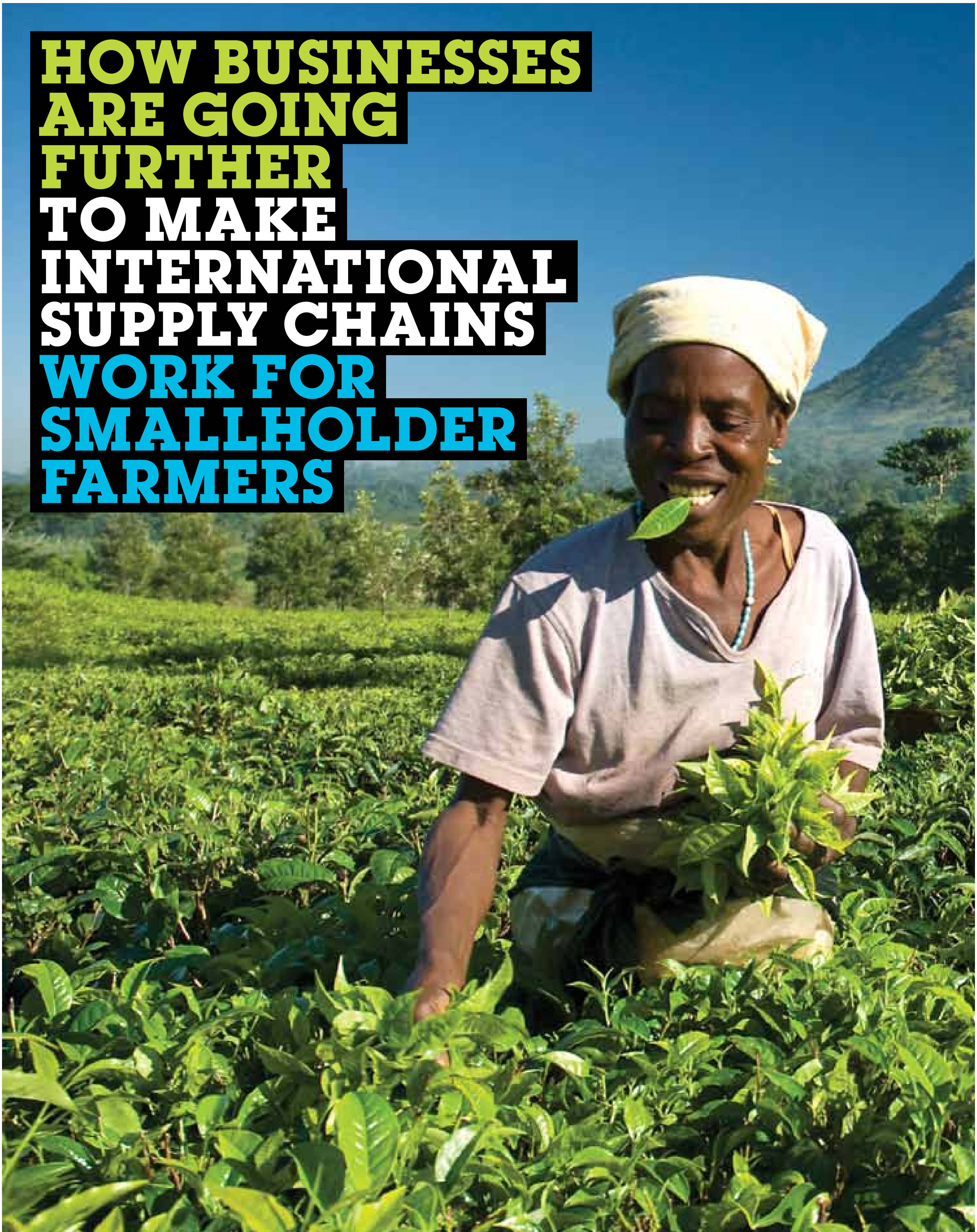
HOW BUSINESSES ARE GOING FURTHER TO MAKE INTERNATIONAL SUPPLY CHAINS WORK FOR SMALLHOLDER FARMERS



A Fairtrade Foundation report

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FAIRTRADE FOUNDATION

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CONTENTS

EXECUTIVE SUMMARY

This paper comes at a time when there is increasing recognition among business and government in the role smallholder farmers can play in a truly sustainable food and farming system.

For the past thirty years it has been hard for smallholder farmers and their partners to challenge the assumption that urbanisation of population and the industrialisation of agriculture are the only pathways for development and this view was a major cause of the erosion of the technical, financial and marketing services on which smallholder farmers depended. These assumptions are still prevalent in many countries but there is growing interest in an alternative and the feedback from commercial stakeholders surveyed for this report indicates a greater shared perspective on the major global sustainability challenges, including the need for social and environmental justice, than at any time since the FAIRTRADE Mark was launched in 1994.

In the five years to 2012 the Fairtrade Foundation has been pursuing an ambitious strategy towards its vision that everyone, through their work, should be able to maintain a decent and dignified livelihood and fulfill their potential. The Tipping the Balance strategy has extended the scope of Fairtrade to more small farmers and workers and increased impact for those already engaged with Fairtrade through impressive growth in awareness of the FAIRTRADE Mark and sales of Fairtrade products. In 2011, public awareness of the FAIRTRADE Mark in the UK reached 78 per cent and sales of certified products in the UK amounted to £1.3 billion[1], generating over £20 million in Fairtrade Premium payments to producers. Over 300 of the 991 producer organisations certified worldwide to international Fairtrade standards supply the UK market, which by most measures is the most successful of its kind in the world.[2]

In the next phase of its work, the Fairtrade Foundation will continue to scale up its work with producers and companies, but will also explore broader, qualitative change in trading relationships between UK businesses and smallholder farmers in Africa, Asia and Latin America that support the development needs and aspirations of rural families and communities. An important part of the preparation for that work is to look at how smallholder farmers and companies can establish sustainable and equitable relationships across highly demanding and fast-moving international supply chains. This paper builds on an earlier policy report by Twin[3] that considered the experience and perspective of small farmer organisations and contributed to a multi-stakeholder forum in May 2012. This second phase of the work has been developed through discussions with commercial stakeholders and analysis of their feedback by senior management at the Foundation.

The interviews and discussions undertaken for this report have highlighted the exciting opportunities that are emerging for the Fairtrade Foundation to facilitate deeper collaboration that furthers the goals of smallholder organisations, businesses, consumers, civil society agencies and donors. Most important for its mission to support smallholders to take more control over their lives and determine their own futures, at a time when more companies are recognising the need to invest in smallholder farmer initiatives, is to highlight the important role of democratic organisations, such as co-operatives, in representing their members in planning, prioritising and implementing improvements. Examples identified in this report illustrate how partnerships with, and investment in, smallholder organisations improves the chances of interventions also delivering the economic return that business needs as well as supporting the aims and aspirations of the families and communities concerned. This is the 'win-win' that typifies Fairtrade at its best, reinforcing the business case for Fairtrade while bringing a business perspective to sustainable development work.

Key insights

1. A holistic view of supply chains

The supply chains that connect smallholders to mainstream consumer markets are often a web of interdependent relationships and there is an increasing need to take a holistic view of their internal structures and to understand the interdependencies. This is especially important when retailers and large brands use intermediaries to manage their relationships with smallholder groups, which can limit their understanding of how their actions may affect smallholders, and vice versa. While buying direct from smallholders may not always be practical in every supply chain, there is increasing recognition of the need to have more direct communication and sharing of information among all the links of the chain, with the aim of using greater transparency to strengthen mutual accountability.

2. Aligning the aims and objectives of all parties

While the different stakeholders in supply chains may share many long-term objectives, there are also significant differences. For most businesses smallholder farmers are little more than the first link in their product supply chains, whereas farming families view trade not only as a means of generating income but also of sustaining and developing the social and cultural fabric of their communities. The earlier report identified different smallholder strategies of strengthening their existing market positions, diversifying their production, transitioning to new ways of income generation, describing these, respectively, as 'hanging on, stepping up and stepping out'. If the differences as well as the commonalities are not adequately understood there is a risk that investments, for example in increasing productivity or quality, may not be aligned with the needs and priorities of smallholder groups and their wider communities. This can limit the chances of their success or undermine the efforts of smallholders to make their own choices.

3. Beyond minimum standards

The activities needed to address points 1 & 2 sit firmly in the area beyond compliance with minimum requirements of Fairtrade standards for traders and licensees towards deeper commitment, although they are very much in tune with the development aims of the latest standards for smallholder organisations (see Appendix 1).[4]

As good practice in this area becomes established, this could be reflected in a raised minimum threshold for businesses, provided the cost or complexity of certification was not unduly increased; this ensures a level playing field in which the committed are not undercut by the merely compliant. However, this is an ongoing process and some companies will always be piloting work beyond minimum standards and would like to communicate this to consumers. While the FAIRTRADE Mark plays a vital role in providing a clear and specific guarantee that helps consumers identify products that meet its standards from other products in the market, new ways of differentiating the brands that 'go further' than the minimum would be welcome.

Oliva Kishero on her coffee farm in Uganda

Going further: questions for business

Based on these insights, this report discusses ways in which businesses can go further to make international supply chains work for smallholder farmers and what support they need from government, civil society organisations and the Fairtrade system to do this. In looking at how some progressive businesses are overcoming the barriers to closer engagement with smallholder farmers, the following questions have come to the fore. They are discussed at greater length in the body of the report and six case studies are presented as illustrative examples. The many different contexts in which smallholders operate, the different products they grow, and varying modes in which they are traded make it impossible to present one single best practice model that can be applied universally. Rather these insights are presented to inform and inspire the debate that is needed on this subject and offer potential directions for businesses wishing to take their commitments deeper.

1. How can the business case for investing in smallholder farmer organisations as social actors be better recognised and supported?

The role that democratic organisations play in helping smallholder farmers take more control over their future, and invest in building sustainable local farming communities for the future, has long been recognised by the fair trade movement and in Fairtrade standards. The examples discussed in the main report, such as Tate & Lyle Sugars' experience in Belize, show how some mainstream companies are also embracing this approach while others are attracted by the faster results of establishing their own groups to implement improvement programmes despite the risks of creating dependencies.

2. How can the different operating contexts of smallholder farmer organisations and large brands and retailers be better understood and aligned?

The challenges of aligning the different timescales to which smallholder farmers and retailers operate were cited by many companies who have to bridge this gap in supply chains. Retailers are typically making decisions about individual products and ranges on the basis of a few weeks' figures; indeed their ability to respond quickly to changes in consumer demand is a critical factor in the success of their businesses. At the other end of the chain, collecting and analysing information to understand problems and building up the capacity of producer organisations to implement plans to correct them and strengthen their operations is a much more difficult and time-consuming process. Companies working most closely with producers noted the efforts required to develop a shared understanding of these issues and wanted those closer to the market to take more account of smallholder farmers' context by making longer-term commitments and allowing a realistic period for investments to generate changes.

3. How can the transparency of supply chains be increased for the benefit of all participants?

Transparency was mentioned frequently by commercial stakeholders and was prominent in developing the case for a more holistic approach to supply and value chains in order for them to become more equitable and sustainable. This starts with traceability of the origins and destinations of products which should develop into increased transparency about what the different parties bring and take to the value chain. Market demands for physical traceability of products is increasing as consumers express more interest in the provenance of products and retailers and brands want to monitor the results of their interventions to improve production practices, but there is even more pressure for transparency around the flow of money, value addition and impact between the parties at each link of the chain. The Fairtrade system itself is part of this broader value chain and several businesses stressed the importance of robust information about how smallholder organisations used their Fairtrade Premium, especially those that received very large amounts such as the largest certified organisations working in sugar and cocoa, as well as on the transactional costs and benefits of the Fairtrade system itself.

4. How can transparency be developed into mutual accountability across the whole supply chain?

While transparency was raised frequently as a headline issue by many stakeholders, further discussions demonstrated that this is invariably a means to an end; and the real objective is mutual accountability, including sharing of effort, risk and reward. While companies have legitimate interests in being able to assess the impact of Fairtrade Premium investments and other activities delivered by the Fairtrade system, there is less recognition of a similar desire among their supply chain partners to for greater accountability of the brands and retailers as the recipients of the largest share of the final price paid by consumers. Smallholders have also raised this issue in the context that extended supply chains in which they have little or no information on the ultimate destination of their products make it impossible for them to hold retailers and brands to account. There is a business case to be made for companies to lead by example on this as it will provide traction for the investments companies are making in helping smallholders improve yields and returns by raising productivity and quality, and to ensure that suppliers – all the way back to smallholder organisations – do not see pressure for greater transparency and traceability as simply aimed at increasing the power of buyers. Fair Trade Organisations advocate direct relationships with smallholder organisations as the best way of ensuring mutual accountability, with several wishing to expand their service offer to companies, while the Ben & Jerry's case study indicates the opportunity to increase transparency and accountability while working through intermediaries.

5. How can more and better partnerships be developed to help smallholder organisations develop their full potential through fair and sustainable trade?

The need for more and better collaboration to tackle sustainability issues was unquestioned by the stakeholders interviewed for this report. The challenges of securing long-term product supplies while helping farmers play their part in this while coping with climate change, food security and increasing scarcity of oil, water and other resources were recognised as too complex for any single actor to address effectively. There is a need for both good technical expertise to improve productivity, quality and sustainable agricultural practices of individual farmers and of high calibre work to strengthen the capacity of farmer organisations to manage these processes autonomously and independently. Interviews for this report identified important learning from collaborations such as the work that Marks & Spencer and Finlay's have done with DfID's FRICH fund, the Co-operative Group's programme of support for smallholder organisations and Cafédirect's work with donors and farmers in São Tomé.

6. What economic interventions are needed to support more sustainable sourcing from smallholders?

Price stability remains important in enabling farmers to sustain investment in improved yields and quality, which, if they can sell the additional output at viable prices, will significantly improve their overall returns. Most companies in products like coffee and cocoa, which are supplied mostly by smallholders, recognise that if their sector can't deliver a decent income for growers then few people will be growing those crops in ten or twenty years time. Despite a lift in prices over the past five years in many commodities, most farmers' experience is of 30 years of declining prices and long periods of dramatic slumps to well below the cost of production and even now prices in real terms for most crops remain far below those of the 1970s. This means that farmers are often sceptical about taking land out of production and replanting it for higher future yields with no guarantee that they will be able to sell a higher volume at a good price. Although some companies express concern that Fairtrade's minimum price and premium mechanism could act as a distortion of market dynamics if taken to scale, it is clear it can provide incentives for investment, as the experience of Liberation and Tate & Lyle Sugars demonstrates. Many companies also had not fully appreciated the scarcity of accessible, timely and affordable financial tools for smallholder organisations. Prefinance has always been a requirement of Fairtrade standards but while the supply of working capital through social lenders such as Shared Interest and Oikocredit has increased it has not done so in line with the growth of the Fairtrade market and is not always sufficient to cope with periods of volatile price movements.

7. How can Fairtrade standards and communication around the FAIRTRADE Mark better support companies who go further than minimum Fairtrade standards?

The interviews demonstrated a wide range of needs and expectations among companies of what the Fairtrade system should deliver in the future; indeed in several cases there was some confusion about what it currently provides. Examples of companies 'going further' than minimum Fairtrade standards feature prominently in this report and some companies suggested their practices should be made obligatory. This would create a more level playing field and reduce what they see as unfair competition from companies who do not invest to the same extent in producer support and capacity building, in sharing of information and assisting with access to finance. At the same time, no-one is seeking to add to the cost of the Fairtrade system at a time of growing pressures on disposable incomes for most UK families.

As the Fairtrade system embarks on the process of improving its work with smallholder farmers, it looks forward to a constructive dialogue on the issues and welcomes the ideas of its commercial stakeholders to turn thinking into action.

I. INTRODUCTION AND CONTEXT

This paper forms one part of an important theme of work for the Fairtrade system aimed at making international trade fairer for small farmers by building on the successes and learning of the past 20 years.

Since launching the FAIRTRADE Mark in 1994 in the UK and joining other national and regional Fairtrade initiatives to form a global system[5] in 1997, the Fairtrade Foundation has achieved significant success in developing a vibrant and dynamic market for Fairtrade certified products in Britain that for some years has been the largest in the world. In the five years to 2012 the Fairtrade Foundation has been pursuing an ambitious strategy towards its vision that everyone, through their work, should be able to maintain a decent and dignified livelihood and fulfil their potential. The Tipping the Balance strategy has extended the scope of Fairtrade to more small farmers and workers and deepened impact for those already engaged with Fairtrade through impressive growth in awareness of the FAIRTRADE Mark and sales of Fairtrade products. In 2011, public awareness of the FAIRTRADE Mark in the UK reached 78 per cent and sales of certified products in the UK amounted to £1.3 billion[6], generating over £20 million in premium payments for producers. Over 300 of the 991 producer organisations certified worldwide to international Fairtrade standards supply the UK market.

In the next phase of its work, the Fairtrade Foundation expects to deepen impact of Fairtrade for farmers and workers by continuing to scale up its work with companies, but it is also keen to encourage broader qualitative change in trading relationships between UK businesses and smallholder farmers' organisations in Africa, Asia and Latin America to support the development needs and aspirations of rural families and communities. The timing of this work is opportune as there is increasing recognition and interest from business, government and development agencies in the role smallholder farmers can play in a food and farming system that addresses the needs of a growing population and takes account of food security, climate change and key resource scarcities, notably water and oil. Current attitudes towards smallholder agriculture contrast dramatically with those prevalent for much of Fairtrade's history. For the past thirty years it has been hard for smallholder farmers and their partners to challenge the assumption that urbanisation of population and the industrialisation of agriculture are the only pathways for development. This paradigm was a major cause of the erosion of the technical, financial and marketing services on which smallholder farmers depended and was in danger of becoming self-fulfilling. While it is now subject to greater questioning, it is still being pursued today in the grabbing of land from smallholder farmers for large mechanised farms in many parts of Africa and Asia.

An important part of the preparation for that work is to look at how smallholder organisations and companies can establish sustainable and equitable relationships across highly demanding and fast-moving international supply chains. This paper builds on a 2012 report by Twin[7] that considered these issues from the perspective of smallholder farmer organisations and contributed to a multi-stakeholder forum in May 2012. This phase of the work has been developed through discussions with commercial stakeholders and analysis of their feedback by senior management at the Foundation.

Both pieces of work have highlighted an overarching need to take account of all the relationships that make up supply chains and for all the parties to those relationships to be able to work strategically towards their individual goals. For businesses these are to secure affordable, long-term supplies of the products they need, while farming families seek a standard of living and working that enables their communities to flourish, while sustaining their ecosystems. But these headline goals sit at the apex of the agendas of business and smallholder organisations and each have their own specific objectives for how trading relationships can be improved. Twin's report identified different ways in which smallholder organisations engaged with Fairtrade with some looking to strengthen their existing market positions while others were looking to diversify or to help their members transition to new ways of income generation, describing these strategies as, respectively, 'hanging on, stepping up and stepping out'. Similarly the commercial stakeholders surveyed for this report each had their own priorities under a generic approach of sustainable sourcing, such as ensuring traceability, improving productivity and quality and understanding the social and environmental impact of their supply chains so they can manage risks to supplies and brand reputation (described by many stakeholders as a 'hygiene' issue).

The interviews and discussions undertaken for this report have highlighted the exciting opportunities that are emerging for the Fairtrade Foundation and its partners to strengthen collaboration that furthers the goals of smallholder organisations, businesses, consumers, civil society agencies and donors. Most important for its mission to help smallholder farmers take more control over their lives and determine their own futures, at a time when more companies are recognising the need to invest in smallholder farmer initiatives, is to highlight the important role of democratic organisations, such as co-operatives, in representing their members in planning, prioritising and implementing improvements.

Examples identified in this report illustrate how partnerships with, and investment in, small farmer organisations improves the chances of interventions delivering both the economic return that business needs as well as supporting the aims and aspirations of the families and communities concerned.

This is the 'win-win' that typifies Fairtrade at its best – making the business case for Fairtrade while bringing a business perspective to development work.

Such collaborations depend on a better mutual understanding of the roles, capacities and restraints of the parties involved. Stakeholder interviews undertaken as part of this study frequently mentioned the need for transparency, information sharing and accountability as a basis for constructive and informed dialogue across the relationships that make up supply chains. This report is offered as a stimulus to those dialogues and debates, as well as an illustration of some of the ways that companies are helping their smallholder suppliers overcome the barriers that exclude or marginalise them from profitable markets. Progressive companies, as the case studies illustrate, have moved on from regarding these interventions as merely philanthropic or part of their corporate social responsibility and now regard them as prudent investments in the long-term sustainability of their business operations.

This is exciting as it means some companies are driving better practice and going further than the minimum requirements of Fairtrade standards. It is important to state that the standards have always been intended as a minimum, initial framework for continual improvement that enables incremental change rather than a badge of perfection or end goal. This is especially important for smallholder organisations who need a system that recognises their current realities as starting points for engagement rather than creating a high-bar that is impossible to achieve. The high standards achieved by many smallholder organisations are the result of investment, usually over many years, to build capacity and apply the premium to development needs. However, the minimum criteria also play a crucial role in providing a level playing field for producers, traders and licensees of the FAIRTRADE Mark and as more operators move beyond that minimum they question why their good practices should not become the norm for everyone. While valuing both the simplicity and high recognition levels of the FAIRTRADE Mark, some stakeholders are keen to see the Fairtrade Foundation communicate that while all Fairtrade products meet the standards, many have additional ethical attributes and to help differentiate those within the overall category. On the other hand, there is no desire for increased complexity and the additional cost this could bring; not only is there a basic cost of compliance but these can be exceeded by the need to demonstrate and verify compliance through internal control systems and external audit.

The challenges facing all Fairtrade's stakeholder constituencies at this time cannot be underestimated, especially as consumers' living standards are squeezed by factors such as price inflation and the impact of austerity in public spending and continuing uncertainty in financial markets makes investment decisions and access to credit challenging for producers and the businesses they trade with. However, feedback from commercial stakeholders indicates that there is a greater shared perspective on addressing the major global sustainability challenges, including the need for social and environmental justice, than at any time since the FAIRTRADE Mark was launched nearly twenty years ago.

This report identifies the issues that are important to commercial stakeholders and highlights some innovative practice in addressing them. It does not seek to provide a precise prescription for resolving the challenges; they are too diverse and complex for that. Rather it aims to provide a starting point for further dialogues and debate about how the Fairtrade Foundation and its partners and stakeholders can 'go further' to deliver a better deal for smallholder farmers.

II. METHODOLOGY

This report is largely based on semi-structured interviews by KPMG on behalf of the Fairtrade Foundation, with 11 companies who currently work with Fairtrade.

The companies were selected to provide a range of experiences on working with smallholder-based supply chains covering the spectrum of supply chain actors from commodity brokers, manufacturers, and retailers. The interviewees also comprised both dedicated Fair Trade Organisations and businesses with a broader commercial focus, as well as consumer-facing brands and business-to-business traders. This range is illustrated by the chart below.

The records from interviews conducted by KPMG have been analysed further by the Fairtrade Foundation, cross referenced with themes emerging from Twin's research from last year, and this report is a synthesis of those processes. This report has drawn on views of commercial partners to examine how to make international supply chains work for smallholder farmers from a business perspective, but may not include more operational insights from partners. These have been captured in a separate report prepared by KPMG for the Fairtrade Foundation.

Specific comments in this report are not directly attributed to companies or individuals except for the case studies presented in the report. However, a list of interviewees is provided at appendix III and the Fairtrade Foundation is grateful for the time and thought they gave to the interviews and their collaboration with this project.

Company	Consumer brand	Retailer	Fair Trade Organisation	Intermediary trader	Product focus (1)
Armajaro				✓	Cocoa
Ben & Jerry's	✓				Various
Cafédirect	✓		✓		Coffee, tea and cocoa
Co-operative Group	✓(3)	✓			Various
Finlays				✓	Tea
Liberation	✓		✓	✓	Nuts
Marks & Spencer	✓(3)	✓			Various
Mars	✓				Cocoa
Nestle	✓				Cocoa
Tate & Lyle Sugars	✓			✓	Sugar
Traidcraft	✓	✓(3)	✓		Various
Tropical Wholefoods(2)	✓		✓	✓	Fruit and nuts

(1) Product focus refers to the focus of the interview for this project. The business interests of most companies, and their engagement with Fairtrade, is broader in most cases
(2) Tropical Wholefoods were not interviewed by KPMG but were contacted by Fairtrade Foundation during a later stage of the work
(3) Retailer own label
(4) Traidcraft is not a conventional retailer, but does sell products directly to consumers via its Fair Trader network, online and catalogue

III. SUMMARY OF THE PERSPECTIVE OF SMALLHOLDER FARMER ORGANISATIONS

In the previous phase of this project, the Fairtrade Foundation commissioned Twin to explore the perspective of smallholder farmer organisations on their experience and expectations in engaging with international supply chains.

The report looked at six smallholder farmer organisations producing cocoa, tea or groundnuts across three African countries (Cote d'Ivoire, Kenya, Malawi). It identified that each had their own objectives and priorities in engaging with Fairtrade which included strengthening their existing market positions, diversifying and transitioning to new ways of income generation (described respectively as 'hanging in, stepping up and stepping out'). The report noted that livelihoods approaches to development stress the importance of peoples' ability to engage and influence policies and processes that affect their lives as key determinants of vulnerability or security, which are as important in the reduction of poverty as an increase in income and assets. In this context, the report highlighted the following insights on how trading relationships can contribute to the empowerment of smallholder farmers.

- Buyers and traders need to go beyond complying with Fairtrade standards if their relationships with smallholder producers are to promote empowerment and development. This requires a shift in attitude and perception with buyers regarding farmers as active partners and not passive beneficiaries.
- External support is essential if the capacity of farmer co-operatives is to be developed but must build autonomy and independence to avoid creating unhealthy dependencies.
- Buyers and traders need to understand the constraints faced by co-operatives of smallholder farmers in balancing the need to retain cash for business investment against the distribution of profits to their members. These decisions depend heavily on access to affordable and appropriate financial tools.
- Price is just one factor in determining overall returns to farmers. The yield they get from their farms, the proportion of this that reaches the market (post farm losses due to spoilage can be high) and control of quality through growing, harvesting and distribution processes are all important in determining the overall net returns to growers. Interventions aimed at increasing yields depend on concurrent building of the processing, trading and financial capacity of co-operatives, all of which require a degree of price stability.
- Smallholder organisations welcome the development of physical traceability of products but many placed greater importance on strengthening the accountability and transparency of trading relationships and building two-way connections between producers and consumers.

These issues were all apparent in the discussions with commercial stakeholders undertaken for this report, although they clearly experience them very differently from farmers and co-operatives. This was most apparent in views of the relationship of price, productivity and quality, with farmer organisations placing a high importance on price levels and stability. On the other hand some buyers' views are that the gains from being able to sell more through increasing productivity and quality and reducing post-farm losses (which could increase volumes by a factor of two or three) would far outweigh any potential increase in price (which is likely to be a small percentage of current levels). These views are by no means mutually exclusive but buyers need to appreciate the fears of smallholder organisations that there may be no demand for additional volumes or that sector wide increases in volume may actually cause a price slump (as occurred in coffee in the 1980s), while smallholder organisations need to take account of buyer concerns that price protection has sometimes subsidised inefficiency and that this is ultimately unsustainable. It is clear from both pieces of work that both smallholder farmer organisations and the traders they sell to would benefit from a greater understanding of the realities facing their trading partners and that better two-way dialogue and information sharing is crucial in addressing the challenges of making international supply chains work effectively for smallholder farmers and companies.

IV. FAIRTRADE, SMALLHOLDER FARMER ORGANISATIONS AND A SUSTAINABLE FOOD SYSTEM

Smallholder organisations have been a particular focus of Fairtrade's work from its very outset.

Although Fairtrade also seeks to strengthen the position of employed workers and certifies larger plantations in some products, it has always been an explicit priority of Fairtrade to address the challenges faced by smallholder farmers in securing sustainable livelihoods by accessing global markets and this remains one of its defining features in today's broader sustainability arena. In some products, such as coffee, cocoa and nuts, the tendency for smallholders to be marginalised by larger actors in international supply chains (whether by agro-industrial plantations, large commodity traders or global brands) means that the scope of Fairtrade standards is limited to smallholder farmers. On the other hand, products like bananas and tea have been established within Fairtrade as a mixed model, recognising that a diverse supply base better serves market needs and allows workers in plantations to share the benefits of the Fairtrade system, while Fairtrade also certifies growers in sectors that operate solely through hired-labour plantations, such as cut flowers. In reality, the needs of smallholder farmers and farm labourers cannot always be compartmentalised and the income of rural families often comprises production from their own land as well as wages from off-farm employment. Fairtrade has thus recognised the need for a pragmatic approach to engaging with different scales of production but remains committed to strengthening the position of smallholder farmers within the sectors that are important to them.

This maintains the spirit of the original Fairtrade label (the Max Havelaar Seal launched in the Netherlands in 1988), which was a specific response to the problems experienced by Latin American coffee co-operatives following the collapse of the International Coffee Agreement that had helped to stabilise prices for the previous 30 years. That collapse, triggered by the departure of the USA (then, as now, the largest importer of coffee), symbolised the so-called Washington consensus approach to macro-economics and international trade relations in which agriculture was seen as 'the industry of poverty' from which people would escape through opportunities for development created by free trade. In this scenario, Fairtrade was accused of seeking to artificially protect smallholder farmers from market forces by subsidising outmoded and inefficient modes of production.

Fairtrade's early years were thus dominated by the need to counter these arguments, primarily by developing its framework for sustainable people-centred agriculture as its scope was extended to more products, but also in acting as advocates and educators on the importance of smallholder farmers as part of viable rural communities. For example, the minimum price that is specified in the standards for most Fairtrade products has often been incorrectly presented as a stimulant to over-production in a similar way to the EU's Common Agricultural Policy (prior to the Agenda 2000 reforms), ignoring the key difference that the Fairtrade minimum price only applies to contracts for product that will be sold in the Fairtrade system. Unlike subsidies or charitable support, Fairtrade represents an investment by producers in which they incur the costs of complying with the standards and for achieving certification but seek to recover these through additional revenues generated from Fairtrade sales. Fairtrade's minimum price and premium arrangements facilitate investment, whether in social, economic or environmental improvements, not only in contributing to capital costs but in reducing the uncertainty around future revenues. While in recent years there has been some halt to the relentless downward pressure on commodity prices of the past 30 years, this has by no means reversed the overall decline in value in real terms. Moreover, price volatility has increased and the uncertainty is a major barrier to farmers investing in higher productivity or post-farm processing and distribution.

By contrast the contribution smallholder farmers can make to a sustainable agriculture and food system that is capable of feeding the expected global population of 9 billion by 2050 within the capacity of the global ecosystem, is now widely recognised. In 2009, the G8 countries pledged to invest $22 billion in agriculture in the developing world to boost food security. Smallholder farmers were mentioned extensively in the outcomes of the Rio+20 summit in June 2012 with Article 52 of the Outcome Document recognising that 'small-scale farmers and fisherfolk, pastoralists and foresters, can make important contributions to sustainable development through production activities that are environmentally sound, enhance food security and the livelihood of the poor, and invigorate production and sustained economic growth'.[8] The document also called for improved access to local and global agri-food markets, more transparent and open trading systems and practices that contribute to the stability of food prices and domestic markets, improved access to information and enhanced interactions among farmers and experts through education and extension services. The role of smallholder agriculture in enabling women, young people and indigenous people in providing routes out of the poverty to which they were disproportionately vulnerable was also highlighted in the communiqué.

The UN's special rapporteur on the right to food elaborated on these calls by highlighting the importance of the political economy of food systems and the question of bargaining power, noting that small farmers face the unfairness of 'buying their inputs at retail prices but selling their crops at wholesale prices'. In order to have a stronger position in markets they need to form co-operatives and unions and he argued that governments should involve such organisations in the design and implementation of public policies. In his report to the 66th Session of the United Nations General Assembly in 2011, Dr Olivier De Schuetter focused on the need for equitable value chains and alternative business models in supporting the right to food. His office's summary of the report entitled *Farmers must not be disempowered labourers on their own land*, provides a striking endorsement of Fairtrade's approach (and includes a reference to Divine Chocolate as an example of a Fairtrade business model that empowers farmers).

In a speech to the World Farmers' Organisation, the President of the International Fund for Agricultural Development, Kanayo Nwanze, was unequivocal on the same point, saying 'the best way to create the conditions for poor farmers to grow their businesses is to support and work with their organisations.'[11]

Vietnam provides a telling example of how smallholder farmers can prove a potent force for development. It has gone from being a food-deficit country to a major food exporter, and is now the second largest rice exporter in the world, largely through development of its smallholder agricultural sector. In 2007, the poverty rate fell below 15 per cent compared with 58 per cent in 1979.[12] Since the world's 500 million smallholder farms provide up to 80 per cent of food in developing countries there is enormous potential to replicate this achievement in other parts of the world.

'We must empower smallholders to negotiate decent terms with buyers, and we must explore the most inclusive business models. Fair contracts should include minimum price guarantees, visual demonstration of quality standards, the provision of inputs at or below commercial rates, tailored dispute settlement mechanisms, and the possibility to set aside a portion of land for food crops to meet the needs of the family and the community. Without these checks and balances, the door is left open for produce to be summarily rejected, for farm debt to spiral, for labour to be sub-contracted without regulatory oversight, and for a region's food security to be undermined by production of export-oriented cash crops at the expense of all else. Farmers should be encouraged to consider forming co-operatives and joint ventures, where they can club together and access markets. We must empower farmers to consider business models allowing them to rise up the value chain. Above all, we must shed the straitjacket that says that agricultural development can only occur through large-scale, top-down investments. With the right support and encouragement, farmers can drive the change themselves.'[10]

Dr Olivier De Schuetter, United Nations General Assembly, 2011

V. KEY INSIGHTS FROM STAKEHOLDERS ON ENGAGING WITH SMALLHOLDER FARMERS

1. A holistic view of supply chains

While stakeholders primarily discussed their own engagement with smallholders, it was clear that even bilateral transactions have some dependencies on third parties, either as end customers or as providers of services to buyers or sellers. The decisions of retailers or brands in anticipating or responding to changes in market demand have the most impact on those further up the supply chain. Many stakeholders operating in the middle ground between the market actors and smallholder farmers felt that the former needed a better understanding of the impact of their actions but also saw great benefit from smallholders knowing more about the markets in which their products are sold. Access to finance, inputs and technical services are also critical success factors for smallholder organisations but are not often taken account of in transactions. The supply chains that connect smallholders to mainstream consumer markets are often a web of interdependent relationships and there is an increasing need for all parties to see the bigger picture as well as their own part within it. The experience of Fair Trade Organisations in reducing their reliance on intermediaries (or in the case of Cafédirect avoiding their use entirely) shows how this can add value and while buying direct from smallholders may not always be practical in very complex supply chains, the two ends of the chain can still communicate and share information more than is the norm currently. Many stakeholders also felt that there was a need to move beyond improving specific practices in existing supply chain models and move towards new structures based on ensuring mutual accountability and equitable sharing of risk, effort and reward.

2. Aligning the aims and objectives of all parties

Recent years have seen companies adopt a pro-active approach to sustainable sourcing to their whole business. By contrast, in Fairtrade's start-up phase, companies often looked to it to provide a 'ready-made' alternative to their conventional offering. The change has been driven partly by the success of Fairtrade (and labels such as MSC and FSC) in enabling consumers to express their demand for products that are fair to people and planet, but also by the increasing recognition among business leaders of the long-term threats presented to their business

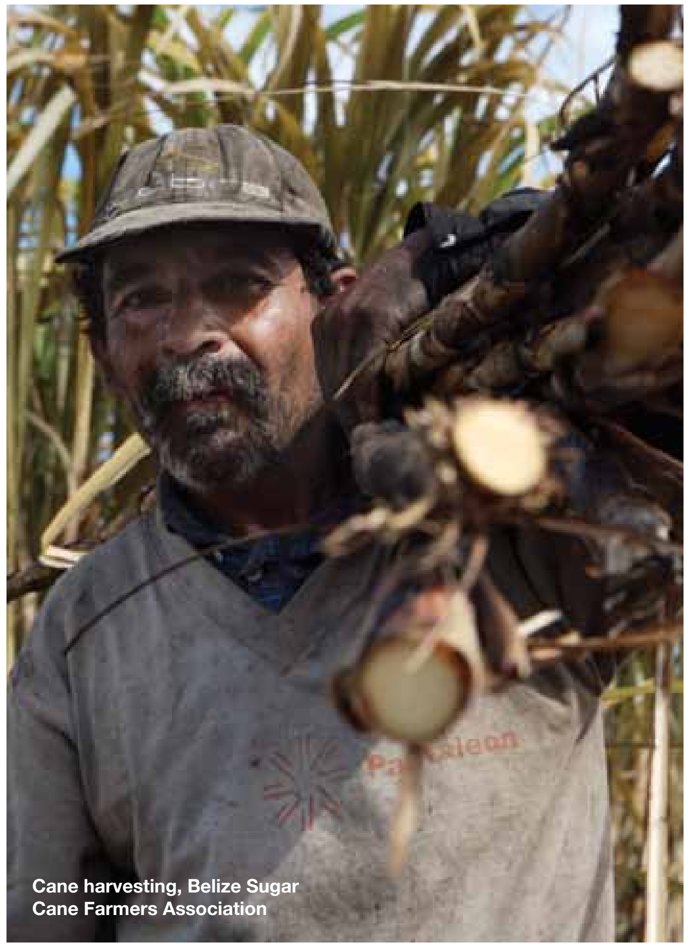

Fernando Calle Orozco picking cocoa, CEPICAFE, Peru

from global sustainability challenges such as climate change, food security, growing population numbers and scarcity of resources like oil and water. The new approach presents huge opportunities for business partnerships with Fairtrade to go further to improve the livelihoods of smallholder farmers, with the Fairtrade system itself operating a careful balance, providing more efficient and effective services to companies while retaining smallholders and consumers as the ultimate 'customers' of its work. Clearly everyone wants to see smallholder farmers enjoy a decent standard of living from supplying products to international markets but while this is an end goal for many companies, for smallholders it is a means to an end. For farming families, trade is not just a means of generating income but also of sustaining and developing the social and cultural fabric of their communities. Smallholder organisations (and the Fair Trade Organisations that have a role as advocates on their behalf) are concerned that pressure from companies may undermine the democratic nature of their organisations and the efforts of farmers to determine their own future, while companies are seeing mixed results from investment in farmer improvement programmes which may reflect a lack of alignment. In Fairtrade's experience, the success of any interventions among smallholder farmers depends on alignment with the goals of the families and communities involved and that is why its standards place a high priority on supporting democratically-run organisations of small farmers that involve their members in decisions.

3. Beyond minimum standards

Alongside the first two themes above, discussions with commercial stakeholders also repeatedly touched on the relationship of the issues involved with standards and certification and it is clear that good practice occurs in areas not covered by the minimum Fairtrade standards, for two reasons. Firstly it is hard to actually certify a relationship between two parties, let alone those applying across a complex multi-stakeholder supply chain. Although Fairtrade has gone further than most systems in determining aspects of the transactions between buyer and seller, by stipulating minimum guaranteed prices (in most products) and Fairtrade Premiums, like other social and environmental systems, its standards are oriented around specific operators who are then certified against those standards. Secondly, standards have always been intended as a framework for continual improvement that enables incremental change rather than offering a badge of perfection or end goal. This is especially important for smallholder organisations that need a system that recognises their current realities as starting points for engagement rather than creating a high bar that is impossible to achieve. The two factors mean that some companies are applying Fairtrade criteria more stringently than is required by the standards themselves, while others are creating their own rules for aspects of trade that have never been explicitly part of the standards.

Inevitably, some of the companies operating in these areas feel that some of their practices should be made obligatory as part of a process of continual improvement. Those companies expressed difficulty in differentiating their products among the many thousands that now carry the FAIRTRADE Mark and felt that they faced unfair competition from other licensees who did not invest in producer support and could apply these savings to promotion of their products. On the other hand, many stakeholders are aware that the efforts that Fairtrade (and other certification schemes) have made to ensure robust and credible processes in earlier phases of work have sometimes led to an over-reliance on standards and auditing which have sometimes added cost and complexity in excess of the value they have delivered. This issue was acknowledged by a recent report funded by The David and Lucile Packard Foundation, the Walton Family Foundation and Mars, Incorporated into the roles and limits of certification which noted that 'certification is best seen as one instrument in a portfolio of tools... and it is effective in bringing about rapid changes when market-leading firms use it to verify and enforce... better practice and performance'.[13]


Cane harvesting, Belize Sugar Cane Farmers Association

VI. HOW BUSINESS CAN GO FURTHER

Within the three key themes, a number of specific issues were raised by several stakeholders as areas where practice beyond the current minimum requirements of Fairtrade standards is needed, or where changes to the way the Fairtrade system currently operates could support better practices.

The many different contexts in which smallholders operate, the different products they grow and modes in which they are traded make it impossible to present a single best practice model that can be applied more universally. Rather they, and the case studies developed out of the stakeholder discussions, are presented as illustrative examples to inform and influence the further discussion and debate on how business could go further in their engagement with smallholder farming communities.

1. The business case for investing in the role of smallholder farmer organisations as social actors needs to be better recognised and supported

The role that democratic organisations play in helping smallholder farmers empower themselves and take more control over their future has long been recognised by the Fair Trade movement and in Fairtrade standards. Smallholder organisations have many different roles in developing countries – as democratic bodies accountable to their members they are part of a strong civil society and as trading businesses they are part of the private sector. Fairtrade organisations are also investing their premium in the provision of services that may complement or fill gaps in provision by the public sector. This means that they have to balance different demands and ensure that they are consulting and involving their members in decisions. As Twin reported, this balancing act extends to the need to retain cash for business investment against the distribution of profits to their members.

Fairtrade believes that this ensures better long-term outcomes as projects are more aligned with the goals of smallholder farmers and they feel a sense of ownership in implementing them. Twin's report stressed that successful projects were ones in which smallholders were active partners rather than passive beneficiaries and this is borne out by the experience of Tate & Lyle

Dickson Chatuwa picking tea, Sukambizi, Malawi

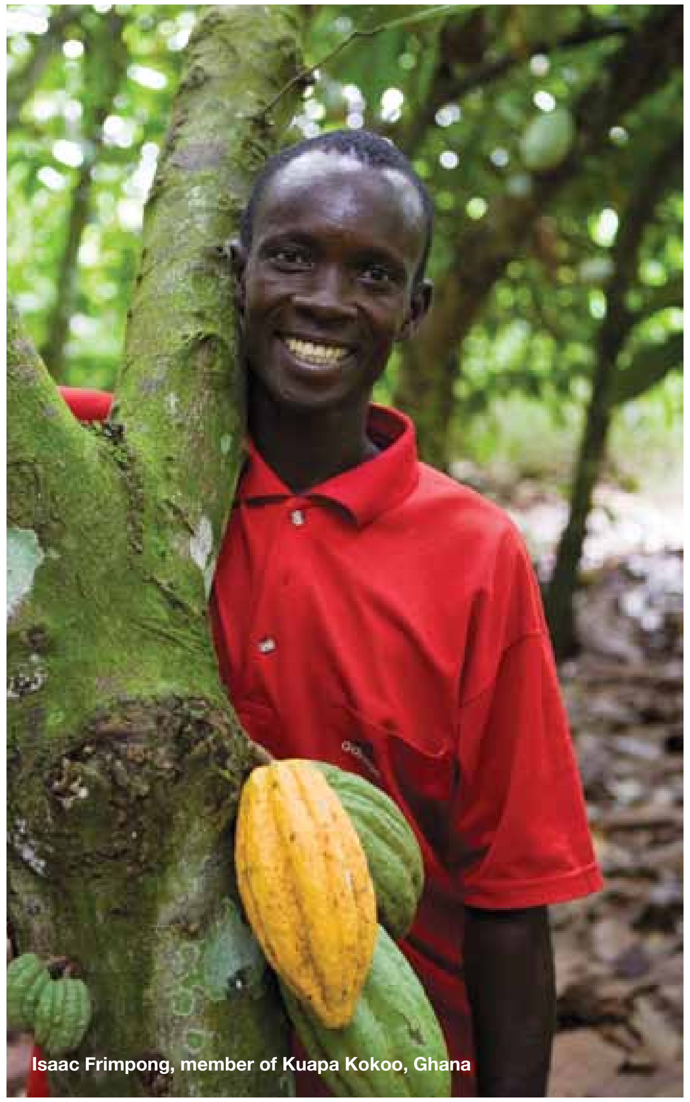
in Belize (see case study). Although not interviewed by KPMG for this report, the Cocoa Partnership developed by Cadbury/Mondelez (now part of their Cocoa Life initiative) recognises the importance of improving the livelihoods of cocoa farmers and cocoa growing communities – the smallholder is central to this vision. The Cocoa Partnership has supported farmers to organise into strong smallholder organisations through community action plans. They have done this with the help of their implementing partners (UNDP, VSO and Care International). Alternative approaches carry risk of failure because of lack of alignment with the needs and priorities of farming communities themselves and so an inclusive approach is essential. This takes time to do and so is a conundrum for companies seeking faster results in the short term.

As previously mentioned, this dilemma is most apparent in the different perspectives on price, productivity and quality in determining overall net returns for farmers and there are concerns that smallholders will either not commit to productivity programmes that they have not helped create, or that they will be taking decisions without fully assessing the risks. There are grounds for these fears. In many coffee-producing countries higher productivity has been achieved in part by increasing specialisation and monoculture. As a result, smallholders produce less of their own food and rely on their income from coffee to buy supplies. In Nicaragua and much of Central America, coffee farmers face three months when income from their coffee harvest (which ends in May) is depleted but the price of their basic food staples (which are not harvested until the autumn) are very high. This period is known locally as *'los meses flacos'* or the thin months and research by the International Centre for Tropical Agriculture (CIAT) among 179 farming families showed that farmers were experiencing hunger or going into debt to buy food, or both. While some community programmes and co-operatives, including co-operatives CECOCAFEN and PRODECOOP and NGOs like Save the Children and Catholic Relief Services, have started to address this by supporting coffee farming families to develop food production and alternative income programmes,[14] there is clearly a case for business to understand the need to balance increased production of export crops with local food security.

Another issue raised by stakeholders was around use of the Fairtrade Premium and the need for companies to ensure that their interest in supporting particular types of development projects is properly aligned with the choices of local people, for example between investing in improvements to health or education facilities.

2. Large brands and retailers need to have a better understanding of the context in which small farmer organisations operate

As previously mentioned, many stakeholders felt that there was a lack of understanding at both the farmer and retailer ends of supply chains of the context in which the other end operates. This was felt most acutely in terms of decisions made by retailers and brands on real-time market information while smallholder organisations face a much more difficult and time-consuming process to collect and analyse information, to understand problems and to build the capacity of their members so as to implement plans to correct them and strengthen their operations. One retailer said that increased exposure to smallholder organisations and the government and commercial organisations they have to deal with to export products, had led them to appreciate the challenges of overcoming entrenched business practices and structures. They had become more engaged in the producing country partly because of a risk of their Fairtrade suppliers being decertified and had subsequently secured resources for investment in the skilling-up of employees and building organisational capacity in order to maintain certification.



Isaac Frimpong, member of Kuapa Kokoo, Ghana

Companies who work through intermediaries also have an imperfect picture of the investment made by smallholder organisations in complying with standards and obtaining certification and the time needed to recover these costs through additional income streams, whether through higher prices or Fairtrade Premium. Several companies praised the work of Fairtrade Liaison Officers in helping smallholder organisations provide education and guidance to their members about this, so they can make an informed decision that ensures effective buy-in and long-term commitment.

3. Transparency of supply chains be increased as a tool for all participants

Transparency was a factor mentioned frequently by commercial stakeholders, both pro-actively from their perspective and in response to the remarks from Twin's research among smallholder organisations. These discussions were significant in developing the analysis that a more holistic approach to supply and value chains is required in order for them to become more equitable and sustainable. Greater traceability of the origins and destinations of products and increased transparency about what the different parties bring and take to the value chain are both prerequisites for a new form of governance of value chains that is based on mutual accountability for sharing of effort, risk and reward. This is fully aligned with the finding by Twin that smallholder farmers saw physical traceability of products as a means of strengthening accountability and transparency of trading relationships and building two-way connections between producers and consumers.

Most of the companies interviewed for this report accept that physical traceability as a norm for products that are produced by hundreds of thousands of smallholder farmers will take time to develop but that it remains an important long-term goal in addressing consumers' expectation about the provenance of products, managing risk along supply chains, and for companies to understand the results of their interventions to improve production practices. Meanwhile implementation of physical traceability has to take account of the burden of administrative costs on those who have already invested in complying with standards such as Fairtrade and there was widespread support for Fairtrade's approach to balancing this issue through the use of mass balance (more details in appendix I). However, there is a need for greater recognition of traceability as not a one-way but a two-way process between producers and companies at the other end of the supply chain. Liberation's work with NASFAM in Malawi and Traidcraft's project with smallholder tea farmers in Malawi demonstrate the value of feeding back information from the market in efforts to improve quality.


Fayson Tchale picking tea, Malawi


Marvin Cascante Lobo, coffee farmer, Costa Rica

While traceability deals with the physical movement of goods across the supply chain, transparency about costs and the flow of money between the parties at each link of the chain is closely connected to this and was given a lot of attention in these discussions. The Fairtrade system itself is part of this broader value chain and is also under increasing scrutiny for the financial benefits that companies pass to smallholder organisations by paying the Fairtrade minimum price and premium and for the money that the system receives from smallholder organisations and companies in certification and licence fees, as well as from donors for development work with smallholder farmers. Companies interviewed for this report expressed concern that it was not easy to understand these flows of money, how they were used and how the value received can be measured, with some suggesting new toolkits were required to do this more effectively. This is increasingly important as executives in large companies implement sustainability programmes with smallholder farmers either directly or in partnership with other standards and certification schemes, in addition to Fairtrade and have to justify their investment decisions to boards and shareholders. Companies placed huge importance on the need for better information about how smallholder organisations used their Fairtrade Premium, especially those that received very large amounts such as the largest certified organisations working in sugar and cocoa, as well as on the costs, expenditure and benefits of the Fairtrade system.

4. Transparency is a means to a greater end of mutual accountability across the whole supply chain

As mentioned in point 3 above, traceability and transparency are tools to build accountability and when companies questioned the transparency of financial flows to suppliers of products and to external actors such as those in the Fairtrade system, they are really looking to hold those recipients to account for delivering value and impact. This is a legitimate concern on the part of commercial stakeholders but there was much less recognition of how market-based companies, especially the brands and retailers who receive the largest share of the final price paid by consumers, can be more accountable to their supply chain partners.

Companies need to recognise that there is a powerful business case for a new approach to value chains based on equity and mutual accountability.

This will provide traction for the investments companies are making in helping smallholders improve yields and returns by raising productivity and quality. There has been a well-recognised development of stakeholder relations in corporate social responsibility work from 'tell me to show me to involve me' and smallholder farmers deserve the same respect and need to understand why they are being asked to do things in a particular way rather than just being told to do so. Although not interviewed for this report, examples from the connections established between smallholder banana farmers from the Windward Islands and Dominican Republic and UK fruit importers help to illustrate this. A challenge for large supermarkets in buying bananas from smallholder organisations is that they will inevitably find it harder to supply large volumes of fruit with the same level of consistency from hundreds of individual farmers as larger plantations do from just a few packing stations. This often leads to quality claims against smallholder organisations who struggle to understand why this has happened since they thought the fruit that left their farms was of excellent quality. Banana co-operative leaders who have had the opportunity to visit UK supermarkets and ripening plants in Britain and see what happens to their fruit after it has been exported, have reported a much better understanding of the need for precise specifications and can then implement more effective training of their farmer members, resulting in improved quality and lower rejections of fruit after shipping. Many banana producers would also like to take this issue further and have a dialogue about the cost of the current requirements in wasting a significant amount of bananas both at source and further down the supply chain, increasing food waste.


Nofita Chikodzera tends her groundnut crop, Malawi

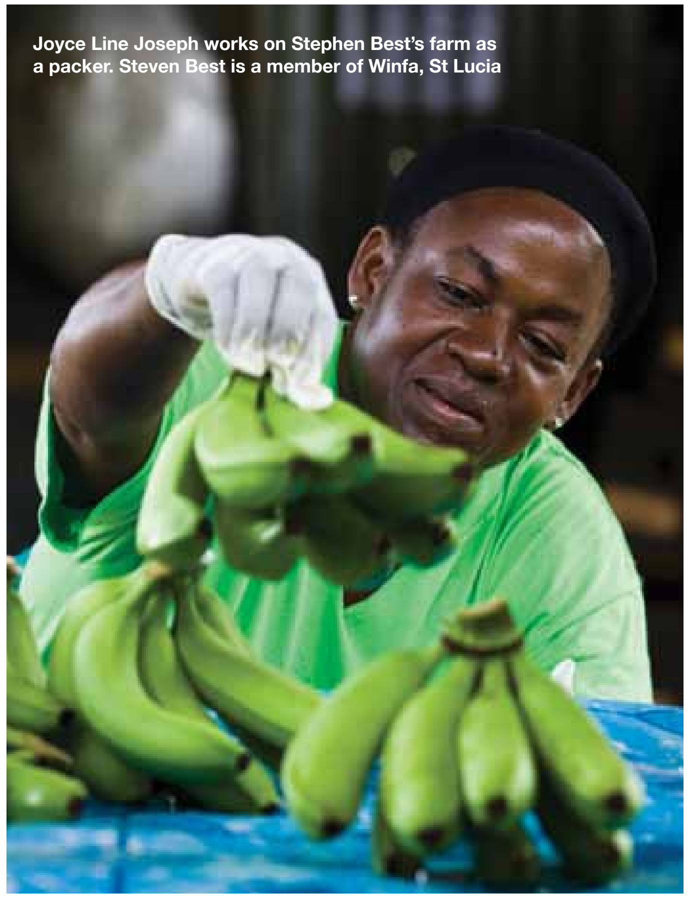
Brands and retailers also need to lead by example in developing genuine accountability or there is a risk that their demands for transparency will be seen as a case of 'do as we say, not as we do'. For example, companies interviewed for this report expressed frustration at the difficulty of obtaining information on how smallholder organisations used the Fairtrade Premium. However, Twin's report had identified that smallholder organisations feel there is little understanding among their trading partners about the tensions they face in balancing the different needs of their members in distributing surplus cash, building the capacity of their organisations and investing the Fairtrade Premium. There is a significant risk in these situations of smallholder organisations being influenced by their trading partners, with all good intentions but the risks of unintended consequences or a dependency trap. More direct supply chain relationships could lead to greater shared understanding between trading partners. Fair Trade Organisations continue to advocate their model of direct relationships with smallholder organisations as the best way of ensuring mutual accountability and several would like to expand their service offer in this area to companies. While large companies are doubtful that they could buy more directly from smallholders, this was often presented in terms of how unrealistic it would be to buy from 'thousands of individual farmers', with much less recognition of how smallholder organisations could provide a more manageable supplier base. In contrast, the model of supply chain management that Ben & Jerry's have adopted that involves Sustainable Harvest and Tropical Wholefoods as intermediaries with broader roles than simply sourcing and supplying product, is an interesting model in this regard.

5. More and better partnerships are crucial to help smallholder farmer organisations develop their full potential in fair and sustainable trade

Probably the most common feature emerging from examples of successful engagement with smallholders offered by commercial stakeholders was the involvement of third parties in collaborative work. It is clear that the challenges of securing long-term product supplies while helping farmers play their part in this while coping with climate change, food security and increasing scarcity of oil, water and other resources are too complex for any single actor to address effectively and need a range of support services. It's also clear that while a trading relationship provides a good foundation for identifying barriers to more and better business and a framework of mutual interest to tackle these, there is also a need for other actors to be involved.


Ramigia Moya, cocoa farmer and member of CONACADO co-operative, Dominican Republic

Partnerships with government and donor institutions play a very important role in providing resources for projects that may otherwise be too risky for most commercial businesses to undertake alone. DfID's FRICH fund is a prime example which has been taken up by several companies interviewed, with a number of projects that have helped smallholder farmers from countries marginalised through problems such as conflict or natural disasters establish or regain access to global markets. Public investment also provides the means for companies to engage with such



Joyce Line Joseph works on Stephen Best's farm as a packer. Steven Best is a member of Winfa, St Lucia

projects without being restricted by their own sourcing considerations so that new opportunities for producers can be developed. This is apparent in the consortium-project to assist smallholder coffee growers in the Democratic Republic of Congo realise the value of their speciality coffee. The project has involved Sainsbury's, Twin Trading and Finlays and has resulted in coffee being sold to Belgium, USA and Japan as well as to the British supermarket. Similarly, Marks & Spencer's project with Iria-ini Tea Factory (see case study) is a multilateral partnership and has opened up market opportunities beyond Marks & Spencer's own stores.

Fair Trade Organisations also play an important role in facilitating partnerships between smallholder organisations and mainstream businesses by being able to understand and communicate the different perspective of the parties and to bridge the gaps in understanding. Their experience of working with organisations to build capacity in a sustainable way through education and dialogue on issues such as gender awareness as well as providing appropriate technical support looks like an increasingly valuable asset in a commercial environment where that knowledge and experience is in short supply. There were calls in the interviews for the Fairtrade system to develop better matchmaking services that could help connect different providers with potential clients for their products and services both within supply chains (e.g. to help source specific product requirements) and alongside the supply chain (to find the right service providers to tackle improvements).[15] Several companies also highlighted the increasingly effective role played by Fairtrade International's Liaison Officers in this regard. Both Fair Trade Organisations and Fairtrade Liaison Officers are also recognised as agents who can support smallholder organisations to build their capacity to manage these processes autonomously, and thus minimise the risks of creating dependency that were highlighted by Twin in their report.

6. Sustainable sourcing needs to be supported by appropriate economic interventions rather than relying solely on market mechanisms

There has always been fierce debate around Fairtrade's approach to how smallholder organisations can secure fair prices in global supply chains for their crops. The first Fairtrade product label[16] was established as a specific response to the impact on smallholder farmers of the International Coffee Agreement in 1988 and instituted the minimum guaranteed price and premium which have remained a constant part of Fairtrade standards. For most of its history, this has placed Fairtrade in direct opposition to prevailing policies of rapid liberalisation of markets, a position that has often been misconstrued as opposition to free trade per se rather than concern about the impact on the poor of dogmatic and over-rapid liberalisation. These concerns are now expressed more widely by prominent economists than was the case for most of Fairtrade's history. For example, Cambridge University Professor Ha-Joon Chang has pointed out that all of today's 'developed countries' built their national industries through protectionism and that it is unfair of them to 'kick away the ladder' from developing countries by preventing them from doing the same.[17] Former Chief Economist of the World Bank, Joseph Stilgitz has also criticised the way poorer countries have been pushed by institutions like the International Monetary Fund to liberalise markets without first having the degree of market information and institutions available to richer countries, and the disastrous impact of these pressures on poverty.[18]

Nevertheless, some companies interviewed for this report continue to reflect and endorse the free market model and claim that it would be impossible for them to source effectively at the scale required for their businesses outside of conventional commodity markets for products like coffee and cocoa. There remains concern amongst some respondents interviewed that the minimum Fairtrade price and premium taken to scale could result in a distortion of market dynamics, although they would be prepared to see these as temporary and conditional market incentives linked to improvements in productivity or quality. Companies trading with cocoa farmers in Ghana and Cote d'Ivoire placed higher importance on the potential for doubling or tripling yields through technical improvements and suggested that Fairtrade should seek to incentivise these so that farmers could increase their incomes by selling more even at conventional market prices.

However the perspectives of smallholder farmers in the global South reveal a more complex dynamic at play. Twin's research showed that farmers fully understand the maths behind the argument that productivity may be as, if not more, important than price in increasing their overall net returns. Indeed, Fairtrade's recently published monitoring and evaluation report indicated that smallholder producer organisations invested over 50 per cent of Fairtrade Premiums they received into productivity, processing and business improvement activities.[19] However, their concerns are that there is no guarantee that there will be buyers for the extra volumes they grow, or that current price levels will be sustained if supply was increased. While agricultural commodity prices have generally increased in the last few years, this has by no means reversed the unremitting decline experienced in most sectors over the past 30 years and many prices in real terms remain at or below the levels of the 1970s. For those interested in increasing yield and productivity, as well as stronger and more long-term commitments from the market to support investment by smallholder farmers, their organisations need, at the same time, to develop their processing, trading and financial capacity and (as Twin reported) these also require a degree of price stability.

This is why Fairtrade has always recognised that the improvements and best practice envisaged by ethical or sustainability standards require additional resources to fund the changes, and this is why it has sought to incorporate a minimum price guarantee and premium payment into its trade standards.

Water pump funded by Fairtrade cocoa sales, CONACADO, Dominican Republic

The different perceptions on price stability are of course not unique to Fairtrade, or even to agriculture, and are dealt with in other sectors by ensuring good access to the right financial tools. The lack of access to affordable credit by co-operatives was why Fairtrade standards have always aimed for buyers to provide pre-finance for their contracts on request. As with the Fairtrade minimum price, pre-finance was a vital tool during the years of low prices but companies are recognising the need for a broader range of financial tools in the current environment. Although the supply of working capital through social lenders such as Shared Interest and Oikocredit has increased it has not done so in line with the growth of the Fairtrade market and cannot always cope with periods of volatile price movements.

Some companies' experience of smallholder sourcing (both inside and outside Fairtrade) has been coloured by disruptions to their supply when prices peaked and farmer organisations could not access sufficient credit to buy crops from their members, leading to contract default. At the same time, the investment that smallholder organisations need to make in their processing, distribution and marketing capacities need a wider range of financial tools and more joined-up thinking so that long-term loans for structural improvements do not weaken an organisation's balance sheet and limit its ability to secure working capital. Recognising the need for new credit mechanisms, Fairtrade International has now partnered with the Grameen Foundation and Incofin Investment Management to establish a new Fairtrade Access Fund, providing affordable loans to smallholder organisations.

It seems clear that in many sectors companies are already experiencing (or expect to see in the near future) symptoms of market failure which present a risk to continuity of supplies. Simply looking to the market itself to deliver solutions is unlikely to catalyse the necessary funds for producers to invest in scaling-up sustainable production. Instead, there is growing recognition that additional economic interventions are required to enable all parties to plan for the future with confidence and in collaboration.


Deles Gussie, Dominica. Gussie is diversifying into grapefruits, coffee and spices to help sustain his business during difficult times

7. Increasing recognition and communication in relation to businesses going further than Fairtrade minimum standards

Companies who go further than minimum Fairtrade standards need more recognition and support from the Fairtrade system. This might come from different ways of setting standards, certifying against them, or communicating the different ways companies engage with smallholder farmers.

The themes analysed in the preceding paragraphs emerged from a number of discussions around the role of Fairtrade standards and certification in developing more sustainable production and trade of global food commodities. The interviews demonstrated a wide range of needs and expectations among companies of what the Fairtrade system should deliver in the future. In some cases there was also some confusion about what the system currently guarantees and so a brief summary of the Fairtrade standards framework and how it is evolving is provided at appendix I.

The need to 'go further' than minimum Fairtrade standards in driving the type of change that helps smallholder farmers secure sustainable livelihoods is integral to this report, and was prominent in the earlier work by Twin. What is less clear is the extent to which Fairtrade standards should respond to the development of good or best practice among Fairtrade stakeholders. On the one hand are companies (including several interviewed as part of this study) who feel that some of their practices should be made obligatory so that there is a more level playing field and that they are not facing unfair competition from companies who do not invest to the same extent in producer support and capacity building, in sharing of information and in assisting with access to finance. On the other hand is the well-recognised risk of adopting a 'one size fits all' approach in prescribing good practice from one context to the wide range of countries, products and production and trading methods that are covered by Fairtrade standards.

Balancing these factors has long been part of the job of the Fairtrade Foundation and its partners in the global Fairtrade system. This is why standards are set through a participative multi-stakeholder process that seeks to balance the needs of both smallholder farmers and trading companies. Applying simple standards too rigidly and inflexibly makes the system over-complex and expensive for operators and tackling this has been the focus of recent work in revising standards for smallholder organisations. The new framework, a set of guiding principles, simplifies core compliance criteria and provides a template for smallholder organisations to orient certification around their own development plans, while requiring some changes across the range of social, environmental and economic factors addressed by Fairtrade standards. This framework is also more empowering for smallholder farmers as it allows them to determine their own needs and priorities. The Fairtrade Producer Networks, which represent certified smallholder and worker organisations within Fairtrade International, recognise that this also requires them to improve the demonstration of impact and they are keen to do so. The new standards framework will therefore help facilitate the process of greater transparency and accountability that this report has argued for.

It's also important to provide simple and accessible messages to consumers without over claiming and undermining the hard-earned trust in the FAIRTRADE Mark. While a more flexible approach to standards eases the burden on smallholder organisations and their trading partners, it becomes harder for the Fairtrade Foundation to communicate the core Fairtrade proposition that the Mark itself represents (and therefore applies to all products on which it appears) and what development impact arises from the way in which companies and producers engage with Fairtrade principles and 'go further' than the minimum standards.

Companies also acknowledged that this is not the best time to experiment with more complex messages. Ethics remain important to consumers but as disposable incomes for most UK families are squeezed, value-for-money will be higher on their agenda. Companies welcomed the new approach to standards and certification and hope that reducing complexity will also reduce costs and are keen to help develop tools that differentiate among Fairtrade products, as long as the core function of the FAIRTRADE Mark – to differentiate between Fairtrade and conventional products – is secure.

VII. CONCLUSIONS AND NEXT STEPS

The Fairtrade Foundation intends this report to be a contribution to a much-needed debate on how smallholder farmers can be better connected to global markets.

While this report suggests that business can do more to pursue this objective – and highlights several examples of where progressive companies are doing just that – the report has sought to indicate how business is one actor in a series of partnerships. Concurrent with this report, the Fairtrade Foundation is publishing its agenda for a fairer food system which calls for greater investment in sustainable agriculture by governments and development assistance donors by strengthening smallholders' tenure of their land, increasing access to extension services, credit and climate adaptation finance, as well as improving physical and economic infrastructures that currently hamper the development of sustainable communities and business development. The Fairtrade Foundation will also continue to develop its work with consumers to raise awareness of their role in a fair and sustainable food system by supporting and engaging with the grassroots networks of Fairtrade Towns, Schools and Universities and Faith Groups to increase public understanding of how the food we buy in our local shops and markets impacts on the lives of smallholder farmers around the world. Finally, the Fairtrade system has recently concluded a fundamental governance review which gives smallholder farmers and workers, through their regional networks, much greater responsibility for planning and delivery of Fairtrade's work. Fairtrade Producer Organisations are eager to play their part in this new structure which embodies the principle of empowerment that is at the heart of Fairtrade, and they recognise their accountability for achieving and demonstrating genuine development impact.

Companies can therefore play their part in taking forward the ideas presented in this report through all of those channels. Companies have a powerful voice in influencing government policies and strategies and need to consider how they can use this to convey their experience of working with smallholders and encourage investment in a fairer food and farming system. Companies also play a hugely important role in 'choice editing' on behalf of consumers; this was highlighted as far back as 2006 by the government-sponsored Sustainable Development Commission.[21] But most importantly, they engage with smallholder farmers through their supply chains and so there is both a need and an opportunity to develop new approaches to delivering greater impact and business/farmer win-win models throughout the supply chain. As Albert Einstein famously remarked, it is insane to expect a different result from doing the same thing over and over again.

As the Fairtrade system embarks on the process of improving its work with smallholder farmers, it looks forward to a constructive dialogue on the issues raised in this report and welcomes the ideas of its commercial stakeholders to turn thinking into action.

Justino Peck clearing his cocoa field, TCGA, Belize

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[1] UK Fairtrade sales figures for 2012 are available on 25 February 2013 – check www.fairtrade.org.uk for latest information

[2] Fairtrade International has 25 members who are responsible for promoting the FAIRTRADE Mark to markets (in addition to three members for Africa, Asia and Latin America whose primary role is representing producer organisations). The performance of market-facing members is measured by overall sales of Fairtrade products (where Britain is ranked #1) and sales per capita

[3] Making international supply chains work for smallholder farmers: A comparative study of six fair trade value chains (Fairtrade Foundation, May 2012)

[4] In May 2011, Fairtrade International introduced a new standards framework for Small Producer Organisations, with a stronger emphasis on producers selecting their own development priorities as part of a process of continuous improvement over time. The full standard is available at www.fairtrade.net/942.html

[5] The Fairtrade system refers to the network of Labelling Initiatives and Producer Networks who work together and through Fairtrade International and FLO-CERT GmbH, to provide policies, standards, producer support, certification, licensing and promotion of the FAIRTRADE Mark. Roles and responsibilities are explained in more detail in Appendix II.

[6] UK Fairtrade sales figures for 2012 are available on 25 February 2013 – check www.fairtrade.org.uk for latest information

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[13] State-of-Knowledge Assessment of Standards & Certification http://www.resolv.org/site-assessment/towardsustainability/

[14] After the Harvest: Fighting Hunger in the Coffeelands http://aftertheharvestorg.blogspot.co.uk/p/film.html

[15] Refer to appendix II: Roles and responsibilities in the Fairtrade system, where role of Global Product Management is explained

[16] The Dutch initiative Stichting Max Havelaar was the first 'Fairtrade' label in the world and was launched in November 1988

[17] Kicking Away the Ladder: Development Strategy in Historical Perspective, Ha-Joon Change, 2002. ISBN 978-1-84331-027-3

[18] Globalization and Its Discontents, J.E. Stiglitz, 2002. ISBN 978-0393051247

[19] Monitoring the Scope and Benefits of Fairtrade, 4th edition, January 2012. Available at http://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/2012-Monitoring_report_web.pdf

[20] The Fairtrade Access Fund was launched to investors by Fairtrade International, Grameen Foundation and Incofin Investment Management in April 2012, and its first loan to COPROCAEL coffee co-operative was announced on 6 February 2013. http://www.fairtrade.net/single_view1+M5e0ac2377e5.html

[21] I Will If You Will – Towards Sustainable Consumption was produced jointly by the National Consumer Council (NCC) and the Sustainable Development Commission (SDC) in May 2006 with funding from the Department for Environment, Food and Rural Affairs and the Department of Trade and Industry (now the Department for Business Innovation & Skills). http://www.sd-commission.org.uk/publications.php?id=367

TATE & LYLE SUGARS – HOW ORGANISED FARMERS ADD VALUE IN BELIZE

Tate & Lyle Sugars has been buying cane sugar from developing countries for refining in Britain for over 150 years and has been a major buyer of sugar from Belize since the 1960s. Belize is one of the African -Caribbean-Pacific countries, mainly former colonies that in the 1970s were promised preferential reduced import tariff access to the European market to compensate them for the subsidies offered to European growers of beet sugar.

As a result, sugar became hugely important to the economy of the country with 6,000 smallholder growers supplying an industry that employs a total of 40,000 people; this is over 12 per cent of the total population and closer to 85 per cent in the main growing areas in the north of the country. The reform of the European Union's sugar regime from 2006 opened the market to large-scale industrialised sugar producers such as Brazil, bringing fierce competition to Belize's small-scale domestic operations. The phasing of the reforms has meant that Belize has retained a quota that can be sold to the EU without import duty, but prices fell by 36 per cent between 2009 and 2011 and this cost the Belize sugar industry $12 million, of which $8 million was borne by growers. Their future depends on being able to increase their competitiveness through higher productivity and better quality, while continuing to protect their environment; nearly 60 per cent of the country is covered by tropical forests and tourism is the largest foreign exchange earner.

However, the way sugar is processed and traded makes it difficult to make these improvements among individual growers. Tate & Lyle Sugars buy raw sugar from factories in producing countries like Belize and refine it into finished products in Britain, while the factories buy sugar cane from farmers which they have grown and cut on their farms to produce the raw sugar for Tate & Lyle Sugars. The quantity of refined sugar that Tate & Lyle Sugars can produce from a tonne of sugar cane after it has been through the local mill and their UK refinery (which affects the price they pay back to Belize) depends on several factors that are beyond the control of individual farmers. Even where a farmer can improve the quality of their own production, they cannot get the benefit of this as their sugar cane is processed in bulk along with that from all other growers.

The Belize government, the sugar industry and Tate & Lyle Sugars recognised that any effective strategy therefore had to address the dependencies of each part of the supply chain on the rest. The importance of partnerships was embodied in Tate & Lyle Sugars' announcement of their conversion programme under the banner of Fairtrade for All. The Belize Sugar Cane Farmers Association (BSCFA) has been central to this. It had represented growers since 1960 but has taken on a much larger role as the body through which farmers have engaged with Fairtrade. BSCFA has developed technical support programmes to help farmers improve soil management and water use and has strengthened its position in negotiating with the sugar mill. Meanwhile the factory has embarked on a programme to increase efficiency and environmental standards, which has included a $60 million investment in using the residue of the cane to produce electricity. The way that sugar is collected from farms and delivered to the factory has also been improved; in the past the cane deteriorated in the lengthy queues for processing but by working together the growers, the factory and government bodies have significantly reduced queuing times.

Interviewed for this report, Tate & Lyle Sugars admitted that the initial stages of the process had not been easy and their commitment was stretched as they, their trading partners and the Fairtrade system addressed the challenges of developing partnerships. BSCFA lacked capacity at first to make effective choices about investing the premium to create long-term social and economic value and it was important to help them assess their needs and decide on their priorities among economic, social and environmental issues. Fairtrade Premiums are now being invested in a wide range of projects including improved field management (field rehabilitation, pest control, fertiliser and other inputs) and social and community projects (education, care of the elderly, improvements to community buildings).

The company recognised the need to provide a firm financial commitment each year to BSCFA so that plans could be implemented more quickly and were not so dependent on cashflow from the sale of sugar. They also helped develop a mentoring system that aligns Fairtrade compliance with the relationships among local stakeholders, and the additional transparency gained through this system has provided information to increase efficiency. The local Fairtrade Liaison Officer played an important role in helping BSCFA implement the standards in a way that was sensitive to the Belizean context and to develop the capacity to plan and manage the use of the premium. As a result, all stakeholders (including bodies such as WWF and the Sugar Research Council) have formed an advisory board that guides BSCFA's General Assembly on their investment plans.

Overall, the Fairtrade for All programme and its partnerships has seen crop quality improve, yields increase by around 30 per cent and has helped build capacity and versatility in the supply chain. It has been so successful that Tate & Lyle Sugars is applying the lessons from Belize with its other producing partners. Most importantly from Fairtrade's perspective, these results are aligned with the needs and aspirations of farmers and this is one of the reasons the programme has been successful. This was summed up by one of the BSCFA members, Alfredo Ortega, who said 'We are very happy that we are using premium funds for social and environmental projects that enhance farmers' lives. We want to ensure that if our farmers' children want to be cane farmers, they can, but if they want to go to university, they can do that too.'





CAFEDIRECT –
BUSINESS FROM SCRATCH IN SÃO TOMÉ

Cafédirect is a pioneering fair trade business that has been working to deliver tangible development impact through successful and sustainable business operations for over 20 years. The two aspects are intertwined in the DNA of the company which is part-owned by the grower co-operatives that supply the business who elect two members of the company's board. Reinvestment of profits in producer support has always been a part of Cafédirect's business model and is over and above the Fairtrade Premium for the crop. Since 2009 these funds have been managed through the Cafédirect Producers' Foundation (CPF) , a grower-owned independent charity that works directly with Cafédirect's 38 smallholder organisations across 13 countries, reaching over 280,000 coffee, tea and cocoa farmers across East Africa, Latin America and Asia. In contrast to most development programmes, the grower organisations put forward the projects that will best meet their individual challenges and therefore have most impact on their particular business and community – a bottom up approach rather than top down. CPF enables co-operatives take leadership of training initiatives and information services that smallholders need to improve their farms and livelihoods and to share information and knowledge with each other. As a registered charity, CPF can also raise funds from international development donors and philanthropists and other sources to complement the funds generated from Cafédirect's business operations.

The Cafédirect brand is strongly associated with the FAIRTRADE Mark by retailers and consumers. It was the first coffee brand to carry the FAIRTRADE Mark in 1994 and its entire product range has long been certified to Fairtrade standards. But the company sees compliance with the Fairtrade standards as the starting point of their relationship with producers, not the end goal. The company has described its business model as a global farmers market, helping to bring growers and consumers closer together and to deliver the maximum value to both sides; to achieve this the company needs to know the growers they are working with and trade with them directly. Along with other Fair Trade Organisations, Cafédirect also aims to reach out to new growers who could benefit from their work, as well as developing relationships with co-operatives who are already certified.

A great example of Cafédirect's pioneering principles in action can be seen through the development of their São Tomé hot chocolate in 2008. Cafédirect saw an opportunity to offer a premium hot chocolate drink and decided it needed a new growing partner. The company had well-established links with cocoa producers in Dominican Republic and Peru but wanted to develop links with Africa which at that time supplied just a small proportion of cocoa sold as Fairtrade. West Africa, which supplies the most cocoa to the conventional market, was becoming increasingly prominent in the Fairtrade system through the partnership between Kuapa Kokoo and Divine Chocolate in Ghana and then the subsequent engagement of companies like Cadbury/Kraft, Nestle and Mars with Fairtrade programmes in Ghana and Cote d'Ivoire. Cafédirect sought to have the greatest development impact at origin whilst ensuring the best quality product being brought onto the market, and after researching opportunities in Sierra Leone, they selected São Tomé & Príncipe. São Tomé (the larger island of the two making up the nation of 170,000 people) occupies just 600 square miles of which one-third is covered in rainforest. The high quality criollo bean has been grown on the island for centuries, gaining it the nickname of 'Chocolate Island' amongst chocolate connoisseurs. Cocoa exports provided 95 per cent of the country's export earnings in 2009 and were worth more than $13 million yet the country remains one of the poorest in the world with most of the profits taken by local traders who travel around farming areas buying unrefined 'wet' cocoa at the roadside.

Cafédirect found an opportunity to bring an entire community onto the global cocoa market so they would no longer be dependent on miserly local traders. The four-stage programme to establish co-operatives and develop their capacity to export a high-quality product took two years. The first step was to build volume by getting the farmers to work together so that collectively they had a sufficient quantity of cocoa to export. The second was to teach the farmers the skills of fermenting and drying so that they could improve quality and add value to the raw crop and the third was providing the tools and equipment for farmers to apply their new skills. The final stage was to secure Fairtrade certification; this was not only so the product could carry the FAIRTRADE Mark, but so the growers could also access the entire international Fairtrade market in addition to the conventional market. The company's investment in this programme was complemented by funding from the United Nations' International Fund for Agricultural Development (IFAD) and UK Department for International Development (DfID); donors that were attracted by the company's business know-how, track record in bringing products to markets and the desire to make the project sustainable beyond the limited timeframe of the donor funding.

More than 750 cocoa farmers from 11 communities in São Tomé are now part of the CECAQ –11 co-operative selling Fairtrade cocoa and even before the Fairtrade certification they have been reaping the benefits of cutting out the middleman and trading directly. Whereas previously farmers were selling their wet cocoa at around £0.21 pence per kilogramme, they now sell to the co-operative for at least £0.25 pence per kilogramme, while the co-operative earns another £0.82 pence from drying and processing. This is a five-fold increase for every kilogramme of cocoa that is harvested and in addition to this, if the cocoa is sold as Fairtrade, the co-operative receives an additional premium of £93 per tonne. Cafédirect cites the São Tomé project as a compelling example of a public/private partnership that has delivered a very complex project from scratch in a relatively short space of time. Despite the speed, it was important for farmers to make their own choices about participating. One of the communities approached by Cafédirect was geographically very close to the base of a large trader who carried a lot of influence and obviously opposed the idea of a co-operative. They experienced extreme pressure from the trader not to join the new co-operative, and eventually judged the risk of committing to this new way of doing business to be too great. This demonstrates just how much faith and commitment the communities also invest in a project like this.

The two-year turnaround for such a complex development project was incredibly fast, however in the world of fast moving consumer goods where Cafédirect sells its products the timescale seemed like an eternity. São Tomé is now stocked in Waitrose and there is an equally big challenge in communicating the powerful story behind this product to consumers in the few seconds they spend browsing the shelves. There is also the challenge to convince retailers to keep stocking the product and make clear the part that they play in the success of this incredible journey.

Photography: Cafédirect

BEN & JERRY'S –
PROMOTING SUPPLY CHAIN PARTNERSHIPS GLOBALLY

Super-premium ice-cream brand Ben & Jerry's created a business model based upon a sustainable business concept of linked prosperity, combining social, product and economic values. They sum it up as 'making the best possible ice cream in the nicest possible way'. So they found Fairtrade a natural fit when they looked at including certified ingredients in some of their ice creams in 2005. Co-founder Jerry Greenfield said 'The whole concept goes to the heart of our values and our sense of right and wrong'.

Ben & Jerry's has been a wholly-owned subsidiary of Unilever since 2000 and sees its role in the company as 'a pioneer that continually challenges how business can be a force for good and address inequities inherent in global business'.[1] In 2010, Unilever published a Sustainable Living Plan which accepts responsibility not just for the economic, social and environmental impacts of its direct operations but also its wider footprint with suppliers, distributors and consumers. Ben & Jerry's recognise that the values of the Sustainable Living Plan are aligned with their brand's unique Social Mission which has built strong customer loyalty over 35 years. So they announced a long-term commitment to sourcing Fairtrade-certified ingredients, which included a partnership with the Fairtrade Foundation. Ben & Jerry's committed to source all ingredients covered by Fairtrade standards as Fairtrade certified by 2013. The most important of these is sugar, which goes into the basic ice cream mix for all product lines as well as 42 different composite ingredients that Ben & Jerry's buy as 'chunks, swirls and flavours' for its European products alone. For smallholders working with Fairtrade this means additional business opportunities to sell cocoa, coffee, vanilla, bananas, almonds, coconuts and other fruits, nuts, spices and oils.

Ben & Jerry's has a direct trading programme with their suppliers of milk and cream but the wide range of other ingredients, bought to very particular specifications and often in small quantities, means that most of them are bought through intermediaries and this applies to many Fairtrade ingredients. Although they don't purchase directly from smallholders, Ben & Jerry's still want to know the origin of their ingredients and aim for transparency and accountability in their supply chains. They believe partnerships with Fair Trade Organisations are crucial to achieving this.

One example is coffee extract, all of which originates from the Huatusco Union Co-operative, in Veracruz, Mexico. Ben & Jerry's buys their coffee extract from a small US company called Coffee Enterprises who work with fair trade coffee importer Sustainable Harvest to source the beans from Huatusco. Sustainable Harvest works by establishing transparent relationships across the whole supply chain that bring all the different actors together. Because the farmers in Huatusco talk to the quality managers at Coffee Enterprises they understand each others' needs and the problems that need to be addressed. This allows Sustainable Harvest to invest in the training and management systems that the co-operative and their smallholder members need to produce high quality coffee. Fair trade finance provider Shared Interest also has an important role to play as the high-quality Arabica coffee grown by the 2,000 farmers in Huatusco is in high demand for the speciality coffee sector and prices are volatile. This attracts private coffee traders who bid up prices in the local market and in order to match these prices and fulfil long-term contracts, such as those placed by Ben & Jerry's supplier, the co-operative needs good access to working capital. Shared Interest is providing Huatusco with an export credit facility so that the co-operative can pay its farmers in advance of the harvest and avoid them being tempted to sell elsewhere. The profits from this business are reinvested in improving yield and profitability, food and nutrition and healthcare facilities which helps build long-term, sustainable trade relationships. Huatusco also has an innovative programme to address the common problem in rural Mexico of young people leaving to find employment elsewhere. The co-operative sponsors scholarships for students at a nearby university in return for a commitment that they will work for the co-operative for four years after they graduate.

[1] Incoming Ben & Jerry's CEO Jostein Solheim in an interview with Food Processing magazine, April 2010

Another partnership involves fair trade dried fruit company Tropical Wholefoods and the Mountain Fruits project that supports smallholders in the Gilgit-Baltistan region of Pakistan, close to the K2 mountain. Mountain Fruits evolved from a rural development programme of the Aga Khan Foundation and involves 5,000 farmers organised into 110 groups who grow apricots, apples, and cherries and have now expanded into almonds and walnuts. As well as providing pre-finance and buying on Fairtrade terms from farmers, Mountain Fruits run extension services to improve farming techniques and post-harvest practices. They also run two factories where fruits are dried and nuts are graded before packing. Up to 100 female workers are seasonally employed in the factory; a rare opportunity for them to contribute to the family income as it is the only place in the Northern Areas where women can find paid work.

Almonds are a relatively new development for Mountain Fruits and the investment in a nut processing factory and a seedling nursery has been supported by the Sainsbury's Fair Development Fund. 800 of the farmers who supply Mountain Fruits now grow nuts as well as fruit. This investment has been crucial to deliver the volume of almonds that Ben & Jerry's need for their Fairtrade commitment; although by the standards of a global brand the volumes are small, Ben & Jerry's conversion to Fairtrade requires a tripling of availability of Fairtrade almonds.

Tropical Wholefoods play a critical role in ensuring good communication up and down the supply chain in order to build understanding among the smallholders in Pakistan of market requirements and trends, and within Ben & Jerry's of the reality for the farmers. They also help smooth out fluctuations in demand from Ben & Jerry's factories that in the conventional market are dealt with by trading on spot commodity markets by absorbing the risk of making longer-term commitments to farmers.

Photography (center and top right): Tropical Wholefoods

MARKS & SPENCER – HELPING FARMERS CAPTURE VALUE IN KENYA

Marks & Spencer is a retailer that prides itself on developing strong supply chain relationships. The retailer started converting existing suppliers to Fairtrade in 2004 and did so by supporting existing smallholder co-operatives to build capacity to meet Fairtrade standards. This enabled Marks & Spencer coffee shops – the UK's third largest chain – to go 100 per cent Fairtrade in 2006 and to follow with 100 per cent retail tea and coffee supply in 2008. Since 2007 Marks & Spencer has increased food Fairtrade sales by almost 90 per cent and has continued to focus on building smallholders' capacity to meet market requirements, to adapt to climate change and most recently to explore how smallholders could diversify their income by adding value.

Tea offers good potential for adding value at source as conventional supply chains generally import tea in bulk for blending, packing, marketing and distribution in the UK. Tea is effectively treated as a commodity ingredient, even though most of the processing takes place at source and only the final mixing and packing stages are carried out in the UK. Marks & Spencer has worked with one of its Fairtrade co-operatives, Iria-ini to launch the first Kenyan tea to be grown and packed at source. A major step forwards for the Kenyan tea industry, the project has been underway since 2010 with the aim of adding value so that smallholder farmers can supply high quality tea direct to both international retailers and to their home market in Kenya.

Funding for this work has been provided by Marks & Spencer and match funding from the Department for International Development's Food Retail Industry Challenge Fund (FRICH) which has been established to develop opportunities for farmers in countries north of South Africa and south of the Sahara to sell to European markets. The volume and value of products originating from these countries is low in comparison to those coming from Asia and South/Latin America and there is potential to develop significant income for smallholders and agricultural workers. The fund was designed to support new ideas that connect African farmers with global retailers through innovative business partnerships and achieves results by removing blockages to market access and making sure that European shoppers know what differences their purchases make to poor farmers. FRICH is now supporting 25 innovative partnership in Kenya, Democratic Republic of Congo, Malawi, Rwanda, São Tomé and Principé, Ghana, Uganda, Senegal, Namibia, Zimbabwe and Ethiopia and covers products including tea, coffee, flowers, tilapia fish, beef, baobab, flowers, palm oil, peanuts and vanilla.

Iria-ini Tea Factory comes under the umbrella of the Kenya Tea Development Agency (KTDA), but is an independent company collectively owned by local farmers. The tea is grown by 8,000 farmers in the Mathira division of Nyeri North District, which is surrounded by the scenic highlands west of Mount Kenya. Marks & Spencer directly provided technical and commercial support from its team of experts to ensure the Fairtrade farmers developed the skills needed to understand how to pack tea and most importantly add value to what they were growing. A teabag packing line has now been established at Iria-ini and Marks & Spencer has been working with the factory to ensure that appropriate training has been provided and the tea packing room brought up to international standards. The project has generated a huge amount of interest in both Kenya and the UK. The Kenyan President visited the farmers and the newly built tea packing facility in November 2011 to see the production line and the first tea to be packed by the farmers at the factory.

The tea was launched at Marks & Spencer in February 2012 to coincide with Fairtrade Fortnight and Marks & Spencer hosted a visit from Iria-ini co-operative Board to promote the launch which included visits to stores and knowledge sharing visits to some of their other UK based suppliers. A video of the project was shown in stores and on the Marks & Spencer website to raise awareness amongst customers. As part of its Plan A commitment to be the world's most sustainable retailer, Marks & Spencer really want to make a positive impact on the suppliers who they work with and are really proud of what this project has achieved. It's a huge step forwards for the Kenyan tea industry – the farmers now have all the skills they need to sell their own finished tea product in their home market, while customers in the UK can enjoy a great tasting cup of tea that for the first time has been packed by the farmers who grew it.

From the Iria-ini perspective, they have the chance to work with Marks & Spencer, leveraging their technical, product development and commercial skills but also to use the capacity created by this partnership to help them access other markets. This is extremely important – the challenge for any tea packer is to establish a point of difference in the market. Following the capacity building created as a result of this project, Iria-ini are developing the skills to pack their own teabags and market them to both local and international markets.

The tea sold generates an additional \$2-\$3 per kilogramme due to the fact that most of the value is being added to the product at source rather than in the UK. The 8,000 farmers supplying Iria-ini are all shareholders in the factory so benefit directly from any additional income via their annual profit share. A second order of tea has now arrived in UK stores for 2013 Fairtrade Fortnight. The aim of the project was to provide Iria-ini with the knowledge and skills to grow their packing business beyond just supplying to Marks & Spencer; this has proved harder to turn into reality than expected. A lesson for future similar initiatives is to ensure ongoing local stakeholder engagement and not to underestimate how much capacity building is needed to build communication, marketing and financial skills to ensure long term viability of scaling a value addition project beyond reliance on the initial project founder.

As part of KPMG research Marks & Spencer expressed concerns (also raised by other stakeholders interviewed for this report) about duplication of effort and cost for many smallholder organisations who need several different certificates for their social and environmental practices to ensure they can sell to as many customers as possible. While there are unique aspects to Fairtrade standards which Marks & Spencer respects, it is also clear that there is considerable overlap in the scope of the various standards. Marks & Spencer would like to see clearer communication on the unique benefit Fairtrade brings to supply chains, reduce duplicated certification efforts and avoid confusion over attribution of impact. At the same time, their nine years' engagement with Fairtrade has demonstrated the value of its approach of working to empower democratic organisations of smallholders to overcome entrenched business practices and structures in developing countries. Effective organisation of a co-operative enables individuals to develop their skills and the organisation their capacity and this is especially the case where literacy levels are low and there is a traditional hierarchy making decisions that is not easy for farmers to challenge. Marks & Spencer have welcomed the value that Fairtrade Liaison Officers bring to this process and appreciate the quality and range of services they are providing to Fairtrade producers, especially in sharing knowledge and best practice across product sectors and within regions. They would like to see the Fairtrade system invest more in these kind of resources in the future.

TRAIDCRAFT – DEVELOPING ADDED-VALUE TEA PARTNERSHIPS IN MALAWI

Traidcraft's vision is a world free from poverty, where trade is just and people and communities can flourish. With a mission to 'fight poverty through trade', its role is to work with poor people to help secure improved and sustainable incomes, greater dignity and opportunity, and policies and practices that reflect their needs. Traidcraft comprises a development charity (Traidcraft Exchange) and a trading company (Traidcraft plc.) to achieve its mission.

Traidcraft was established in 1979 and has been at the forefront of innovating ways in which fair trade can extend its reach, impact and influence. This includes, for example, helping to set up the fair trade hot beverages company Cafédirect, the ethical investment society Shared Interest as well as the Fairtrade Foundation. Traidcraft has also helped develop the breadth of Fairtrade products available and has a number of noteable firsts including wine, sugar and dried fruit and working with the Fairtrade Foundation and Fairtrade International to develop standards so that more producers and companies could get involved.

Having played an important role in building awareness and support for the FAIRTRADE Mark among businesses and consumers, Traidcraft is continually looking for ways in which it can continue to pioneer and innovate. These include new product categories like charcoal and rubber where Traidcraft is evaluating the potential for Fairtrade standards but just as importantly they are looking at different ways of trading that bring unique development impact now that many conventional businesses are engaging with Fairtrade. Rather than just working with well-established Fairtrade certified producers, Traidcraft aims to target those organisations that are at the start of their journey of accessing the Fairtrade market to generate the benefits of the Fairtrade price and premium and then invest those benefits in social, economic and environmental improvements. To do this Traidcraft adopts a three-level producer categorisation process that helps target support and assistance according to developmental needs irrespective of whether there is a direct trade relationship or not. This categorisation process also embraces producers who are certified to Fairtrade standards (or to WFTO standards in the case of handcrafts) so that Traidcraft can buy from them occasionally without making the long-term commitment that it does to its priority development partners.

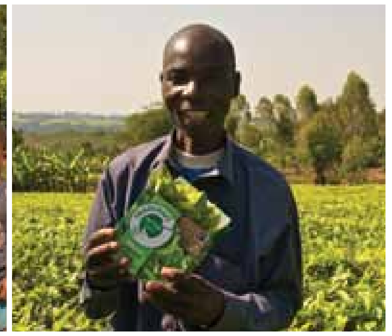
A good example of Traidcraft's approach to finding a unique role for their work as a Fair Trade Organisation is the selection of Msuwadzi Association Trust of smallholder tea growers in Malawi for inclusion in the Traidcraft brand of teas. There are three organisations of smallholder tea growers that are certified to Fairtrade standards in Malawi, together representing nearly 10,000 farmers. Tea has been grown in Malawi since 1891 and along with tobacco and sugar is a major earner of foreign currency, accounting for 8 per cent of exports. Malawian tea is in good demand from buyers, especially in the UK and South Africa as its strong flavour and red colour makes it suitable for blending and packing in tea bags.

Tea is one of the products (along with bananas) where Fairtrade seeks to help both smallholder farmers and estate workers. These are often people from the same families and communities and in most tea-producing regions families earn money from farming their own land and working on tea estates and in tea factories, depending on seasonal demands. Indeed the fortunes of smallholder farmers are closely bound up with tea factories that are often owned by large estates. Smallholder farmers depend on the factory to receive and process their fresh leaves quickly and correctly as this is crucial for producing high quality tea that can sell at a good price; this means they also have to sell to the factory closest to their farm and don't have a choice of buyer. Fortunately relationships between smallholders and tea estates in Malawi are generally good and have developed as mutually beneficial partnerships, although most smallholders have no information on what happens to their tea beyond the factory gate.

After investigating the needs of smallholders in Malawi and in partnership with Imani Development who secured funding from the Scottish Malawi Trade Partnership (SMTP), Traidcraft selected Msuwadzi Association Trust in its purchasing and support and development programme. Msuwadzi comprises 155 farmers producing 750,000 kilos of tea from 75 hectares that they sell to the Satemwa Tea Estate factory; accounting for about 5 per cent of the total tea processed by the factory. The fact that Msuwadzi were selling less tea to Fairtrade buyers than other certified producers in Malawi was a factor in this decision, alongside the needs that had been assessed in the research stage of the project. Traidcraft then worked with both the smallholder farmer association and the Satemwa factory to devise a six-month programme to make best use of the available budget. Although this might not address some of the most difficult long-term challenges facing the farmers, Traidcraft's long experience has demonstrated the importance of short, targeted, stand-alone pieces of work that deliver practical results, rather than attempting longer-term interventions that raise undue expectations among farmers and may lead to disappointment. In addition Traidcraft sought permission from Fairtrade International to allocate to the Msuwadzi farmers 100 per cent of the Fairtrade Premium linked to its purchase. Normally because they only supply 5 per cent of Satemwa's tea, they would have received only 5 per cent of Traidcraft's premium payment.

The programme that was agreed through consultation with the farmers of Msuwadzi and the management of the Satemwa factory started with the purchasing of electronic weighing equipment that ensures the smallholders are paid for the correct weight of the tea they have delivered. The cost of this was shared between Traidcraft and the tea factory. It also involved building shelters at the weighing stations so that the tea could be sheltered from the sun and prevents it drying out while waiting to be weighed. This increases the quality of the leaf that can be sold to packers. As a result of these initiatives, the factory has introduced an improved payment system for the farmers linked to the quality of the tea they deliver, while Traidcraft's tea packer in Britain has reported back on the results of the tests conducted by their professional taster which includes advice on how to further improve quality.
A further project again led by Imani Development with further funding from the Scottish Malawi Trade Partnership together with a small contribution from Traidcraft is advising Msuwadzi on how to minimise the environmental impact of tea production, working on ways of helping producers capture more of the value chain, and exploring the potential for packing tea for sale locally or regionally and contributing to the work that Fairtrade International is doing with many different stakeholders from the tea sector to increase returns for farmers.

This project was highlighted by Traidcraft as an example of how collaboration among different business and development actors, coupled with some grant funding and increased transparency in trading relationships, has generated efficiencies that have helped farmers increase their incomes without raising the price for consumers. Like other Fair Trade Organisations Traidcraft is keen to inform consumers of how they go beyond minimum Fairtrade standards to deliver a better deal for smallholder farmers and to encourage other businesses to incorporate their learning from these kinds of projects in their buying practices.

Photography: Traidcraft

LIBERATION FOODS CIC – HELPING SMALL FARMERS MEET EU FOOD SAFETY REQUIREMENTS IN MALAWI

liberation

Liberation is another example of how the work of helping producers tackle their own development needs and priorities can be integrated into a viable business model. This means development projects become self-sustaining by being linked to profitable trading while the business offer is enhanced by the successful development stories. From this perspective, overcoming the barriers of integrating smallholders in fast-moving and high-volume supply chains is just another regular business challenge and not one that is regarded as an act of charity or social responsibility.

Liberation is a specialist nut company and the latest venture of its kind from Twin, known for setting up highly successful Fair Trade brands such as Cafédirect and Divine Chocolate with farmer-ownership at the heart of their business models. A pioneer in the Fair Trade movement in the 1980s, Twin is now the UK's leading ethical trade organisation working on the ground in Africa and Latin America in coffee, cocoa and nuts. Twin's trailblazing work in areas of conflict such as the DRC, and innovative gender empowerment, climate change and food safety programmes seek to unlock the value in supply chains for smallholder farmers.

Twin and its family of brands have been in the vanguard of building recognition of Fairtrade among consumers and of establishing Fairtrade products as a category that mainstream retailers can manage and develop. The success of this approach means that retailers are open to new product and value chain opportunities so that businesses like Liberation can invest in difficult regions around the world to develop more reliable routes to market for smallholders and overcome risks that would be a barrier for conventional food supply chains. Most peanuts offered to consumers in Britain come from the USA, Argentina or China, however Liberation has been able to develop a farmer-owned business providing peanuts, cashews and Brazil nuts from 22,000 smallholders in Malawi, Mozambique, Nicaragua, El Salvador, Bolivia, Peru, Brazil and India. While Twin was setting up the trading and marketing operations of Liberation it was also working with the Fairtrade Foundation to develop proposals for international standards for nuts that were then approved by Fairtrade International so that more producers and companies could get involved.

Apart from the potential for export earnings, groundnuts are an important source of protein for families in Africa and they are used to make flour, soup, porridge, and milk. In many African countries, groundnuts are considered a 'women's crop' and is one of the few ways in which women can earn cash and increase their economic participation, so the crop increases women's empowerment. However, groundnuts are susceptible to infestation by fungi that produce aflatoxin, a poisonous substance that has been identified as a cause of liver cancers, impaired growth in children under five and suppression of the immune system. The Center for Disease Control (CDC) estimates that 4.5 billion people are chronically exposed to aflatoxin in their diets, mostly in developing countries. Stringent food safety regulations in Europe and other wealthy regions prevent aflatoxin from entering food supply chains but subsistence farmers in poor countries are vulnerable and need good irrigation and insect control prior to harvesting and good drying and storage facilities afterwards to avoid infestation.

Groundnuts were a major source of income for small farmers and of export earnings for Malawi in the 1960s and 1970s, but when aflatoxin outbreaks occurred the low priority given to the smallholder sector by global economic institutions discouraged government investment in extension services and infrastructure. As a result, Africa's share of the world market fell from 70 per cent in 1970 to just 5 per cent in 2005. This is a typical scenario faced by smallholder farmers who are dependent on other actors for their access to market and who can only overcome these barriers by working in associations that can operate processing and distribution at the scale needed to control problems like aflatoxin. At the same time those associations can also provide better education and training to individual farmers so that the causes of the problem are also addressed. This is how the National Smallholder Farmers' Association of Malawi (NASFAM) works; as a 'sustainable network of smallholder-owned business organisations… that develops the commercial capacity of its members, and delivers programmes which enhance member productivity'. NASFAM organises 100,000 smallholder farmers into clubs of 10-15 members which combine to form Action Groups which are the key points for sharing of information to members, and for the bulking of member crops. Action Groups combine to form associations that are affiliated to NASFAM itself. NASFAM's commercial activities include the marketing of inputs to farmers and produce from farmers but they also deliver community development and capacity building services to their members. The Mchinji Area Smallholder Farmers' Association (MASFA) is typical of NASFAM's members and comprises 2,700 small-scale farmers who used to rely on tobacco for their income but have now switched to groundnuts as a better long-term opportunity.

With the help of partner organisations like Twin and donors including the national development agencies of Britain, USA and Norway, NASFAM and other organisations such as Comic Relief and Cordaid, are supporting the investment needed to produce better products and the commercial framework to make the investment worthwhile for farmers. Despite being a development partner, Twin's purchasing process is not a soft touch. Their report highlighted how during the 2011 harvest season NASFAM increased their purchase price for MASFA's groundnuts from 43 US cents per kilo to 70 US cents per kilo as farmers supplied increasingly high quality, but then withdrew from buying when quality standards dropped. Over the past two years MASFA have received $43,000 in Fairtrade Premium, some of which has been spent on improving facilities at the local hospital. More recently Fairtrade Premium has been earmarked for building Community Buying Centres with a secure office that can hold cash for paying farmers promptly and storage facilities which will ensure product quality by protecting the peanuts from sun and the rain. Sainsbury's Fair Development Fund, which is managed by Comic Relief, also invested in shelling machines which led to the formation of Afri-Nut, a new peanut processing factory in Malawi which NASFAM and Twin co-own with Ex Agris, Cordaid and the Waterloo Foundation. Afri-Nut enables NASFAM to process a higher quantity of nuts from their members more quickly and access an increasing number of markets and is focused on learning how to manage aflatoxin for local, regional and international value chains.

As with other examples, Liberation's experience in Malawi shows how bringing actors with technical expertise and resources together with organisations that can represent and communicate with grassroots farmer organisations offers the scale that international markets and development organisations need while ensuring the sustainable impact that only comes from 'bottom-up' projects. A commitment to long-term partnerships, transparency up and down the supply chain and equitable sharing of risk and reward all contribute to a programme that ensures farmers can understand what they need to do and why they need to do it. The MASFA farmers have received a lot of feedback on quality from NASFAM but just as important to them were samples of the packaged nuts that Liberation sell in Britain, which feature a photo of one of their members.

APPENDIX I

The Fairtrade standards framework

The fundamental purpose of Fairtrade standards is to establish a framework for more equitable and sustainable trade relationships in which buyers offer better terms and conditions than the conventional market and producers use the benefits of this trade for economic, social and environmental improvements that support sustainable development goals. Once again, this is not a charitable handout but a reciprocal relationship between buyers and sellers.

From this perspective, the requirements of standards on small-scale farmers (and on which they are audited by FLO-Cert) are that they:

- Are organised in democratic associations or co-operatives that provide a means for them to invest in collective improvements, e.g. taking more control over post-farm processing and exporting. The organisation also provides a vehicle for receiving and managing the Fairtrade Premium according to the needs and wishes of its members.
- Meet minimum social and environmental standards and commit to continual improvements, using the Fairtrade Premium as well as other resources. As well as conventional market requirements such as good agricultural practice and safe working conditions, Fairtrade standards also tackle issues such as gender equality and encourage greater involvement of women in economic activities and decisions on spending income. They also encourage adoption of more sustainable agricultural practices including reduced use of agro-chemicals and adoption of integrated crop management.

In recognition of these commitments from farmers, buyers commit to payment of:

- Either the market price or the Fairtrade minimum price, whichever is the higher at the time the contract is agreed.
- An additional premium to help fund improvements, as specified in individual product standards.
- Pre-finance of contracts when requested by the smallholder organisation to enable them to secure supplies from their members. The buyer may pass on the cost of interest incurred (which is usually much lower than what the smallholder organisation would pay locally).

For both parties, Fairtrade establishes a goal of long-term commitment and sharing of information, although these are often general principles of behaviour rather than specifically defined and audited practices, as the costs of doing this would be prohibitive.

In May 2011, the Fairtrade standard for smallholder organisations was restructured into a number of chapters with one covering the rules for ethical and sustainable production in areas where Fairtrade is comparable to other ethical or sustainable production standards, while a Business and Development chapter covers the rules that are specific to Fairtrade and are intended to lay the foundations for empowerment and development, and on these topics Fairtrade is unique and stands out from other standard systems. The first of these changes is aimed at reducing the burden on smallholder organisations that work with several certification schemes by aligning their internal control systems. Fairtrade International is also in discussions with other standard setters to reduce duplication in certification processes. The second change allows smallholder organisations to determine their own development plans, within a general framework of economic, environmental and social goals, and invest the Fairtrade Premium according to their individual needs and priorities.

Traceability is an important aspect of Fairtrade in terms of buyers and consumers being able to identify the origin of products and for producers to know more about the destination of what they sell, but where the costs of physical traceability outweighs the benefits for any of these groups, then Fairtrade accepts that full traceability may take time to achieve. Meanwhile, for some product categories, the system operates a monitoring system (known as mass balance) that ensures the sales volumes of all products bearing the FAIRTRADE Mark are matched by equivalent purchases from Fairtrade certified producers in accordance with the requirements on minimum price and premium. The companies that trade in Fairtrade products are audited either by FLO-Cert (if they are exporters or importers) or by the Labelling Initiative if they are licensees of the FAIRTRADE Mark.

APPENDIX II

The Fairtrade standards framework

KPMG's report on interviews with commercial stakeholders indicated some gaps between the services they expected from the Fairtrade system and actual delivery. In some cases this gap has arisen because of ongoing changes to Fairtrade's operations. The last few years have seen a number of rapid and fundamental changes to standards, certification processes and producer support functions. At the same time, companies' engagement with Fairtrade has broadened so that several departments may have contact with parts of the system without adequate or current information. The Fairtrade Foundation is keen to understand how it can improve its service levels and meet the needs of its commercial stakeholders (and this report is a key part of that) but it is also important that there is clarity on how the system actually works currently.


Cocoa farmer Vida Addai collects water at the community borehole, Ghana

The Fairtrade Foundation is the first and main point of contact for commercial stakeholders operating in the UK market. Most are aware that the Foundation exists as a part of a global system although many will have no dealings with other parts of it. However, some will liaise and transact with several Fairtrade organisations and these multiple relationships generally develop out of companies' deeper engagement with Fairtrade as they move beyond simply licensing the FAIRTRADE Mark on their products and as relationships with producers (whether direct or through intermediaries) take on greater importance. This transition is therefore highly relevant to the aims of this report but many companies find it challenging as previously hidden aspects of the system become more visible and need to be understood. This perhaps reflects implicit expectations that scaling up their engagement with Fairtrade would lead to simpler and faster processes, although there is no reason why Fairtrade should be different from any other business activity with greater investment of resources also requiring an increase in management and control arrangements. The Foundation and its partners in the Fairtrade International network have given this issue a great deal of attention in recent years and structures and operating processes have evolved and will continue to evolve to streamline interactions with stakeholders. However, as with so many other aspects of Fairtrade, there is no single solution that is right for all contexts and situations and as relationships move to scale there will always be a need to transition from initial relationships to modes that are more appropriate for future plans. Meanwhile, the aim is for all stakeholders to work as far as possible with the part of the system that is closest to them and that is focused on delivering the services they need, and for that organisation to be responsible and accountable for developing effective relationships with them. For companies operating in the UK, the Fairtrade Foundation therefore remains their primary access point to the global system that comprises the following functions.

- Strategy, Policy and Standards that define a consistent global framework for the Fairtrade system are the responsibility of Fairtrade International (formerly known as FLO) which also maintains the system's intellectual property rights, such as the FAIRTRADE Mark.

- Global Product Management aims to facilitate and improve the information flow and the contact between actors involved in the production and marketing of Fairtrade products to achieve a stable supply and sustainable growth.

- Monitoring and evaluation and longer-term impact assessment are integral to these functions in providing the evidence base and learning on which strategies, policies and standards are based. These tools are all developed through a participative multi-stakeholder process, and so Labelling Initiatives like the Fairtrade Foundation in the UK or Producer Networks may take responsibility for particular projects or project activities e.g. commissioning impact assessment of a particular product, series of products or region.

- Advice and support to organisations desiring certification, especially producers who face the greatest changes and costs in complying with standards and securing certification. With the assistance of development assistance grants, Fairtrade International has established a network of Liaison Officers who provide these services although the regional Producer Networks are gradually taking more responsibility for this function.

- Certification of operators and products is managed independently from Fairtrade International by FLO-Cert GmbH, a wholly-owned subsidiary company of Fairtrade International with its own supervisory board. FLO-Cert is accredited to ISO65 standards for certification bodies.

- Licensing and promotion of the FAIRTRADE Mark is the responsibility of Fairtrade International's market-facing members who work to build consumer awareness and demand and work with commercial stakeholders to offer Fairtrade certified products to meet the demand. Historically these have been known as Labelling Initiatives and have worked in countries with well-established civil society anti-poverty and labour rights organisations; the Fairtrade Foundation which was set up by six such organisations in 1992 is typical of this model. More recently, Fairtrade International has developed partnerships with Marketing Organisations representing networks in other countries, like South Africa, Czech Republic and Brazil, who are keen to work with the FAIRTRADE Mark as a way of developing such civil society capacity and to extend Fairtrade to new markets. It is expected that by the end of 2013, both categories will be replaced by a single membership class of National/Regional Fairtrade Organisation.

There are many other activities that have developed around these core services and that are important in adding value for stakeholders. For example, Fairtrade has a unique voice in trade-related advocacy work in being able to speak from the practical experience of its stakeholders and especially in providing a platform for small-scale producers in international debates. Also, while the system aims to sustain its day-to-day operations through fees from operators, donor organisations around the world invest in the scaling up of its work. All parts of the system collaborate on these activities according to the opportunities that arise in their areas of operation and their capacity.

Stephen Best, banana farmer and member of WINFA in Dennery, St Lucia

APPENDIX III

List of interviewees

Uriel Buitrago	Development & Sustainability Manager, Ecuador	Armajaro
Jye Pey Cheah	Development & Sustainability Manager, Asia	Armajaro
Nicko Debenham	Global Director of Development & Sustainability	Armajaro
Clemenine Leahy	Development & Sustainability Executive Assistant	Armajaro
Godfrey Loh	Head of Development & Sustainability, Asia	Armajaro
Vince McAleer	Head of Development & Sustainability, West Africa	Armajaro
Rob Michalak	Global Director of Social Mission	Ben & Jerry's
Jacquie Bance	Head of Communications	Cafédirect
Violeta Stevens	Head of Supply Chain	Cafédirect
Wolfgang Weinman	Head of Impact & Sustainability	Cafédirect
Claire Rhodes	General Manager	Cafédirect Producers' Foundation
Jim Atkinson	Category Buyer, Fruit	Co-operative Group
Jenny Dixon	Category Buyer, Chocolate	Co-operative Group
Rebecca Forecast	International Development Adviser	Co-operative Group
Brad Hill	Fairtrade Strategic Development Manager	Co-operative Group
Marjorie Murphy	Senior Commercial Manager	Co-operative Group
Hannah Newcomb	International Development Manager	Co-operative Group
Kevin Retford	Technical Manager	Co-operative Group
Chris Shearlock	Sustainable Development Manager	Co-operative Group
Janet Weston	Senior Marketing Manager	Co-operative Group
Michael Pennant-Jones	Group Sustainable Business Manager	Finlays
Sandy Balfour	Chairman	Liberation Foods
Laura Polanco	Technical Manager	Liberation Foods
Angela del Valle	Operations Manager	Liberation Foods
Andrew Emmott	Senior Manager (Nuts)	Twin
Leena Camadoo	Nut Trading Manager	Twin
Louise Nicholls	Head of Responsible Sourcing for Food	Marks & Spencer
Alastair Child	Cocoa Sustainability Director	Mars, Inc
Andrew Stamford	European Lead Buyer	Nestlé
Jan Philipp Stelter	Senior Cocoa Buyer	Nestlé
Wouter Van Tol	Head of Sustainability and Marketing & Communication	Nestlé
Julia Clarke	Fairtrade Lead	Tate & Lyle Sugars
Tama Fuzer	Marketing Director	Tate & Lyle Sugars
Gavin Wakley	Commercial Director Caribbean & Americas	Tate & Lyle Sugars
Jenny File	Product Marketing Manager	Traidcraft
Joe Osman	Sourcing Director	Traidcraft
Nicky Robinson	Head of Development (Non-Food)	Traidcraft
Kate Sebag	Director	Tropical Wholefoods

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