

SMALL PRODUCER ORGANIZATION (SPO)

DEVELOPMENT, STRENGTHENING & RESILIENCE

2018



FAIRTRADE
INTERNATIONAL

INTRODUCTION

Researchers from Royal Tropical Institute (KIT) in the Netherlands conducted a **qualitative baseline study** of 55 SPOs in six countries - **Côte d'Ivoire, India, Indonesia, Kenya, Mexico and Peru**. The objective of the research was to provide insights into processes of development and strengthening of Fairtrade SPOs. The research aimed at identifying the conditions, internal and external, that are necessary for SPO development to be successful, and how Fairtrade can best support and influence those. Fairtrade's Theory of Change defines a **strong organization** as a sustainable organization with a balanced governance structure, in which democratic principles are practiced and the business is effectively managed in service to the collective needs of the members. This requires for an SPO to have good governance and business management capacities in place, serving a common purpose that is owned and internalized by its members.



KEY FINDINGS:



Capability to Adapt & Self-Renew:

Ownership by, and accountability to members, is a key quality of a strong SPO. Capability to adapt & self-renew requires reflexivity, i.e. the capacity to affect and interact with the external environment. Surveyed SPOs were exposed to challenges including climate change, negative and positive price shocks, and had limited coping strategies. Only a few SPOs conducted risk assessments. Dependence on just one or a few buyers increases SPO vulnerability to external shocks.



Capability to Act and Commit:

This is related to the individual capacities of an SPO's leaders, staff and members as well as its systems and structures. The participating SPOs showed limited capacity to control, understand, negotiate and acquire Fairtrade sales. SPOs engaged with continuous harvest crops (i.e. tea and banana) have higher and more reliable cash flow than SPOs producing other crops, which enables them to act and commit in a more sustained manner. Similarly, SPOs with a strong business plan were able to manage their operations in a more effectively.



Capability to Achieve Coherence:

SPOs represent diverse groups of farmers: large and small farms, men and women, etc. Setting objectives and translating diverse needs and interests into services that meet members' expectations are significant challenges for most SPOs. Organizations may face risks if members' loyalty is at stake. SPOs were perceived to be transparent and democratic, with stronger internal relations than external ones. Overall, the majority of SPOs demonstrated good governance practices. Members felt they had a voice, could express their concerns, and that systems were in place for constant and effective communication.



Capability to Relate to External Stakeholders:

This capacity is related to an SPO's ability to develop and maintain linkages with external actors (e.g. private sector, government agencies) in order to advocate and influence policy, mobilize support, negotiate better services and a better position in the value chain. In general the participating SPOs were weak in their capability to relate to external stakeholders, although some SPOs had success advocating with governments for specific needs such as improved roads or gaining tax benefits. Many SPOs tend to switch between actors rather than maintain and enhance relationships. Some SPOs take up certain value chain functions that can sometimes be more effectively carried out by other actors, such as trading, whereas other value addition is positive, such as coffee roasting and processing.



Capability to Deliver on Development Objectives:

This is linked to resources, both human and financial. An organization can mobilize and commit to its activities, but its capacity to fulfil commitments is influenced by the systems and procedures in place including administration, finance, information management, communication, and facilities available. Overall, members were pleased with the SPO services provided (i.e. input provision, transport/collection of raw produce, storage, marketing, processing, and training). SPOs with more financial resources and those that retain part of the Fairtrade Premium had greater financial power to provide more services to their membership (such as credit, inputs, transport).



Experience of SPOs with Fairtrade Standards and Certification:

Farmers and SPO leaders reported their overall experience to be positive. Most of the visited SPOs reported that Fairtrade Standards helped them improve the quality of their production and promote improvements in their community. The SPOs earning significant Fairtrade Premium

were particularly appreciative of community improvement investments. Challenges included unmet expectations in gaining Fairtrade sales, and lack of clarity about the link between sales and Fairtrade Premium. Some SPOs also expressed a desire for more support in understanding the Standards and for audit-related issues.

RESEARCH METHODS

The study was a qualitative led mixed-method study. The overall report is accompanied by six country reports on Côte d'Ivoire, India, Indonesia, Kenya, Mexico and Peru, presenting details from the respective country study. In total, 55 SPOs were visited. The participating SPOs focused on tea, coffee, cocoa, banana, spices, mangos, sugarcane, raisins, asparagus and snow peas. In the period of May-November 2016, 1,049 persons were interviewed

through focus group discussions: 353 leaders and professional staff (287 men and 66 women), 691 members (411 men and 280 women), and five Fairtrade International staff.

Since the Fairtrade definition of a strong organization closely related to Baser and Morgan's (2008) 'five core capabilities framework', the researchers used the latter framework to assess SPOs' capacity and resilience.

LEARNINGS AND RECOMMENDATIONS



Business Development:

Small SPOs particularly have limited marketing capacity and experience. For all visited SPOs, accessing the Fairtrade market is clearly seen as one of the main challenge to SPO strengthening. Fairtrade could better assist SPOs to access Fairtrade buyers and increase transparency across the value chain.



Women's participation, livelihood diversification, awareness and support:

Fairtrade could look at additional ways to incentivize greater inclusion of women, which is particularly challenging when land ownership is linked to participation in decision-making. SPOs can provide additional support to women, including training on production, resources, income, leadership and time. SPOs can also better support activities not directly linked to the main crop the SPO produces (diversification initiatives). SPOs would benefit from better understanding of Fairtrade basics such as how Premium is linked to sales, and clearer channels for audit support.



Management:

Fairtrade could support SPOs in designing risk management plans (related to climate change, commercial, legal and political risks); improving internal management of the organization and its governance; promoting and facilitating the use of information and communication technology (ICT); and piloting new financing models and improving access to working capital.



External Relations:

Fairtrade could support SPOs to make cross-sector strategic alliances, partner with local governments as well as facilitate exchange among SPOs. Fairtrade can support SPOs in jointly investigating alternative models for increasing productivity; engaging with fertilizer-related initiatives; and supporting SPOs with testing labour pooling models.

FAIRTRADE RESPONSE

Fairtrade welcomes the report's baseline findings and recommendations. We are encouraged that the cooperatives have been able to establish themselves with Fairtrade support, and to begin to function as businesses and service providers to their members. We recognize that the cooperatives have many support needs, and we agree that addressing key challenges include growing sales, supporting agricultural diversification, and strengthening the cooperatives to be able to achieve more viable livelihood options for members and to achieve greater member engagement.

For more information The report and Fairtrade's full response are available on the [Fairtrade International Impact and Research pages](#).

Image: Fairtrade certified cocoa bean, Côte d'Ivoire. © Sean Hawkey

