Management capacity and financial stability

In Cameroon management capacity has improved at the local level within the Fairtrade GICs, and also there have been improvements within the umbrella producer organization, but there is no forum in which Fairtrade GICs can come together to discuss common problems and to build their voice. The earliest GIC entrants to Fairtrade received the most capacity building support from a donor project, but later entrants have received less assistance and training and there have been greater problems as result in securing compliance with the Fairtrade standards. The umbrella organization, CPCC, is too dependent upon SODECOTON, to the extent that individual members in the CPCC at the local level confuse the two.

In Senegal improvements have also been made in the farmer organization in terms of transparency and the GPCs at the local level have become more professional. As in Cameroon, however, the local level groups chosen to participate in Fairtrade were ones that were relatively more advanced in organizational terms. The drop off in Fairtrade sales has shaken the confidence of members of the GPCs, as it has in Cameroon, but in Senegal there has also been late payment of the Fairtrade Premium, which may be related to the drop in sales. Changes to the 'joint and several guarantee scheme' were made with the advent of Fairtrade, and this shift is viewed positively by producer members. However, an issue of limited representativeness emerged, as only 16 delegates represent 117 GPCs at the Union for Kédougou and they do not have transport and so cannot communicate easily with individual members. High illiteracy rates in Senegal also mean that individual GPC members find it difficult to follow the transactions of their organizations, including Fairtrade transactions.

In Mali, the producer organization, MOBIOM, working with organic, Fairtrade producers in Bougouni zone, has made good progress according to members in terms of its management capacity and greater transparency. But it also suffers from high levels of illiteracy amongst members and the organization is over-dependent upon the national cotton company, CMDT, as well as the external organizations Helvetas Mali and Max Havelaar Switzerland. There have been recurring problems with late payment of the basic price and additional Premiums (related to drop-off in sales) and with only limited decentralization of responsibilities to the local farmer groups (CPCBs). Fairtrade, non-organic farmers in Kita zone are supported by CMDT and Max Havelaar France, but do not have the same kind of capacity building inputs from an external agency that Bougouni zone farmers do. The latter can produce organically and they reached both organic and Fairtrade markets until recently. The slump in Fairtrade sales has affected confidence, although some MOBIOM producers also produce Fairtrade certified mangoes and MOBIOM is promoting and building capacity amongst producers for diversification of crops.

In India the starting point was somewhat different in terms of the pre-existing level farmer organization, with an Indian company which was already providing agricultural inputs and services to producers helping in the formalization of the producer body. But in some ways the story of capacity development is similar to the W&CA situations in that the farmer organization has made good progress on some indicators but it is still overly dependent upon another organization – in this case the Promoting Body Agrocel rather than a cotton company – for inputs, ginning, transportation and marketing. Although FLO's Contract Production Standard system aims for producer organizations to gain independence over time, there is no clear plan as yet in APFCGA's development plan and this does not appear likely any time soon.

Fluctuations in sales undermine the potential financial stability of the producer organizations. For example, MOBIOM staff reported that their attempts to gain more independence from Helvetas Mali has been stymied by the reduction in income from the Fairtrade Premium, given members had agreed for a substantial proportion of the Premium to be used to cover operational costs. Financial stability of the cotton companies

and Promoting Bodies is also strained by the volatility not only in global conventional markets, but also in Fairtrade markets. The financial situation of the W&CA cotton companies improved under Fairtrade, which affected the viability of the cotton sector as a whole, but now that Fairtrade sales have faltered this impact has been reversed. In India, Agrocel staff complained of the difficulties of sustaining longer-term trading relationships with a producer organization because of the costs of certification and the fluctuations in market demand.

Further details are provided in annex 7 with sections on developments and progress on management capacity and financial stability in each individual country.

Summary of Fairtrade impacts on producer organization management capacity and financial stability

In all four cases there has been some progress in terms of improvement in management capacity, although to varying degrees. Support from external development organizations is very important in capacity building and organizational development. All of the producer organizations are too dependent upon other entities – in W&CA on the national cotton companies, and in the case of Mali on Helvetas Mali as well, and in India upon the Promoting Body. So whilst there have been improvements in management capacity, and care should be taken not to undervalue the achievements of the producer organizations and the cotton companies, Promoting Bodies and development organizations, it is also important to note some of the continuing weaknesses in organizational capacity in each specific case and the problems caused by the stalling in Fairtrade markets (particularly in W&CA, which has suffered from competition with India). The W&CA cotton companies are operating at a loss, and financial stability is strained by the volatility not only in global conventional markets, but also in Fairtrade markets. In India, Agrocel also complains of the difficulties of sustaining longer-term trading relationships with the producer organization given the costs of certification and the fluctuations in market demand.

7.5 Producer knowledge of Fairtrade and value chains

Producer knowledge of Fairtrade and value chains beyond the national cotton company or Promoting Body is extremely limited at the individual level. There is more understanding amongst the producer representatives at higher levels, but even here it is insufficient.

In particular it seems that the ethical drivers or foundations of Fairtrade are not well known, and whilst this may not matter in one sense to farmers struggling to make a living, ultimately it is part of understanding Fairtrade transactions and managing expectations (e.g. why the Fairtrade Premium is there one year and not the next, etc). In Cameroon farmers associate Fairtrade with a higher price, but think this is related to consumers' desire for higher quality cotton, rather than it being driven by ethical concerns. Producers are not aware of trade conditions and sales to Europe and Asia, and most of them are still waiting to be paid the additional price for the cotton that has not been sold, some seeing it as a debt that will be repaid by 'Fairtrade'. There is also a risk that a lack of understanding of how Fairtrade works, and the sudden drop in sales, means that producers could start to blame the CPCC thinking it is they who are diverting the funds. Similarly in Senegal farmers are not informed about Fairtrade principles despite SODEFITEX running training courses about where their cotton moves onto after ginning. In Mali organic production dominates many discussions in Fairtrade training courses and there is confusion amongst producers about the two different standards and their foundations and mechanics. MOBIOM farmers also do not know where Fairtrade cotton

goes to after ginning by CMDT and some said they thought that Fairtrade lacks transparency. Finally, PEB members in India have considerable knowledge of Fairtrade and the higher quality variety that Agrocél promotes to achieve Fairtrade standards, and about the differences between Fairtrade and organic premiums, but at the individual producer level knowledge is limited and the ethical principles behind Fairtrade are not strongly communicated within the organization.

Across the four case studies, it is perhaps unsurprising, but few individual farmers that are involved in both organic and Fairtrade production can differentiate between the requirements of the two and their underlying principles.

Fairtrade does not as yet seem to have made a big impact upon farmers' knowledge of value chains and markets. However, it is worth recognizing that Fairtrade has only been operating in cotton for a small number of years, and the problems created by the mismatch between supply and demand may have complicated these processes of communicating Fairtrade principles and learning about Fairtrade markets and mechanisms. More fundamentally though it is the control of ginning and other value chain functions by cotton companies in W&CA and companies in India and beyond, as well as the lack of capacity, equipment, technical know-how and literacy which present barriers to greater understanding of, and participation in, value chain activities beyond production.

Summary of Fairtrade impacts on producer knowledge of Fairtrade and markets

In all four studies it was clear that Fairtrade producers have very limited knowledge of the principles (and sometimes basic mechanisms) of Fairtrade, particularly at the individual producer level, and also may find it difficult to distinguish between Fairtrade and organic certification where both standards are involved. There is greater knowledge at higher levels in producer organizations of Fairtrade, but few farmers understand where their cotton is sold, where it goes to, the actors and margins involved – and this is partly because they have no role beyond production, with ginning, input supplies and export controlled by cotton companies or the Promoting Body.

7.6 Use of the Fairtrade Premium

This section explores the use of the Fairtrade Premium in terms of the amounts received, the types of investments made, and the views of producers on the benefits and impacts of these investments. Due to the limited time in the field it has not always been possible to assess the impact of these investments in any particular depth. The decline of Fairtrade sales in the last few years also complicates discussions with producers on the Premium and the differences it may have made to their lives. Nonetheless it is clear that a range of activities and investments have been funded across all four of the case studies, bringing benefits to producers and often the wider community, and that some gains have been made in the management and democratic decision-making in relation to community projects funded by the Premium. See table 22 for examples of Fairtrade Premium investments.

Table 22: Examples of Fairtrade Premium investments

	Examples of Fairtrade Premium investments
Cameroon	Health centres, mills, GIC offices, classrooms, storehouses, water supply and rural electrification
Senegal	Install drinking water pipes, schools construction, millet mill building, building of storehouses and training of community health officers
Mali	Storehouses, a literacy centre, a maternity clinic, drinking wells, cereal banks, and primary school furniture.
India	Education related investments (e.g. buying stationary, school uniforms, paying for scholarships etc), as well as farming related investments (e.g. land leveling, constructing organic manure platforms, vermin-compost pits, and provision of input kids) and various miscellaneous payments (e.g. for a life saving operation, for deepening and construction of village ponds, provision of solar power etc).

In terms of amounts received by each producer organization for the Fairtrade Premium, the figures were as follows:

- In Cameroon a total of 306,044,077 FCFA has been received by the CPCC for the Fairtrade Premium (see table 23 below for yearly breakdown).
- In Senegal a total of 321,817,970 FCFA has been received by Kedougou (see Table 24)
- In Mali, total figures were not available (see graph below for figures for 2005-2008)
- In India AFPCGA has spent a total of 4910067 INR between 2005 and 2010. AFPCGA received 14953927 INR total payments for the Fairtrade Premium.

Table 23: Fairtrade Premium money received per year in Cameroon

	Premium money received per year (FCFA)				
Year	2005	2006	2007	2008 (33%)	Total
Total	7,553,938	127,907,143	121,114,715	49,468,281	306,044,077

Source: OPCC

Table 24: Fairtrade Premium money received per year in Senegal

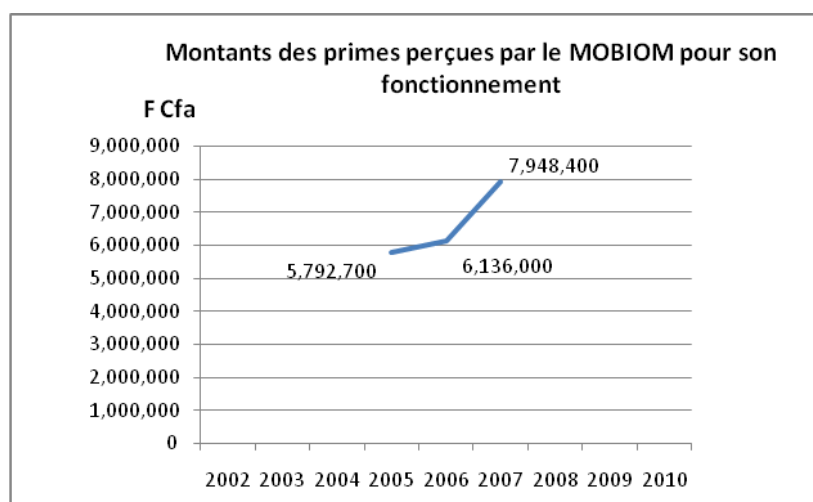
	Premium money received per year (FCFA)					
Year	2003/4	2004/5	2005/6	2006/7	2007/8	Total
Total	1,700,000	18,514,564	43,851,670	126,867,464	126,534,472	321,817,970

Source: SODEFITEX

The Fairtrade Premium has supported organizational development by providing payments to cover operational costs and through encouraging democratic decision-making and management of community projects in some cases:

- In Cameroon the Premium has been used to fund training courses led by the CPCC (including all logistics, salary costs of trainers, producers' expenses) and enabled the leadership to purchase a 4x4 pick-up truck, to buy a hectare of land. However, according to the audit reports, CPCC has not developed a coherent plan for the long-term use of the premium.
- In Senegal the Premium is also used to support operational costs as well as community projects, with a split of a third for operational costs and two thirds for community projects. The Union of GPCs decided at the Annual General Meeting to split the Fairtrade Premium (34 F/kg), with a third used for operational costs (13F/kg) and two-thirds being distributed to GPCs (23 F/kg) for use in community projects⁵⁴.
- In Mali, the members of MOBIOM have democratically decided to split the Fairtrade Premium between the operating costs for the secondary level organization and the payments to the community projects at CPCB level, which are checked by MOBIOM. Since 2005/06, 44% of the Fairtrade premium (15 FCFA/kg out of 34) has been used for MOBIOM's operations (in 2006, Helvetas covered 75% of the organization's operating budget). The premiums from 2004 to 2007 were paid regularly and invested in storage depots, classrooms, a clinic, paying teachers, etc. MOBIOM received increased amounts for its operating costs as production volumes rose and sales increased, (see figure 5 below) but they have received no Fairtrade Premium money since 2008, because they have sold no cotton.

Figure 5: Amount of Premium money received by MOBIOM for its operations



Details of the amounts of Fairtrade premium generated by cotton sales by Agrocel are outlined in table 24 below. Agrocel is supposed to transfer the premium funds to the Association bank account promptly, and where it does not do so it must pay interest to APFCGA. As yet Agrocel has not yet transferred all of the 2009 funds to the PO, and there is an amount of Premium monies still outstanding. The delay in payment is due to the fact that Agrocel has not yet sold all of the cotton it purchased from farmers.

⁵⁴ The producers in Thiokétian say that they have not received any premiums for the last 2 years. In 2007 they received 185 + 43 FCFA/kg and, for 2008, they were promised 185 + 55 FCFA/kg, but they have not yet seen any of this extra price. The specific uses of the premium are also decided at the AGM and a GPC operational committee follows up on project implementation (sometimes with support from teachers or diggers of wells, but this is under the management of SODEFITEX).

Table 25: Details of Cotton Purchase and Fairtrade Premium (INR)

Rapar						
Year	Total Seed cotton purchase during the harvest season	Sale of seed cotton during financial year	Total FTP accrued during financial year	Total FTP transferred to APFCGA	Amount of outstanding FTP transfer to APFCGA during FY	Total amount of FTP spent by APFCGA during FY
	Kg	Kg	INR	INR	INR	INR
2005-06	784040	419691.7	902337.2	229417	672920.162	82518
2006-07	917495	515169.5	2857994	1648038	1209955.8	756126
2007-08	1166500	1128650	5898896	2315500	3583395.91	1924537
2008-09	722880	2968301	7154056	7211000	-56944.276	2146886
2009-10	0			3549972		
Total	3590915	5031812	16813283	14953927	5409327.6	4910067
Dharangadhara						
2005-06	0	0	0		0	82518
2006-07	0	0	0		0	756126
2007-08	1563720	0	0		0	1924537
2008-09	1617919	0	0		0	2146886
2009-10						
Total	3181639	0	0	0	0	4910067
Combined						
2005-06	784040	0	0	229417	-229417	82518
2006-07	917495	0	0	1648038	-1648038	756126
2007-08	2730220	0	0	2315500	-2315500	1924537
2008-09	2340799	0	0	7211000	-7211000	2146886
2009-10	0			3549972		
Total	6772554	0	0	14953927	-11403955	4910067

Source: Data provided by AGROCEL

According to Agrocel management, they reduced the amount of cotton that they buy from producers in 2009 by almost 50 percent, in anticipation of a rule change and also because of adverse weather affecting cotton yields in 2009-10. A FLO representative in India suggested that the concept of Fairtrade and the Fairtrade Eligible system as practised under contract production standards has been clearly explained to Agrocel and that they are only under obligation to pay FTP for Fairtrade. However, Agrocel decided to mark up the FTP amount for all their sales (from Rapar project) so that they could pay a premium to their farmers even for the domestic (non-FT) sales. In 2009 the recession meant that Agrocel could not sell all the cotton it had procured, placing a heavy burden on Agrocel. The FLO representative in India emphasizes that the obligation to pay FTP only for Fairtrade has been clearly stated and presumably this comment indicates that they feel that this would be more manageable for Agrocel if they followed this position. Agrocel do not know how much fibre they will obtain from the seed cotton bought from farmers - the rate of conversion can vary from 31 to 36%⁵⁵ and so Agrocel managers argue that the Premium should actually be based on the quantity of fibre sold, rather than the quantity of seed cotton produced and procured. Agrocel is currently supposed to disburse the Premium funds immediately, but there has been a delay recently because they have not obtained any revenue from the sale of the fibre and does not know how much time will elapse before it will do so.

Despite many positive benefits being identified by producers, there are also a number of concerns relating to the Premium:

- A unique problem has arisen in Cameroon where the local farmer groups – GICs – already receive funding for small community projects from SODECOTON (as a levy on sales) called the “excédent pont-bascule”. Under Fairtrade these groups stopped receiving this community project funding because they received the higher Fairtrade Premium instead. As part of the transfer of responsibilities it is now up to the GIC members to set the fees that members will contribute towards community projects (a percentage of sales). However, members have set this level very low and Fairtrade sales have also stalled, leaving these groups without any community investment whatsoever.
- In Mali, despite many positive observations some farmers thought that they should not have to rely on approval of investment plans by MOBIOM.
- In India on the positive side Agrocel has supported farmers and farmer groups to match their Premium funding with government funds. However, the Agrocel managers have some concerns regarding how they currently calculate the Premium. Further, the Premium investments went to only three villages and lately the investments have been spread over a wider area, which is fairer in the sense of enabling other villages to benefit, but may also be reducing the total amounts received per village and some farmers expressed dissatisfaction that the Premium is distributed to whole communities according to need rather than being given only to cotton farming members of the organization.

Further detailed analysis is provided in Annex 9 of the use of the Fairtrade Premium in each individual country and the specific issues arising in each location relating to its distribution and the types of benefits observed by producers.

Summary of the uses and impacts of the Fairtrade Premium

Diverse investments have been made using the Fairtrade Premium. In Cameroon health centres, mills, GIC

⁵⁵ e.g. 500 mt of seed cotton will produce about 180 mt of fibre

offices, classrooms, storehouses, water supply and rural electrification investments have been made. In Senegal funding has been used to install drinking water pipes, schools construction, millet mill building, building of storehouses and training of community health officers. In Mali investments have been used to construct storehouses, a literacy centre, a maternity clinic, drinking wells, cereal banks, and primary school furniture. Finally, in India, the Fairtrade Premium has been used for education related investments (e.g. buying stationary, school uniforms, paying for scholarships etc), as well as farming related investments (e.g. land levelling, constructing organic manure platforms, vermin-compost pits, and provision of input kids) and various miscellaneous payments (e.g. for a life saving operation, for deepening and construction of village ponds, provision of solar power etc).

However, the slump in sales has reduced the Fairtrade Premium precipitously in W&CA (and reduced it in India). In India a range of positive benefits were identified resulting from Fairtrade Premium investments, but some farmers are beginning to question spending of the Premium on community projects rather than on activities for Fairtrade farmers, arguing that the way the Premium is spread across many villages makes the amounts involved very small. Agrocel managers expressed some concern regarding the calculation of the Premium. Agrocel representatives argue that the costs of certification cannot be taken out of Premium funds, and the risks involved of the new system are fairly burdensome for their company.

8. FAIRTRADE IMPACTS ON LOCAL AND NATIONAL DEVELOPMENT

This section presents an assessment of the changes in local and national development resulting from the participation in Fairtrade by the case study organizations. Fairtrade seeks to contribute to the sustainable development of economically disadvantaged and marginalised producers and workers through giving them more favourable terms of trade and through the instrument of the Fairtrade Premium and so theoretically should have an impact at the local level and possibly national level as well. This section (section 8.1) explores how Fairtrade may have altered the attractiveness and feasibility of cotton growing as a major livelihood activity and if it has changed labour conditions (e.g. for hired labourers and child labour), as well as impacts on producer incomes and local economies, and contribution of the Premium to social and community development. In section 8.2 we discuss the impacts on national economies and political influence.

8.1 Fairtrade impact on local development

Producer incomes have been positively affected in all four case studies although this impact has reduced dramatically in W&CA since 2007-08. Where incomes were increased this is likely to have positively benefitted the local rural economy, although we were not able to gather evidence on multiplier effects. Surplus incomes have been used to cover basic needs and for income generation and buying equipment, although in Cameroon there was less evidence of producers making investments or purchasing land, livestock and equipment (except for larger producers. Many farmers only grow cotton to access inputs and credit from SODECOTON, and although Fairtrade made cotton a more attractive activity, the stalling of sales has diminished this effect. In Mali and Senegal cotton is of greater relative importance in the household, but the recent slump in Fairtrade sales has led some producers to diversify into other crops (supported by MOBIOM in Mali), and in Senegal some farmers are taking up alternative waged labour opportunities.

The Fairtrade Premium has been used to support social and community development across the board, although the balance between spending on producer organization operational costs, community wide projects and member only type projects varies (see section 7.5). However, in Cameroon, communities with Fairtrade producer groups (GICS) are currently losing out because they do not receive community project monies from the cotton company from a levy on sales as conventional GICs do and the GICs did not agree sufficient community contributions to these projects which make them more viable when this was given over to them as a new responsibility. Late payments can also undermine the effectiveness of investments.

In India environmental challenges of salinity ingress into groundwater and low rainfall represents an issue for farmers encouraged by Agrocél to grow high quality cotton varieties which are less drought tolerant than other alternatives, but which meet Fairtrade quality requirements. This means that farmers may be more vulnerable to climatic shocks and stresses, as a result of Fairtrade, although they may earn more money in a good year. As these problems of climate variability and salinization are likely to worsen achieving an appropriate balance between raising income and ensuring resilience is needed.

In terms of hired labour, as discussed in section 6.4 this is more of a feature of Indian cotton growing than in W&CA cotton production, but in general Fairtrade appears to have had relatively little impact on opportunities for, and terms and conditions of, labourers. Where organic production is being promoted, this may create the need for additional labour to be employed, but this is only linked to Fairtrade indirectly. Meanwhile, wages and working conditions may be slightly improved by Fairtrade (e.g. shorter hours, lunch breaks), but the evidence for this was anecdotal rather than systematic. Likewise, awareness on child labour issues has been

raised in all four cases but we do not have systematic evidence on whether child labour has been reduced, by how much, and what the impacts of this have been.

More detailed analysis of Fairtrade impacts on local development in each individual case study country is provided in Annex 10.

Summary of Fairtrade impacts on local development

Producer incomes have been increased by Fairtrade (except where sales have stalled) and this is expected to stimulate local rural economies. Unfortunately we were unable to study these multiplier effects. Cotton is in decline in some countries (e.g. in Cameroon) and whilst Fairtrade may make it a more attractive livelihood option it is unclear whether Fairtrade can sustain this in the face of competition from Asia. Given the lack of market guarantees, Fairtrade may be creating a perverse incentive by sustaining farmers in cotton, when diversification may be a better option. If Fairtrade sales resume and can be made less volatile, with greater protection for W&CA producers from Indian competition, then local economies and producer incomes in the region may benefit once again, and farmers would return to Fairtrade.

Indian Kutch Fairtrade farmers may benefit whilst rainfall is good, but have suffered in lower rainfall years because the higher quality variety of cotton they grow is less drought tolerant in the light of climate change this may affect the sustainability of cotton.

The Fairtrade Premium has supported social and community development across all case study countries, although there are also some concerns with Cameroonian farmers currently missing out on both SODECOTON and Fairtrade Premium investment. Their producer groups were also incapable of committing sufficient funds to the community contribution when this role was decentralized to them, preventing more effective investments and coherent projects. In India some farmers complain that the Premium amount is too thinly spread and should be targeted to producer members.

Hired labour is only used widely in India, with producers in W&CA mainly drawing on household labour supplemented with unpaid labour exchange within communities. There was anecdotal evidence of improvements in wages and working conditions as a result of Fairtrade, but the findings were not systematic enough to draw conclusions. On child labour we also lack evidence, but it seems that at minimum awareness has been raised at producer leadership levels on the Fairtrade position and the reasons for taking action.

8.2 Fairtrade impact on national development

Fairtrade can have an impact on national economies as well as on the local rural economy. Moreover, producer organizations can grow to be strong with Fairtrade support, which may build the voice and representation of producers in key spheres. This section explores these effects in more detail.

In Mali, Fairtrade cotton accounts for only a small share of total cotton production and so its impact on the national economy is unlikely to be large. Bassett (2010) found that “Overall, fairtrade cotton in Mali accounts for a tiny share (0.77%) of total cotton production. When one adds the organic/Fairtrade cotton produced in the Helvétas program to the Geocoton/Max Havelaar production, the amount still represents less than 1% of (0.84%) of Mali’s total cotton production.” Thus, the total impact on the national economy is likely to be quite small. For Senegal, the impact would likely be smaller still.

As outlined in section 4, cotton has historically played an important role in the economies of the 3 case study countries in W&CA, but a combination of low global prices, delays in liberalization of the cotton companies, price guarantees for farmers, high costs of production, and competition with cheaper sources has undermined the viability of the cotton sectors. It was hoped that Fairtrade would offer a way forward in building more sustainable cotton sectors and in the early years it appeared to do so. Cotton producers were incentivized by the higher prices to enter Fairtrade and continue/increase producing cotton; for example, by 2008-09 14% of all cotton producers in Cameroon were registered Fairtrade. Importantly, the cotton companies were also gaining from higher FOB prices linked to the Fairtrade minimum prices, which enabled them to cover the cost of purchasing of seed cotton, unlike for non-Fairtrade cotton which often ends up being sold at a loss. Unfortunately this support for W&CA cotton has not been sustained, due to the lack of sales from 2007 onwards. As a result, both cotton companies and producers have lost confidence in Fairtrade and, according to some sources, some are now reluctant to carry on putting in the extra effort and resources required to maintain certification. This sentiment has been reinforced by an increase in non-Fairtrade cotton prices in 2010, which makes conventional markets more attractive (see section 10 for more detail). Meanwhile, in India Fairtrade is far less relevant at a national level, as Fairtrade production represents only a small proportion of total national production (India is the world's second largest cotton producer after China). Like the W&CA cotton companies, Agrocél complained that FLO certification costs are high and they struggle without secure Fairtrade sales to sustain the long-term relationship with the APFCGA, but this has minimal impact at the national level.

In terms of improvements in producer representation at a national level, in Cameroon there are signs that the umbrella farmer body, the CPCC, is not adequately recognized by national government and that CPCC has limited political influence. For example, the government has decided recently to pay fertilizer subsidies to farmers but has chosen to pay these via SODECOTON rather than CPCC. Fairtrade does not appear to have helped address this, perhaps because there is also no specific forum for Fairtrade producer groups (Fairtrade GICs) to come together to share information and to negotiate with SODECOTON.

In Senegal, the farmer organization FNPC has limited influence and producer participation in relevant international, regional and national meetings is limited, although potential advocacy issues are plentiful. FNPC is creating new partnerships with other support organizations and SODEFITEX is supporting them to communicate better with local authorities in planning spending and community investment, but this does not appear to be linked to Fairtrade.

The farmer organization in Mali, MOBIOM, has been extending its network of partners including new links with international NGOs, textile companies, institutions and local authorities, although it is not clear how far this is as a result of Fairtrade and its impact on organizational capacity building – certainly the support provided by Helvetas Mali and Max Havelaar Switzerland is proving critical in supporting this kind of networking. MOBIOM's senior managers frequently travel around Mali and abroad with Fairtrade, for example, reportedly being vocal in criticizing the lack of transparency in cotton value chains, but we do not have concrete examples of policy or behavioural changes achieved by these activities. The Mali and Senegal producer groups did not report being involved in any FLO-sponsored networks. They have had involvement in regional networks to promote inter-regional trading such as COFTA or the WAFN. However, these initiatives seem to ebb and flow in terms of real engagement.

In India APFCGA, with Agrocél's support, has informed producers of government subsidies and some have been able to benefit from these. The producer group is still fairly weak in being able to represent members in negotiations with Agrocél let alone in wider fora. It is important to recognize that in India there was a different starting point to producer organization compared with W&CA, and members of the Producer Executive Body in particular valued the learning opportunities afforded by the meetings of the PEB held alternately in each of

the two participating districts. Agrocel has been actively involved in the 'Asian Network for Fairtrade' which met in 2009 and an Agrocel staff member is on the board of this network, but not a PEB representative. The network is involved in the development of FLO standards for new products and seeks commitment from customers to long-term partnerships. No information was obtained as to how far this network has had an impact on producer's lives and livelihoods as yet or how soon APFCGA producers can represent their own organization, rather than relying on Agrocel to do so.

A more detailed analysis of Fairtrade impacts on national level development for each individual case study country is provided in Annex 11. The annex details any advocacy activities conducted and by whom, the policy changes and lobbying goals achieved, networking and partnership development, and changes in political influence of producer organizations in each country.

Summary of Fairtrade impacts on national development

In the early years Fairtrade was helping to revitalize the W&CA cotton sector, offering a potential strategy for financial viability and sustainability at both producer and cotton company levels. Given the importance of cotton to national and rural economies, this was an important impact. Unfortunately the lack of sales from 2007 onwards has undermined this positive effect and producers and cotton companies are reportedly turning away from Fairtrade as a result. In India Fairtrade has a minimal impact on national or even state economies, given the size of the cotton sector and the relatively small proportion that Fairtrade production represents.

In terms of political influence whilst the producer groups in W&CA have all grown stronger, there is limited evidence that they are able to conduct successful advocacy activities leading to policy changes. MOBIOM has perhaps been the most successful in creating new linkages with relevant development organizations and with local government, and has been initiating links with other Fairtrade producer groups and conducting advocacy activities in and beyond Mali. In Cameroon there is a specific lack of networking between the local level Fairtrade groups so that they can represent their views to SODECOTON and beyond and the CPCC is still not recognized by government as the appropriate vehicle for distribution of fertilizer subsidies, indicating a lack of capacity and government trust perhaps. The Senegalese producer organization, FNPC, has limited influence and participation in international, regional and national meetings, although it has made some new partnerships with support organizations. External support from development agencies has been critical in Mali in building capacity and political influence, and there has also been support from a donor project in Cameroon although the networking results appear more limited. In order to achieve upgrading in the value chain – for example small-scale artisanal and semi-industrialised processing in W&CA, stronger producer organizations are needed, which, among other things can lobby for state and development agency cooperation.

In India, Agrocel has supported the farmer organization, APFCGA, to link members to government subsidies. A different starting point level of organizational capacity was found in India compared to W&CA, which is why Agrocel is acting as a Promoting Body under the Contract Production Standard, and carrying out some of the advocacy roles normally expected of a farmer organization under the Small Producer Organization system. For example, Agrocel is representing the producers and is on the board in the relatively new Asian Network for Fairtrade. It is perhaps too soon for this Fairtrade producer network to have achievements to its name, but also it is not clear when the APFCGA might be strong enough to represent its own members in this forum and in others, as well as in negotiations with Agrocel and other Fairtrade and non-Fairtrade buyers.

9. FAIRTRADE IMPACTS ON NATURAL RESOURCES MANAGEMENT

Fairtrade promotes improvements in natural resources management through promotion of more sustainable farming practices and environmental stewardship by producer groups and on estates. Some Fairtrade cotton production is organic but not all. Fairtrade supports marginalized farmers and requires environmental standards based on UNEP recommendations and that of the Pesticide Action Network, with its Dirty Dozen list of harmful pesticides that should be cut out of production (see http://www.fairtrade.org.uk/products/cotton/questions_answers.aspx). Fairtrade also supports sustainable farming through encouraging farmers to create environmental development plans that identify how waste can be better managed, materials recycled and measures taken to prevent soil erosion and water pollution. Fairtrade cotton production bans the use of Genetically Modified Seeds (see http://www.fairtrade.org.uk/products/cotton/questions_answers.aspx).

In Cameroon a donor project, ESA, has been providing training and support on sustainable agricultural methods which has enabled farmers to improve their yields. The improved yields achieved through these agricultural developments are not necessarily a direct Fairtrade impact, therefore, although the Fairtrade GICs have been given support first amongst the whole body of GICs within the farmer umbrella organization. Similarly, the support from Helvetas Mali and Max Havelaar Switzerland in Bougouni zone in Mali and from the Promoting Body, Agrocel, in India has been important in training farmers in sustainable and organic production prior to the advent of Fairtrade as well as in parallel or in conjunction with Fairtrade certification, and this complicates the task of attribution of impacts to Fairtrade. However, there is evidence that Fairtrade is strengthening the work already begun as part of organic production in Mali and India.

Pesticide use in cotton is a serious environmental issue (see Section 3.8). In Cameroon it has proved hard to achieve the switch to less toxic pesticides required by Fairtrade, because these are relatively more expensive than the ones in use before and farmers think that they are less effective. The pesticides are not actually less effective but they work through a different mechanism and are slow acting. Improving management of pesticide containers is also challenging, as farmers find them to be useful for food or water storage and communication on this issue could be improved. Farmers in Cameroon have not been given the opportunity to grow cotton organically as yet, and the possibilities for this may be limited because CPCC relies upon sales of agrochemicals to producers.

In Mali significant strides have been made by MOBIOM in converting farmers to organic agriculture and in improving environmental management and climate resilience, with a whole raft of training and awareness raising campaigns. Farmers view anything to do with the environment as part of organic farming, however, and the support from Helvetas Mali in achieving both organic and Fairtrade certification has been important, so it is difficult to disentangle the impacts of the different standards. However, it appears that Fairtrade and organic production can be mutually supportive. For example, one of the uses of the Fairtrade Premium in Mali, when it was available in the early days of Fairtrade, was in the construction of storehouses for organic cotton to prevent mixing with conventional cotton. Organic producers in Mali report lower input costs compared to those of conventional Fairtrade producers, who are suffering as input prices rise.

Producers in Senegal have similar views of the ineffectiveness of the alternative pesticides that they are required to use under Fairtrade, and they argue that their use reduces the amount of first grade cotton they can produce. Further they complain of side effects of the changes in pesticides used – with snakes and warthogs more likely to enter the cotton fields. The Senegalese farmers also noted the increasingly irregular

rains that they have to contend with, with pest proliferation occurring at a more difficult time in the cotton farming cycle and exacerbating the effects of only having less effective pesticides available for use under Fairtrade - creating negative effects on cotton yields and quality. Farmers in Mali in the Fairtrade scheme are all producing organically in Bougouni zone, which will have positive human health impacts although we were not able to gather concrete data on this. Malian producers did observe that since they have stopped using pesticides, there has been a reduction in the many minor ailments (headaches, colds, itching, etc.) and other complaints from handling pesticides they used to suffer from. Studies from Senegal reveal that endosulfan is by far the most common source of accidental poisoning, accounting for over 30% of all identified cases (PAN-UK, 2006). Thus the phasing out of endosulfan use among Fairtrade farmers points to strong potential health benefits.

In India approximately, 67% of the Fairtrade farmers are also producing organically according to Agrocel staff. For farmers already producing organically it is easier for them to meet the Fairtrade standards on pesticides. As in Mali, the use of the Fairtrade Premium in India has supported farmers in developing organic production methods and in sustaining certification. For example, drip irrigation systems and cow urine platforms have been constructed using the Fairtrade Premium. However, many of the sustainable production techniques were already being promoted as part of organic certification prior to Fairtrade, and although it is clear that Fairtrade investments have strengthened this process, it is hard to get a sense of the distribution of benefits and costs of these investments.

As mentioned earlier, there are both positive and negative gendered labour implications of organic production. In Mali the absence of toxic chemicals was a key reason why women had begun farming their own cotton, hence giving them access to a new income stream. However, in India women complained that the extra weeding work impacts primarily on them. Other benefits of organic and sustainable agriculture production methods were mentioned by farmers, for example, in helping them to cope with salinity ingress in Kutch district – a major and growing challenge for farmers especially in the light of climate change. However, Fairtrade requires high quality cotton and Agrocel promotes Deviraj variety, and whilst this produces higher yields than other alternatives in a good year, in a drought year yields can suffer seriously. Growing this variety is therefore a risky strategy in a drought prone region. Whilst Agrocel strongly promotes Deviraj, many farmers said they also grow other varieties to spread risk and some said they did not think they would be able to grow cotton in a few years time because of soil salinization, irregular rains and a lack of rainfall.

Environmental committees have been established in Cameroon as a result of Fairtrade, but the research team was unable to gather direct evidence of their impact and therefore that of Fairtrade in improving environmental stewardship.

Annex 12 presents more detailed analysis of the specific measures undertaken in sustainable production and environmental stewardship by each case study producer organization as well as analysis of the available evidence on Fairtrade outcomes and impact in this regard.

Summary of Fairtrade impacts on natural resources management

Support from development organizations (e.g. donor projects or a Promoting Body) have been important in delivering changes in natural resources management as part of Fairtrade and organic certification. Organic certification in Mali and India predates involvement in Fairtrade and so some of the impacts are attributable to the former or a mixture of the two. There is evidence that Fairtrade is working well in conjunction with organic standards, in achieving improvements in sustainable agriculture, at least whilst sales are occurring.

There are positive environmental benefits in conventional Fairtrade situations as well, but perhaps to a lesser degree. In Cameroon, the ESA project has been providing important support for sustainable production, but farmers are not producing organically. The benefits from Fairtrade for sustainable production flow largely from the Fairtrade Premium investments in appropriate sustainable agriculture methods.

Switches to less toxic pesticide use are also an important achievement in both organic and non-organic situations, but it was not possible to be sure of the consistency of the switching and there has been some resistance from farmers in W&CA who complain variously of negative side-effects, higher costs, and ineffectiveness of the Fairtrade approved alternatives. However, the cotton companies argue that the pesticides work differently and are slow-acting, rather than being less effective. In Mali positive human health impacts were observed by farmers as a result of the decrease in pesticide use.

There also some areas of concern in relation to the environment and livelihoods, e.g. in ensuring farmers do not re-use pesticide containers for food and water storage (e.g. in Cameroon), risks of GMO contamination (India), problems of increased work burden from organic methods (India) and in India the promotion of a less drought tolerant but higher yielding variety to achieve higher quality is reported as challenge for household livelihood security. Kutch district is already suffering from salinity ingress into groundwater and this is an area affected by increasing climate variability which in turn exacerbates existing environmental problems such as salinity ingress. The support for more sustainable production methods may increase the resilience of cotton farmers at least in the short-term in the Kutch and in Bougouni zone, Mali. Farmers in both places report increasingly irregular and late rains (which have knock-on effects worsening the impacts of pests) and in India are struggling with salinization. Organic producers in Mali also report lower input costs compared to those of conventional Fairtrade producers, who are suffering as input prices rise. However, it is not clear how far farming modifications can enable cotton producers in these regions to cope with and adapt to environmental change, including climate change adaptation.

Having outlined all of the ways in which Fairtrade has had an impact on cotton producers and their organizations, we now move to an analysis of Fairtrade markets and value chains, before identifying the Fairtrade avenues of impact and drawing our conclusions and recommendations.

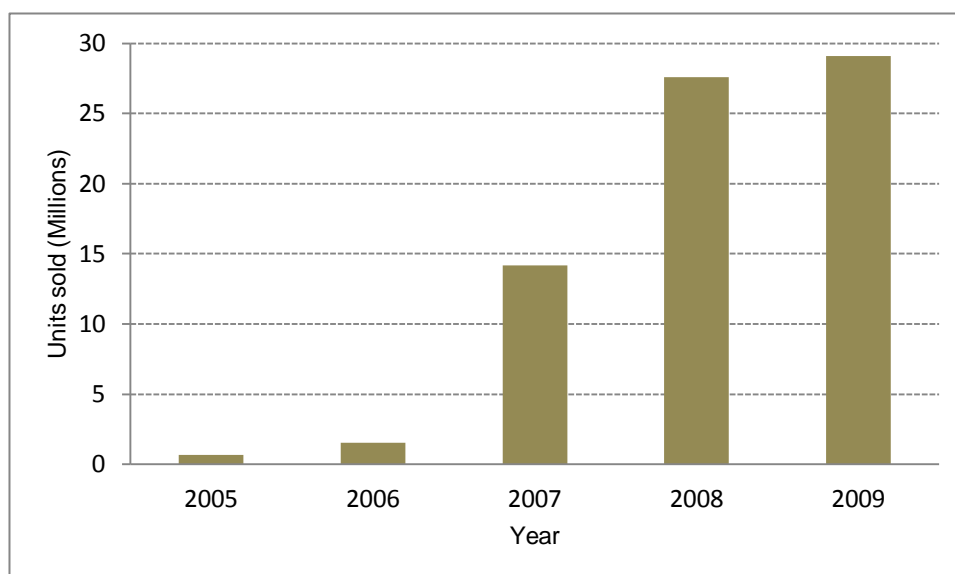
10. MARKET AND VALUE CHAIN ANALYSIS

This section draws on interviews with FLO certified ‘operators’ in Fairtrade cotton value chains (i.e. traders, spinners, weavers, manufacturers) and Fairtrade organizations (FLO, Fairtrade Foundation, Max Havelaar France), as well as published and unpublished information. The purpose of this phase of the research was to explore aspects of Fairtrade markets and value chain dynamics which have a bearing on impact at the level of producers and their organizations. It was not within the scope of the study to conduct a full analysis of the Fairtrade cotton sector, and only a limited number of interviews were carried out⁵⁶, but the information presented here complements the case study findings and helps us in drawing out conclusions and recommendations.

10.1 Fairtrade markets and sales

As indicated in the case study findings, sales of Fairtrade cotton grew quickly from 2004 to 2008, but growth slowed in 2009 (see Figure 6). Figure 7 shows the overall breakdown in Fairtrade cotton sales by type of product in 2009, with the majority (60%) being clothing and 40% homeware, household textiles, accessories and bags. Just over 8% of Fairtrade cotton sales were dual certified organic in 2008, compared to 92% conventional (see figure 8)⁵⁷.

Figure 6: Global Fairtrade cotton sales (individual items of clothing/homeware), 2005-09



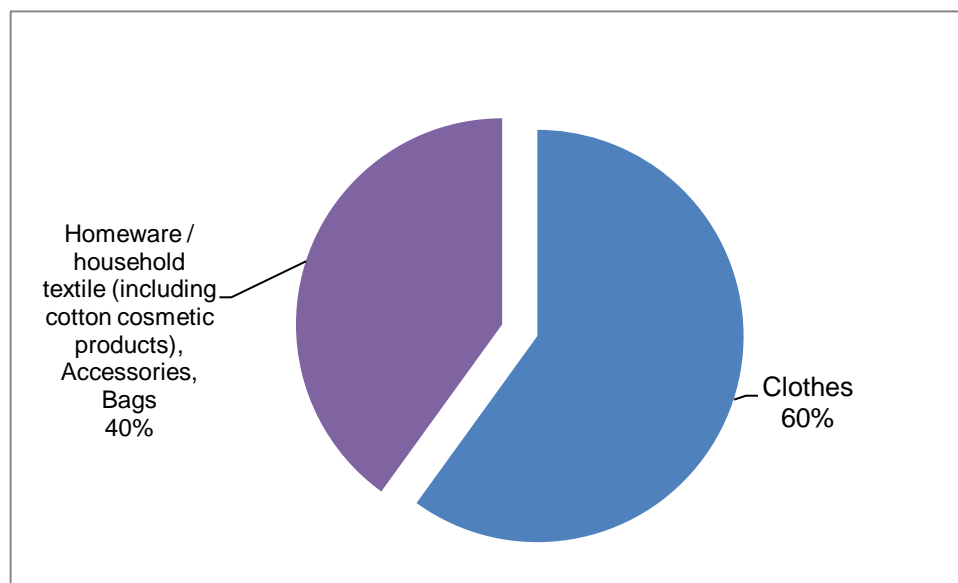
Source: Fairtrade Foundation, based on FLO data⁵⁸

⁵⁶ The Fairtrade Foundation and Max Havelaar France provided contacts for a small number of companies from different parts of the value chain which had relatively long term experience with Fairtrade and which they felt had different perspectives on the relevant issues.

⁵⁷ Figures for 2009 were not available.

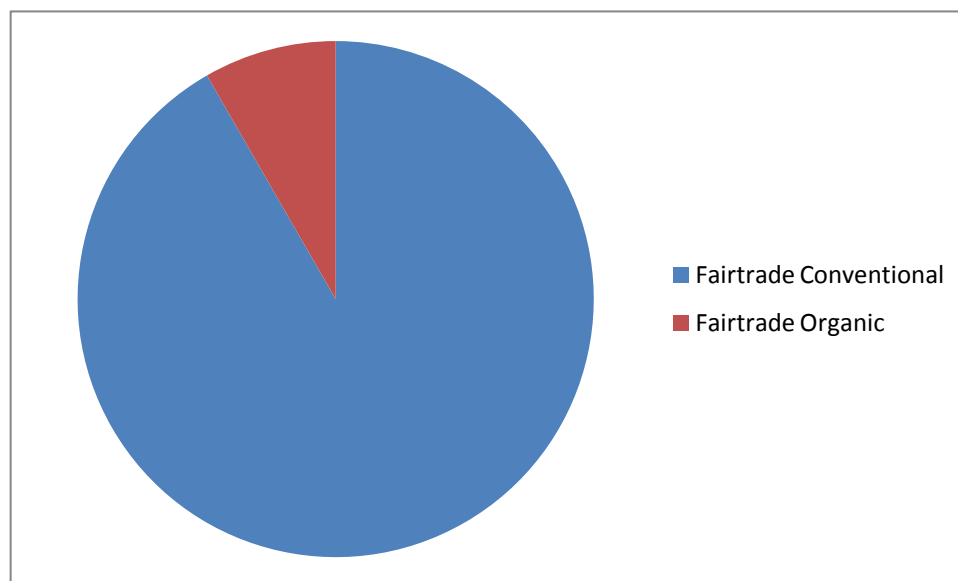
⁵⁸ The figures for 2005-07 may be somewhat inaccurate as individual LIs used different reporting methods, but they indicate general trends. Data for 2008-09 is accurate.

Figure 7: Breakdown of global Fairtrade cotton sales by form, 2009



Source: Fairtrade Foundation, based on FLO data

Figure 8: Estimated sales of conventional and organic Fairtrade cotton in 2008

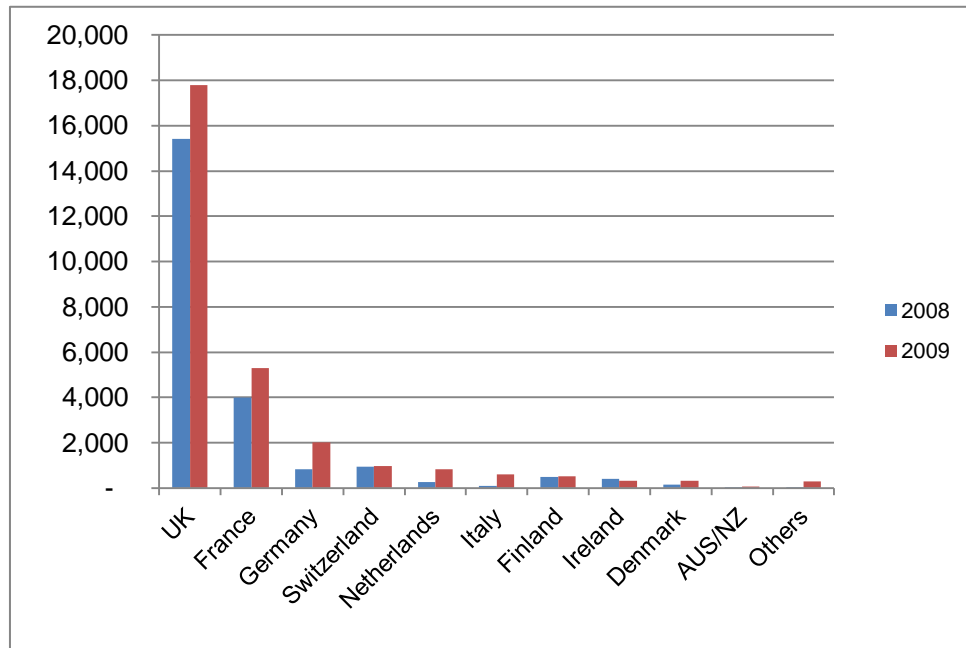


Source: Fairtrade Foundation, based on FLO data

The profile of individual markets varies quite substantially, in terms of the type of Fairtrade cotton products (e.g. fashion, babywear, workwear, homeware, cosmetics), the proportion which are dual certified Fairtrade-organic, and the type of marketing companies which dominate the trade (e.g. large retailers, brand name companies, ATOs, etc). Sources within Fairtrade indicated that the prospects are good for steady growth in most markets, and there is even potential for some big contracts to emerge. But the UK is by far the biggest market for Fairtrade cotton (see Figure 9) and UK sales (measured by the number of units sold) dropped by 33% from 2009 to 2010 (Figure 10). According to the Fairtrade Foundation this was due to a more challenging

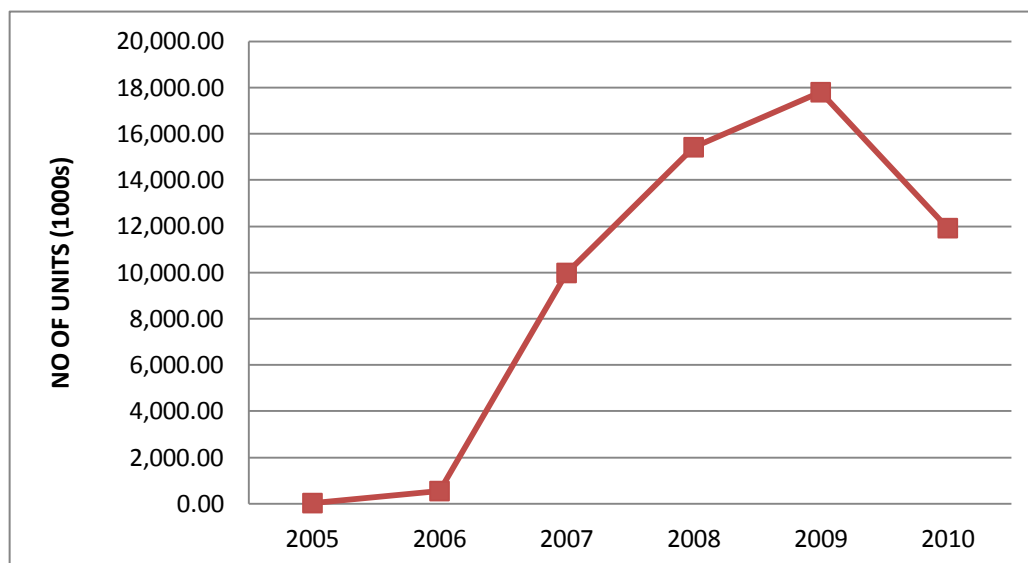
retail environment with increased pressure on margins and the decision of a number of major retailers to move away from price-sensitive, high-volume Fairtrade items such as basic t-shirts to more fashionable (less price-sensitive) Fairtrade cotton ranges. This was in line with consumer demand and with the Foundation's strategy to increase the profile of Fairtrade cotton in the UK. Sales data from other countries were not available at the time of writing the report, and so it not known whether global sales were down in 2010 compared to 2009, or whether increased sales elsewhere made up for the drop in the UK market.

Figure 9: Size of markets for Fairtrade cotton in 2008 and 2009 (items sold in 1000s)



Source: Fairtrade Foundation, based on FLO data

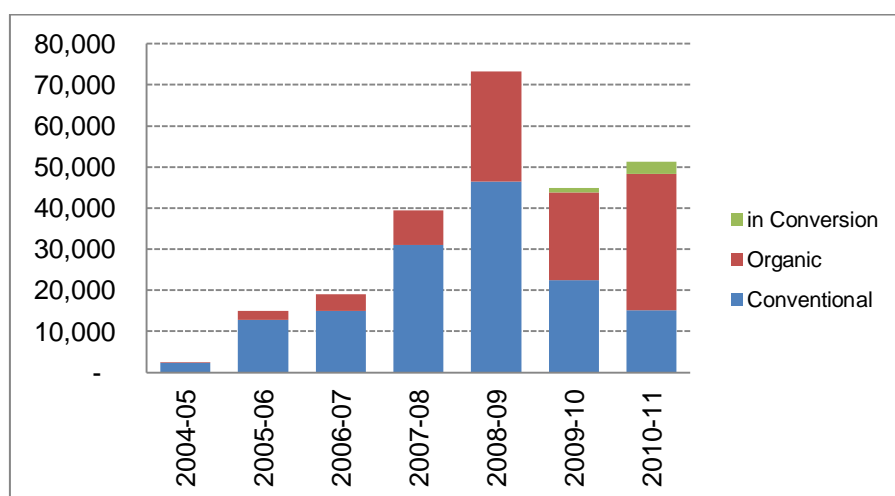
Figure 10: UK Fairtrade cotton sales 2005-2010 (items sold in 1000s)



10.2 Fairtrade production and sales

Fairtrade production grew continually throughout the 2004-09 period, with a total of 73,000 MT of cotton seed produced in the 2008-09 harvest, 37% of which was organic (see Figure 11). Part of this growth was due to expansion of existing certified Producer Organizations; non-participant producers were motivated to join Fairtrade as they saw the price and Fairtrade Premiums being achieved, and ginning companies were also motivated by the prospect of high demand to bring more producers in. In addition, the number of certified organizations nearly doubled from 2008 to 2009: in mid 2008 there were 19 FLO certified cotton producer organizations and by the end of 2009 this had increased to 33 organizations. As table 26 shows, the majority of these newly certified organizations were in India (11 of 14). However, Figure 11 also shows that production fell to just under 45,000 MT in 2009-10, although it is predicted to pick up slightly in 2010-11.

Figure 11: Fairtrade seed cotton production (conventional, organic and in conversion, MT), 2004-11⁵⁹



Source: FLO e.v., based on data in FLO-Cert audit reports (2004-10) and preliminary data for 2010-11

Table 26: Growth in number of FLO certified producers from mid 2008 to end 2009

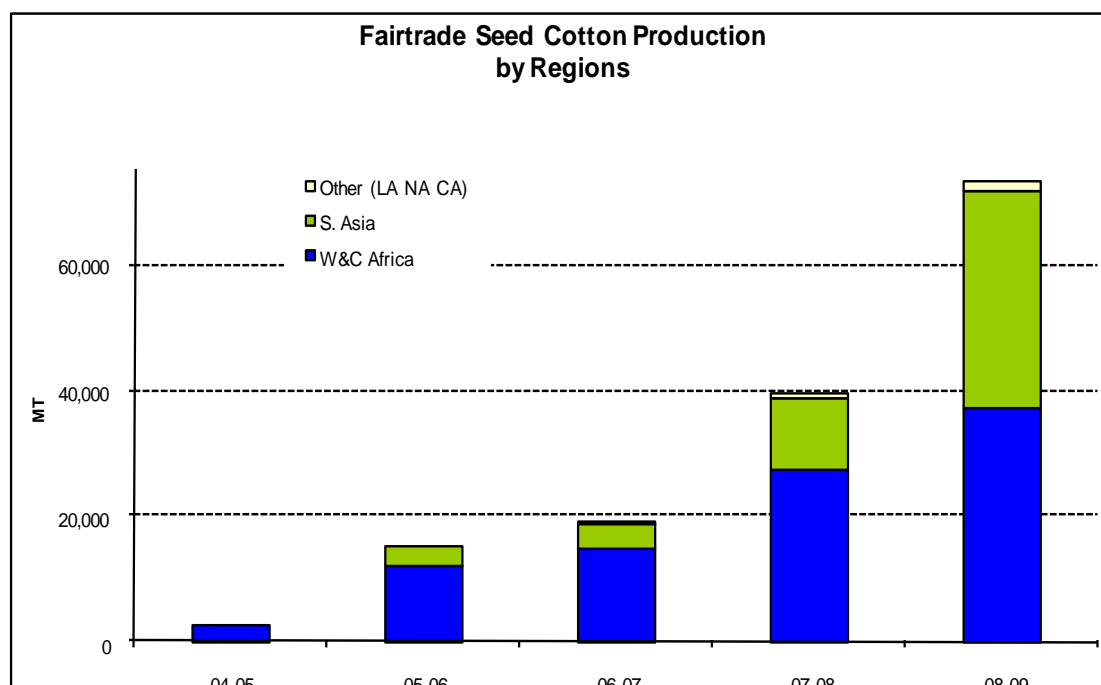
	Mid 2008	End 2009
West and Central Africa	10	12
North Africa	1	1
India	7	18
Other (Kyrgyzstan, Peru)	1	2
Total	19	33

Source: FLO Standards Unit and Fairtrade Foundation, 2008; data provided by Max Havelaar France

⁵⁹ Note that the data for the 2010-11 production season are estimates.

Figure 12 provides further detail about production of Fairtrade seed cotton by region, with the vast majority coming from W&CA up to 2006-07, but then almost half coming from India in 2008-09.

Figure 12: Fairtrade seed cotton production by region, 2004-2009



Source: FLO e.v., based on FLO-Cert audit reports

As we saw in our case studies, from the 2007-08 production season onward there were insufficient sales to absorb all the Fairtrade cotton available. Many producer groups (mostly in W&CA) did not sell any production for one or more years, especially in 2008-09. According to some interviewees the drop in sales, as well as higher prices on conventional markets, prompted cotton producers and companies in W&CA to withdraw from Fairtrade, which accounts for the drop in global production in 2009-10. Apparently, demand for Fairtrade cotton from W&CA picked up again in 2010, and it was unclear at the time of the research whether there would be sufficient supply from the region to satisfy demand.

A source within FLO pointed out that producer organizations (or more accurately, cotton companies or Promoting Bodies) may manage to sell FLO certified cotton at premium prices without going through the FLO system. Some buyers (e.g. ATOs, brand name companies or retailers) want to be assured that they are sourcing sustainable and ethical cotton and use the FLO certification as guarantee of this, without necessarily wanting or needing to use the Fairtrade label (which adds additional costs in the value chain). These sales are not logged by FLO, but any resulting benefits for producers would be classed as impacts of Fairtrade.

10.3 Balancing supply and demand

The previous sections indicate that supply and demand for Fairtrade cotton has not been very balanced over the past few years, with supply exceeding demand during the 2007-09 period but predicted to fall short of

demand in 2010. Over-supply resulted principally because in 2006-07 UK retailers were expecting continued high growth rates and this led them to forecast high volume demand. Efforts were then made by Fairtrade organizations to ensure there would be sufficient supply, including encouraging certification of new producers and expansion of existing groups. In the event, however, sales did not grow nearly as much as expected, for the reasons outlined above. Meanwhile, traders bought large stocks of Fairtrade cotton from W&CA in 2007-08 based on forecasted demand, but were unable to sell all of it that year and so carried substantial stockpiles into 2008-09. In the meantime more and more Fairtrade production was coming onto the market, including from India. The backlog in sales meant delays in payment of the Fairtrade Premiums for the previous year's harvest, and no new production being sold from 2008 until 2010.

FLO and its member LIs are now trying to take a more strategic approach to growth, including creating the position of a Global Cotton Product Manager who has oversight of the sector and can help facilitate information flows between markets and sources to ensure that supply and demand are better matched in future. A Cotton Working Group has also been established, including representatives from different LIs, to share market information and harmonize product growth and marketing strategies. An important part of this will be working with retailers and other Fairtrade operators to ensure that the mistakes of the past are not repeated. Below we explore some of the features of Fairtrade value chains that may be important in this regard.

10.4 The structure of Fairtrade cotton value chains

In general, Fairtrade cotton value chains are no different in structure to conventional cotton chains, and are constituted by many of the same actors.⁶⁰ We interviewed five Fairtrade operators from different parts of the chain (see Table 27). For all these companies Fairtrade was just one part of their product portfolio, ranging from 2-3% of their business up to a maximum of 15% of production capacity. Several of the companies had entered Fairtrade because they had decided to focus their business on niche, value added markets, and all said their involvement was underpinned by a general commitment to corporate responsibility. Some were originally approached by Max Havelaar France to see whether they were interested in developing Fairtrade cotton supply, while others had been introduced to Fairtrade by their clients (retailers in particular). However, these were just 5 out of a total of 127 FLO registered operators (mid 2008 figures), and their motivations were not necessarily representative.

Table 27: Profile of Fairtrade cotton companies interviewed as part of the study

Type of business	Brief description	Year entered Fairtrade
Trader	French trading company sourcing from W&CA. Sold FT lint to EU, N Africa and Asia.	2003-04
Spinner A	Moroccan company with French origins. Sourced FT lint from WA and sold FT yarn mainly to fabric mills in Africa.	2004-05

⁶⁰ We refer here only to FLO-labelled cotton products, as opposed to the broader range of cotton products that come under the WFTO umbrella. The value chains for WFTO products are typically quite different from conventional chains, with far greater participation of Alternative Trading Organizations (ATOs) and other types of social enterprise.

Spinner B/weaver/ manufacturer	Vertically integrated Indian textile company. Sourced FT lint from India and WA and sold FT yarn to Asian fabric mills and manufacturers, mainly for UK end markets.	No date
Manufacturer A	British company with parent company in Hong Kong and factories in Sri Lanka. Sourced FT fabric made from WA cotton from Asia and sold to large UK retailer.	No date
Manufacturer B/ Marketing company	French manufacturing and marketing company. Sourced FT yarn from N Africa and EU, FT fabric from EU, and finished product from India and N Africa.	2005

10.5 Sourcing Fairtrade cotton

As described above, global sales figures disguise considerable variation in terms of how much cotton individual producer groups are able to sell to Fairtrade markets. Over the past few years, there has been a shift in sourcing patterns as Fairtrade cotton from India has become more available. As shown in our case studies, this (along with the reduction in total market size) has contributed to undermining the positive impacts that have previously resulted from Fairtrade in W&CA and raises questions about the extent to which Fairtrade fulfils its objective of offering producers stable and long term trading relationships. As such, it is important to understand the factors that underpin sourcing decisions.

Fairtrade operators all agreed that price is a key factor in deciding where to source from. FOB prices for W&CA Fairtrade lint in 2008-09 were estimated to be between 5% and 15% higher than for Indian lint, and can be as much as 25% higher according to some sources. Although costs of production in W&CA are somewhat greater (which is why the FTMPs are slightly higher than for Indian cotton, much of the difference is down to exchange rates as the W&CA currency (the FCFA) is pegged to the Euro but cotton is traded in dollars W&CA. Given that the dollar was weak against the Euro for most of 2007-9, this made W&CA cotton comparatively expensive and favoured sourcing from India. The fact that the FTMP was set in Euros for W&CA but in dollars for India exacerbated this tendency, which was recognized in FLO's 2008 price review; subsequently all FTMPs were set in Euros (as the FCFA is pegged to the Euro) in order to create a more level playing field between Fairtrade producers. Meanwhile, the dollar strengthened against the Euro in 2010 and prices for all Indian cotton have soared, apparently making W&CA cotton, including Fairtrade cotton, more attractive again (although it is apparently still significantly more expensive).

Other factors that increase the cost of W&CA origins relative to India is that most spinning, weaving/knitting and manufacturing of Fairtrade cotton is carried out in Asia. This reflects general trends in the garment and homeware sector, especially for UK markets for which the vast majority of sourcing is from Asia. There are currently only 7 FLO registered spinners in Africa (only one of which is in W&CA), compared to 41 in India, and most Fairtrade cotton is shipped to India to be spun. This involves the additional cost of transport and storage, including logistics and insurance, as well as import duties. Even when export prices for Indian lint are similar to W&CA FOB prices, cotton can be sourced more cheaply internally given savings on costs such as these. Another advantage of being located in the same country relates to lead times. Although most cotton lint will be sourced many months in advance of the time when finished products are due on the shelves, fluctuations in demand can mean that extra volume is required at short notice. If cotton can be sourced locally, it can help suppliers be more responsive to retailers, which is a key factor in securing ongoing business.

A more complex issue relates to the structure of value chains and cost savings associated with vertical integration and economies of scale. Given that the Indian textile industry has high levels of vertical integration, from input supply to manufacture in many cases this can reduce the relative cost of Indian Fairtrade cotton and/or provide incentives for value chain actors to work with other companies in the country/region. Bargaining power and economies of scale are also enhanced when business is concentrated through the same chains. This puts African cotton companies at a disadvantage, as they are not linked in to networks of operators further down the value chain.

Quality is another factor that affects sourcing decisions, although it was difficult to get clarity on this as some sources said there was no difference in quality while others claimed W&CA Fairtrade cotton was poorer quality. The quality of cotton lint is critical to productivity and efficiency in spinning and as such has a huge impact on cost (including the cost of waste). As described in section 3 different aspects of quality (e.g. staple length, grade, strength, uniformity, etc.) affect efficiency, and spinners and fabric mills tend to blend cotton from various sources to balance quality and price. However, they apparently also tend to stick to varieties and qualities that they are familiar with, and working with Fairtrade cotton from new sources can take time to get used to. It seems that in the early days of Fairtrade cotton, when all lint came from W&CA, Indian spinners complained of quality problems and high wastage costs, but this may have been only a temporary situation as they got used to a new type of cotton and not being able to blend. Whether they would have had the same problems with Fairtrade cotton sourced from within India is open to question. But the fact remains that they are more used to Indian fibre and this makes it easier and cheaper to process.⁶¹

Given this combination of factors, most interviewees (and other sources) did not hold out much hope for W&CA Fairtrade cotton to be able to compete with Indian cotton, especially in value chains that are predominantly located in Asia. Although a few retailers are apparently still committed to sourcing from Africa, mainly for marketing reasons, they are in the minority and most are looking for the cheapest possible source in order to grow markets. This suggests the need for mechanisms to equalise the price of Fairtrade cotton from different sources, and/or specific strategies to make African cotton more competitive and marketable. This might include development of value addition within the African context, or marketing campaigns raising awareness of conditions for African producers. It may also include intervention by FLO to limit supply. Currently there is no limit to the number of producers that can be certified by FLO, and ISO-65 regulations require FLO-Cert to keep certification open to all applicants that meet FLO standards. While there are good reasons for this (i.e. non discrimination), it undermines the ability of Fairtrade to protect producers from fluctuations in demand caused by external factors, and thus limits the extent to which it can contribute to cumulative processes of development.

10.6 Costs in Fairtrade versus conventional value chains

As mentioned above, one of the reasons given for disappointing sales growth in the last few years was higher than expected costs along the length of the value chain. This was unexpected because the price of seed cotton does not constitute a major part of the final cost of a product (maximum 10% of retail value of garments, usually a lot less) and so the FTMP should not have added too much cost. However, during interviews with

⁶¹ It is also thought that the reputation of W&CA cotton has been tainted by its historical problems with 'stickiness', which also affects willingness to work with it.

value chain actors (for this study and for a previous study commissioned by the Fairtrade Foundation and Max Havelaar France⁶²) it became clear that there were various other ways in which Fairtrade adds costs relative to conventional cotton. These include:

- FOB prices charged by ginning companies: It is widely acknowledged that ginning companies in W&CA are effectively bankrupt and only survive through being propped up by the state. This is a result of the price guarantees offered to cotton producers in a context of low productivity, low global cotton prices and vulnerability to exchange rate fluctuations. As a result, ginners often sell below cost and face major deficits when prices drop. According to some interviewees, they saw Fairtrade as a way to escape this situation, as the price to producers was guaranteed by the FTMP and they could add a reasonable margin to generate operating profit. But it means Fairtrade prices seem high compared to conventional FOB prices.
- Margins charged by other actors in the chain: Some interviewees suggested that traders, spinners and fabric mills sometimes charged significantly higher margins for Fairtrade cotton than for conventional cotton, but it was not possible to substantiate this claim (it was denied by the Fairtrade operators interviewed). It is also important to acknowledge that fierce competition has driven down profit margins in the textile and garment industries over the past two decades – as such, operators in Fairtrade value chains might be forgiven for wanting to make a higher (i.e. decent) profit.
- FLO Cert audits of factories and registration and licensing costs: These are in-built costs resulting from the requirements of the FLO labelling system. Key informant interviewees (spinners, weavers, manufacturers) reported that so long as reasonable volumes were achieved, these costs were not prohibitive, but for low volumes they could add significantly to the cost of Fairtrade products.
- Operational costs for spinners and weavers/knitters: As indicated above, there are substantial costs associated with having to source lint from a restricted number of origins and not being able to blend it with lint from other sources. There are also added costs related to processing relatively small volumes and segregating Fairtrade during production, including cleaning machines⁶³ and running separate production lines.
- Cost of wastage: There is a market for the waste accumulated during processing and manufacturing, but this waste does not attract a premium price because of being made from FLO certified cotton (i.e. in spite of costing more to create). This has the effect of increasing the relative cost of processing/manufacturing Fairtrade versus conventional cotton, especially at the ginning and spinning stages where substantial waste is generated.
- Monitoring, reporting, communication and marketing costs: Several interviewees mentioned additional costs associated with collection and provision of information and closer monitoring and involvement in the value chain.

Importantly, the supply chain costing study found that in general costs were not compounded in Fairtrade value chains, as the cost of raw materials is kept separate from processing and manufacturing costs. Compounding only occurs on costs related to insurance and warehousing of raw materials, but this has a relatively minor impact on total cost.

⁶² Burden, G. (2009) Fairtrade certified cotton supply chain costs. Study commissioned by the Fairtrade Foundation and Max Havelaar France.

⁶³ Although cleaning machines is not necessary for Fairtrade cotton (unlike organic cotton), one spinner said that it was standard practice when switching from one type of cotton to another.

Various mechanisms and models are being tested by Fairtrade operators and retailers, with the support of Labelling Initiatives, to try and reduce the cost of Fairtrade products (e.g. using prefinance mechanisms and focusing on higher value products with lower cotton content). FLO is exploring how to best support market growth while maintaining the integrity of the Fairtrade mark (e.g. whether to allow blending or not). This is part of the more strategic approach to Fairtrade cotton mentioned above, and will hopefully yield results in terms of more sustainable market growth. An important part of this will be developing closer relationships in Fairtrade value chains and securing long term commitments from retailers, as discussed below.

10.7 Value chain relationships

Given we were only able to interview a small number of operators it is also difficult to draw conclusions about how relationships in Fairtrade value chains compare to those in conventional chains. There were examples of retailers dominating all sourcing decisions, from where lint comes from to which companies spin, weave and manufacture, while at the same time being unwilling to give firm guarantees of purchases in advance; this resembles the situation in conventional value chains (at least as far as the UK market is concerned) and is particularly problematic for Fairtrade's aim to develop long term trading relationships. But it was not only retailers that did not want to commit to long term contracts, particularly in India where there are constant fluctuations in price and competition for the cheapest sources of Fairtrade yarn. Some interviewees said that in the early days the companies that got involved were those with genuine commitment to the values of Fairtrade, but now that Fairtrade cotton was established and there were so many registered operators, Fairtrade was not different to conventional trade in which competition is fierce and price is everything. As part of this process, retailers are more inclined to work with their regular suppliers (i.e. suppliers of conventional cotton) and the opportunities for market access (and profit) that Fairtrade presented some companies during the early development phase have been greatly reduced. This perspective is summed up in the quote below:

"At the start there was a difference between Fairtrade and regular cotton value chains – some retailers had a real motivation for Fairtrade. But now most retailers do not have a specific motivation, they just see Fairtrade as a way to get product differentiation – they are willing to pay a bit more for that, but not much. And they negotiate in the same way as for all other types of cotton." (Fairtrade spinning company)

But there was also evidence of collaborative efforts to get Fairtrade products to market, including the involvement of Fairtrade organizations in bringing value chain actors together to develop new models of supply, improve efficiency and grow markets. Interviewees said these involved very different ways of working with others in the value chain. One example of this was a trader being able to secure a guarantee from a UK retailer to purchase an agreed volume of Fairtrade cotton (or at least pay the Premium) – the trader said they normally had no direct contact with retailers and would never normally get this kind of commitment. Another example was a spinner that was receiving funds (prefinance) direct from another UK retailer to cover the costs associated with purchasing and processing Fairtrade cotton, on the agreement that the spinner would then charge out for the Fairtrade yarn at conventional prices in order to reduce the end cost of the product. The spinner summarised the benefits as:

"We have commitment for three months and there is partnership, visibility. We can invest in the cotton and production, we can plan well, and this reduces costs and we can pass this on to our customers. Finance is very expensive in India, it's relatively cheap for retailers – this reduces costs in the value chain, we can calculate inputs and outputs transparently. We've had a lot of meetings with people along the chain. We are happy with this model." (Indian spinner)

One interviewee felt that having FLO certification enhanced the negotiation power of spinners and fabric mills:

“Having Fairtrade certification does affect negotiations – if you don’t have it then all negotiations come down to price. Fairtrade offsets some of the commodity activity in mass negotiations.”

We cannot say how common such examples are, and whether they are in any way representative of the Fairtrade cotton sector, but they certainly suggest that in some cases Fairtrade opens up opportunities for innovation and collaboration in value chains. Producers will ultimately benefit if it this helps to develop markets in more sustainable ways, but given the lack of involvement of producer organizations in value addition, it may be that the benefits largely accrue to others in the value chain.

Summary of Fairtrade market and value chain analysis

Global sales of Fairtrade cotton products (clothing, homeware, cosmetic items, etc.) grew rapidly from 2004 to 2008 but slowed down in 2009 and were likely to drop somewhat in 2010, mainly due to a 33% reduction in UK sales. The drop off in UK sales was due to highly competitive retail conditions (linked to the 2009-10 recession) with increasing pressure on margins, combined with price sensitivity of the types of products sold as Fairtrade. Meanwhile, production of Fairtrade seed cotton grew exponentially until 2009-10, with the number of certified Producer Organizations near doubling from 2008 to 2009 and membership growing rapidly. As a result, many Producer Organizations – particularly those in W&CA – were unable to sell hardly any Fairtrade cotton in the 2008-10 period. The imbalance in supply and demand was predicted to swing the other way in 2010-11, as backlogs of stock are being cleared and demand is picking up again, but production in W&CA has decreased. This situation suggests that Fairtrade cotton may be just as vulnerable to the vagaries of supply-demand fluctuations as conventional cotton trade. FLO has tried to address this by establishing a Cotton Working Group with oversight by a Global Product Manager, with the aim of improving communication and coordination between Fairtrade organizations, operators and producers.

Until 2007-08 most Fairtrade cotton was sourced from W&CA. This has changed with the increased availability of Indian Fairtrade cotton, which has made it difficult for W&CA producers to compete – especially when supply exceeds demand. W&CA prices for Fairtrade cotton lint were reportedly up to 25% higher than Indian prices until 2009, mainly because of the strong Euro/weak dollar. The FOB price difference has reduced now that the dollar has strengthened, but given that most W&CA cotton is shipped to India for further processing, additional costs of transport, storage, insurance, logistics and input duties are incurred. Furthermore, Indian spinners are more used to working with Indian lint, and other value chain operators also have preferences for sourcing locally (partly because of the high levels of vertical integration in the Indian textile industry), all of which disadvantage producers in W&CA. Although some retailers specifically want cotton from Africa, they are in the minority and most are more focused on keeping costs to a minimum.

There are various ways in which Fairtrade adds cost to final products, including: cost of FLO certification/registration and licence fee; processing costs associated with running small volumes on separate production lines and not being able to blend cotton of different qualities; lack of Fairtrade market for waste; costs of monitoring, reporting and marketing. Value chain operators may charge higher margins for Fairtrade cotton – maybe because their margins are unsustainably low in conventional cotton – but evidence for this is anecdotal; importantly, margins are generally calculated on the basis of processing costs, not including raw materials, which means that the higher cost of Fairtrade lint should not be compounded along the value chain.

It is not clear the extent to which trading relationships in Fairtrade value chains differ from conventional

cotton. In many ways they appear to be very similar, with the same actors involved and commercial decisions being based on the same kinds of factors. Certainly the experience of the last two years has been that Fairtrade is not able to guarantee long-term trading relationships as measured by stable sales, but this is largely to do with the length and complexity of Fairtrade cotton value chains, and the timing of transactions along the chain. There is some evidence that Fairtrade creates greater opportunities for collaboration and partnerships between value chain operators, and these may help in developing innovative models which address some of the difficulties that have been faced to date, but it will be important to monitor this in the coming years.

11. AVENUES OF IMPACT

In this section we seek to identify how Fairtrade has had an impact upon cotton producers and their organizations, by analysing the operation of the main avenues of impact of Fairtrade in this sector. The key avenues of impact are: the FLO Producer Standards; FLO Trade Standards; Organizational support and business development; and Networking and advocacy (see section 2.1).

Assessing impact via these avenues helps in identifying clear attribution of impacts to Fairtrade and supports learning about key strengths and areas in which improvements could be made. It allows further conclusions about the impact of Fairtrade to be drawn, and sets out a clear foundation for the recommendations that follow.

11.1 FLO Producer Standards

In W&CA the Fairtrade financial incentives, standards and auditing process have led to improvements in the organizational democracy and transparency of the POs, supported by capacity building for organizational strengthening from the cotton companies and/or from external agencies. Some of the local farmer groups were chosen for Fairtrade participation because they were already more advanced in organizational terms than their counterparts, and so Fairtrade is to some extent benefiting those that are already more professional and organized - although all groups required capacity building support. In India, the Contract Production Standard has provided the framework for the Promoting Body, Agrocél, to support the formalization and development of the farmer organization, complemented by the audit process which has highlighted further improvements to be made (e.g. in terms of the representativeness of the PEB).

In terms of the membership of POs, the vast majority are smallscale producers. In W&CA the average amount of land planted to cotton by PO members is less than 1 hectare, while in India it is somewhat higher at just over 4 hectares. Cotton producers in the W&CA case study countries need to join their local producer organization in order to market their cotton, given the monopoly status of the cotton companies, and as such POs are open to all producers, except perhaps those that repeatedly fail to repay credit. In India there are some complaints that in order to be part of the PO, it is necessary to be on personal terms with the PB staff, which potentially excludes some farmers. There may also be an issue for poorer producers in India: those without irrigation would not be able to grow the higher quality Deviraj cotton which the PB promoted for Fairtrade markets. Of the 16 Fairtrade cotton farmers interviewed, 14 have irrigation. It is not clear how the other two farmers manage in low rainfall years but clearly they would incur losses.

Importantly, the Producer Standards have stimulated greater participation of women as members and representatives of PO, particularly in W&CA, but less so in India. In India women are more excluded from the organization because they are less likely to hold land titles, which are an entry requirement to the organization. In all four countries, prevailing gender norms mean that women are socialized to defer to men and lack confidence to speak out in meetings and often have less power in household and community decision-making. The rights of women to participate in meetings, in cotton production, and to control cotton income has been promoted by Fairtrade, particularly in W&CA, with some positive results, but more needs to be done to understand and tackle gender inequality.

While Fairtrade has supported organizational development, it has not led to greater independence for the POs to any significant degree, for example in enabling them to choose for themselves which inputs and services to provide or purchase for members, or enabling them to export directly. Achieving this would require structural changes in the cotton sector (in W&CA) and substantial financial and technical investment, e.g. in ginning capacity managed by the POs. In W&CA the issue is more of a national political one, than a value chain one,

and as such requires lobbying and advocacy, as well as international donor support. Given concentration in processing and export, the best option for producer organizations may be to acquire a share in the cotton companies, so long as producers are properly represented. This is something that the Fairtrade producer networks could engage in with FLO's support, but it is too large an issue for Fairtrade itself to resolve. In India there are perhaps greater opportunities for independence, but the reality is that the PO is departing from a low starting point in terms of capacity and operating via the Promoting Body is likely to be the only way it will be able to survive in a highly competitive sector, at least in the short to medium term. However, across all four case study countries there is an argument for greater capacity building and speeding up of the transfer of responsibilities to producer organizations, and this is something Fairtrade could seek to do more to support.

There is relatively little awareness of Fairtrade principles, processes and markets among producers. Understanding is greater among PO representatives and higher up in the organizations, but the lack of knowledge among most producers has been problematic in terms of understanding why there have been delays in the Fairtrade Premium and additional payments. In India this has also led to disappointment among newer members, many of whom joined Fairtrade thinking they would have individual access to the Premium.

Fairtrade does not seem to have had a significant impact on the conditions for hired labour on smallholder cotton farms. Hired labour is more of an issue in India than in W&CA: in the latter, the labour of family and neighbours (in labour exchange) is generally relied upon. In India, Fairtrade cannot be said to have had a large impact, although there is anecdotal evidence of some improvements in wages and working conditions (e.g. working hours, provision of lunch). However, it is not clear the extent to which these changes are linked to FLO Producer Standards and auditing. In contrast, it would seem that Fairtrade has increased awareness of the issues around child labour, at least among PO leaders and male farmers, although there is conflicting evidence in terms of whether it still exists on Fairtrade farms. The leaders of local farmer groups, who may be more sensitized to the ban on child labour in the FLO standards, are more likely to say it was not used, compared to the individual farmers, especially women, who say children are employed in cotton production. More research is needed to arrive at conclusive findings on child labour use.

The FLO standards have led to significant environmental benefits (sometimes in combination with organic certification) in the reduction of the use of harmful pesticides, better disposal of chemical containers and in the introduction or strengthening of sustainable agriculture farming methods. These environmental requirements are not without costs (e.g. of using alternative more expensive pesticides, of not being able to use the containers for storage, of labour required to farm organically etc) and have met with resistance in some quarters (e.g. where farmers argue that the alternative pesticides are less effective than the toxic ones used previously although the difference is more in how they act rather than in their overall effectiveness). But positive impacts on human health are also observed as a result of reduced pesticide use (Mali, India).

Capacity building in sustainable production is largely provided by external agencies, through the cotton companies in W&CA (Mali, Cameroon) or by the Promoting Body (Agrocel). These capacity building and sustainable agriculture methods are supporting soil and water conservation, and furthering organic production and certification. Organic production can reduce the costs of production which have risen sharply in W&CA, but organic production can also reduce yields. Some technical interventions may help farmers struggling with salinity ingress, such as drip irrigation, but it is not clear how costly this is, how many farmers can participate and benefit from government/Fairtrade subsidies and whether in the longer term this will enable them to escape the problems of salinization and low or irregular rainfall which could be exacerbated by climate change.

11.2 FLO Trade Standards

FLO's Trade Standards include perhaps the most well known avenues of Fairtrade impact, namely: a guaranteed minimum price, payment of an additional "development" Premium, and "fair" terms of trade. Each of these elements will be discussed in turn.

11.2.1 Minimum Price

In all the three W&CA case studies the Fairtrade Minimum Price (FTMP) has led to farmers receiving a substantially higher price (between 22% and 70% uplift), but this effect has been stalled by the difficulties cotton companies have had in finding Fairtrade markets from 2007-08 onwards. In India the FTMP has had little effect as it has been lower than local market prices, and since 2008 also lower than the government guaranteed base price. Agrocél continues to seek to outdo competitors through offering marginally higher prices, and many farmers sell to Agrocél because of this, but also because of other support services which they provide (not just to Fairtrade farmers), and because of the 'peace of mind' that contract production offers.

The financial benefits of Fairtrade were for several years very attractive to cotton producers and the cotton companies in W&CA, leading to rapid expansion of membership and larger areas being cultivated with cotton. This situation has reversed somewhat but might be revived if sales recommence, particularly if longer-term relationships can be established along the value chain, but confidence has waned and some groups are struggling to sustain the costs associated with certification and quality requirements.

Improvements in quality have come about as result of a combination of the financial incentives in Fairtrade and the fact that buyers of Fairtrade cotton only want high quality cotton. Technical advice and training from support organizations has been critical in achieving these improvements. According to some interviewees, farmers in W&CA are using less hired, child, and non-family labour for grading in an attempt to improve quality. In India farmers are supported to grow a high quality cotton variety which has led to positive impacts on quality. However, this may also have the unintended negative effect of leaving farmers more vulnerable to drought conditions.

One factor behind the difficulties faced by W&CA producers in finding markets relates to the way the FTMP was set in Euros for most countries, but in dollars for India until mid-2008. Given that the dollar was very weak against the Euro and this has made W&CA cotton relatively expensive. This issue was flagged in FLO's 2008 cotton price review, with a recommendation that a mechanism be introduced to protect producers against the effects of currency fluctuations. Currency play-offs, now that all FTMPs are set in Euros, are less of an issue between Indian and African producers. The next price review by FLO, scheduled for 2011, will again ask producers for their preferences.

11.2.2 Fairtrade Premium

The Fairtrade Premium has led to positive outcomes in all four case study countries, according to producers interviewed, despite some problems with late payment of the Premium. Substantial investments have been made in education, health, water, and agricultural infrastructure, including supporting organic production (Mali and India), and these investments were welcomed by Fairtrade producers and their communities. Unfortunately, in W&CA the stalling of the Fairtrade Premium has made it difficult to sustain these benefits. There are also some specific implications for each of the case study countries. In Cameroon, while managing community projects has built capacity at the local level, Fairtrade farmers do not receive community project monies from SODECOTON because they are meant to receive the Fairtrade Premium instead, as so are being disadvantaged. They also have difficulties in levying sufficient community contributions to deliver coherent projects. In Senegal and Mali a proportion of the Premium is used to help cover the operational costs of POs. Clearly this means that fluctuations in sales can have an impact on the financial stability of the POs. In Mali the

drop in Premium funds over the past few years has stalled progress in gaining more independence from Helvetas Mali.

11.2.3 Terms of trading

Now that there are many registered operators it seems that Fairtrade value chains are not significantly different to conventional ones, although there are some examples of value chain cooperation, efforts that aim to bring Fairtrade products to market and to build commitment amongst traders, but more needs to be done in this regard. More research is required to obtain a fuller picture of cotton value chain relationships and to learn from these innovations. Competition with Fairtrade suppliers in India has disadvantaged SPO producers in W&CA, and within India the SPO organizations are competing with those that operate under CPS. There are examples of retailers dominating sourcing decisions, and not giving guarantees of purchases in advance, but in India there is evidence that other operators in the value chain are also not giving long-term contract commitments because of the constant fluctuations in price and competition for the cheapest sources of Fairtrade yarn. More effort may be needed to build commitment to Fairtrade on the part of all value chain operators, including the large traders, who are sometimes larger and more powerful than the retailers downstream, and to find products that involve less fluctuation in demand and allow for longer-term relationships to develop.

The cotton companies in W&CA have benefitted from FOB prices which take into account the FTMP, enabling them to cover the costs of buying seed cotton, whereas conventionally traded cotton is often sold at a loss. Cotton producers have benefited from the higher Fairtrade prices and Premium as well, and so Fairtrade cotton appeared to be moving portions of the cotton sector towards greater viability. However, the stalling of Fairtrade sales stopped this process and demonstrates that current Fairtrade markets are no less immune to market vagaries as conventional ones. It also means that confidence has been dented amongst producers and the cotton companies. A rise in non-Fairtrade cotton prices in 2010 is also further reducing the relative attractiveness of Fairtrade, although a further change in Fairtrade and non-Fairtrade market dynamics could reverse all of this (for example if more secure and longer term guarantees for sales can be established – rather than just more sales made on Fairtrade terms).

In India Agrocel, the Promoting Body says that it has struggled with the costs of implementation, particularly certification (which amounts to Rs. 100-150 Rs per acre), which the PB has to cover (it is not allowed to use Premium funds) and suggested that these costs are easier to absorb for larger vertically integrated companies. The lack of secure, consistent Fairtrade markets to sustain the long-term relationship with the farmer organization is also a concern: insufficient sales means Agrocel has to store cotton and is currently expanding its own storage capacity in Rapar for this purpose. Agrocel cannot now guarantee to buy cotton from each farmer that joins the Association, which is in turn discouraging producers from joining because of the market volatility. The management also suggested a Minimum Price for Fairtrade cotton fibre bales, after the ginning has been carried out, that would be based on the quality of the fibre (short, medium, long and extra long). Competition from other states with lower prices are a challenge for Agrocel. Because of the current difficulties with Fairtrade markets, Agrocel staff said that they feel that the Small Producers Organization (SPO) route for producers (as opposed to the current contract production mode) is a very risky one. When asked about the example of Chetna in Maharashtra, Agrocel interviewees pointed out that Chetna has external financial support from a donor.

11.3 Organizational strengthening

External support has been critical in building capacity. In Mali support for MOBIOM has been provided by Helvetas Mali. In Cameroon, French cooperation via the ESA project has built capacity. In India Agrocel is providing support under the CPS. In Senegal support has been provided mainly from the cotton company, SODEFITEX. All this support is indirectly linked to Fairtrade, as it relates to helping producers meet the standards required by FLO and by Fairtrade buyers. Beyond support for management capacity, external support has helped in W&CA in covering operational costs for POs (although the Premium has also been important in this regard), in improving the democracy of decision-making and in improving the participation of women. Organizational development in India has been significant with the Promoting Body and FLO Liaison officer helping to establish the PO and in continuing to improve democratic decision-making and representation. However, there is also a great deal more capacity-building support required to enable the AFPCGA to become independent. In W&CA the producer organizations are also over-dependent upon the cotton companies, for input supply, transportation, ginning and technical advice and there is confusion amongst individual producers in some instances between the cotton company and the PO (e.g. Cameroon) perhaps reflecting the weak capacity of the latter. Fairtrade organizations have also provided some direct support to the POs. Max Havelaar France played a critical role in establishing Fairtrade cotton in W&CA, securing funding and bringing together key players (e.g. national cotton companies, COPACO) to develop management systems and build up supply.

11.4 Networking

Networking is being supported by Fairtrade in India with the Promoting Body recently starting to participate in the Asian Producer Network. However, PO representation is as yet not occurring. In W&CA it seems that networking has been variable, being strongest in Mali with new partnerships emerging with support organizations and links initiated at national and regional levels with other Fairtrade organizations, perhaps reflecting the support provided by Helvetas Mali. Links to the African Fairtrade Network were not reported by PO staff and members during the field studies; in Cameroon, it was noted by the research team that there is no clear platform for Fairtrade GICs to come together and build their voice within the producer organization. Very little information emerged on clear advocacy goals being set, of lobbying occurring and goals being achieved in any of the case studies, except perhaps Mali where leaders were said to have been vocal in numerous fora on trade inequalities in the cotton sector. In contrast, in India the PO management seemed proud that they were not a political organization and were purely focused on service provision.

12. RECOMMENDATIONS

Reduce the volatility of Fairtrade markets

- Given that a key objective of Fairtrade is to guarantee producers stable and long term trading relations, it is imperative to maintain a careful balance between supply and demand, ensuring that new producers are only certified in line with real (rather than forecast) growth in Fairtrade markets.
- In light of the above, reconsider the appropriateness of ISO-65 rules on non-discrimination for the Fairtrade model, i.e. consider giving priority to producers identified as having most need (e.g. producers in W&CA, or producers that are in the process of developing independent organizations) and closing the system to new producers until markets have demonstrated sustained growth.
- Seek to grow demand but ensure all actors in Fairtrade cotton value chains are committed to the underlying principles of Fairtrade, which include a commitment to long term trading relations with Producer Organizations. This should include requiring them to sign up to a Charter of Principles, or a similar mechanism, which demonstrates their understanding of, and commitment to, core Fairtrade principles.
- Support cotton companies in W&CA to conduct their own marketing and to respond to enquiries.
- To aid the above, improve information gathering and dissemination which clearly shows the importance and positive effects of long term trading relationships for producers and their organizations.
- Identify and support the development of Fairtrade cotton products and Fairtrade cotton value chains which best fit with Fairtrade principles and objectives (e.g. non-fashion items with stable markets, products suitable for government procurement, value chains in which there is less likelihood of sourcing decisions based almost exclusively on price).
- Avoid creating dependence on high volume buyers or single markets (such as the UK) which, when the market shifts, can have disastrous effects on levels of sourcing from particular origins/Producer Organizations.

Improve awareness and understanding throughout the value chain, from producers to consumers

- Support Producer Organizations to improve education and awareness-raising among their membership base with regard to basic Fairtrade principles and processes, as well as improve communication about market trends, sales, prices and payment terms, to help manage expectations and to improve understanding. This will require appropriate training and communication methods for farmers with a low level of education. Support learning through networking between Fairtrade groups.
- Improve data gathering on costs of production and returns to Fairtrade production by FLO and Producer Organizations, including carrying out full comparative studies of Fairtrade and non-Fairtrade production.
- Increase transparency in Fairtrade cotton value chains and develop full visibility and traceability of margins and Premium use.
- Conduct further dedicated value chain analysis to deepen the analysis of why final Fairtrade cotton products are of a much higher price compared to conventional ones, when the Fairtrade lint cotton price is not that much higher than conventional cotton.

- Learn from recent efforts to develop innovative models which seek to minimise costs, and the compounding of costs, in Fairtrade value chains, while always seeking to maximise the benefits to producers and their organizations (rather than other value chain actors).
- Build consumer awareness through new campaigns on the difficulties faced by cotton producers and the potential benefits of Fairtrade, with a focus on those producers that are identified as most in need of, and responsive to, Fairtrade support.
- Build capacity amongst local Fairtrade staff to understand and support their groups. Additional staff may be needed in countries with large numbers of groups to support.
- Support national cotton companies to do some of their own marketing (people were approaching them, but they weren't responding).

Increase returns and promote income diversification for Fairtrade producers

- Increase capacity building support to producers to improve productivity, reduce costs, increase quality and produce more sustainably. Seek partnerships with external organizations and agencies that can provide/fund large-scale, multi-year capacity building of this nature. Financial support for capacity building and diversification could also be drawn from retailers willing to invest in climate change adaptation amongst cotton producers.
- Promote linkages with organic cotton production, as organic and Fairtrade certification can be mutually supportive, finding ways to reduce the cost of dual certification (e.g. through harmonization of standards and certification criteria) and conversion to organic production (e.g. sufficient technical support and provision of inputs to avoid long term reductions in yields).
- Explore the advantages and disadvantages of linking with other schemes being developed in the cotton sector, such as the Better Cotton Initiative and Cotton Made in Africa (as this study was unable to do so).
- Seek ways to enable Producer Organizations to be engaged in other functions in the value chain, such as input supply, transportation and processing (e.g. spinning and weaving), while not exposing them to too much risk. Where involvement is limited by structural factors, provide strategic support for lobbying efforts which seek to enhance the involvement of Producer Organizations in services and value addition, especially where privatization of the sector is occurring.
- Promote and facilitate product diversification, including streamlining certification of multiple Fairtrade products from Producer Organizations (e.g. mangoes, shea butter), thereby increasing access to markets and reducing dependence on cotton. Diversification may help to spread risk and could be part of climate change adaptation in locations where farmers are affected by it.
- Conduct further social, economic and environmental analysis of the incentives and costs (and relative merits) of seeking to sustain W&CA farmers in cotton production, which also requires supporting the (currently still) state owned cotton companies, in the context of competition from India which has more vertically integrated production with its associated financial advantages, higher yields, etc. Look at developing a marketing campaign around Fairtrade African Cotton, as a way to better enable it to compete, involving state governments wherever possible.
- A broader assessment is also needed of the continued viability of SPO cotton producers in India that are competing with CPS. This study has only considered CPS cotton production, but SPO producers also face increased competition from the rise in Fairtrade suppliers.

Tackle gender inequality and the empowerment of women

- Give a higher priority within FLO to action on gender issues, including hiring gender focused staff and allocating sufficient funds to implement FLO's upcoming gender strategy.
- Improve the collection of gender-disaggregated data in FLO inspection reports (on membership, positions) and encourage inspectors to observe and note women's participation in meetings, in decision-making on Premium spending, etc. Where there are particular exclusionary entry requirements of Producer Organizations that disadvantage women (e.g. holding land title), these should be challenged by FLO-Cert.
- Draw on existing development guidance on gender and women's empowerment and the burgeoning work on gender and value chains (including certified value chains) to develop coherent strategies for tackling gender inequality more effectively in the cotton sector. This should include context specific plans which respond to the circumstances of women in different settings (e.g. with attention to household gender relations, effects of religion and caste, access to land, etc.).
- Continue to promote women's involvement in cotton Producer Organizations, in terms of membership and representation, but reinforce this with strategies to enable their active participation. For example, identify and support women leaders, linking them up and allowing them to share experiences and supporting them in forming groups and all female credit circles (which were very effective in Cameroon). Also, work with male leaders to develop their awareness of gender issues and their support for women representatives. Encourage the appointment of gender champions in producer and supporting organizations.
- Provide on the job field training, materials and support on gender to FLO Cert inspectors and Liaison Officers, and to farmer organizations, as well as to field officers of cotton companies and Promoting Bodies. Support participatory analysis of gender relations and gender impacts to identify strategies for action and to build momentum and political will.
- Promote women's right to not only earn income from cotton, but also to be involved in household decision-making about use of income from cotton and allocation of agricultural tools and inputs.
- Share good practice (e.g. through networking, and exchanges) and support for women's producer's advocacy through participatory video).
- Increase the number of female Liaison Officers within the FLO system, but provide all Liaison Officers with gender awareness training.

Strengthen actions on hired labour and child labour

- Raise awareness (especially in India) amongst cotton producers of Fairtrade requirements on conditions for hired labourers and assist Producer Organizations to develop strategies to deliver improvements for workers (e.g. in working hours, wages, protective clothing, etc., as well as benefiting from Premium usage).
- Undertake further research on child labour through conducting a targeted study on this issue, to determine whether children's involvement in cotton production interferes with their education and/or health. Continue to increase awareness-raising, especially with women and children, but also address the need for capacity building and investment to enable school age children to gain an education and to avoid working on a regular basis on cotton production.

Support sustainable production & environmental stewardship

- Seek partnerships with external organizations which can fund improved natural resources management and sustainable production methods, as this appears to be the best way to build awareness, knowledge and capacity.
- Seek value chain partnerships with retailers to pilot climate change adaptation and sustainable production, particularly in areas of potentially increasing climate variability such as Kutch district.
- Continue to promote alternative pesticides for positive human health impacts, but gather more data on labour and cost implications, and improve communication with farmers on how slow-acting pesticides work.
- Ensure adequate attention is paid by Producer Organizations to the varieties grown in terms of achieving a balance between quality and risk/resilience to climate variability.

Use of the Fairtrade Premium

- Ensure timely payment of the Premium and greater transparency and communication with farmers about Fairtrade transactions made by the cotton companies and Promoting Bodies, including calculation of Premium amounts.
- Encourage strategic use of the Premium through improved training and capacity building for Producer Organizations, either through the FLO system or through creating new links to external agencies, civil society organizations and local government. Ensure good coordination with local government to ensure there is no overlap in service provision and to match funding with any available government subsidies.
- Encourage solidarity and cohesion amongst Fairtrade cotton producers in locations where there is disgruntlement about the Premium being too thinly spread, through improved communication around Fairtrade principles and the purpose of the Premium.
- Support learning between Fairtrade producers and support organizations about good practice in managing and implementing Premium-funded community projects. For example, in how to facilitate greater responsibility for decision-making and management of the Premium by Producer Organizations, and how to ensure that community contributions are set at a sufficient, but affordable level to enable coherent projects to be implemented.

Support organizational development and networking

- Continue to improve democratic decision-making, professionalization and transparency within Fairtrade farmer organizations at local and umbrella levels. External capacity building support or increased support from FLO liaison officers is needed to deepen the process of organizational strengthening and separation of roles between cotton companies and small producers.
- Support linking to local government and development agencies to increase capacity building, agricultural extension advice and access to credit.
- Support platforms for Fairtrade local producer groups at a national level, to build their voice in negotiations with cotton companies or Promoting Bodies, and in policy developments nationally, regionally and internationally.
- Support Producer Organization representatives to engage with the regional Fairtrade networks (rather than relying on Promoting Body representation for example). Try to ensure that participation in Fairtrade networks does not always involve the same small handful of representatives, especially

for larger organizations. Encourage representatives to provide feedback to their membership base after participating in regional, national and international meetings and events.

- Encourage networking between the cotton companies to explore if they can cooperate rather than compete in Fairtrade markets and to spread the Fairtrade concept so that it is adopted as core business – if sales hold up.
- Consider how to build the advocacy skills of producer groups and representatives, through continued support for Fairtrade networks but also training in lobbying, power analysis, and communication.
- Where appropriate, increase the use of internet based and participatory video communication tools for virtual network development and advocacy activities.

Recommendations related to Fairtrade impact assessment methodology

- Extend FLO methodology which was originally established as a guide and requires fleshing out:
 - i. Review different approaches to impact assessment (pros & cons, timescale, methods, costs, micro-scale versus more systemic analysis, role of value chain analysis, etc). Learn from applications of FLO methodology to date and beyond;
 - ii. Make clearer causal impact chains (hypothetical and actual);
 - iii. Clearer elaboration of contextual conditions in shaping findings;
 - iv. Guidance for researchers on operationalizing methodology
 - v. Explore more innovative IA approaches (taking into account participatory continuum).
- Prioritize themes for in-depth exploration to avoid budgetary constraints limiting the depth of findings.
- Try to educate others about why these studies are complex (because of contextual changes, lack of consistent data, confounding factors) and why it is not always so easy to attribute impact solely to Fairtrade.
- Ensure full coverage of economic sustainability in the analysis (poverty reduction versus sustainable development; viability for other actors in the value chain; structural conditions that need to change for greater sustainability, etc).
- Seek to measure household budgets rather than Fairtrade crop income effects – improved participatory monitoring and evaluation systems will provide greater data for this type of analysis.
- Build up in-country researcher and Producer Organisation Capacity to participate in field studies.
- Match expectations to timescales & budgets and prioritize accordingly.
- Guidance to agree ground rules and expectations of different groups (especially Researchers and POs).
- Consider trade-offs in the approach used (e.g. participatory research and local research partner independence in multi-country studies vs. need for synthesizers to have comparable evidence for analysis and write-up).
- Explore other methods for investigating child labour issues (e.g. 'safe spaces').
- More research on dynamics of Fairtrade impact in CPS vs SPO and between certification systems.
- Reflect on impact of impact studies themselves to maximise use and to ensure that the Fairtrade system responds to key findings. It is often the case that impact studies do not reveal new information to those inside a standard system, and that they are grappling with these issues on a day to day basis, but independent evidence gathered as part of a learning process can and should be a critical part of organisational reflection and decision-making.

- Seek to publish findings to inform debates on the impact of Fairtrade and raising the bar in terms of transparency to encourage other certification systems to do the same.

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Annex 1: West and Central Africa & India Statistics for 2007/2008 cotton season

Table 28: W&C Africa and India Cotton Season Statistics

2007/2008 season	Unit	AFRICAN FRANC ZONE	INDIA	USA
No. of cotton growers	estimated	1,250,000	6,279,000 in 2008-09* 7,200,000	18,600
Cotton area	thousand hectares	1,500	9,440	4,245
Cotton grown		100% upland	4 cotton species, 2% ELS	96% upland, 4% Pima
No. of cotton varieties		1 or 2 per country, medium-long	Numerous, short to ELS (2%)	> 100, short to ELS
GM cotton	%	Trials (Burkina)	66%	87%
Irrigation	%	100% rainfed	35% irrigated	39%
Average area	ha cotton/grower	1.2	1.3	228
Picking method	%	100% manual	100% manual	100% mechanized
Average yield	kg seed cotton/ha	870	1,585	2,660
Seed cotton marketing		No competition for seed cotton	Competitive	No market for seed cotton
Producer price		Pan-seasonal/pan-territorial	Seed cotton market price	Lint market price
Price support		Guaranteed price fixed pre-planting	Minimum support price	Loan rate, target price
No. of cotton ginneries		85	3200	806
Ginning technology	% ginned	100% saw gins	80% roller gins	95% saw gins
Average ginning outturn	%	42%	35%	37%
Lint production	thousand tons	550	5,219	4,182
Production trend		Down	Up	Down
Average production	ton lint/ginnery	6,500	165	5,200
	ton lint/farm	0.4	0.7	225
Average yield	kg lint/ha	365	555	985
Domestic consumption	thousand tons	20	4,050	1,000
	% of production	4%	78%	24%
Exports	thousand tons (Aug-July)	590	1,530	2,973

*Choudhary and Gaur (2010).

Source: ICAC, (2009)

Annex 2: List of key informants interviewed

Benjamin Cousin, Max Havelaar, France

Jessica Gordon, Fairtrade Foundation

Ha Tran, Regional Coordinator, Producer Services and Relations Unit

Isabelle Fragnière, Standards Officer, FLO

Damian San Filippo, Cotton Manager, Global Product Management Unit

Victoria Morton, Business Development Manager, Fairtrade Foundation

Arun Ambi, Chetna Small Producer Organization, India

5 Trader Interviews

Anne Kane, FLO liaison Officer, Senegal and Guinea Bissau

Mr. Hasmukh bhai Patel, Agrocel, Mandvi, Kutch

Mr.Saileshbhai Patel, Agrocel, Mandvi, Kutch

Mr.Dilipbhai, Agrocel, Mandvi,Kutch.

Sidy El Moctar Nguiro, Technical Director, MOBIOM Mali

Ousmane Samake, FLO Liaison Officer, Mali and Niger

Siaka Doumbia, Organic and Fairtrade Cotton Programme, Helvetas Mali

Annex 3: Modelling yields and revenues for cotton producers in Kutch district (Gujarat, India) under different climatic conditions

This Appendix is an excerpt from the Indian case study report, written by Czech Conroy (NRI) and Lalitha Narayan (Gujarat Institute of Development Research).

To capture the effect of drought on cotton yields and revenues we have calculated the gross and net revenues for both types of cotton under a range of conditions and assumptions based on data obtained from producers, Agrocel and secondary sources – see Table 29. It is assumed that both types of cotton are grown under organic or near organic conditions. All of the producers from whom Agrocel procures its cotton are either certified organic producers or are in the process of becoming so. Other producers are probably not certified or in the process of conversion, but agro-ecological conditions in Kutch are favourable for organic production – low rainfall means less pest problems and hence less need for commercial pesticides – and there is a tradition of organic farming in the district. Indeed, nearly all of the non-FT farmers we interviewed said that they were growing organic cotton.

Table 29: Organic Cotton Revenues in Kutch under Different Scenarios: a modelling exercise

	Organic desi cotton			Organic Deviraj cotton		
	Very favourable	Favourable	Less favourable	Very favourable	Favourable	Less favourable
Yield (Man/acre)	25	20	12	30	25	6
Market price (Rs/M) in 2009/10		800			1300	
Yield (Kg/acre)	1000	800	480	1200	1000	240
Costs (Rs/acre)		9,000		13,000	11,500	9,000
Of which, irrigation cost is		0		5000 (20 times)	2500 (10 times)	0
Market price (Rs/kg) in 2009/10		20			32.5	
Agrocel organic price (Rs/kg) in 2009/10	-----	-----	-----		32.5	
Gross revenue (Rs/acre)	20,000	16,000	9600	39120	32,500	7,800
Net revenue (Rs/acre)	11,000	7,000	600	26120	21000	-1200

Basis of Assumptions for Table 29

Scenarios: The less favourable scenario in Table 29 is for a poor rainfall year.

Yields: Deviraj - The favourable Deviraj yield is based partly on data from Agrocel that showed average yields in 2006/7 were about 24 Man/acre, compared with those for the following year which were 20 man/acre; and partly on information supplied by producers. The 'very favourable' assumption is based on the fact that if average yield was 24 then some producers must have yields higher than that; and partly on information from a

women's FGD. The 'unfavourable yield' is indicative of a situation in which the producer has no irrigation capacity: it is quite similar to an estimated yield/acre of 8 man reported by one producer.

Desi - All three yield figures assume no irrigation. All are consistent with a secondary source (Jackson, 2004), as well as being based on primary data. The favourable Desi cotton yield is based on information from a producer for 2007; whereas the 'very favourable' desi assumption is based on the 2009/10 data for desi organic cotton. The 'unfavourable' figure is significantly lower than the favourable one because of the low rainfall; but higher than the corresponding 'deviraj' yield due to the reported greater drought-tolerance of desi cotton.

Prices: for both Deviraj and desi cotton are based on those for 2009/10 given in the main report.

Production costs: We did not collect detailed or systematic data on production costs. However, data from Agrocel showed a mean organic production cost of Rs 11,637 in 2007-08, and the favourable Deviraj figure of Rs 11,500 is based on this. Rs 2,400 of this production cost is for irrigation. (Also see the table below derived from Sembrani and Ellman, 2009.) Different cost assumptions in the other scenarios all reflect variations in the number of irrigations assumed. The **Desi** cost reflects the assumption that there is no irrigation and for this reason is the same as the **Deviraj** one in the less favourable scenario. The other deviraj cost figures reflect differing numbers of irrigations, each costing Rs 250/acre – 10 irrigations for the favourable scenario (roughly corresponding to the irrigation cost figure for organic cotton supplied to us by Agrocel) and 20 for the very favourable. (Agrocel advised us that Deviraj requires 20 waterings and rainfall (email on 17th april from Dilipbhai); and one producer – in Kidiya nagar – reported that Deviraj requires 15 rounds of irrigation.)

Input cost data (for 2007/8)

The following information about input cost come from Sambrani and Ellman, 2009. "The typical figures per ha mentioned by a large number of farmers were Rs 5,000 for seed, Rs 3,000 for other purchased inputs and Rs 6,000 for labour, adding up to Rs 14,000/ha. This resulted in a seed cotton crop of 1.0 to 1.5 t/ha, sold at Rs 29,000/t, including the organic Premium".

Annex 4: Mali – Average Cotton production by region

Table 30: Figures for Malian cotton production by region

Zones	Average crop, 2001-2008 (Metric tons)	
	Seed cotton	Cotton fibre
Centre: Fana Zone cotton OHVN	94,244	39,583
South: Sikasso-Bougouni, Yanfolila	175,600	73,752
North-east: Koutiala San	148,346	62,305
West: Kita	33,509	14,074
Totals	451,699	189,714

Source: afrik.com/article19135.html Press release by the Mission de Restructuration du Secteur Coton (MRSC), March 2010.

Annex 5: Small Producer Organization and Fairtrade Impact by individual country

Cameroon: Fairtrade impacts on the organization of small cotton producers

The structure of the small producer organization in Cameroon has not changed significantly as a result of Fairtrade. Cotton producers in Cameroon were already well integrated into a farmers' organization, (GICs at the local level and the umbrella federation, CNPCC), with production, processing and marketing controlled by the largely state-owned monopoly SODECOTON. Cotton producers have been organized at the local level for production and marketing for many years. GICs were set up nationwide for most agricultural commodities in 1994, with continual support to establish and promote good and autonomous governance. SODECOTON and the CNPCC have a mixed organizational structure (called a Department of Professionalization or an Agency of Professionalization made up of personnel from SODECOTON and the CNPCC) dedicated to this task and the donor project (DPGT project) that has played a key role here in setting up this structure of capacity building for Fairtrade GICs, especially the early entrants. GICs were selected for participation in Fairtrade in 2004.

There is an on-going process of restructuring in Cameroon with GICs being retained, but unions are being formed (GIC unions) at a sectoral level. The unions (GIC) combine to form federations at regional level, linking together to form a national confederation. CNPCC is being renamed the 'National Cotton Producer Confederation of Cameroon', but this change is not driven by Fairtrade.

The roles of the ex OPCC-GIE and the GICs have not fundamentally changed with participation in Fairtrade, although more women are represented on the board of directors of the umbrella organization than in the past. In these new Fairtrade GICs there has been support to the extent that they employ their own store keeper, technical support officer, manager and watchman.

The umbrella body, CNPCC, offers the following services to all GICs: all inputs and materials provided on credit (input loans), preservation of producers' interests (allocation of 6460 FCFA by quantity NPK in 2009/2010 and 4400 FCFA in 2010/2011), lobbying and advocacy, input provision, representation in negotiations with SODECOTON and the state, coordination, and assistance and advice. The most critical roles conducted by GICs are to facilitate producer access to inputs, to sell their cotton, to manage the funds for community projects and to pay staff (technicians, accountants etc). All decisions relating to cotton production, input purchasing and cotton sales are taken by the various GICs at a General Assembly, and the same is true of decisions about community projects to be implemented (whether Fairtrade or not). The final decisions are taken by a vote with each producer expressing his position if no consensus can be reached. The role of the GIC is to ensure that the opinions of all its members are taken into account. However, the Fairtrade farmers interviewed did indicate that there is a degree of greater transparency and monitoring of activities and finances as a result of engagement with Fairtrade and an improvement in the position of women and young people. The numbers of CPCC cotton producers participating in Fairtrade grew initially very rapidly, reaching a peak of 14% of CPCC farmers by 2008/9, but then fell back again in 2009/10 due to a failure to sell any cotton on Fairtrade terms⁶⁴.

All GICs were able to apply to participate in Fairtrade. Six were chosen which were already relatively advanced in terms of organizational advancement, which limits the scope for immediate improvements. Nevertheless, Fairtrade has provided a strong incentive for GICs to realise and prove the rhetoric of good governance

⁶⁴ In 2004/5: 1062 CPCC farmers participated in Fairtrade out of a total of 324,603 (0.3%). This increased rapidly upto a high of 33,471 farmers out of a total of 232,972 by 2008/9 (representing 14% of all CPCC farmers). This figure however declined in 2009/10 to 27,553 out of 227,359 (12%).

according to the Fairtrade standards, because of its incentives and inspections. It is difficult from the evidence available, however, to determine the extent of real democratization within the Fairtrade GICs.

Senegal: Fairtrade impacts on the organization of small cotton producers

The organization of small cotton producers in Senegal has not significantly changed with the advent of Fairtrade. Farmers were already organized into a large-scale farmer organization, (village level GPCs, which are formed into the Union Sectorielle de Producteurs de Coton de Kédougou [US-GPC] at secondary level), the structure of which mirrors that of the sole cotton board, SODEFITEX. Farmers in Senegal were experiencing problems with a drop in production, the fall in world prices, adverse climatic conditions, an unfavourable economic situation, and dissatisfaction amongst some producers about debt levels in the joint and several guarantees system) and this situation made Fairtrade an attractive proposition. Initially the Fairtrade GPCs were certified individually, but since 2007 union level certification has been carried out to reduce costs and paperwork.

Each GPC has an elected board and two unelected village technical advisors who tend to be those with literacy skills. One of these technical advisors – the ‘relay’ is responsible for understanding cultivation plans in the GPC and communicating these to the SODEFITEX technical officer for the area. The other technical advisor of the GPC runs the credit scheme and is responsible for primary collection of the cotton (with SODEFITEX) and surveys the input/credit needs of producers in the village. Each supervisory area also has elected delegates from across the GPCs within it, and these make up the Union de Secteur (US), which in turn elects members to the Union board. Finally, above this is the FNPC, which comprises 16 Union Presidents.

To rebuild trust in credit management, the GPCs, with the help of technical advisors, now prepare their credit applications based on a survey of needs expressed by the members. FNPC has responsibility for organising credit supply and management, with producers informing the wider organization of their needs at the GPC annual general meeting, with the findings communicated to the Union, which then passes the information to SODEFITEX. SODEFITEX then processes and approves the credit and FNPC’s Executive Board provides final approval. SODEFITEX delivers the inputs to the individual GPCs, and delivers the signed delivery notes to the bank and takes out a loan to pay its suppliers. A credits inventory is then drawn up and the credit is directly deducted from the price of cotton before payment to the producer. The Union has a credit guarantee fund to cover unpaid loans at GPC level. SODEFITEX also handles transport, with seasonal labourers carrying out the loading, but a GPC delegate is present when the cotton is weighed.

The producers are still over-dependent on SODEFITEX for the supply of inputs, the sales of cotton and transporting, ginning and exporting it. They find the situation undesirable, but inevitable because as one producer put it, reflecting the views of many: “most of us are illiterate and don’t have the negotiating skills or any control of the market. We think that the prospects of being autonomous are still distant.” However, Fairtrade GPCs have gained some additional responsibilities. Fairtrade GPCs currently have the following roles: conducting censuses of producers ; planning areas to be sowed ; supplying inputs ; training and monitoring of compliance ; forming committees to monitor production and pest control ; weighing, grading and sales of seed cotton to SODEFITEX ; receipt of payments and distribution of money to those entitled ; drawing up community projects using the Fairtrade Premium ; strengthening understanding and solidarity between members. Whilst the GPCs or local co-operatives existed prior to Fairtrade, they are more democratic and meet more regularly than in the past.

Management of the GPC level joint and several guarantee scheme has changed since the arrival of Fairtrade, with responsibility shifted to family level rather than sharing of debts amongst all members via the local chiefs in the GPC. Individual families are now responsible because they all have voting rights under Fairtrade (as

opposed to when one head of an extended household spoke for all prior to Fairtrade). The secondary level Union negotiates prices with SODEFITEX via the National Federation of Cotton Producers (FNPC), of which it is a member, but for Fairtrade it has also formed a steering committee (four producers) to train the GPCs about standards compliance and gives support to the GPCs to comply with Fairtrade standards. The Kédougou Union has used part of the Premium to register bank accounts at the company's registry and has opened separate bank accounts for the Fairtrade Premium. The Union also oversees the use of the Fairtrade Premium by the GPCs and covers part of the certification costs.

Until the stalling of Fairtrade sales, there was clear growth in Fairtrade throughout the region (in terms of membership, cultivated area and production etc). By 2008 all 117 GPCs in the Kédougou union were involved in Fairtrade, but after 2008-9 the numbers have fallen (to 99 in 2009). Late payments of the Premium and alternative livelihood opportunities in mining and small-scale gold washing have also contributed to this decline in membership.

Mali: Fairtrade impacts on the organization of small cotton producers

Cotton producers in Mali were also already organized into farmer organizations prior to the advent of Fairtrade and cotton production is again controlled by a sole cotton board – in this case called the CMDT. This organization also provides technical assistance, inputs, and organizes sales, ginning and the export of cotton fibre. Producer representatives participate in tenders to buy chemical inputs and pesticides and in fixing the annual purchase price for seed cotton and inputs. The cotton producer cooperatives (CPCs) organize the village buying points where the cotton is weighed and from where it is transported, and they manage inputs and agricultural credit. Producer federations have become influence due to governmental and donor support, but lack grassroots support and autonomy from the cotton board. Liberalization has been mooted, and would split the cotton board, but has been delayed.

Subsidies in richer nations, and inadequate management by CMDT, amongst other factors, created the need for engagement in Fairtrade. There are two areas of Fairtrade production in Mali. Firstly, the Bougouni zone (organic, Fairtrade cotton growing (supported by Max Havelaar France and Helvetas Mali), where expansion has been rapid and now involves 6,400 producers in 70 CPCBs (Coopératives de Producteurs de Coton Biologique)⁶⁵ forming the membership of MOBIOM. Each CPCB includes approx. 20 to 200 producers, each farming less than 1 hectare of cotton. However, yields also fell (from 434 kg/ha in 2005/6 to 308kg/ha in 2008/9), which could possibly be because of the rapidity of the expansion, which has overstretched the provision of technical advice from Helvetas Mali. There has been positive progress on democratic organization and transparency within MOBIOM, according to members interviewed. However, although the market absorbed all the cotton from 2003-7, no organic Fairtrade cotton has been sold since 2008, which has dented confidence. Secondly, in Kita zone, CMDT and Geocoton Group have been the key partners and 12 co-operatives are involved. In this area Fairtrade farmers are not farming organically, and the price of inputs (for conventional Fairtrade producers) is increasing as soils become less and less fertile. Many producers are so far in debt that they even have to sell their equipment. For organic Fairtrade farmers this is not such an issue.

⁶⁵ In the space of 4 years, the number of organic Fairtrade cotton producers rose by a factor of 3.7 (from 1,748 in 2005 to 6,500 in 2008) and the cultivated area by a factor of 4.5 (from 887 to 4,004 ha). The average area per producer increased from 0.51 ha to 0.62 ha.

India: Fairtrade impacts on the organization of small cotton producers

Small cotton producers in Gujarat were relatively unorganized compared with West Africa where farmers were already organized into primary and secondary level organizations when Fairtrade became an option. Fairtrade has thus had a bigger role to play in terms of small producer organizational development, and this is in fact the justification for the development by FLO of contract production standards.

AGROCEL facilitated the formalization of the Fairtrade cotton producer organization in 2005 called 'Agrocel Pure and Fair Cotton Growers Association (APFCGA) – Rapar'⁶⁶. As of 2009, it had 1930 members (Fairtrade report, 2009)⁶⁷. Although APFCGA has 'Rapar' as part of its official name, it also includes producers and PEB members from Dhrangadra in Surendranagar as a way of avoiding paying a second FLO charge⁶⁸. The PEB meetings are held every two months, alternating between the two regions. Any member of the household can attend the APFCGA meeting.

Farmers attending the PEB meetings are positive about their merits. At the men's focus group discussion, one villager said: "We will continue to attend meetings even if Agrocel stops dealing in cotton. We will continue our contacts. Our Mandali [association] will be functional even if Agrocel stops buying cotton from us. Then Mandali can take up agricultural development works. We will run the mandali because discussions help in improving agriculture. If Agrocel does not buy, there are private traders to buy our cotton. No matter if we get Rs 50 less. At any place you go, organization is important. It is essential for development". Producers in Rapar district value the exchanges with their counterparts in Surendranagar. However, another farmer indicated that a surfeit of meetings in his view discouraged him from joining: "there are lot of meetings every now and then", and this means he would never want to have a position or responsibilities in the Fairtrade producers association.

Although the PEB has expanded membership since its initial formation in 2005, representation of women and of specific villages was lacking and the PEB was reconstituted in 2009 on the recommendation of a FLO audit in 2006. The PEB was elected in 2009, and now consists of 21 members (FLO CERT, 2009, p.7) including 6 women. The members seem keen to expand the organization. In an interview with the PEB members in Dhrangadhra the farmers said that: "there will be more development with the increase in membership in Fairtrade and therefore we are trying to increase the membership". However, one farmer suggested that fewer new members were joining because there was some dissatisfaction amongst existing members, which other members may have heard about, that the Premium is spread too thinly and is shared to the whole village, beyond individual cotton farmer members.

The FLO Contract Production Standard (CPS) requires the Promoting Body not only to ensure adoption of the standards amongst producer members, but to provide support services to farmers. Eventually, the aim is that the producer groups would become independent of the Promoting Body. The PEB is still heavily dependent on Agrocel, according to Rapar PEB members, and does not take any initiatives independently of Agrocel. The association cannot access markets independently. The PEB members complained that they cannot break the 'traders' chain' and bypass the middleman. In any case, Agrocel pays the best price - if they sold to another agent they would not receive the Fairtrade Premium. The Rapar PEB members said they had not got involved

⁶⁶ Later the association was registered as both a 'Trust' and as a 'Society' under 'Bombay Public Charitable Trust, 1950' and 'Societies Registration Act', 1860'.

⁶⁷ Some members are not small producers, but workers or artisans. Membership is open to anyone who satisfies the standard. However, subsequent interviews with producers in Rapar suggested that only producers can be members.

⁶⁸ Members of the Producers Executive Body (PEB) are from both Rapar and Dhrangadhra, and there are sub-committees in each location. Members may be elected or selected. People from any caste/community are welcome to join association and henceforth PEB, if selected, provided they have land title on their name (Interview with PEB members Dhrangadhra).

in other collective agricultural service activities and asked who would organize this, further reflecting the dependence on Agrocel. This fits in with the picture drawn by Sambrani and Ellman (2009) in their evaluation of FLO Contract Production Standards: “Continuing farmer requirement of support from external agencies” has been a common feature of producer bodies under the contract production standard.

Annex 6: Fairtrade and Access to Markets

Cameroon: Fairtrade impact on access to markets in Cameroon

The SODECOTON staff is less interested in searching for Fairtrade buyers following the drop off in sales, which has dented their confidence as they have struggled to sell the cotton they have bought from farmers. Moreover, the producers in the Fairtrade GICs have also experienced a loss of confidence. The sudden decline of the Fairtrade cotton market after a rapid expansion has meant a similar decrease in the Fairtrade Premium and Fairtrade price Premium since 2007. This means that the farmers are once again operating near or at a loss. Some farmers are gradually decreasing their area under cotton, returning instead to conventional crops such as ground nuts, or experimenting with new high value crops such as hibiscus (for herbal tea). A real sense of discouragement was reported, for example, from farmers in one GIC, a group of 302 members, due to the slump in sales. Similarly, in another GIC, cotton was reported to be declining year by year, because of the high cost of inputs and to this sense of discouragement. However, producers of a third GIC were more optimistic about the future of cotton production than the others, despite the ongoing difficulties in the market. Unfortunately, the Cameroon producer organization and SODECOTON staff seem to be waiting for Max Havelaar to market the Fairtrade cotton. During the field survey a Dutch company enquired about purchasing Fairtrade cotton for products such as towels, sheets, etc., but the research team had the impression that there was no one available to discuss their request and to see what the possibilities might be.

Senegal: Fairtrade impact on access to markets

In Senegal in the first three years (2004-7) the market for Fairtrade cotton boomed and absorbed all the cotton eligible for Fairtrade (SIGAL and SIGAL-S), which grew from 1,617 tonnes in 2005 to 1,988 tonnes in 2007. However, the market slowed in 2007. In September 2009, the producers only received 38% of the extra Fairtrade price Premium from the 2007 harvest. The producers have only been paid the conventional price for 2008 and 2009, and have not received the Fairtrade Premium for these harvests, because according to SODEFITEX the cotton is still in storage waiting to be sold. At its peak, Fairtrade cotton was covering 10% of national production. The GPC (Groupements de Producteurs de Coton or cotton producer group) say that they regret that the Union is not directly involved in marketing (which is still handled by SODEFITEX), are not informed of the quantities of cotton classified as Fairtrade and so cannot check the sales and payments involved and whether farmers are receiving what they ought⁶⁹. The audit report also indicates that the producer organizations are still highly dependent on SODEFITEX for both inputs and sales.

⁶⁹ Only first-grade cotton classified either SIGAL or SIGAL-S at the factory will receive the Fairtrade price. Unfortunately, the GPCs are never told the results of this classification. The extra price and Premium are generally paid 10-12 months later once a buyer has been found for the cotton and exported onto the international market.

Table 31 The value chain in Senegal.

Étapes du flux de produit	Effectuées par	Payées par
Récolte au Champ	Chaque producteur individuel et les membres de sa famille.	
Stockage au champ ou dans un silo chez le producteur	Chaque producteur individuel et les membres de sa famille.	
Transport au Marché du GPC	Chaque producteur individuel et les membres de sa famille.	
Pesage de la production au Marché du GPC et Enregistrements.	Les chargés de la Commercialisation du GPC.	La différence de poids entre le Marché du GPC et le Pont Basculé de la SODEFITEX
Transport à l'usine d'égrenage de SODEFITEX.	SODEFITEX : ses camions ou parfois ceux des tiers.	
Egrenage	SODEFITEX	
Stockage à l'usine	SODEFITEX	
Transport à Dakar	SODEFITEX ses camions	
Stockage Intermédiaire à Dakar	SODEFITEX sa Direction Commerciale	
Exportation par Bateau à partir du Port de Dakar	SODEFITEX	

Fairtrade in Senegal does appear to have had a marked influence on quality. By accepting only 1st grade cotton, and with financial incentives, technical assistance and monitoring this has encouraged farmers to improve quality. Some farmers have reduced the area of cotton they are cultivating to better match size of area to their access to equipment and labour and in order to make these quality improvements (although some have done this due to the slump in Fairtrade sales). Some Fairtrade producers have developed the skills to better assess the quality of their cotton and to grade their cotton in the field. Quality has reputedly increased: SIGAL is a high quality cotton grade, and the percentage of Fairtrade cotton farmers growing this increased from 79% to 89.4% producers between 2005 and 2006, although dropping slightly to 89% in 2008.

Unfortunately, the Senegalese Fairtrade cotton farmers are also discouraged by the sudden volatility in the Fairtrade market. According to a SODEFITEX report in December 2009: "The producers are filled with bitterness due to the slump in sales over the last two years. This feeling has led to a decline in the area of cotton cultivation found during the most recent censuses of all the Fairtrade GPCs". Similarly, during the group interviews, some producers stated: "Up until 2008 Fairtrade raised our earnings by 20%, but due to the crisis and the increase in the price of inputs, our earnings have fallen by 30%." There is also some dissatisfaction that the price of inputs is increasing, particularly because this is usually only announced when sales start (because they are subsidized by the state and the state announces the rate of subsidy late).

GPC Fairtrade producers have no idea about the value chain after cotton leaves SODEFITEX's ginning factories. They only know their fibre has been sold when they are paid, and they are not aware of the sales price of the fibre either. SODEFITEX does gain from expanded Fairtrade cotton production, because the company earns more from Fairtrade (where the FOB price is higher than for conventional cotton, the latter often falling below production costs of the fibre), but it does not have clear incentives for farmers to take greater control of their own sales. However, in 2007, SODEFITEX sold 50,000 kg of Tama fibre (a lower grade than SIGAL) to a client at the Fairtrade price without, however, declaring it as a Fairtrade sale since the fibre was not 1st grade. The producers never received the extra price and Premium they were owed for the 50,000 kg.

Mali: Fairtrade impact on access to markets

In Mali a Quality Charter was drawn up by CMDT, Max Havelaar and Dagris, going beyond the FLO standards. It defines specific agricultural practices for protecting the environment and producing high quality cotton fibre. The technical advisors of MOBIOM/or the CMDT and the CPCs are jointly responsible for their implementation. The producers are responsible for producing high quality cotton (white, no debris or dirt, non-sticky), and the technical advisers of secondary organizations should provide producers with assistance so that they can produce, harvest and transport quality cotton. To meet and go beyond Fairtrade demands, CMDT and MOBIOM have encouraged producers to improve quality and to produce as much 1st grade cotton as possible. Helvetas-Mali and MOBIOM have organized training sessions about organic production, quality control, grading by the farmer and techniques for packing the cotton in ways that reduce or prevent damage. They have in particular recommended that producers should improve cultivation techniques, and should only use fertilizer bags from the current season during harvest (producers sometimes use old rice bags which deteriorate and this leads to contamination). Further it is suggested that farmers do not allow children to take part in the harvest because they do not grade the cotton well. Because all MOBIOM farmers were practising organic agriculture prior to involvement with Fairtrade, it was fairly straight forward for them to meet the environmental requirements within the Fairtrade standards.

India: Fairtrade impact on access to markets

As a result of Fairtrade most of the Fairtrade certified farmers have access to markets through AGROCEL, and all the agricultural services and required inputs are provided on their doorstep (and extended to non-Fairtrade farmers as well). Farmer self-confidence has grown with participation in Fairtrade, with more farmers having the ability and confidence to negotiate with dealers and middlemen in private market places. This is because in the past they incurred labour costs in transporting the cotton to market without an assured sale and without knowing the prices on offer. Agrocel collects the harvest from the farm and with Agrocel there is greater transparency over the prices paid, partly as a result of Fairtrade. This gives the farmers more confidence in dealing with other traders that they can also sell to and negotiate with from this situation of greater security. However, they do not have direct access to international markets and are completely dependent on Agrocel for this. The Fairtrade cotton supply chain is long, which makes it difficult, if not impossible, for farmers to access this market directly themselves (according to PEB members in Rapar).

Fairtrade certification enables small cotton farmers with access to the much bigger European market, but only via Agrocel for the time being. Farmers do not have to sell to Agrocel (which is perhaps not a 'contract' arrangement in the legal sense). Equally, Agrocel does not have any commitment from buyers with international brand value. In the absence of a vibrant market, Agrocel cannot always buy the entire cotton from producers. Agrocel may be forced to store the cotton it has already bought for some time, possibly even years. An added complication is the lower prices which can be obtained in other states compared to prices in

Gujarat, and so traders are more likely to buy there. The domestic market is not well developed and there is not an assured purchase agreement with importers. These factors make it difficult according to Agrocel to be certain of being able to sustain a longer-term trading relationship with Fairtrade farmers.

In terms of quality the relationship with Agrocel is beneficial to the producer organization members. Agrocel supplies certified organic seed to producers of the good quality 'Deviraj' variety – with Fairtrade requiring high quality cotton⁷⁰. Agrocel conducts soil analysis for the producers and any deficiencies which are identified are addressed through organic interventions to improve soil health wherever possible. This also results in higher quality cotton as well as higher yields. Farmers are encouraged, for example, to use crop residues (previously burned) to make compost – through training and provision of 'microbial/bacterial population', which enhances cotton quality.

Agrocel and the Fairtrade cotton producers have managed to achieve contamination-free cotton, i.e. cotton that contains no human hair, plastic thread or bird faeces. It developed a special kit⁷¹ for this purpose. Another source of contamination that it identified and addressed was ink marks, which used to penetrate into the cotton when identity marks were written on the bale. A non-permeable label was developed to stick on the bale. AGROCEL also promotes crop rotation to maintain soil quality and minimise pest problems; collection of cow urine for use as a natural source of nitrogen; and use of neem cake, which has benefits as a fertiliser, herbal pesticide and growth stimulator. For this purpose, AGROCEL purchases 300 tons of neem seeds that are collected by landless people, and produces neem cake in the two small oil mills that it owns. However, it is not possible to attribute these activities specifically to Fairtrade.

⁷⁰ The Indian Council of Agricultural Research's Cotton Research Centre and a local university have recommended this for the region. It is a late-sowing variety that flowers in winter when there are few insects, and its 'hairy' characteristics are disliked by insects. Deviraj variety produces cotton of a good standard – up to and including good quality T-shirt level – 40 counts.

⁷¹ The kit includes gloves, apron, and a drum to collect cotton. For the pesticide sprayers protective gears have been provided.

Annex 7: Management capacity, financial stability and Fairtrade

Cameroon: Management capacity and financial stability in Cameroon

SODECOTON and CNPCC have received some international cooperation to build GIC capacity, including the lengthy period of preparation for the six GICs initially selected for Fairtrade. These Fairtrade GICs were supported to the point where they are able to make most of their own decisions (they have their own store keeper, technical support officer, manager and watchman). They now conduct the functions that formerly were undertaken by SODECOTON's Dept. of agricultural production. These functions have now been passed on to all GICs. The audit reports state that Fairtrade has helped to make the GICs more professional (the groups maintain basic Fairtrade documents and standards, bookkeeping and minute-taking at meeting, including the decisions taken).

Fairtrade has enabled the overall umbrella farmer organization, CPCC, to improve its management and logistical capacity. CPCC as an umbrella organization receives Premium money from Fairtrade cotton producers' sales (a percentage of sales). CPCC has received over 112 million FCFA up to this point out of the Fairtrade Premium and it has been able to buy a 4x4 pickup and about 1 hectare of land. The Premium also allows the CCPC to run training courses including all the logistics, covering producers' expenses and paying the salary of the person responsible for these activities. CPCC does not have a monitoring and evaluation system – paper files are maintained on all the Fairtrade GICs in Excel format.

The CNPCC requires further capacity building, as it currently has little influence nationally, and the Fairtrade GICs require more capacity building to enable them to become stronger organizations and to be linked together for greater voice. In one Fairtrade GIC members reported that the regular meetings adopted after Fairtrade started had been very useful for discussing and solving production problems. Similarly, meetings at higher levels could be very useful for information exchange, and powerful in promoting innovations such as organic farming methods which would decrease the production costs for small farmers. However, no specific structure exists to bring together the GICs involved in Fairtrade and there are no meetings for information exchange other than the audit meetings.

In assessing the impact of Fairtrade on the organizational strength of the GICs (compared to in non-Fairtrade GICs) there is a confounding factor: the GICs chosen to participate in Fairtrade were chosen because they were already fairly advanced in organizational terms. According to the FLO audit reports, the initial three GICs were very well prepared and well run – with the support of SODECOTON and the DPGT donor project⁷². Despite these strengths, there have also been some recurrent problems identified in the audit reports. Although the first three GICs were well prepared and had good management, later entrants at each phase of expansion, have been less able to meet the Fairtrade standards at their first audit, (e.g. with less awareness of the requirements, a lack of minutes taken and member lists available etc). However, these groups have fulfilled the corrective actions and conditions by the required deadline⁷³.

⁷² The other key strengths identified included: the groups are small and members all know each other; good commitment of representatives to the Fairtrade project; the predominance of subsistence farmers amongst members; the process for accepting new members defined in statutes; coherent strong social controls within GICS; regular extension support from SODECOTON.

⁷³ In the most serious incident SODECOTON was given a corrective action relating to the sale of unauthorised cotton. At harvest in 2004, there was found to be insufficient Fairtrade cotton, and so cotton from two or three other neighbouring GICs (non-Fairtrade) was included to make up a full container.

CNPCC needs to be more independent from SODECOTON - even the producers confuse the two structures for good reason⁷⁴. CNPPC has decided to change its name as a basis for restructuring, but it remains to be seen whether changing its name will make things any clearer to producers and leads to any concrete changes. If there is not a move towards greater independence of CPCC from SODECOTON, it is unclear how CNPCC can truly defend the interests of producers towards their clients (including SODECOTON).

Senegal: Management capacity and financial stability

In Senegal the process of participating in Fairtrade has reinforced transparency at the GPC level, including in payments between the GPC and producers. According to the audit reports, better records are kept of activities. There has been a noticeable effort made by GPC secretaries to make notes (minutes of decision-making, plans for Premium use, lists of producers, etc.). Most of the GPCs in the wider farmer Union existed before Fairtrade certification, but the certification process led them to formalise many aspects of their operations and has strengthened them. All the producers interviewed emphasized the progress the GPCs have made in terms of democracy and transparency: Meetings are held more frequently and participation is higher; Leaders are more likely to be chosen by ability rather than status; decisions are taken jointly at the AGM. Previously only the chefs de carré (patriarch of an enclosed set of homes holding an extended family of 15 to 30 people) acted as members of the GPCs and they shared out the money within their families, which often caused disputes.

Although there has been progress, therefore, on some indicators it is also worth remembering that (as the audit reports indicate), the GICs initially chosen to participate in Fairtrade already produced higher quality cotton and were more advanced organizationally and had greater capacity. The Fairtrade market requires superior quality SIGAL cotton (2nd and 3rd grade cotton qualities are sold on the conventional market). To satisfy this Fairtrade requirement, priority was given to GPCs that produced a lot of 1st grade cotton when organizations were chosen for Fairtrade certification before other GPCs from the union were included in the Fairtrade system.

Members indicated that they were pleased with changes to the GPCs' joint and several guarantee scheme since the arrival of Fairtrade. The GPCs used to share the debts between all of the local chiefs belonging to the GPC. Now, as every producer is involved in Fairtrade, repayments of debts are organized differently. The producers decided to manage the joint and several guarantee scheme at family level, which means that instead of sharing the debts between all the members, each family takes on the debts of its members. This strengthens the control between members of the same family and increases responsibility for repayment of loans. One cotton farmers said: "People in the same family aren't afraid to tell each other the truth. If you see your brother putting himself down for a hectare when he doesn't have enough labour, then you have a word with him. Otherwise he might use up his quota of inputs on other crops and not be able to pay back his loan when the cotton is sold."

However, the stalling of Fairtrade sales has shaken confidence. Because of the global financial crisis which began in 2008, falling cotton prices and Fairtrade sales, many cotton farmers in Senegal are looking for other livelihood opportunities. SODEFITEX is operating at a loss whilst it waits for the market to recover and producers are diversifying the crops they are growing, reducing the area given over to cotton and some are seeking waged labour off-farm. The GPCs are struggling to find the 25% of the costs of certification which they need to find to retain Fairtrade certification (despite the fall off in sales) even though FLO has offered to

⁷⁴ SODECOTON initiated the setting up of CPCC, the CPCC's offices are located on SODECOTON's premises and SODECOTON has seconded several managers and extension officers to the umbrella organization.

cover 75% of the costs. All of the cotton spinning mills in Senegal have closed down in recent years, due to competition from Asia, exorbitant costs and irregular power supply, which caused them heavy losses. Instead the cotton is shipped as fibre and spun abroad. There was a spinning mill but the quality was not good enough and the prices were not competitive. There are, however, many weavers in Senegal and West Africa, who could conceivably absorb a considerable quantity of industrial yarn. However, development of the value chain activities within Senegal would require significant investment.

The loss of confidence in Fairtrade amongst local level GPCs has been exacerbated by the fact that SODEFITEX has not respected the payment schedule and always pays over 60 days after it has sold the cotton. The fifth instalment of payment for the 2007/08 harvest had still not been paid at the time of this study (February 2010) in non-compliance with the Fairtrade standard stipulating that “any delay in payment of the Fairtrade Premium shall be charged at an interest rate of 1% for each month’s delay”.

Another issue in terms of producer organization capacity is its ability to represent and communicate with members. Each GPC designates one delegate to represent its interests to the SODEFITEX’s Supervisory Centres (or delegated area) of which there are eight in the Kédougou Union. Each centre sends two delegates to the US-GPC’s AGM. In the end, therefore, just 16 people represent the 117 GPCs at the Union. Having this few delegates raises issues about their representativeness and ability to reporting back to the GPCs, since the delegates from the supervisory centres are volunteers and do not have the means of transport to travel to villages that are either remote or difficult to get to. Thus villages close to Kédougou have greater access to information than those further away and SODEFITEX officials said that producers do not have sufficient access to documents in the Union on payments⁷⁵.

Whilst the US-GPC is theoretically involved in selling the cotton produced, but in practice its delegates’ inferior knowledge within sales teams dominated by technicians limits their involvement. They are unable to follow the amounts of cotton sold as Fairtrade (or not) in order to keep the GPCs informed about how much they are owed. Most producers in the GPCs are illiterate and this is a major obstacle to them learning about the Fairtrade standards (keeping a logbook of activities, access to information, keeping track of payments). As a result many GPC members do not know enough about the Fairtrade price and Premium, and this is also because the Fairtrade price additional to the conventional price and the Fairtrade Premium are paid in several instalments, sometimes over a period of 12 months after harvest. To improve communication the Union has financed weekly local and national radio programmes with the Fairtrade Premium.

Mali: Management capacity and financial stability

MOBIOM is a federation of 73 local Fairtrade groups or CPCBs (Coopératives de Producteurs de Coton Biologique). This federation emerged through support from external organizations such as Helvetas Mali. The MOBIOM mission is to spread organic farming in Mali, to defend the interests of producers and to promote organic Fairtrade. Since 2005 it has been directed by a 15 member board elected by the village level CPCBs. 75% of MOBIOM’s operating budget is funded by Helvetas Mali. The remaining 25% are covered by membership fees levied on income from cotton sales. Each of the 8 MOBIOM zones include approximately 10 CPCBs, each with an elected board. Following the slump in cotton sales, CMDT and MOBIOM advised the CPCBs in the 2009/10 season to revise their forecasts downwards otherwise they would not be paid. This has

⁷⁵ An upcoming EU funded project will help to improve traceability and transparency through provision of training at half of the GPCs, but it is not clear whether this is particularly related to Fairtrade. This funding will also allow the GPCs to purchase bicycles, motorbikes, computers and solar panels and to cover secretarial training.

reduced the area under cotton and affected MOBIOM's push towards greater organizational autonomy. The rapid expansion of Fairtrade amongst producer members also represents a challenge for MOBIOM as sales have stalled. MOBIOM has responded to the reduced Fairtrade sales by encouraging product diversification. MOBIOM also has plans to build its own spinning mill with its own equipment and to install processing plants to make sesame oil.

In terms of democracy and transparency, MOBIOM has made considerable progress. Producer members mentioned that:

- Meetings are held more regularly and that women now attend them. Each cooperative holds 2-5 General Assemblies per year to report back, to draw up the schedule for the next harvest and to take important decisions;
- The cooperative's statutes and byelaws are more scrupulously respected;
- The organization's officers are elected without any discrimination, with election based more on individual ability and knowledge;
- The use of the Premium is discussed at the General Assembly, which has the final decision over its' use;
- The President and Treasurer take the money for the cotton out of the bank and invite all the producers to the General Assembly to pay them;
- Debtors must repay their debts before receiving payment;
- Women have noticed greater transparency about prices.

MOBIOM, however, is still very dependent on Helvetas in technical, organizational and financial terms as well as on the CMDT, which owns the only ginning factories in Mali and is the sole exporter. As a means of increasing MOBIOM's independence from Helvetas through self-financing, the January 2009 General Assembly decided to levy 28 FCFA/kg (about 9%) of the producer price⁷⁶. As part of achieving greater autonomy, the governance system of MOBIOM should be decentralised, allowing the CPCBs more responsibilities, who consider themselves subservient to a Supervisory Committee which perhaps has too much power within the organization.

Although, Helvetas and the consultants Agri-Multiservice and SETADE have given numerous literacy courses and training sessions about the Fairtrade Standards, organic standards and the Internal Control System (2,476 producers trained in 2005), over 80% of producers remain illiterate. MOBIOM finds it hard to bring together all the CPCB delegates for a General Assembly more than once a year because the area is too large geographically and MOBIOM simply does not have sufficient funds. The high cost of certification is partly covered by the Fairtrade Premium. The pace has been slow and the level of skills transfer from MOBIOM to the CPCBs has been limited (in terms of subsidies, equipment, technical skills, management of the monitoring system etc).

There is a need for MOBIOM to reduce its operating costs so that it can be independent in the near future, with CPCBs taking on certain tasks (e.g. internal control) rather than employing paid technical advisors. However, this requires a widespread functional literacy and training programme for village controllers using appropriate tools and methods. There is also an argument at MOBIOM should cover a smaller area in order to target its resources and efforts more effectively, choosing a smaller cotton growing area and improving communications within the organization.

⁷⁶ The GA discussed this proposal at length. As no consensus could be reached, the decision went to a vote (40 votes for, 26 against and 6 abstentions), a good sign for a democratic organization.

Late payment of the basic price, additional price and Premiums, has also been a recurrent problem, with payments only arriving several months after the cotton is sold and in several small instalments. The additional price and Fairtrade are paid later and later, according to the audit reports. Payment for cotton from the 2008/09 season is particularly late. Indeed the cotton has not yet been picked up from some CPCBs.) Faster payments to producers (about 3 months after the cotton is taken away, i.e. by April, instead of 5 months in the conventional system) were noted by producers as a benefit, but one that has disappeared since 2008 due to the lack of market opportunities for organic Fairtrade cotton. Conventional Fairtrade producers found it difficult to calculate the cotton prices they received, because their payment is made in 3 or 4 instalments spread out over a period of more than 12 months, and they simply recalled the base price (170 FCA), rather than the exact figures for the additional prices and Premium.

Another challenge identified in the audit reports is the high risk of conventional and organic cotton being mixed up, because there are MOBIOM and CMDT producers in the same villages.

MOBIOM's influence in Bougouni zone is clear as it cooperates with numerous partners including Helvetas, Oxfam, AOPP, IER, TDV Laval and local authorities. Producers in Kita zone are far from MOBIOM's headquarters and they expressed their desire for more support for cooperative leaders so they can build partnerships as well.

MOBIOM is also too dependent on the CMDT, but to acquire a ginning mill, requires significant investment, equipment and training although this would enable them to take over domestic transport, negotiation with transport companies) etc. Helvetas does spin yarn from a small portion of MOBIOM's organic Fairtrade cotton in Mali, but the producers do not appear to be aware of this. Expansion of this processing of the raw material locally would allow producers to benefit from the added value, but feasibility would need to be assessed. Further product certification under Fairtrade is also a possibility beyond Fairtrade cotton and mangoes, e.g. for shea butter.

India: Management capacity and financial stability

Agrocel has been providing extension services and input services to both Fairtrade and Non-Fairtrade farmers for several years and prior to Fairtrade certification. It has provided financial support to get the producer organization - APFCGA - registered with FLO, and Agrocel pays Rs100-150 per acre towards the annual cost of certification. The members of the farmer association are provided inputs on credit. 'Agrocel arranges for crop loans from the bank directly to farmers or advances some inputs without any additional charges; at less than market prices in the local market' (FLO-CERT report, 2005). Agrocel also provides technical support and extension services to the farmers. It is not clear how far these services can be attributable to Fairtrade though as Agrocel was providing technical advice prior to Fairtrade.

The formalization of the farmer organization, APFCGA, in Gujarat, is a key achievement of Fairtrade in India. It has a Producers Executive Body (PEB) made up of elected and selected members from Rapar and Dhrangadhra. The PEB members in Dhrangadhra say that PEB representatives are selected collectively on the basis of degree of literacy and availability of time to spend on PEB activities. Although members from any caste and community are welcome to join the association they need to hold a land title (according to PEB members in Dhrangadhra). There are certain weaknesses, however, as might be expected in a relatively young organization, and which the FLO liaison officer has been tackling. For example, the FLO-CERT Gap Analysis Report (GAR) based on an audit of APFCGA and undertaken in June 2009, notes certain weaknesses: lack of an ongoing training programme for the members and the PEB to raise their awareness of Fairtrade conditions, contract and prices; measures still needed to improve members' understanding of the annual report and

accounts; inadequate training on administration; and insufficient capacity building services by Agrocel to the PEB.

One requirement of the Contract Production Standard is for the Promoting Body (PB) to help producers develop into strong and auditable producer organizations and move towards compliance with generic standards. The timeframe to reach this stage should be specified within the producers' Organization Development Plan (ODP). The GAR in 2009 concluded that the ODP was not yet sufficiently "detailed to outline the plan with regard to steps and timeframe". From interviews with PEB members and the Association, it is clear that they are still heavily dependent on AGROCEL. The Fairtrade reports of 2008 and 2009 also observe that the PB should provide more training on book keeping and taking minutes of the PEB meeting.

Some weaknesses in organizational capacity have been mentioned in the FLO audit reports. No AGM was held in 2006, according to the FLO audit report of 2006, but subsequent audit reports do not mention say that AGMs were not held. In 2006 the FLO audit report indicated that not all villages were covered by the PEB and it recommended changing this – the PEB was reconstituted in 2009 to ensure all villagers were now covered. The PEB members say that the annual report of PEB and its expenditure is available for inspection by anybody on a payment of a small fee (Rs.5). In two successive FLO audit reports (2006, 2007) it is noted that PEB members do not have adequate training to maintain books of accounts. Inadequate training for the PEB members in book keeping and writing the minutes of meetings has been mentioned in two successive FLO reports (2007 and 2008). This is partly because the number of members has been increasing and the current PEB also includes farmers from the Dharangadhra region who are relatively new to the group.

The FLO Cert 2009 audit report mentions that individual applications from members were bypassing the village level sub-committee, but that the FLO requirements are that any project applications by any member are first discussed by village level sub-committees before being forward to PEB. The relationship between the PEB (Producer Executive Body) and APFCG members has been discussed amongst the relevant parties. Until recently there was a system of 'Village Sub-Committees' that acted as a link between the PEB and members. However, the FLO Liaison Officer recently instructed AGROCEL to discontinue this arrangement and replace it with hamlet-level groups, on the grounds that there should be a direct link between the PEB and its members. This would enable the PEB members to interact with more people in each of the hamlets that make up a village and understand their requirements better. Agrocel is however of the view that the old system enabled the PEB to make plans easily with and on behalf of members, and that the members of the PEB will not be able to meet with all of the members in their area. The new system will be implemented soon, however, with each hamlet level group representative attending the PEB meetings to enable the organization to reach out and involve its members more.

Individual producers in Rapar that are members of the APFCGA said that they value the opportunity to share experiences with their counterparts in Surendranagar, but one Fairtrade farmer in Chhotapar observed that 'there are lot of meetings every now and then', and he would not like any position of responsibility in the Fairtrade producers' association.

It seems that with help from the FLO liaison officers the producer organization members are more able to represent their interests in negotiations with Agrocel (e.g. over the calculation of the Premium, in proposed structural changes). It is not clear, however, when this organization will be able to develop into a strong and independent producer organization, eligible to be certified against existing Generic Standards of FLO. At the moment it is still heavily dependent upon Agrocel. The Rapar PEB members said they could not bypass Agrocel and if they sold to another producer they would not receive the Fairtrade price and Premium, but this perhaps betrays a lack of understanding that they would be able to access Fairtrade benefits if they were independent and certified as an SPO rather than under contract production standards.

AGROCEL staff interviewed said that PEB and its members are not yet ready to manage their organization independently. The research team suggested that the PEB could, with the assistance of Agrocel staff, undertake various activities independently, such as bulk procurement of certain agricultural inputs (not necessarily related to cotton) from a major centre like Rajkot, but Agrocel staff thought that this arrangement would currently be vulnerable to corruption and more capacity building of the PEB is needed. AGROCEL staff also said that PEB membership was becoming time-consuming and burdensome. Agrocel intends to withdraw from its role in guiding spending of the Fairtrade Premium funds by the PEB within the next six months and will instead only monitor PEB decision-making. AGROCEL also stated that the Organization Development Plan (required by FLO under the Contract Production Standard) has been revised, but has not changed significantly from the original.

Agrocel provides other benefits to the producer organization by linking up the organization with government schemes. Farmers seek help from the staff of Agrocel to benefit from the government schemes. In the case of a farmer who got a drip irrigation system installed on his farm (Fairtrade farmer interview in Bhutakia), Agrocel helped in getting the government subsidy which is 50 per cent of the total cost of the system. According to the audit reports 'Agrocel arranges for crop loans from the bank directly to farmers or advances some inputs without any additional charges; at less than market prices in the local market' (FLO-CERT, 2005).

Some farmers interviewed expressed interest in adding value to their crop if support were forthcoming in processing activities. In particular the use of the 'kapasiya' (cotton seed) was mentioned. This can be processed in an oil mill to extract the oil and make 'mol' (oilcake) which can be fed to dairy animals to increase the milk yield. Currently, however, these farmers do not have the appropriate equipment to do this – a change which would increase their returns on the cotton crop two or three fold.

In the last two years the state government has set a minimum support price (MSP) that is higher than the Fairtrade MSP (going up by 40% compared to the previous state MSP). If the local market price falls below the MSP, the government cotton body – the Cotton Corporation of India – intervenes and buys the cotton. Where the market price is above the government MSP, Agrocel must pay its producers the market price. Farmers can use the Agrocel storage facility at Mandvi when a day's price is low and the farmer wants to wait for it to go up. According to Agrocel if it agrees a price with its producers well in advance of purchase, and the market price turns out higher, then the producers will sell some of their Deviraj cotton to other buyers. Farmers are supposed to notify Agrocel first and explain the reason, but are not legally locked into contracts with Agrocel because of previous poor experiences with contract production in Gujarat which makes this kind of more formal contract less acceptable. Traders do sometimes offer higher prices than Agrocel, which creates difficulties for the latter, although farmers feel some social pressure to sell to Agrocel.

Agrocel staff say that because they do not have secure demand for the Fairtrade product (e.g. from big brand buyers), they may not be able to sell cotton which they have already bought from farmers, and they have to expand their storage capacity in Rapar. Agrocel staff said that the company is currently making a loss on some of its Fairtrade cotton and as a result of these strains it is thought that the Small Producer Organization (SPO) route for producers (as opposed to the existing contract production standard system) is too risky. Even though there are successful examples of Fairtrade SPOs in India, the Agrocel staff noted that have backing from an international donor which shields them from market forces and also that they are buying according to demand from customers and not on the basis of farmer supply as Agrocel are doing.

Annex 8: Producer knowledge of Fairtrade and value chains

Fairtrade is not very well known amongst cotton producers in **Cameroon**. Many of the Fairtrade GIC producers could explain how Fairtrade works in terms of its basic mechanics, and expressed a clear preference for it above conventional production because they receive a slightly higher price than for conventional cotton and this allows them to meet their family's needs and help their villages to develop. But they are not aware of its 'ethical foundations' (e.g. in trying to change the terms of trade, to ensure fairer prices for the producers). Rather the farmers interviewed think that Fairtrade consumers seek higher quality cotton, and for this reason are prepared to pay a higher price. They do not seem aware that the producer and trade standards, with which they have to comply, such as democracy and transparency, are in part designed to ensure that the higher prices are actually passed on to the producers and used for socially beneficial purposes, and to ensure that the improved prices are not achieved at a cost to the environment. Few farmers are informed of trade conditions and sales to Europe and Asia, and many expect still to be paid the additional price from Fairtrade cotton sales, even though this cotton has not yet been sold on Fairtrade terms, seeing it as a debt that will be repaid by 'Fairtrade'. This is creating a risk that producers could start to distrust their own organization if they are not sure why sales are suddenly stalling and Premiums are not being paid.

In **Senegal**, knowledge of Fairtrade and Fairtrade value chains is extremely limited amongst ordinary members of the GPCs. The leaders and the 'relay' technicians may have more knowledge, but few producers know where the cotton they sell to SODEFITEX ends up, let alone the names of the importers, or the margins taken by intermediaries in Fairtrade value chains. Despite a number of training courses provided by SODEFITEX officers as a result of Fairtrade (e.g. in use of pesticides), few producers were unable to say anything about the principles of Fairtrade (democracy, transparency, equality, child labour and schooling, environmental protection).

In **Mali**, new producers also have little idea about Fairtrade standards, and training courses on Fairtrade in the older CPCBs are monopolized by practical questions and lessons about organic farming. Farmers are more likely to talk about organic cotton, rather than Fairtrade, as their involvement with organic certification predates that of Fairtrade and because producers are confused about which benefits flow from Fairtrade as opposed to organic certification. The benefits of each appear to be mutually reinforcing, rather than contradictory. The producers do not have knowledge of where the cotton goes to beyond CMDT, which is the sole client for the seed cotton. MOBIOM farmers have little knowledge of where the cotton goes after it has been sold to the CMDT, what products it is made into, the actors involved in the value chain and the margins at each stage. Some of them say, "Fairtrade isn't transparent enough in sharing information and fairness between the North and the South". The producers cannot grasp the issues in Fairtrade and adapt their strategies accordingly if they do not have information allowing them to understand developments in the market.

In **India** it was clear from the majority of the interviews with Fairtrade farmers that not all individual producers are well informed about or understand the concept of Fairtrade (e.g. at the women's focus group discussion in one village). However, members of the PEB said that both women and men are given training in Fairtrade. The PEB members knew that Deviraj cotton fetches a higher price which is sold through the Agrocel staff and that it is exported, although they did not seem have knowledge beyond that of export markets and cotton value chains. The PEB members distinguished between the organic price and the Fairtrade price Premium, and said that the former is higher than the latter. These PEB members said that they knew that the Fairtrade Premium originates abroad from buyers who pay extra for the cotton and the additional money is deposited in the name of the organization. It seems, therefore, that there is some limited knowledge at the PEB level, but not so much understanding at the individual member level, as is often the case, and the ethical foundations of Fairtrade do not appear to have been widely communicated.

Annex 9: Use of the Fairtrade Premium

Cameroon: Use of the Fairtrade Premium

In Cameroon, although sales of Fairtrade cotton have increased each year until 2007/8, the proportion of the Fairtrade crop sold dropped each year, representing only 41% in 2007/8 and then dropping drastically to 0.6% in 2008/9. This has thus led to first a rise and then a precipitous reduction in the Fairtrade Premium. All the Fairtrade GICs have invested in at least one community project. The major difference with non-Fairtrade GICs is the fact that the Fairtrade GICs were given responsibility for the whole project implementation process. Each GIC's Fairtrade Premium is held on a central CPCC (umbrella farmer organization) account and CPCC pays out on the basis of applications submitted by the GICs for feasible projects. The GIC has to raise the rest of the budget by levying a percentage (fixed by the members) on the sales price (see table 32 below).

Table 32: Premium money received per year and per region

	Premium money received per year (FCFA)				
Region	2005	2006	2007	2008 (33%)	Total
Guider	7,553,938	30,936,017	9,466,333	4,068,394	52,024,82
Garoua		42,871,163	53,234,454	9,367,686	105,473,303
Tchatibali		25,090,562	15,781,225	4,695,122	45,566,909
Maroua,Sud		29,009,401	20,621,104	7,325,120	56,955,625
Ngong			22,011,599	7,125,230	29,136,829
Maroua,Nord				4,562,767	4,562,767
Kaélé				4,045,631	4,045,631
Mayo-Galké				4,688,706	4,688,706
Toubo				10,714,855	10,714,855
Total	7,553,938	127,907,143	121,114,715	49,468,281	306,044,077

Source: OPCC

The number of social projects carried out by the Fairtrade GICs, using the Fairtrade Premium, in different years is set out in table 33 below. The table shows that the number of social projects funded increases year on year, due to the rise in the number of Fairtrade GICs.

Table 33: Projects carried out by Fairtrade GICs in their communities

Projects executed	Year		
	2006	2007	2008
Health centre	01	06	23
GIC office	00	02	06
Mill	01	10	18
Classroom	01	15	65
Storehouse	01	10	12
Water supply	04	17	75
Rural electrification	00	02	07
Total	08	62	206

Source: OPCC

Before Fairtrade, GIC members were already required to contribute funds to their GICs and this was typically used for community projects and local development⁷⁷, so the impact of Fairtrade has not been as great as it might have been. However, because of the heightened requirements for democracy and transparency in the producer groups under Fairtrade, the selection and management of these projects has reportedly improved and there has been a clear emphasis on the acquisition of organizational skills in Fairtrade GICs.

However, there is a unique problem in Cameroon with the Fairtrade Premium: Fairtrade GICs rely entirely on the Fairtrade social Premium, and if no Fairtrade cotton is sold, they get nothing. All GICs are normally paid an amount for community projects by SODECOTON, but those which are participating in Fairtrade do not receive this, which means they cannot invest in the same way. Each Fairtrade GIC has to set the fees that its members pay for community projects (a percentage on income from sales), because this is part of the organizational strengthening process. However, the general assembly of members sets a very low rate which is insufficient for implementing any community projects. There have been no real changes such as producers purchasing additional land, increasing the amount of livestock and equipment they have, nor have individual Fairtrade producers become more independent in their access to agricultural inputs. The fact that they do not always receive the money they are owed on time and sometimes in several instalments (in 2007, for example) prevents them from carrying out coherent projects.

Diversification is important because of the problems of the cotton market, and soya beans, rissint, jatropha and the introduction of a cropping system associating brachiaria with a cover crop has been supported by SODECOTON via the ESA project, although producers can only access seeds if they sell to SODECOTON and also produce cotton. Although this is not a specific outcome of Fairtrade, new approaches, such as diversification, have been tried out in Fairtrade GICs first (but will be gradually extended to all cotton producers).

Some of the Fairtrade Premium (to date totalling 112 million FCFA) is used by CPCC to run training courses, (including all logistics, salary cost of the person running the course, producers' expenses), buying a 4x4 pickup truck, to buy a hectare of land. According to the audit reports, CPCC has not developed a coherent plan for the long-term use of the Premium.

Although information was gathered regarding the use of the Fairtrade Premium in Cameroon, very little information was collected in the time available as to what impact on poverty and livelihoods the investments have made and how these impacts have been distributed amongst different sections of society. However, it is clear that in two of the three Fairtrade GICs visited, there have been achievements as a result of the Premium (prior to it stalling).

In one GIC, for example, the Fairtrade Premium has enabled the village to build a village storehouse and two wells (see box 17 below).

⁷⁷ GICs are normally funded through extra payments from SODECOTON. Initially, SODECOTON estimates the quantity of cotton sold by each GIC. They reweigh the cotton at the gin, and then make the appropriate additional payment. The GICs use the money to cover their own costs, but more importantly, for community projects – many of which have been carried out before Fairtrade.

Box 17: Dziguelo GIC

Cotton producers from three villages are brought together in this GIC and became a GIC with 72 members in 1998. It was admitted to the Fairtrade project in 2005 and currently has 118 members including 22 women. The GIC owns a grain mill – the only one in the village – and a storehouse for inputs. The construction of a secure storehouse for household crops and other valuable items was chosen in response to the high levels of insecurity in rural areas in this part of Cameroon, with farmers reporting loss of livestock, stored crops and other possessions to bandits. It has also restored two open wells and covered them. This GIC is said to be ‘autonomous’ because it pays the salaries of four staff including a technician, a storekeeper, a manager and a guard.



At another GIC, two classrooms had already been built before joining Fairtrade, using the community funds from SODECOTON. Since 2008, the GIC has started the construction of a storehouse in the village, but unfortunately they have got no further than the foundations. The producers could not agree on which project to invest in and are not very willing to contribute a percentage of their own sales price (even at a low level), with alcohol problems begin reported as the reason. Yet, from 2005 to 2007, the money earned from Fairtrade cotton formed a significant share of their overall income because they received the additional Fairtrade price and Premium between cotton harvests and at the beginning of the school year, enabling them to buy food and exercise books for their children. Unfortunately, this situation has changed radically with the falling off of Fairtrade cotton sales.

In contrast, a third GIC is a flagship group, which has used the Fairtrade Premium to build a health centre and a nursery school as well as to repair the boreholes and road (see box 18).

Box 18: Heri GIC and the Fairtrade Premium

This is one of the flagship Fairtrade GICs because its delegate is the producers’ Fairtrade ambassador and makes regular trips to Europe in this role. The GIC has 315 members including 17 women. What is special



about this village is that the heads of all its families are cotton producers, showing how important this crop is to the village - it is their main source of income. The GIC has implemented several community projects including two wells, a nursery school and a health centre.

Senegal: Use of the Fairtrade Premium

The 2008/09 and 2009/10 crops are currently being stored by SODEFITEX until there are further market opportunities. (There have also been no conventional sales apart from the 50 tonnes of Tama in 2007/08).

The Fairtrade Premium has been invested in essential community projects (wells, shops, school equipment, etc.) which provide benefits for all members of the community. According to the audit reports, the choice of social projects to be funded is discussed in detail by the GPCs and the Fairtrade Premium has strengthened how the union works (the accounts are presented to the GPCs, steering and environmental committees have been established to raise awareness about FLO Standards among producers and through radio programmes, etc.).

The Union of GPCs decided at the Annual General Meeting to split the Fairtrade Premium (34 F/kg), with a third used for operational costs (13F/kg) and two-thirds being distributed to GPCs (23 F/kg) for use in community projects. 28 560.65€ was the received amount (total) of Premium in the August 2009 report of a total of 103 051.32€ owing. The rest was not paid due to a lack of exports. The Premium is not paid before the cotton is exported. The producers in Thiokétian say that they have not received any Premiums for the last 2 years. In 2007 they received 185 + 43 FCFA/kg and, for 2008, they were promised 185 + 55 FCFA/kg, but they have not yet seen any of this extra price. The specific uses of the Premium are also decided at the AGM and a GPC operational committee follows up on project implementation (sometimes with support from teachers or diggers of wells, but this is under the management of SODEFITEX).

A wide range of investments have been made in different Fairtrade GICs, including, installation of drinking water pipes, investment in schools, construction of millet mills and storehouses, and the appointment of community health officers. See box 19 below for more details.

Box 19: Fairtrade Premium Investments in Senegal

The following investments have been made using the Fairtrade Premium:

- Installation of drinking water pipes. New wells have been dug and former wells restored; boreholes have been sunk and/or equipped with manual pumps. This has significantly improved household water supplies and, as a result, hygiene whilst also reducing women's workload in the home. For example, before the borehole was sunk in Mako and during the dry season, women had to dig holes in the dried-out riverbed to find water to drink and cook with. The construction of a borehole equipped with a manual pump has completely changed women's lives in this neighbourhood;
- Investment in schools (building temporary shelters (classrooms) using local materials, purchase of school stationery). These investments have contributed significantly to reducing the amount of time lost when school restarts after the holidays. The availability of school stationery makes it possible for primary teachers to start giving lessons. There are no longer any delays with the excuse that there was not enough school stationery or that it was not available;
- Millet mills have been bought to grind the grain and this has been welcomed by women who feel

relieved no longer to have to carry out this time-consuming and exhausting household chore. This investment means that women can save their energy and have time for other activities;

- Storehouses have been built for cotton inputs to ensure that dangerous products are securely stored and thus reduce exposure to and the risks of contamination by pesticides;
- Community Health Officers (CHO) have been trained to provide the communities where they are based with on-site primary healthcare. This reduces the need to evacuate the sick dozens of kilometres along bumpy tracks using unsuitable means of transport (carts, mopeds, etc.)

It is clear that these kinds of investments are likely to bring benefits to all community members, and the local people interviewed, particularly women, valued the projects. However, some improvements could be made if further financial resources were made available (i.e. if the Fairtrade Premium resumes). For example, some farmers, especially female farmers, suggested they could make increased use of the newly dug or restored wells in marketing gardening in the dry season. Another suggestion was to build classrooms equipped with solar panels and lighting so that children can study in the evenings. Renovation or construction of 'health huts', was also suggested as some of the villages are currently under-equipped. Farmers, particularly female farmers, also reported lacking farm equipment, despite subsidy schemes in the cotton sector.

The time available for the survey time was fairly limited. For a more in-depth impact assessment, more information should be gathered from a systematic analysis of the audit reports, and with more interviews at local level to ascertain the exact uses of the Premium across all groups and to establish how this has changed lives at the local level.

Experience in implementing community development projects using the Fairtrade Premium has improved capacity amongst the Fairtrade GPCs not only to manage their own projects but to approach and link with international funding bodies. The early entrant GPCs are now assisting new groups to run their projects. In one Fairtrade GPC, for example, the implementation of social projects with the Fairtrade Premium has reinforced leadership capacities and enabled community leaders to strike up partnerships with other support organizations (e.g. PAMAREF) which provide subsidies for farming equipment. SODEFITEX also has plans to build GPC capacity to consult local authorities, to ensure that Fairtrade Premium use does not duplicate each others' work (e.g. in the supply of school equipment).

To improve communication the Union has financed weekly local and national radio programmes with the Fairtrade Premium.

Mali: Use of the Fairtrade Premium

The Fairtrade Premium has been invested in various social facilities (e.g. storehouses, classrooms, a maternity clinic, wells, etc.), improving living standards in the villages involved. Compared to the scale of need, the Premium money is very limited, and becomes very small as it is divided across dozens of villages.

The members of MOBIOM have decided democratically to split the Fairtrade Premium between the operating costs for the second level organization, MOBIOM and the payments to the community projects at CPCB level, which are checked by MOBIOM.

The Premiums from 2004 to 2007 were paid regularly and invested in storage depots, classrooms, a clinic, paying teachers, etc. Since 2005/06, 44% of the Fairtrade Premium (15 FCFA/kg out of 34) have been used for

MOBIOM's operations (in 2006, Helvetas covered 75% of the organization's operating budget). MOBIOM received increased amounts for its operating costs as production volumes rose and sales increased, (see figure 13 below) but they have received no Fairtrade Premium money since 2008, because they have sold no cotton.

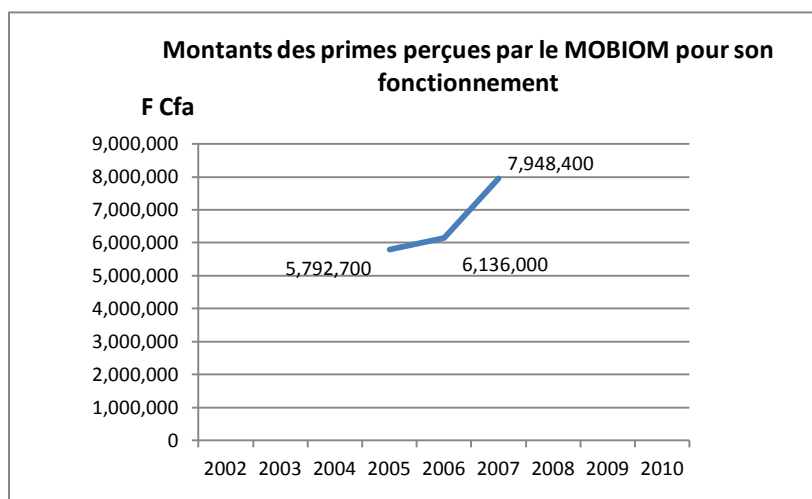


Figure 13: Amount of Premium money received by MOBIOM for its operations

The 33 CPCBs in the Yanfolila, Kolondiéba, Bougouni and Garalo zones received Premium money from the 2007/08 harvest. MOBIOM has not yet received the Premiums for the 2008/09 harvest, but some cooperatives' Premiums are still being held for them by MOBIOM. Some CPCBs only have to draw up and present their plans for community projects in order to receive the 2007 Premium money. More details on the community projects funded in 2009 are set out box 20 below.

Box 20: MOBIOM/CPCB community projects funded by the Fairtrade Premium in 2009

A total of 25 community projects in 20 CPCBs were funded in 2009 including:

- 17 storehouses to keep inputs and the organic cotton harvest safe;
- A literacy centre to ensure that literacy efforts continued;
- A maternity ward promotes maternal and infant health;
- 3 large-diameter well projects to provide drinking water (for everyday use and to water livestock);
- 2 cereal banks to stock cereals for food security;
- Purchase of primary school tables and benches;

In addition to these projects, eight (8) more are ongoing including 4 which have been approved by MOBIOM and they are awaiting the funds to be paid out, and 4 others, which have been funded and are in completion phase. 9 further projects are pending (3 CPCBs have submitted their projects, which are awaiting approval and 6 CPCBs have not yet submitted a project, but are in the design phase).

The research team explored local perceptions of these Fairtrade Premium investments:

- The maternity clinic is valued by local people, especially women, because it reduces problems of

pregnant women with complications having to be transported long distances to other maternity hospitals;

- The new wells which have been dug significantly reduce women's workload and drudgery, giving them more time to rest and to engage in other livelihood activities;
- The organic cotton storehouses are important for maintaining organic certification (preventing mixing of organic and conventional cotton) but are primarily of benefit to organic producers, rather than the whole community;

Several farmers noted the need for schools, and regretted that there is not sufficient money to build them. To date, the Premium has only been sufficient to buy school stationary and to repair some equipment.

MOBIOM has established a clear process for managing the Fairtrade Premium⁷⁸. Some aspects of project implementation could be improved according to the producers interviewed, however. They said that the fact that they rely on approval of their investment plans from MOBIOM to receive the Premium funds is a problem. Where the planned budget exceeds the amount of Premium money available, MOBIOM blocks the project's implementation until further Premiums make up the rest of the money.

India: Use of the Premium

The Fairtrade Premium depends on the quantity of processed cotton sold by Agrocel and is not dependent on the quantity sold by the farmers to Agrocel. To make one KG of lint, 3 KG of seed cotton is required (FLO CERT, 2005). It is the processed quantity which generates the Premium amount which Agrocel should receive to pass onto farmers. The Premium amount is not directly allocated to each village according to the quantity of cotton procured from that village, but according to the developmental needs of the community which could be social or environmental. The Premium funds are split between the two regions (Rapar and Dhrangdhra) in proportion to the relative amounts of FT cotton procured from each. Within each region each of the different uses of the funds is intended to be co-funded with funds from other sources. According to a PEB member interviewed at Dhrangadhra, every village identifies their needs and proposals in village level group meetings of Fairtrade farmers and these proposals are then forwarded to the PEB. The PEB, based on the availability of funds, urgency of need etc decides which activities to fund and when.⁷⁹ Public and community works are prioritized for Premium spending, and local contributions are sought of 25 to 30%, although how the amount is decided is not clear.

⁷⁸ A letter is addressed to the CMDT about the payment of the Fairtrade Premium and the CMDT pays the Premium into the 'MOBIOM Fairtrade' account. An inventory is made of the Premium situation in all the cooperatives and then each cooperative sends a letter for consideration at the General Assembly where a decision is taken by the General Assembly (GA) about the community projects in which the Premium is to be invested. The project chosen by the GA is outlined and the written plans presented for approval. The written plans for the community project are sent to MOBIOM and the it's approval committee meets to examine the project presentations. For the community projects which are approved, the co-operative is then informed and MOBIOM sends a cheque to representatives of the group who withdraw the amount and place it in the co-operative's Premium account (kept separate from other group funds and backed up by receipts). The completed project is checked and a report made on the community project. An amount is also paid to MOBIOM for operational expenses.

⁷⁹ The PEB members told us that if there are five applications to deepen ponds and funds availability would support only three at that time, then they would start with the 'first come first serve basis' and the pond that is empty would be taken up first.

Details of the amounts of Fairtrade Premium generated by cotton sales by Agrocel are outlined in the table 33 below. Agrocel is supposed to transfer the Premium funds to the Association bank account promptly, and where it does not do so it must pay interest to APFCGA. However, Agrocel has not yet transferred all of the 2009 funds⁸⁰ yet.

Table 34: Details of Cotton Purchase and Fairtrade Premium

Rapar						
Year	Total Seed cotton purchase during the harvest season	Sale of seed cotton during financial year	Total FTP accrued during financial year	Total FTP transferred to APFCGA	Amount of outstanding FTP transfer to APFCGA during FY	Total amount of FTP spent by APFCGA during FY
	Kg	Kg	INR	INR	INR	INR
2005-06	784040	419691.7	902337.2	229417	672920.162	82518
2006-07	917495	515169.5	2857994	1648038	1209955.8	756126
2007-08	1166500	1128650	5898896	2315500	3583395.91	1924537
2008-09	722880	2968301	7154056	7211000	-56944.276	2146886
2009-10	0			3549972		
Total	3590915	5031812	16813283	14953927	5409327.6	4910067
Dharangadhara						
2005-06	0	0	0		0	82518
2006-07	0	0	0		0	756126
2007-08	1563720	0	0		0	1924537
2008-09	1617919	0	0		0	2146886
2009-10						
Total	3181639	0	0	0	0	4910067
Combined						
2005-06	784040	0	0	229417	-229417	82518
2006-07	917495	0	0	1648038	-1648038	756126
2007-08	2730220	0	0	2315500	-2315500	1924537
2008-09	2340799	0	0	7211000	-7211000	2146886
2009-10	0			3549972		
Total	6772554	0	0	14953927	-11403955	4910067

⁸⁰ The data from Agrocel as provided in the table however indicates that for the year 2009-10, even before any sale of cotton, the Premium funds have been transferred to the APFCGA which has been done on the request from the PEB to meet the social projects.

AGROCEL reduced the amount of cotton that it bought from producers in 2009 by almost 50 percent, mainly due to adverse weather affecting cotton yields in 2009-10. Agrocel do not know how much fibre they will obtain from the seed cotton bought from farmers - the rate of conversion can vary from 31 to 36%⁸¹. This is because, the seed cotton to fibre conversion rate can vary from 31-36%. The Agrocel position is that the Premium should be based on the quantity of fibre sold and rather than the current system based on the quantity of seed cotton produced and procured. AGROCEL is currently supposed to disburse the Premium funds immediately, but it has not obtained any revenue from sale of the fibre and payments have been delayed.

Further, Agrocel note that they cannot draw upon the Premium funds to cover certification as an SPO could, and argue that these costs are high and non-differentiated, and thus Fairtrade favours large, vertically integrated companies, and penalising smaller, less vertically integrated ones. Although the producers receive greater security via the Fairtrade minimum support price, Agrocel also needs an equivalent promoting body and MSP (minimum support price) for Fairtrade cotton fibre bales, after ginning has been carried out and based on the quality of the fibre (short, medium, long and extra long).

Farmers are not obliged to sell their cotton to Agrocel (as might be expected under 'contract production'). In the 2009-10 season Agrocel could not buy the entire produce of all Fairtrade farmers (some farmers sold all of their produce to Agrocel but others sold nothing). Agrocel staff said that they helped those with surpluses to sell to private traders.

The Fairtrade Premium has largely been spent on three types of investments by APFCGA:

- education related investments (e.g. buying stationary, school uniforms, scholarships, educational tours, drinking water filters at schools, purchase of books for school library);
- farming related investments: (e.g. land leveling, organic manure platforms, construction of vermi-compost pits⁸² using a full grant from the Premium fund, and provision of input kits with local contributions (e.g. tools, covers for cotton bales to prevent contamination and head covers to protect human health, manure, vegetables.
- miscellaneous (construction or deepening of the village ponds, provision of solar powered street lights, provision of bird feed , medical assistance and house renovation – all involving financial contributions from local people).

Specific uses by different activities are detailed in table 34 below. It shows the percentage distribution of Fairtrade Premium to different activities between 2005-December 2009. Miscellaneous activities received 58.6% of the total (of which 29% was spent on pond renovations), with farming related activities receiving 38.8%. Education related activities accounted for only 2.58% of the total. Of the farming related activities, most was spent on input kits (approx. 20% of the funds in the 5 years), followed by drip irrigation.

Table 35: Fairtrade Premium use by APFCGA in India

Use of Premium from 2005-2009 by Different Activities					
Education		Farmer related		Miscellaneous	
Water filter	1.02	Input kit	20.54	stitching machine	0.28

⁸¹ e.g. 500 mt of seed cotton will produce about 180 mt of fibre

⁸² Vermi compost pits are pits filled with organic waste such as cow dung, farm and kitchen waste, and earthworms. Earthworms feed on it and excrete waste. This manure enriches the soil.

student tour	0.12	compost+platform	1.37	Food provision for birds	0.14
student uniform	0.50	organic manure	2.25	House renovation for poor people	0.49
library book	0.04	farmer insurance	1.22	Medical Help to Poor people	0.54
stationary	0.43	drip irrigation	6.24	Medicinal plants	0.14
help for school	0.26	well recharging	0.28	Pond repairing	29.13
nirdhum chula (smokeless kitchen using gas from cow dung)	0.02	land leveling	3.35	Rural Development	0.18
Kanyakelvani (Gujarat gov. scheme promoting education of girls)	0.19	Expenses involved in meetings and PEB AGM	2.55	Solar light installation	9.67
		farmer tour	0.44	Admnexpense	10.99
		vegetable kit	0.20	Cattle breeding for development programme	7.01
		border tree plantation	0.38	Mahila vikas programme (women's empowerment programme)	0.02
Total	2.58		38.81		58.61

In the initial years of Fairtrade participation the main beneficiaries of the Premium were restricted to three or four villages, reflecting the APFCGA membership which was also limited to a few villages. However, as the membership has expanded, the provision of input kits, and deepening of ponds has been carried out in all the participating villages. While the input kit would help in improving the quality of the cotton from the farmer who is using the kit, the latter would benefit all the communities as it would help in recharging the ground water. But some of the activities like drip irrigation, which are more costly activities, have been done only on a few farms.

Most of the Fairtrade farmers interviewed in the focus group discussions and household case study interviews were positive about the benefits derived from the Fairtrade Premium funds, particularly land levelling, input kit provision, pond digging, road construction, check dams⁸³, pit digging for vermi- composting.

See box 21 below for more details.

Box 21: Examples and farmer perceptions of Premium investments

- Four producers interviewed mentioned benefiting from support for land levelling;
- Eight farmers noted the benefits of village pond construction;
- Nine farmers praised the construction of vermin-compost pits.
- Eight farmers mentioned well recharging as a positive benefit of Premium investment etc.
- Construction of vermin-compost pits and other similar work has supported the conversion by

⁸³ Checkdams are constructed to prevent rainwater runoff and soil erosion as a water harvesting measure.

farmers to organic farming – a key benefit of Fairtrade.

- The PEB has also invested in solar panels for electricity, a well recharging system and a water harvesting programme.
- 12 computers bought for a school in Bhutakia Villages and the children now have access to the internet as a result. Children have also been taught about composting. The water filter set up at a school has reduced the rate of children suffering from water diseases.
- A life saving operation was funded by one group.
- Construction of a cow urine collection platform (a slope to collect urine and used to prepare a natural fertiliser - Jeevamrat⁸⁴ – a natural nitrogen substance that can be used instead of urea or other nitrogen providing fertilisers.
- Farm pond construction: e.g. in the village Bhimasar, Premium funds have been used to dig ponds as well as to deepen 14 ponds⁸⁵.
- In some villages small patches of roads have been constructed.
- Drip irrigation systems constructed: Twenty two farmers have benefited from the installation of drip irrigation systems, which was partly paid for by Premium funds (25%), partly funds from government scheme (50%) and partly through a loan from a local bank (25%). The team interviewed a farmer in Bhutakia who had had a drip irrigation system installed on his farm (22.9 % came from the Fairtrade Premium, and 31.1 per cent of the total came from the farmers contribution (and the rest came from the government as subsidy). This farmer said this investment has enabled him and his family to avoid having to migrate and enabled them to continue cotton farming.
- Land levelling: According to a participant of the men's focus group discussion at Bhutakia, land levelling is a similar kind of investment, which has been conducted using Fairtrade Premium funding on some farms, resulting in water flowing uniformly on the farm improving yields. He said that "Drip irrigation system changed our lives. It is amazing. I can irrigate 4 acres of land now with drip irrigation, as compared to the earlier situation where I was irrigating only one acre with the same quantity of water"- Other farmers say this that he has achieved the highest yields because he has drip irrigation.

In most of the focus group discussions it emerged that the farmers liked the PEB investments and that some of these had facilitated farmer's transition to organic production (digging of compost pits, border tree plantation,

⁸⁴ A locally produced natural nitrogen substance promoted by AGROCEL and Excel Industries Limited. It is prepared by mixing 5 litres of cow urine with 200 litres of water, 1 kg of Jaggery which is produced out of boiling the sugarcane juice, 1 kg of chick pea powder 10 kgs of cows waste, and 2 handful of farm soil. This mixture is kept in a cemented vessel for around 2 days and nights, is shacked properly. It has been marketed by Excel Industries Limited by this name i.e. **Jeevamrat**. It is used in place of DAP and UREA as natural nitrogen provider and mixed with irrigation water to fertilize farms.

⁸⁵ This has revived the livestock activity in Bhimasar and the nearby villages.

food provision for birds which would attract them to the fields and helping to reduce pests, medicinal plants⁸⁶, and organic manure).

However, it is worth noting that the farmers are now less enthusiastic about the Premium: “Farmers have stopped joining the Fairtrade scheme now, because they don’t see any clear benefits from it”, said participants in one of the men’s focus group discussion at Kiriyanagar and in another at Jadhavas. These farmers say that because the Premium funds are shared across the community as a whole, the benefits to them personally may be very limited. According to one farmer in Kiriyanagar this is also affecting membership, with fewer new members joining.

⁸⁶ Medicinal plants are cultivated to promote natural enemies of cotton pests, such as Basil which contains methyl eugenol that attracts fruit flies. Yellow marigold’s petals attract moths to lay eggs and these flowers are harvested every two days to get rid off the moths’ eggs.

Annex 10: Fairtrade impacts on local development

Cameroon: Fairtrade impacts on local development

In Cameroon SODECOTON is the already the largest employer in the far north of Cameroon with over 2,000 staff. CPCC, the umbrella farmer organization, has 118 staff. The only change in staffing resulting from Fairtrade is the hiring of one person to look after Fairtrade at CPCC. More generally in terms of supporting the livelihoods of cotton producers, Fairtrade may struggle against the wider decline in cotton production: several producers said that they would give up cotton production if it were not for the opportunity it provides to obtain access to inputs, credit and technical advice through SODECOTON⁸⁷. In two of the three Fairtrade GIC villages visited and in the non-fairtrade GIC visited, producers listed cotton last on their lists of current income-generating activities. It is not completely clear whether this is an on-going situation, or partially the result of the collapse in Fairtrade sales and the global economic downturn of recent years. But generally speaking cotton has become relatively expensive in Cameroon, with low productivity, and the cultivated areas are getting smaller because of the costs of inputs. Smaller farmers find it especially hard to pay back all the inputs received on credit. Fairtrade producers in particular have suffered from a lack of sales on Fairtrade terms for the last two years.

When Fairtrade sales were occurring, cotton production became more attractive to the Fairtrade GIC members, because they received a higher price and the Fairtrade Premium. Improvements in producer income were achieved by Fairtrade (although this is not easy to quantify) in all the case study countries, with the additional payments from Fairtrade being used on basic needs (food, health and clothing), weddings, children's education, home improvements/repairs, buying livestock, and materials, utensils etc. The Fairtrade sales extra income was also particularly useful in Cameroon to pay for children going to school as it was being paid at the beginning of the school year. Higher producer incomes are likely to have multiplier effects in the local economy, but we did not have sufficient time or resources to assess these. However, cotton generally in Cameroon is in serious decline and a longer term view might question whether it is a perverse incentive to sustain farmers in cotton production, certainly unless diversification of cropping is also supported and there is likely to be less volatile Fairtrade demand.

Several non-Fairtrade GICs have started to produce cotton according to the Fairtrade Standards in the hope that they might join Fairtrade. This has led to a progressive change in how people grow cotton in order to comply with fixed standards. Therefore if Fairtrade sales are renewed Fairtrade (and other) GIC producers appear ready to become involved once again, despite having lost some confidence in Fairtrade.

In most of the GICs in the CPCC, households rely on family labour and labour exchange with kin and neighbours. This situation has not changed in villages with Fairtrade GICS. However, farmers report that Fairtrade cotton does require more attention: the need for people to grade their cotton crop at harvest time does reduce the ability of friends, neighbours and relatives of Fairtrade cotton farmers to help them with this difficult stage of cotton production. Dziguiléo is the only village where some producers resort to using hired labour in West Africa, and it was reported that hired labourers (mainly migrants from Chad) in this village were aware of the Fairtrade price and demanded higher wages than normal, especially for harvesting the cotton which requires careful grading.

⁸⁷ SODECOTON has experimented with marketing of cotton by-products to rise to this challenge (e.g. blending 'Diamoor' cotton oil with 'Diomaor' palm oil, but this was dropped after a few years).

In terms of social and community development the Fairtrade Premium has been used for a range of investments including health centres, mills, GIC offices, classrooms, storehouses, water supply and rural electrification investments have been made, but individual producers have not been able to buy new land, or increase their large assets (e.g. livestock and equipment), or be independent in their access to inputs. However, the stalling of sales which has left Fairtrade cotton in storage in Cameroon has meant that the Fairtrade Premium has not been paid recently. Although the Fairtrade GICs have benefited from being given responsibility for project implementation, the stalling and sometimes late payments of the Premium has prevented the GICs from implementing coherent projects. All GICs receive funding from SODECOTON for community projects, but the Fairtrade GICs are now not receiving this SODECOTON funding or Fairtrade Premium funding and although they were supposed to agree their own levy on Fairtrade sales (when they occur) amongst members to contribute to the community projects this levy was set at extremely low and therefore ineffective levels. The umbrella farmer organization, CPCC, has also benefited from the Fairtrade Premium, (and SODECOTON benefits from the generation of business and higher prices), but it is not clear if this has had any knock-on local economy impacts.

Senegal: Fairtrade impacts on local development

The cotton company, SODEFITEX, is currently operating at a loss, and representatives say they are waiting and hoping that prices will increase again. Many producers have reduced the area currently under cotton, diversifying the crops they are growing and are seeking more attractive waged labour opportunities elsewhere, because of the drop in world prices and the stalling of Fairtrade sales. Although, this could reverse if prices and Fairtrade sales pick up again, the initial positive impacts flowing from Fairtrade have of course been difficult to sustain as many of the benefits (e.g. the Fairtrade Premium) have stopped and confidence in Fairtrade has been dented. Late payment of the Premium by SODEFITEX has not helped the situation and the GPCs are now struggling to find their contribution of the certification costs (25%, with FLO providing the rest) to sustain certification.

As with the situation in Cameroon, it seems likely that the Fairtrade sales in the first three years of trading in cotton had a positive impact on producer incomes, but this has gone down since 2007-8. When positive impacts on producer incomes were occurring, however, it seems very feasible that local economies would benefit, but we do not have direct, in-depth evidence on this. Any additional Fairtrade cotton income was spent, according to producers interviewed, on food (stock up on foodstuffs which run out during 'hunger gap'), more access to primary healthcare, children's education, for financing income generating activities, to build huts, housing equipment and weddings. The umbrella farmer group, the Union (US-GPC Kédougou) has been strengthened due to Fairtrade involvement, and membership increased. There has been a rise in membership (though a recent decline due to non-payment, lack of sales, etc.) attributed to both existing conventional GPCs switching into Fairtrade, as well as some farmers returning to cotton having been out of it for some time. Farmers tend to come in and out of cotton depending on factors that include prices, sales, health, etc

	Number of GPCs	Number of members
2004-05	3	
2005-06	13	1196
2006-07	59	2514
2007-08	82	4292
2008-09	117	4380
2009-10	99	3382

The Union and GPCs still lack capacity to represent cotton farmer views and to participate in sales negotiations which are dominated by SODEFITEX. All the cotton spinning mills have closed down in recent years and Fairtrade has not yet been able to generate value chain upgrading beyond production. There are weavers in Senegal and West Africa who could process yarn.

Premium decision-making is led by the local farmer groups, GPCs, at an Annual General Meeting and implementation is managed at the GPC level with oversight from SODEFITEX. GPC technicians are trained by SODEFITEX to provide support and oversight. This has strengthened the union and also the capacity of GPCs. The union leaders have also gained more confidence to approach other organizations and local authorities to seek assistance and a wide range of investments have been made in different Fairtrade GICs, including, installation of drinking water pipes, investment in schools, construction of millet mills and storehouses, and the appointment of community health officers, which have benefited all members of the community, rather than members alone. The Premium is also used to fund a third of the operational costs for the farmer umbrella group – the Union of GPCs.

Mali: Fairtrade impacts on local level development

Prior to the falling off in Fairtrade sales, producer incomes did increase as a result of Fairtrade but it is difficult to quantify the amounts. In Kita zone the CMDT was the facilitating organization, with support from Dagrís and Max Havelaar. The twelve producer organizations in Kita have only been certified Fairtrade since 2008. The producer groups in this region were chosen by CMDT because they were reportedly already well organized and produced good quality cotton, albeit in smaller quantities and with low yields. CMDT did not provide any production figures and this makes it difficult to assess levels of expansion of Fairtrade or whether more producers are moving into or out of cotton. In the Bougouni zone (south), where this research was carried out the organization has been certified organic by ECOCERT since 2002 and Fairtrade-certified by FLO-CERT since 2004. In Bougouni, where producers supported by MOBIOM, there has been rapid expansion of Fairtrade in terms of planted area, the number of producers involved in Fairtrade and the quality of cotton produced. As in Senegal, people have switched into Fairtrade from conventional cotton production, and others have moved back into cotton having left it completely. Some farmers stopped growing cotton for a few years and re-started when sales were good but the opposite effect is occurring now. In both Senegal and Mali farmers that had dropped out of cotton said they would grow it again when sales and prices were good.

As above, higher producer incomes will most probably have positive multiplier effects in the local economy and there will be business generated for the associated cotton company (CMDT) and producing both organic and Fairtrade cotton expands the options for selling the cotton. This means that they have been less seriously affected than conventional non-Fairtrade or even conventional Fairtrade producers by the drop in sales.

Fairtrade has not been able to generate added value for producers through upgrading of roles. Producers supported the idea of reintroducing traditional spinning into villages, particularly as a potential income generating activity, especially for women, but this has not been promoted as yet as part of Fairtrade. Expansion of local spinning of yarn may be a potential means of adding value locally.

The research team explored the rates paid to seasonal hired labourers, who work on the farms at hoeing and harvest time, and it seems on average organic Fairtrade producers pay their workers more (143 FCFA/h) compared to non-Fairtrade producers (125 FCFA/h). However, the sample size was small and so these findings are not particularly robust. Hired labour is minimal in the first place due to farming practices and social organization, but interviewees frequently cited the impact of Fairtrade on child labour. The degree to which they have been sensitized into not mentioning child labour vs. actually changing their practices was difficult to ascertain given the time limitations of the field visits.

The Fairtrade Premium was viewed by producers interviewed to have brought about benefits for local communities, (e.g. new wells reducing women's workload, maternity clinics improving women's health), but more funding is required. For example, whilst funding of school stationary is an important benefit for school children, some producers articulated the need for higher investment to enable school building construction. Some investments such as the organic cotton storehouses primarily benefit organic cotton producers and their families, rather than whole communities. However, the key problem has been the drop off in Fairtrade sales, which has dented producer confidence in Fairtrade markets.

MOBIOM, with support from Helvetas, has a clear strategy of promoting crop diversification amongst producers, particularly in view of the fluctuations of cotton markets. Sesame, shea nuts, mango and groundnuts are all important alternatives, which are being produced as organic certified crops and are sold on domestic and international markets. The mangoes produced by the MOBIOM farmers in Bougouni zone are also Fairtrade certified. This support for diversification is an important element in building Fairtrade producer resilience in the light of potential shocks and stresses (e.g. cotton market volatility, late arrival of the rains etc). Seeking certification for other products for which there are Fairtrade standards would expand the benefits derived from Fairtrade, but capacity may be an issue or lack of international demand for certain crops that is not already exported.

MOBIOM's influence in Bougouni zone is clear as it cooperates with numerous partners including Helvetas, Oxfam, AOPP, IER, TDV Laval and local authorities. Producers in Kita zone are far from MOBIOM's headquarters and they expressed their desire for more support for cooperative leaders so they can build partnerships as well.

However, it is clear that MOBIOM covers an area that is very large for the means at its disposal. There is an argument that the organization would be better served concentrating its efforts on a smaller cotton growing area to increase yields and income. This would also make it possible to improve the system of communications between the top and bottom of the organization and to target resources more effectively to increase

The Fairtrade Premium in Mali has contributed to social and community development, with 25 projects already completed in 20 CPCBs (local groups) of MOBIOM by 2009. These investments were used for a range of things including constructing storehouses for inputs and the organic cotton harvest, a literacy centre, a maternity clinic, large drinking water well projects, cereal banks and primary school tables and benches. Teachers' salaries have also been covered, and as a contribution to MOBIOM operations, which are largely funded by Helvetas Mali. The Premiums paid between 2004 and 2007 were paid regularly and have been decided upon by MOBIOM members. Both FLO inspection reports and interview participants were generally positive about the democracy of decision-making processes. There was one area of confusion relating to the amount agreed to be retained by MOBIOM for operating costs, but at CPCB level there seems to be a positive view of the process, and investment of the Premium into developments that serve the community. However, these positive benefits have been affected by the slump in sales.

India: Fairtrade impacts on local development

Farmers were relatively unorganized in Kutch district and Fairtrade has improved this situation by helping the formalization and capacity building of the farmer organizations AFPCGA. Cotton is important in the household livelihoods of Fairtrade cotton farmers in Kutch (75% saying it is the most important source of household income) although non-Fairtrade farmers said other crops were more important such as castor and cumin. Fairtrade farmers received significantly higher incomes than non-Fairtrade farmers under favourable rainfall conditions but in low rainfall years they incurred a net loss. The higher incomes obtained through Fairtrade may have multiplier effects in the local economy. Although organic production has encouraged crop

diversification in some cases, the increase in Deviraj variety planted and lessening of wheat and castor grown could increase farmer vulnerability. Increased work involved in organic production is also an issue for Fairtrade producers in APFGCA. Surplus income in India had been used for income generating activities, farm equipment and land purchases. Other income generating activities are also still important in rural household livelihood strategies in Kutch, especially charcoal making. It is not clear if more producers have moved into cotton growing as a result of Agrocél's and APFGCA involvement in Fairtrade, but certainly membership of the farmer organization has increased.

Family, local and migrant labourers are used when the yields are good. There are three types of hired labourers: daily local labourers, seasonal migrant labourers and permanent sharecroppers. Harvesting and weeding require a large number of labourers. Conditions have not altered significantly as a result of participation in Fairtrade, (see box 22 below for evidence of the mixed picture emerging), although some members and labourers reported being given a formal lunch break.

Box 22: Fairtrade impacts on conditions for hired labourers in cotton fields in India

Wages and conditions for workers vary:

- In one village – Rapar taluka – there is a labour shortage and so labour charges are higher than elsewhere. Labour charges range from Rs.100-150 per day (Chhotapar, Khirai, Women's focus group discussion).
- Some farmers are also given tobacco as an additional perk, although there are obvious health implications (Bhimasar farmer interview 11).
- A small number of interviewees mentioned some changes in working hours and observance of a lunch break (according to a Fairtrade farmer interviewed at one village and with another interview with a village leader). While most of the farmers said that they provide tea, buttermilk, and vegetables when the labourers are working in the farm, a few Fairtrade farmers said that they also provide lunch (Bhutakia II, Bhimasar, 1 and Bhimasar 11).
- A hired labourer interviewed, however, said the amount paid does not vary between employers, but the regularity does differ, and payments, with insolvent employers less able to pay on time compared to better off farmers. A female hired labourer in the same village said that wages do not differ by gender. Participants in the men's focus group discussion at Khirai said that it is the urgency of the work and the availability of labour that determines rates.
- There is not much variation in wages according to types of cotton, but one labourer in Bhutakia said BT cotton bolls are heavier and can command better prices, and a labourer in Valampar said that Kalyan cotton is easier to pick than Deviraj (the higher quality cotton promoted by Agrocél) and so labourers can earn more.
- One Fairtrade farmer said that as a result of his involvement in Fairtrade cotton production he could now employ a migrant labourer, something he himself used to be.
- Seasonal migrant labourers are employed on Fairtrade and non-Fairtrade farms in Rapar. The migrants come from Godhra district in Eastern Gujarat and sometimes from southern Rajasthan, working for the whole season on different cotton farms. Migrants are mostly from tribal caste but can be non-tribal as well. No clear evidence was found of changes resulting from Fairtrade in their working conditions and wages. Last season, according to a handful of farmers interviewed, there was a labour shortage and migrant labourers earned approx. 2-3 per Kg of cotton harvested (often amounting to Rs.100 per day). One hired labourer in Moda said that it was easier on the hands working on organic farms compared to non-organic farms.

Social and community development has been positively affected by the use of the Fairtrade Premium in education related investments (e.g. buying stationary, school uniforms, paying for scholarships etc), as well as farming related investments (e.g. land leveling, constructing organic manure platforms, vermin-compost pits, and provision of input kits) and various miscellaneous payments (e.g. for a life saving operation, for deepening and construction of village ponds, provision of solar power etc).

However, Agrocel has bought less cotton from the APFCGA farmers and some farmers are beginning to question the spending of the Premium for community projects rather than on activities for Fairtrade farmers, arguing that the spreading of the Premium makes the amounts involved very small.

The agricultural investments benefit both Fairtrade and sometimes non-Fairtrade farmers and the wider community. Benefits extended to non-Fairtrade farmers include knowledge transfer on the use of equipment and technical agricultural advice provided by Agrocel; access to inputs and marketing support. These benefits are detailed in table 35 below.

Table 36: Benefits extended by AGROCEL to Farmers

Fairtrade farmers	Non-Fairtrade farmers
Knowledge transfer on use of equipments and kits provided and information on other technical matters relating to agriculture	√
Provision of inputs like seed, natural nitrogen, other fertilizers, compost guidance	√
Credit support as and when required	X
Marketing support for the cotton and other crops in case Agrocel is not able to purchase the cotton from the farmer	√
Organic farming related support and Premium	X
Fairtrade Premium fund does not go to farmers directly however many of the private works ⁸⁸ are being funded by SPF	X
Special training and exposure tours for Fairtrade farmers to create awareness among them on a whole range of issues. Mostly these exposure tours take farmers to visit similar Fairtrade initiatives promoted by Agrocel in different regions of the country.	X

Source: Compiled from interviews with individual Fairtrade, Non-Fairtrade farmers and Focus group discussions.

⁸⁸ It emerged from the FGDs that when the fund is used for 'private purposes' like deepening of the well or any such thing, the individual farmers contribution could go up to half of the total cost.

Annex 11: Fairtrade impacts on national development

Cameroon: Fairtrade impacts on national development

It is difficult to identify concrete changes at a national level in Cameroon resulting from engagement with Fairtrade. The Government of Cameroon is aware of the difficulties faced by cotton producers and also by SODECOTON relating to high input prices and is subsidizing inputs to cotton producers (via SODECOTON) to the tune of 6 billion FCFA for the 2010/11 season. This should reduce the price of a sack of fertiliser from 24,000 FCFA to 17,000 FCFA, which will come as a great relief to producers, but there is no evidence that Fairtrade has played any advocacy role in this. Unfortunately the fact that the state has decided to pay the subsidy to SODECOTON rather than to CPCC (which buys the inputs and represents the direct beneficiaries of the subsidy) is a sign that either the state does not really recognize CPCC as the national representative of cotton producers or that CPCC is not strong enough to negotiate.

Fairtrade cotton farmers currently have no forum to negotiate about Fairtrade with SODECOTON or with FLO. The research team found the Fairtrade GICs waiting for information about the Standards, prices, etc. come to them like the other GICs via SODECOTON. Fairtrade GICs need this kind of platform in order to develop a longer-term vision and to build up their advocacy skills and efforts. Regional and national networking is also needed if any economic impacts are to be achieved beyond the micro level. It is unclear whether the Fairtrade GICs are progressing towards autonomy from SODECOTON at any faster rate than non-Fairtrade GICs, but such an analysis would be an important indicator of empowerment.

Senegal: Fairtrade impacts on national development

No specific impacts at the national level were identified in Senegal as a result of participation in Fairtrade. However, various issues emerged during the study where stronger national influence might lead to positive impacts on cotton producer livelihoods. For example, many cotton farmers complained of the impacts of free-roaming livestock (mainly from better-off farmers) on their fields, but felt that they have less power and influence with local authorities and disputes tend to be settled in favour of livestock owners. It is possible that a stronger producer organization could, with support, seek greater influence in this kind of dispute resolution. Similarly, to build up small-scale artisanal and semi-industrialised processing is likely to require stronger producer organizations which can lobby for state and donor support. Seeking state support to improve African Fairtrade cotton marketing and networking also requires coordinated efforts by stronger producer organizations.

However, although SODEFITEX regularly takes part in regional, national and international meetings at EU level, participation of producers from the union is negligible. FNPC leaders to accompany SODEFITEX to some international meetings, and managed to negotiate with FLO for the 75% subsidy to certification costs, but not other achievements were mentioned in terms of influence over policy-makers and other value chain actors. Implementation of Fairtrade community projects has built up leadership and enabled new partnerships to be developed with other support organizations (e.g. PAMAREF which subsidizes farming equipment). The plans for SODEFITEX to support GPCs to consult with local authorities in the use of the Fairtrade Premium (if and when it resumes) is also a positive one for maximizing the impact of investments, but also to improve the linkages between the GPCS and local government. The use of the Fairtrade Premium for radio programmes

Mali: Fairtrade impacts on national development

Since MOBIOM has been in Fairtrade, it has been able to extend their network of partners to include NGOs (Oxfam), textile companies in the North (TDV Laval), institutions (e.g. the Institut d'Economie Rurale, or IER) and local authorities (AOPP), as well as other organizations involved in Fairtrade. However, high levels of illiteracy mean that the networking appears to be done principally by the movement's leaders and other technicians. Few producers value these networks because they are unaware they exist. Kita zone producers expressed interest in more support from cooperative leaders in MOBIOM so that they can also build partnerships.

In terms of political influence MOBIOM's senior managers have been able to carry out advocacy work on behalf of small producers during numerous trips around Mali and abroad with Fairtrade. They have criticized the lack of transparency between actors in the North and those in the South and have been lobbying for greater transparency about the margins taken by the various actors in the supply chain or about what happens to the cotton once it has been delivered to the CMDT. However, no information was available about what impact this advocacy work has had.

As for the grass roots, it is only the 'relay' producers who have had the opportunity to travel to other countries for Fairtrade events who have begun to plead the case of African cotton in the face of competition from Asian cotton. There are now efforts to organize advocacy at national and even regional level, organising a Fairtrade platform and consultative workshops independently of FLO. The movement has made contact with organic and organic Fairtrade producer organizations in neighbouring countries (Benin, Burkina Faso and Senegal) to arrange regional exchanges between like-minded organizations. This initiative will be further developed during the 2010/11 season and the movement envisages creating a budget heading in its budget to support this networking.

MOBIOM is still too dependent on the CMDT and acquiring a ginning mill is necessary to gain added value, but this would require significant investment in equipment and training. MOBIOM's governance system also needs to be more decentralised as well to provide greater autonomy and responsibilities to the CPCBs.

India: Fairtrade impacts on national development

Agrocel covers only about 2000 FT cotton farmers in Gujarat. While the total number of cotton farmers is about 6.4 million. Therefore Fairtrade revenue will only have a very small effect on the national economy, although this is not to deny the importance Fairtrade can play to individual producers.

As a result of the formation of the farmer association, APFCGA, and the regular meetings held, farmers said that they have more access to information like relevant government schemes and opportunities to discuss issue of importance to them such as sharing learning on farming practices. In particular the APFCG PEB members in Rapar said they benefitted from networking with their counterparts in Surendranagar. Agrocel has arranged farmer tours to different places, funded by the Fairtrade Premium for farmers in the association.

Agrocel has been actively involved in the 'Asian Network for Fairtrade' which met in 2009. An Agrocel staff member is on the board of this network. The network is involved in the development of FLO standards for new products and seeks commitment from customers to long-term partnerships. No information was obtained as to how far this network has had an impact on producer's lives and livelihoods as yet. Farmers seek help from the staff of Agrocel to benefit from government schemes and Agrocel actively informs association members about them as well. It is clear that some individuals have benefited from these investments, which have been implemented in conjunction with Fairtrade Premium investments, but we have limited information as to how

many farmers are benefitting, the social status of these farmers, and what the impact is on livelihoods and the wider community.

Annex 12: Fairtrade impacts on natural resources management

Cameroon: Fairtrade impacts on natural resources management

In Cameroon, Fairtrade GICs are benefitting from support on soil fertility measures from the Eau Sols et Arbres (ESA – Water Soils & Trees). This is not directly attributable to Fairtrade, but the Fairtrade GICs have been prioritized for early participation over and above other non-Fairtrade GICs in recognition of the commitments of these GICs to Fairtrade standards. Training has been provided for farmers in the three northern regions of Cameroon on soil conservation techniques (e.g. on the use of organic manure, building bunds, rotation of cotton with millet), through the project, which is now in a second phase. During the ESA project, cotton producers were trained in various methods of sustainable cotton production such as the use of organic manure. Many of the farmers interviewed indicated that the new methods of fertilising their fields learned during this project are one of the most significant changes in their lives because the training courses have helped them to manage their cotton better and to improve their yields.

The use of the prohibited pesticide Endosulfan is a recurrent problem in Cameroon. The Fairtrade recommended alternative – Avaunt - is very expensive, (one litre costs 35,000 FCFA), so getting farmers to switch is tricky and this switch has to be promoted with each new GIC intake, but it has fewer health impacts on humans. In the past farmers have also used Gramosone, which is very toxic. Although there are no harmful effects from using Avaunt, some farmers said it is not as effective as Endosulfan, because they continue to have pest problems after spraying. However, Avaunt has a slow-acting effect on pests, and is more effective than Endosulfan in the long-run, but because the insects do not disappear immediately after spraying this causes some dissatisfaction amongst producers.

The reuse of pesticide containers in Cameroon was reported as an issue as some farmers use them to hold food or water. This is considered unsafe, so the practice has to be prohibited and systems are being put in place to destroy the containers after use. However, for farmers, these containers are high quality and very useful. Many producers knew that the GIC has received a memo about what to do with empty containers but are not completely clear what it says. CPCC also provides support to GICs by supplying them with bins to destroy the empty containers and packets. These are steel barrels and could easily be eaten away by rust if nothing is done. Earthen bins with concrete roughcasting would be more resilient if protected from the rain.

No producer has ever used natural pesticides such as neem. They only treat their cotton with products supplied by CPCC/SODECOTON and they have never had the chance to produce 100% organic cotton. Since CPCC sells agro-chemicals to producers, there are only limited possibilities of exploiting the potential for organic cotton production. None of the GICs has set up an internal control committee for sustainable agriculture.

An environmental committee has been set up in each Fairtrade GIC in Cameroon to raise awareness among producers about the techniques they have been asked to implement such as keeping a buffer zone around waterholes, destroying empty containers (empty packets), planting quickset hedges to provide corridors for animals to migrate along, landscape management, producing and using organic manure, and planting trees. Certain villages reportedly respect the diameter around waterholes defined in the FLO Standards to prevent contamination of drinking water. In Senegal, each GPC has an environmental committee to raise awareness on sustainable production methods and environmental stewardship, although again the information we could collect on impact is very limited in the time available. Threat of GMO contamination in India was highlighted by Agrocél as a significant challenge for Fairtrade organic farmers.

Senegal: Fairtrade impacts on natural resources management

In order to comply with FLO environmental standards, SODEFITEX has replaced the pesticides that were usually used⁸⁹, called Calisulfan and Conquest, with pesticides that are less toxic to humans, such as Thunder, Avaunt, Laser, Lambdacal, and Calfos⁹⁰. While some producers have observed fewer cases of poisoning and sickness, particularly skin irritation, most producers complain about the new products lack of effectiveness against cotton pests, primarily caterpillars. One producer said, “The Thunder that has replaced the Calisulfan is less toxic to humans, but it doesn’t kill the caterpillars; it just sends them to sleep. They still move around after spraying”. According to the farmers interviewed this means that they can only produce cotton of lower quality, with a greater quantity classified as 2nd grade, which cannot then be sold as Fairtrade. They criticise the new products for being odourless, not repelling snakes and, above all, for their lack of a devastating effect on caterpillars. According to SODEFITEX, the new products introduced as part of the Fairtrade scheme are unpopular with producers because they do not have immediate and spectacular effects. In practice, they are less harmful to humans and the environment while still remaining effective against caterpillars, whose digestive systems they block, thus preventing them from damaging the capsules. One SODEFITEX representative said that: “Thunder works by blocking the caterpillar’s digestion; they still move, but they are no longer able to eat the cotton capsules, so they no longer pose a threat.” How producers view the effectiveness of pesticides is influenced by other observations relating to other observed side effects: “Calisulfan kept snakes and warthogs away, but that’s not true of Thunder. It’s becoming dangerous to grow cotton because the fields are full of snakes.” The late delivery of the spraying equipment provided by SODEFITEX is also a limiting factor.

Many farmers are also experiencing irregular rains, which arrive later and later in the season. Unfortunately, late arrival of the rains means that cotton capsules coincide with the period of greatest pest proliferation, which puts downward pressure on yields and reduces the quality of the cotton (to 2nd grade).

Each GPC has established an environmental committee to raise awareness among producers about the FLO standards and various training courses have been provided: training in handling bush fires; awareness-raising about the dangers of pesticides and handling containers so as not to pollute waterholes; a workshop to raise awareness about deforestation; reforestation initiatives. Some progress has been observed following these training courses at which technicians are trained and they then train producers: a reduction in deforestation, because the farmers now pay greater attention to bush fires and to illegal felling of trees; a reduction in water pollution (washing canisters away from waterholes) and replenishment of the water table through anti-erosion measures; measures implemented to combat soil degradation by adding organic matter; a reduction in the use of toxic products that are harmful to their livestock’s health.

The Union does not have clear policies or provide support for diversification. Crop rotation plans tend to be simple and few GPCs plant any other crops than cotton, maize, peanuts, and millet.

Mali: Fairtrade impacts on natural resources management

⁸⁹ Calisulfan (active ingredient: Cypermethrine + Endosulfan); and Conquest (active ingredient: Acetamipride + Cypermethrine)

⁹⁰ Thunder (active ingredient: Betacyfluthrine + Midacloprid); AVAUNT (active ingredient: Indoxacarb); LASER (active ingredient: Spinausad); Lambdacal (active ingredient: Lambdacylhalothrine – Profenofos); Calfos (active ingredient: Profenofos).

Over and above conversion to organic agriculture which took place before the organization joined Fairtrade, MOBIOM has made efforts to improve environmental protection and adjust to climate change: the producers mentioned training and awareness raising campaigns about tree-felling (via MOBIOM radio programmes) as well as reforestation activities. The producers consider anything to do with the environment as part of organic farming. They have given up using pesticides and now use insect-repellent plants instead, and they have replaced mineral fertilisers with organic manure. This allows them simultaneously to:

- Reduce their costs of production;
- Improve soil fertility sustainably;
- Use other crops in rotation (cereals) which benefit from the impact of cotton;
- Re-introduce animal and plant species that have become rare or have died out.

Intercropping is another recommended organic farming practice that many producers have adopted for both technical and financial reasons. For example, intercropping cotton and okra has reduced the costs of production. Producers have also observed that since they have stopped using pesticides, there has been a reduction in the many minor ailments (headaches, colds, itching, etc.) and other complaints from handling pesticides they used to suffer from. Some producers stated that should they leave Fairtrade for some reason, they would continue to produce organic cotton because of the health benefits. However, the higher labour requirements of organic production (e.g. transporting manure, tackling weed invasions without herbicides) were noted by many producers. Organic producers have lower input costs, with conventional Fairtrade producers complaining about the rising price of inputs, particularly as their soils become less fertile.

It is not easy to disentangle the impacts of organic farming and the impacts of Fairtrade in the case of MOBIOM, given the support from HELVETAS and MOBIOM to farmers, as part of both Fairtrade and organic production.

India: Fairtrade impacts on natural resources management

Environmental issues pose challenges for agriculture and cotton production in particular in Kutch region. For example, the salinization of groundwater is becoming more widespread and severe. Climatic variability means that low or irregular rainfall is also a problem for cotton farmers⁹¹. Late rains or rain immediately after sowing can mean that farmers have to replant.

Farmers producing cotton organically may choose different varieties, practice crop rotation, adopt mixed cropping and intercropping practices, different fertilization practices, crop protection techniques (e.g. some of the measures might include seed treatment, weed control, insect and mite control and trap cropping with maize). Many farmers were already practising inter-cropping of cotton and crop rotation prior to Fairtrade⁹², but Fairtrade has strengthened this. Some farmers have started practicing inter-cropping of cotton with other crops (Khirai, Interview with Fairtrade farmer), although it seems that these practices have been introduced as a result of organic certification.

⁹¹ Kutch gets low rainfall in most years, although 2010 has been exceptionally good as it is consistently raining there. Rainy days are usually fewer in Kutch and the intensity is higher in those days.

⁹² Crop rotation and intercropping are a must for organic farming. A typical three course rotation would be cotton-legume-castor and cotton. A four course rotation would include sorghum or pearl millet or sesame after the castor.

The Fairtrade environmental standards also recommend the use of pesticides and fertilizers that are environmentally-friendly, for example. Approximately, 67% of the Fairtrade farmers are also producing organically according to Agrocel staff. For farmers already producing organically it is easier for them to meet the Fairtrade standards on pesticides.

Agrocel promotes Deviraj variety (the higher quality variety) for Fairtrade, and this requires more irrigations and better soil quality⁹³. Out of the 16 Fairtrade farmers interviewed, 14 have irrigation. Farmers without irrigation may not grow Deviraj and if they do not cultivate Deviraj then they cannot participate in Fairtrade as Agrocel is buying only Deviraj cotton from the Ft farmers. The higher water requirements of Deviraj cotton were mentioned by several farmers (e.g. Kiriyanagar, Khirai Fairtrade farmer interview and communications with Agrocel staff members). A sharecropper, who was interviewed, said “I won’t plant Deviraj again. It is more sensitive, delicate and risky. Desi requires less water” (Desi being another variety of cotton). Another farmer said he may not be able to cultivate Deviraj cotton in three or four years’ time, due to its high water requirements. Ground water extraction would only exacerbate the problem, but drip irrigation represents a coping strategy.

The sustainable agriculture methods employed by farmers for organic production are improving soil quality according to Agrocel organic farmers interviewed in an earlier study (MacDonald, 2004), by reducing the hardness of the soil caused by salinization, plus the roots to go deeper into the soil and can reach water and nutrients available to plants and it is less work for farmers in tilling the soil. Soft land has higher capacity of retaining moisture and along with drip irrigation gives better results⁹⁴.

Although Fairtrade may not have introduced many new practices, the Fairtrade Premium has been important in funding and strengthening organic production. For example, the Fairtrade Premium has been used in the construction of vermin-compost pits to prepare the organic manure, helping farmers to improve soil quality. The association with Fairtrade helps organic cotton farmers (and possibly other farmers in the association) by funding exploration of new varieties and sustainable farming methods. Various pest management practices have been introduced by Agrocel (e.g. spraying neem oil and BT for bollworms), and organic farmers use cow urine, amongst many other farm products. The Fairtrade Premium has funded some farmers to develop a cow urine platform, to collect the urine. The Premium has also been invested in check dam construction and tree planting (including trees with medicinal, herbal, and biopesticide properties). Food and drink is provided by farmers for farm birds under organic production, which Agrocel is encouraging and this process is supported by Fairtrade Premium investments. Bollworm attacks on cotton are a challenge for small cotton producers in the area, increasing the costs of inputs still further for non-organic Fairtrade producers.

Agrocel helps some farmers to obtain subsidies from government to install drip irrigation systems, alongside the Fairtrade Premium investments⁹⁵. Use of organic manure is important to prepare the soil so that drip irrigation is possible. Appreciating the need for drip irrigation, the PEB members in Dhrangadhra said “if Agrocel get more Premium we will get more assistance such as drip irrigation which will help us in getting more output by using less water”. However, it is not clear if drip irrigation is a solution to the problem of soil

⁹³ A few farmers observed that as the ground water level is receding quickly, per haps they may not be able to afford cultivation of Deviraj beyond three or four years as Deviraj is grown on the best irrigated land.

⁹⁴ Farmers with irrigated fields plant one row of cotton to one row of groundnut. Soya bean, cowpea, water melon or sweet melons are crops that are also planted. In rainfed fields, farmers intercrop with sesame or legume such as green gram, black gram or green gram, horse gram, lentil or groundnut.

⁹⁵ This information came from various interviews and focus group discussions, but except for one farmer in Bhutakia, the research team did not speak to users of the drip-irrigation system.

salinization and in the light of climate change, this may be an increasing problem in the future⁹⁶. It is also not clear what is the cost involved in installing a drip irrigation system and whether all association farmers are likely to be able to invest in this system (whether with or without government, Fairtrade or using their own resources).

Fairtrade can increase farmer incomes helping them to meet various challenges, but salinization of ground water is a serious problem and Fairtrade magnifies some of the problems farmers face. Growing Deviraj cotton, as required by Fairtrade, has led some farmers to give up on Fairtrade according to one sharecropper interviewed in Khirai. Currently, farming is getting tougher by the day (Jadavas Fairtrade farmer interview), as the ground water level is receding gradually, and saline ingress is increasing.

According to Agrocel staff GMO contamination of crops by birds, bees and air is thought to be a challenge for Fairtrade cotton farmers. Also wild animals threaten to cause serious damage to cotton (Nilgai – Blue bull) or other crops in the crop rotation system (e.g pulses – wild ass), according to both Fairtrade and non-Fairtrade farmers. This damage can discourage farmers from growing cotton⁹⁷. The blue bull is a protected wild animal under Government of Gujarat rules. Many farmers have to guard their farms throughout the entire night, particularly from wild pigs which are not put off now from entering the cotton fields as they were in the past by the more toxic pesticides used prior to organic and then Fairtrade certification. Some farmers are considering exiting from cotton production altogether because of the problems of wild animals and thinking of growing cumin instead (Chhotapar women's focus group discussion)⁹⁸. Some farmers suggested that wall fencing is needed to keep out wild animals. Fairtrade has not made any particular difference to this problem, other than supporting the reduction in the use of harmful pesticides.

⁹⁶ One of the main challenges facing cotton producers is the adverse changes in climate variability observed by farmers: less rainy days and more intense rain. Late rains (late September/October) are more prevalent than they used to be and can be a problem if the rain enters the flowers. Floods can also occur; and better rainwater harvesting measures are needed. Participants in a women's focus group discussion in Chhotapar said that cotton and food crop yields have decreased because of lower rainfall and the crops are more affected by plant diseases.

⁹⁷ In Jadavas, an interview with a hired labourer revealed that production in his six acre farm reduced to 20 maunds due to the problem of wild animals and pest attack. In remote villages like *Moda* this problem is even more aggravating, partly because part of the land in village is contiguous with protected forestland.

⁹⁸ Wild pigs can bite and in the past the use of pesticides help to keep pigs away from cotton crops, but in organic production these pesticides are not used and the pigs dig the earth to eat the earthworms. Whole groups are needed to chase away the wild pigs, and some farmers have made 'home made' guns. Some women who participated in the focus group discussion in Khirai suggested wall fencing to protect the crop from the animals which would cost Rs. 60000-70000/- per acre.