



Small Producer Organization (SPO) Development, Strengthening and Resilience

INDIA COUNTRY REPORT

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1. Executive summary

Research on Small Producer Organization (SPO) development, strengthening and resilience was commissioned by Fairtrade International to the Royal Tropical Institute (KIT) in the Netherlands. The study is a qualitative-led, mixed-method, six country study (Côte d'Ivoire, India, Indonesia, Kenya, Mexico and Peru). This country report presents the findings from the research in India.

Eight SPOs were visited in India in August 2016: two spice SPOs, two mango SPOs, one coffee SPO, two sugarcane SPOs, and one raisin SPO, spread across the states of Kerala, Tamil Nadu, Karnataka and Maharashtra. Most SPOs sought Fairtrade certification around the late 2000s, and the first SPOs were certified between 2004 and 2005, with the most recent certified in 2012. SPOs in the research sample varied considerably in terms of their membership size, type of crop produced, history and experience, strength (capacity), and geographical region. Despite the considerable heterogeneity in the sample, some key lessons have still been drawn.

Focus group discussions (FGDs) took place with SPO executive board members, and separately with SPO members. Most FGDs comprised male members. Only two SPOs had female members, because few women hold land titles. In total, 34 executive members were interviewed (at least four per SPO), and more than 160 SPO members (20 per SPO).

Most of the eight SPOs were well established prior to their involvement with Fairtrade. All SPOs regularly provide members with a package of training on good agricultural practices and Fairtrade requirements. SPOs say that their production and processing practices are driven more by quality requirements defined by their buyers than by the Fairtrade Standard itself. All SPOs are certified to organic standards, which is a common requirement of their buyers. Overall, the Fairtrade Standard was perceived to positively reinforce accepted practices, rather than change them.

One of the main reasons farmers choose to be members of a farmer group (and a Fairtrade SPO) is because it potentially opens up marketing opportunities with formal buyers. SPO members are most satisfied when the SPO is able to secure contracts with a formal buyer on better terms rather than with local traders. However, among researched SPOs, Fairtrade buyers procure only a small percentage of the overall volumes sold by

SPOs, and two SPOs currently have no Fairtrade buyers.

The major issue constraining small SPOs from strengthening is a lack of Fairtrade buyers. SPOs would appreciate much more marketing support from Fairtrade. SPOs suspect there is demand for their Fairtrade products in the global market, but SPOs do not know how to find international buyers. They also believe that Fairtrade buyers do not know how to find them either. Improving market linkages between SPOs and Fairtrade buyers was overwhelmingly cited as the most important issue because Fairtrade sales and the associated Fairtrade Premium generate the financial resources that SPOs need to improve their services to members and strengthen the internal operations of the SPO. All SPOs would like to increase the percentage of their estimated production sold as Fairtrade in order to realize Fairtrade Premium payments.

Overall, SPOs were found to have governance structures appropriate to their membership size and capacity. Elections and decision-making processes were widely regarded as fair and transparent by SPO leaders and members alike. SPOs with more than 100 members described how they apply the Fairtrade delegate system, whereas small SPOs with less than 100 members have much closer relationships with one another. The perception is that Fairtrade governance rules have not particularly changed SPO governance structures because they had already applied similar structures under national cooperative law.

Most SPOs deemed their relationship with buyers to be the most important type of relationship or partnership. Smaller SPOs are particularly dependent on one or two buyers, and in all cases the largest buyer was a non-Fairtrade buyer. SPOs explained that when a buyer is lost the SPO is weakened because SPO leaders struggle to find new ones. Some large SPOs benefit from a close, pre-existing relationship with either a parent SPO, or long-standing agreement with a factory. Larger SPOs in the research sample were well established and had good capacity prior to engagement with Fairtrade.

SPOs generally had a positive experience during the certification process, and feel sufficiently supported on matters related to the Fairtrade Standard. The potential to earn Fairtrade Premiums is clearly the main motivation for SPO members to engage in

Fairtrade marketing. Premium money was found to support SPO functioning, farmer training, subsidies on farming inputs, and frequently to support local schools. Most SPOs believe that Fairtrade Minimum Prices are not higher than those of other buyers, with the exception of mango SPOs who do receive a slightly higher price when selling as Fairtrade.

Based on the findings of the study in India, we recommend the following areas where Fairtrade can better support the strengthening of SPOs:

- Improve marketing linkages between Fairtrade producers and Fairtrade buyers. This could include:
 - o The development of an online directory where producer and buyer profiles may be hosted;
 - o Social media training/support for SPO self-promotion;

- o SPO involvement at international trade fairs; and
- o Fairtrade India¹ directly linking producers and buyers.

• Consider how the gender imbalance within most Fairtrade SPOs – a result of group membership being tied to land ownership – may be addressed. This may involve training and sensitization on the five domains of empowerment in agriculture: production, resources, income, leadership and time².

• Continue to provide operational support to SPOs, which has been well received by SPOs to date.

2. Introduction

Research on Small Producer Organization (SPO) development, strengthening and resilience was commissioned by Fairtrade International to the Royal Tropical Institute (KIT) in the Netherlands. The objective of the research was to provide insights into processes of development and strengthening of SPOs that are certified by Fairtrade. The research aimed at identifying the internal and external conditions that are necessary for SPO development to be successful, and how Fairtrade can best support and influence those conditions. The study focused on:

The study is a mixed-method six country study carried out in Côte d'Ivoire, India, Indonesia, Kenya, Mexico and Peru (Figure 1). This country report presents the analytical framework and research methodology. The findings from the research in India are then summarized, followed by recommendations for Fairtrade.

1. Collecting baseline data on present organizational strengths and weaknesses;
2. Providing insights into processes for strengthening SPOs within the Fairtrade system;
3. Making recommendations for how Fairtrade can best support the strengthening of SPOs; and
4. Exploring how the development of SPOs can benefit individual members.

¹ National Fairtrade Organizations promote Fairtrade and license Fairtrade products in their countries (and sometimes abroad), while Fairtrade Marketing Organizations also promote Fairtrade in their locations. Some countries, such as India, have a Fairtrade Marketing Organization and producers represented by a Producer Network.

² See, for example, Malapit, H., Kovarik, C., Sproule, K., Meinzen-Dick, R. & Quisumbing, A. (2015). *Guide on the Abbreviated Women's Empowerment in Agriculture Index (A-WEAI)*

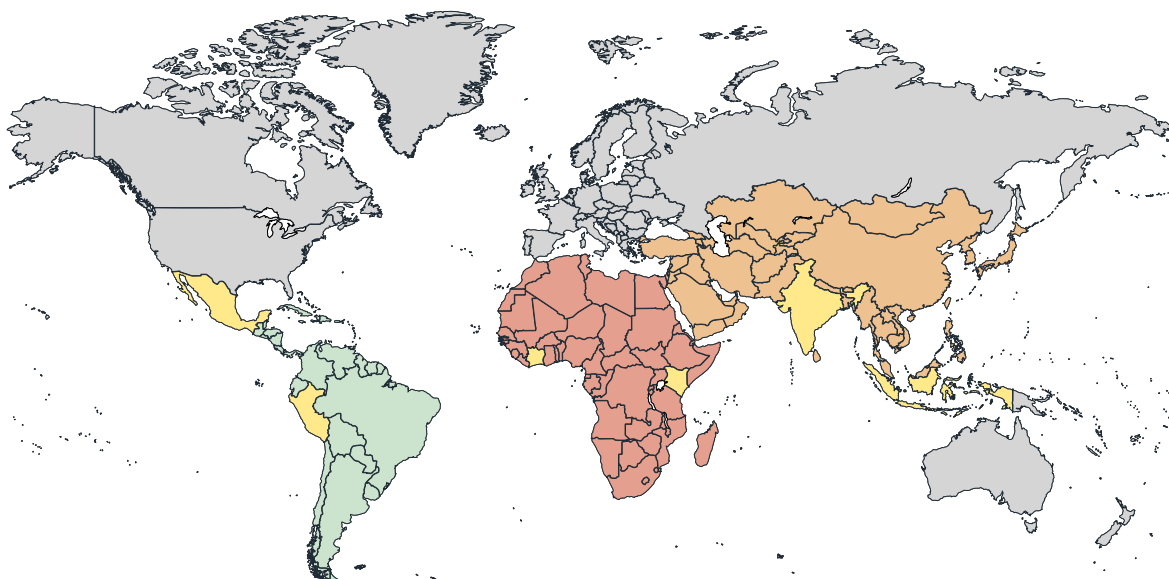


Figure 1. Countries in the study (highlighted in yellow)

3. Analytical framework

Fairtrade articulates a strong SPO as “a sustainable organization with a balanced governance structure, in which democratic principles are practiced and the business is effectively managed based on the collective needs of the members. The above 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.”³

Successful SPOs, therefore, must be imbued with the following characteristics:

- Democratic structures to ensure participation and communication;
- Good governance, inclusive leadership and transparent management;
- Skill sets and capacities for managing businesses; and
- Strong economic and financial foundations.

SPOs' access to relevant information, resources and services, and infrastructure is essential. Moreover, organizations must be resilient, i.e., have the ability

to anticipate, prepare for, and respond and adapt to incremental change and sudden disruptions to survive and prosper.

Baser and Morgan (2008)⁴ developed a ‘five core capabilities framework’ to assess an organization's capacity and resilience. The five interrelated capabilities (5Cs) are:

1. The capability to adapt and self-renew;
2. The capability to act and commit;
3. The capability to relate to external stakeholders;
4. The capability to achieve coherence; and
5. The capability to deliver on development objectives.

1. The **capability to adapt and self-renew** is key to the resilience of an SPO. It requires reflexivity, i.e., the capacity to affect and interact with the environment in which the organization and its members operate. This, in turn, needs a certain level of flexibility, which can be a challenge for SPOs. The capability to adapt and self-renew requires good leadership and

3 Fairtrade International (2013). *Fairtrade Theory of Change*, December 2013

4 Baser, H. & P. Morgan (2008). *Capacity, Change and Performance Study Report*. European Centre for Development Policy Management, Discussion Paper No. 59B, April 2008

strong adaptive management capacities with a clear mandate and the autonomy to take and implement decisions, if necessary. Democratic structures, inherent to SPOs, can sometimes hamper flexibility. At the same time, ownership by, and accountability to members, and consequent communication and information provision, are seen as key qualities of an SPO. In addition, many SPOs are bound by arrangements with their donor organizations or traders, or at least perceive their relationship with donors as restricting.

2. The **capability to act and commit** is related to the individual capacities of an SPO's leaders, staff and members to fulfil their roles and perform these according to agreed standards. At the same time, this capability refers to the degree of management and leadership autonomy required to take and implement decisions if needed (see the capability to adapt and self-renew). The capability to act and commit also depends on the systems and structures in place, which determine the space that leadership and management have to operate freely. Again, this requires balancing democratic principles, accountability and transparency on the one hand and the ability and flexibility to respond adequately and in a timely manner to emerging challenges on the other.

3. The **capability to relate to external stakeholders** is embedded in the nature of SPOs as they develop and maintain linkages with external actors (which may include private sector value chain actors, service providers or public sector and government agencies) on behalf of their members. These roles include policy influencing, lobbying and advocacy, mobilizing support, and negotiating better services and a better position in the value chain. The interactions can result in improved access to services, improved policies, rules and regulations, access to markets and more power through improved value chain linkages, among others. However, there seems to be a general tendency among SPOs to switch between actors rather than to maintain and enhance relationships. SPOs

are also prone to taking up certain value chain functions that can sometimes be more effectively carried out by other actors. For example, rather than negotiating better arrangements with traders, SPOs engage in trading themselves. It is important that SPOs are truly representative of their members in order to be considered credible partners by stakeholders, and to ensure that the benefits of improved external relations serve the majority of their members.

4. The **capability to achieve coherence**: SPOs represent a multitude of farmers: large, small, marginal, men and women, young and old, subsistence and/or market oriented. The needs, interests and ambitions of these farmers vary greatly. Many organizations struggle to truly represent this diversity. Who are the members? Whose agendas dominate? Is the organization inclusive? Can it be really inclusive? Are women's interests sufficiently addressed? And what structures and systems are in place to allow this? Setting objectives and translating these into services that meet the needs of all members is a significant challenge for most SPOs. SPOs are supposed to be guided by democratic principles, but these may not always avoid bias and exclusion. If members do not feel represented they might lose interest in and loyalty to their organization. Business-oriented organizations face risks particularly if members' loyalty is at stake. For example, agreed deals or contracts need to be respected, but if members decide to supply other markets the organization will fail to meet its contractual obligations, affecting other members and the organization itself.

5. The **capability to deliver on development objectives** is partly related to resources, both human and financial. The organization can mobilize and commit to its activities, but its capacity is also influenced by the systems and procedures in place such as: administration, finance, information management, monitoring and evaluation (M&E), communication, and the facilities available (hardware).

4. Research methodology

The study used a qualitative-led mixed-method approach to research in order to ensure research validity, reliability and rigour. The analytical framework previously described, in combination with a grounded-theory approach, provided guidance to researchers during the fieldwork in the six countries. These tools allowed the primary

qualitative data to be analysed, and the main conclusions and recommendations to be drawn.

4.1 ANALYTICAL LENS FOR THIS STUDY

In order to understand the underlying factors and conditions that contribute to making a strong SPO, and how Fairtrade can better support these organizations, an analytical lens has been used. Based on the 5Cs framework and Fairtrade definitions presented above, a desk review and further discussions with Fairtrade were conducted to analyse the strengths and weaknesses of SPOs for this study:

- **Services to members:**

An essential function of a strong SPO is to provide services to its members, and how this provision evolves over time is a key factor in its success. We investigated which kinds of services are provided, such as training, provision of inputs and equipment, financing, transport, storage, processing and marketing of produce, and advocacy and lobbying, as well as the level of member satisfaction with these services. Where possible, we provide evidence of members' satisfaction and commitment towards their organization.

- **Governance and management:**

A strong SPO requires a balanced governance structure and good management. We investigated leadership structures and elections, decision-making processes and communication flows within the SPOs.

- **Sustainability and resilience:**

A strong SPO needs to be economically and environmentally sustainable and ready to adapt, react and renew. We investigated the levels of (and variation in) production and sales, shares of Fairtrade sales, and how vulnerable the SPO is to local and system shocks (e.g. climate change) and trends (including risk mitigation measures).

- **Business practices:**

A strong SPO has effective and transparent internal business management and is in control of its business relations, including negotiation power, access to markets and finance, and strategic and business planning capacity. Additionally, it is capable of controlling quality during production practices. We also investigated how business is carried out with partners in the supply chain.

- **External relations and partnerships:**

A strong SPO also engages with local and/or national government and other organizations for the benefit of its members. We investigated if such relations exist, how other stakeholders are involved, what these relations are for, as well as how they evolve and develop over time.

Within each aspect listed above, we analysed the following issues:

- Overall findings: what are the overall findings and are there any particularly informative deviations?
- Crop specific particularities: are there any particularities which apply to one commodity but not others?
- Contrast leaders vs members: are member views in line with the leadership?
- Contrast men vs women members: do men smallholder farmers have similar views to women smallholder farmers?
- Variation according to membership size: does membership size influence the function and strategy of the SPO?
- Variation according to age of SPO: are there any relevant variations according to the age of the SPO?
- Variation according to time of certification: how does the length of time an SPO has been certified influence organizational strengthening?

4.2 TECHNIQUES FOR DATA COLLECTION

Primary data collection relied on qualitative interviews generated from:

1. Semi-structured focus group discussions (FGDs) with SPO leadership and management;
2. Semi-structured FGDs with men members;
3. Semi-structured FGDs with women members; and
4. Key informant interviews with local representatives from Producer Networks and local Fairtrade staff.

Primary data was complemented with secondary data about the SPOs, and was made available by Fairtrade in the form of audit and closing reports, FLOCERT⁵ checklists and non-conformities files.

4.3 COUNTRY SELECTION

The research aimed at capturing a diverse geographical range, based on the countries with most Fairtrade certified SPOs. KIT, in collaboration with Fairtrade, chose six countries covering three geographical areas: Latin America (Mexico and Peru), Africa (Côte d'Ivoire and Kenya), and Asia (India and Indonesia).

4.4 SELECTION OF SPOS IN EACH COUNTRY

In each country, ten SPOs were selected for visits. The majority were 1st Grade SPOs (members are individuals, often smallholder farmers) and at least one SPO was 2nd Grade (an association of farmer organizations). Pre-selection was proposed by the local Fairtrade Producer Network and a final selection was made maximizing variability in indicators such as the age of the SPO, years of certification, crops, men/women in leadership roles, number of members, and presence of professional staff.

The sample of ten SPOs per country was found to be enough to reach an acceptable level of saturation, i.e., a point in qualitative grounded-theory research in which additional sampling will not lead to significant expansion of the analytical categories, but is sufficient to provide enough confidence to the researchers that the main issues are being captured.

4.5 SELECTION OF FGD PARTICIPANTS

Research participants needed to be SPO members, or a member of a household where one person is a member or employee of an SPO.

Elected board members and professional staff were invited to the FGDs with the leaders and managers. The selection of participants in the qualitative interviews was as random as possible, with a maximum number of participants to allow for quality discussions.

As a qualitative data collection tool, focus group size does not require power calculations, since statistical significance is not its main goal. Yet, for reference, we can show that for incidence questions (yes/no, binary questions), 43 observations were enough to estimate percentages with a 15 percent error margin and a 95 percent confidence interval. In each SPO, we aimed to consult 40 people in total from the three different types of FGDs (leadership and management, male members, female members).

4.6 VISITS IN INDIA

In total, eight SPOs were visited in India: two spice SPOs, two mango SPOs, one coffee SPO, two sugarcane SPOs, and one raisin SPO. Geographically, the SPOs were spread across the states of Kerala, Tamil Nadu, Karnataka and Maharashtra. FGDs took place with SPO executive board members, and separately with SPO members. In all SPOs FGDs were held with male members. Only two SPOs had sufficient female membership to have separate FGDs with female members. SPO membership in India is linked to land ownership, with men usually listed as the legal landowners.

The visits took place in the final two weeks of August 2016. A total of 34 executive members were interviewed and more than 160 SPO members.

Due to confidentiality requirements, the SPOs which participated in the research are not named in this report, and have been coded SPO-1 to SPO-8.

⁵ FLOCERT is a global certification and verification body. Its main role is to independently certify Fairtrade products. Accessed 04-01-2017 <http://www.flocert.net/>

5. Analysis of SPOs strengths and weaknesses

5.1 INTRODUCTION AND CONTEXT

Eight SPOs were visited in four southern Indian states. The SPOs produce a variety of Fairtrade products including: spices, pepper, mango, coffee, sugarcane and raisins. SPOs varied considerably in their membership size and history of establishment as an organized entity. SPO leaders were often unclear about when the SPO was actually founded, because several have existed under different guises for many years, including as collectives, producer groups, cooperatives, and non-governmental organizations (NGOs). For example, one large SPO was founded in 1949, whereas others were only formed recently. Some SPOs were formed from within large NGO structures for the purpose of adhering to Fairtrade rules, while others were founded out of small, informal producer groups. While some are involved in processing, others are only involved in marketing raw products. Therefore, Indian SPOs cover a wide gambit of Fairtrade products, sizes, experiences, capacities, and regions. Despite their diversity, most SPOs sought Fairtrade certification around the late 2000s, with the first certified between 2004 and 2005 and the last certified in 2012.

SPO-1, based in Kerala, was formed by an NGO which was established in 1980. The NGO provides a wide range of community services and deals in a range of agricultural products, including black pepper, white pepper, green pepper, turmeric, ginger, clove, cardamom, nutmeg and mace. The NGO works towards a range of sustainable development objectives, supporting “the tribals, rural poor, marginal farmers, women and children through developing various indigenous, community based and people participatory developmental programmes.” SPO-1 was formed from within its existing farmer groups in order for its members to benefit from the Fairtrade Premium. However, SPO-1 said that it had struggled to sensitize farmers about the Fairtrade concept and to get them interested in participating in meetings for the purpose of meeting Fairtrade requirements.

This is mainly because farmers have been supplying the NGO for several decades, and the NGO already has an extensive development programme from which members benefit.

SPO-1 is not dependent on Fairtrade and holds various other certifications⁶. The NGO has a fully operational processing facility and supplies many buyers worldwide, with only around five percent of its total estimated production sold as Fairtrade.

SPO-2, also based in Kerala, is a 2nd Grade spice producer, which began organic farming in 2005. Organic certification prompted small farmer groups to formally organize. The producer organization was, however, disappointed with the lack of demand for organic spices at the time. They were encouraged to learn more about the Fairtrade Standards, and with the support of the Network of Asia and Pacific Producers (NAPP), became certified.

SPO-3 and SPO-4 are both small SPOs producing mangoes, with around 100 and 50 members respectively. These SPOs are very different to the Fairtrade spice SPOs in almost every respect. Both SPO-3 and SPO-4 were introduced to Fairtrade by a buyer who told them that there was demand for Fairtrade mango pulp. The small producer groups were encouraged to join Fairtrade partly in response to the ten percent commission fee charged by mango traders, whom the SPOs hoped to cut out by dealing directly with buyers.

SPO-5 is also a small farmer group of only 100 members. Members had, for many years, focused on vanilla. When a fungus outbreak decimated the crop this meant that farmers were not able to replant vanilla for several years until the fungus was no longer in the soil. The SPO members have now shifted to producing Robusta coffee, but have found Fairtrade demand to be weak.

SPO-6 and SPO-7 are large sugarcane producer organizations, consisting of more than 1,000 members from several villages. SPO-6 began as a large sugar cooperative in 1949 and has a long history as a provider of loan financing as part of its business model. The SPO has only recently gained organic (2008) and Fairtrade (2011) certification.

⁶ National Programme for Organic Production (NPOP), EU Organic, US National Organic Programme (NOP), Bio Suisse, Japanese Agricultural Organic Standard (JAS), Demeter, Naturland fair, Bureau Veritas, ISO22000:2005.

SPO-6 was originally formed as a Sanga⁷ to serve needy farmers and “release them from the clutches of big landlords and money lenders.” The SPO’s leaders described how villagers used to suffer in the early decades of the Sanga from “rural indebtedness, poverty, illiteracy, untouchability, scarcity of drinking water, poor productivity, lack of medical care, child labour, gender discrimination and unhygienic conditions.” SPO-7 has a similarly long history as a registered sugarcane cooperative, and was formed in 1959.

SPO-8 recently formed out of a cashew and raisin farmer group, and now focuses only on raisins. However, the SPO is weak and its membership has dropped from a high of 100 to only 33 members in a few years. The main cause of the decline in membership numbers is an absence of Fairtrade buyers.

Below the SPOs are analysed against the theoretical framework of Baser and Morgan (2008)⁸ who developed a ‘five core capabilities framework’ to assess an organization’s capacity and resilience. The five interrelated capabilities (5Cs) are:

1. The capability to adapt and self-renew;
2. The capability to act and commit;
3. The capability to relate to external stakeholders;
4. The capability to achieve coherence; and
5. The capability to deliver on development objectives.

5.2 CAPABILITY TO ADAPT AND SELF-RENEW

Some SPOs, such as SPO-1, noted that the children of farmers look to the cities and hope to leave agriculture. Employment in cities is perceived to involve less work than agriculture, and offer higher wages. Income from farming was said not to be particularly attractive, and only enabled farmers to continue what they are doing without really getting ahead. Furthermore, in the case of crop losses due to unforeseen events, farmers can be left in a difficult financial situation.

SPOs experience several types of external shocks that constrain them. These usually take the form

of price shocks, or climatic shocks which affect production output and income. A case in point is SPO-5, whose members experienced a fungal outbreak which decimated their vanilla crop. As the fungus remains in the soil for several years, members made a transition to Robusta coffee. Unfortunately for the SPO, they have found that there is a lack of demand for Fairtrade Robusta coffee and they have no Fairtrade buyers. Potentially more market research or product diversity would benefit the SPOs.

SPOs highlight climate change as an emerging issue. Late rains, or less frequent rains, have necessitated that farmers invest in irrigation if they can afford it. This is the case with SPO-3 and SPO-4’s mango farmers and SPO-8’s raisin farmers. The raisin farmers discussed how unseasonable rains adversely affected crops, and how a shortening of the harvest season drove up hired labour costs because “everyone wants skilled labourers at the same time.” Raisin farmers complain that “[hired labourers] are getting richer than the farmers,” but no empirical data was collected in this study to verify the factual correctness of that complaint.

5.3 CAPABILITY TO ACT AND COMMIT

SPOs and their members want to increase the share of produce sold as Fairtrade, wherever possible. The frequently cited reason is because the Fairtrade Premium is an important source of revenue which the SPO can use to strengthen and support farmers. However, while members did not explicitly say so, support for Fairtrade appeared to be related to the volume of produce able to be sold as Fairtrade. For SPOs selling very little Fairtrade product, such as SPO-5 and SPO-8, there appeared to be more hope than enthusiasm that Fairtrade could help transform and strengthen them.

SPO-2 described two types of farmers – those only interested in certification and organic practices so long as it translates into higher profits (or else they will return to conventional farming), and those who recognize the practices as being important in and of themselves (even if they earn a little less).

The fact that the SPOs have remained with Fairtrade certification over several years, despite often lacking a Fairtrade buyer, shows a level of commitment from farmers that cannot solely be explained by

7 Sanskrit meaning ‘association’, ‘assembly’, ‘company’ or ‘community’

8 Baser, H. & P. Morgan (2008). *Capacity, Change and Performance Study Report*. European Centre for Development Policy Management, Discussion Paper No 59B, April 2008

the Fairtrade Premium. For example, while around two-thirds of SPO-8's membership left the SPO due to a lack of Fairtrade buyers, committed members remained because they do see the Fairtrade practices as being positive in and of themselves. For example, SPO-8 farmers said how they were previously 'unaware' of the risks of using chemicals, not implementing safety measures, soil erosion and, quite surprisingly, child labour. However, they report that Fairtrade has offered them trainings and called upon them to abide by the requirements of the Fairtrade Standards.

5.4 CAPABILITY TO RELATE TO EXTERNAL STAKEHOLDERS

External relationships and partnerships are integral to building strong SPOs. That goes in particular for marketing relationships. Registered as NGOs, SPO-1 and SPO-2 have both been working with farmers, processing raw product, and confidently delivering a wide range of social and farm-related services for a long time. The SPOs were formed from within NGO structures for the purpose of Fairtrade certification, and the SPOs enjoy an extremely close relationship with their NGO, because they are almost one and the same. The powerful position of their NGO in the market is of immense benefit to SPO farmer members because they do not have to search for buyers themselves, and their NGO has several market outlets. Each year SPO-2, for example, participates in exhibitions through the Global Education Network.

The large sugarcane SPOs, SPO-6 and SPO-7, have benefitted from a close relationship with nearby factories for several decades. The factories are the market outlet for unprocessed sugarcane, and supply skilled labour for harvesting. While farmers benefit from having a guaranteed buyer, farmers often expressed dissatisfaction with the timing of labour supplied for harvesting. Due to a lack of capacity to process all the farmers' sugarcane during short harvest periods, some is harvested prematurely or late. Premature harvesting means lower volumes, and late harvesting results in drier sugarcane, also reducing volumes and income for farmers. As far as the SPOs are concerned, the only possible solution is the construction of a new factory or investment in increasing the capacity of the existing factories. For now, farmers can only sell around 40 percent of their sugarcane harvest to the Fairtrade certified factory, with the remainder being sold to another non-Fairtrade certified factory.

Smaller SPOs such as SPO-3 and SPO-4 are particularly dependent on one or two mango

buyers, and struggle to market themselves as Fairtrade producers. SPO-5 and SPO-8 have no Fairtrade buyers, and this lack of a marketing partner is clearly holding them back. "What makes an SPO weak? When the buyer leaves and we don't know how to find a new one," SPO-8 explained. According to these smaller SPOs, NAPP is their best hope of accessing new buyers. However, within the Fairtrade system, a market is not guaranteed and in principle the responsibility to market produce does not lie with NAPP, but with the SPO.

The government is another partner supporting SPOs, with most members benefitting from various government input subsidies. Farmers say they are appreciative of this, because additional support is what allows farmers to be profitable.

5.5 CAPABILITY TO ACHIEVE COHERENCE

The main reason for variance in governance practices between SPOs was the size of the organizations, rather than their product, year of establishment or geography. Most SPOs said that Fairtrade certification had not particularly changed their governance structure or reporting, because Fairtrade requirements were generally in line with current practices under Indian cooperative law.

While larger SPOs tend to elect board members for five year terms, some small SPOs, such as SPO-5, have three year terms. SPO-1 holds elections for the president and secretary every five years, which is in line with the Fairtrade Standard. Large SPOs also have steering committees, which often include board members, to oversee the use of the Fairtrade Premium and to look into Fairtrade related issues. SPO-2 manages day-to-day activities via the chief executive of the umbrella cooperative, assisted by a few office staff.

Even small SPOs tend to have relatively large boards. For example, SPO-3 and SPO-4 have an elected board of ten members, including a president, secretary and treasurer. Within this structure there are also usually several committee members with responsibilities for, for example, procurement and monitoring. This is around ten percent of the total membership. However, the leaders of these small SPOs are usually unpaid. SPO-3, for example, only pays its leaders during the harvest season when there is considerable management and logistical work to be done. SPO-3 suggested that many farmers are not interested in being part of the executive board because they are not paid, and only travel expenses are reimbursed.

All SPOs with more than 100 members apply the Fairtrade delegate system, and use this to communicate information with members about prices, training, the use of Premium money, and the overall position of the SPO at annual general meetings. The general assembly was described as the supreme decision-making body and the board implements decisions that are agreed by the members.

Small SPOs have relatively few problems with democratic governance. SPO-3 says that it doesn't have any challenges because the SPO is so small (just over 100 members) and everyone knows each other well. For SPO-3 and other small SPOs with 100 members or fewer, the general assembly is attended by all members, and not just delegates, and all members have equal voting rights. Small SPOs cannot coordinate village level meetings, as each village only has a few members and this is cost prohibitive. Instead, communication about 'common' issues is conducted via mobile phone and important decisions are made by calling a general meeting.

SPO-5 has intentionally limited its membership to 103 members because it desires solidarity among its membership. It aims to invest its resources intensively in existing members rather than using these resources to grow membership. SPO-5 says that it needs to increase the amount of Fairtrade Premium it receives before considering expanding membership. However, this is extremely difficult because since the members shifted from vanilla to Robusta coffee they have experienced a lack of demand for their produce.

SPO-6 did say that although the cooperative has existed for many decades, Fairtrade certification encouraged them to increase participation of members. This was said to have created more discussion and unity among members because members have an interest in discussing how their Fairtrade Premium money is used.

5.5.1 Gender

Women often did not feature strongly among SPO membership. Many groups had few or no women members because members must be landowners according to the SPO statutes (even though not required by Fairtrade), and the land title is typically held by men. Members said that while women do contribute to production activities, they generally

do not have a voice in the functioning of the SPO unless they are members.

SPO-5 was one of the few groups with a substantial number of women members, because in their communities women do own land. Women explained that their involvement in the group has been positive. They are closely involved in training and have been influential in advocating for organic practices. Women members say that their involvement with the SPO has given them knowledge on good agricultural practices (GAP) with which they support women who are non-members.

5.6 CAPABILITY TO DELIVER ON DEVELOPMENT OBJECTIVES

5.6.1 Production

Most SPOs provide a regular package of training to members, particularly on GAP, pest management, and adhering to Fairtrade requirements. General training and support was provided prior to joining Fairtrade, although the Fairtrade Premium does allow SPOs to offer expanded services (see 'Experience with the Fairtrade Standards' below). SPO-5 has had positive training experiences following the shift from vanilla to Robusta coffee. Members receive training several times a year from the Internal Control System (ICS)⁹, but also from the government-run Coffee Research Institute. However, poorly performing SPOs do not offer frequent training and support. SPO-4 has reduced its training down to every two or three years in response to declining Fairtrade sales, and SPO-8 is so weak that it can perform only the most basic functions for members.

SPOs generally acknowledge that Fairtrade rules encourage good agricultural practices, however most also say that their production and processing practices are driven more by their buyers' demands than by the Fairtrade Standards. Buyers often demand that produce also meets other standards, particularly organic, and elements of other standards that are frequently in line with the Fairtrade Standard.

In some cases, SPOs purchase and distribute fertilizer or pesticides to members to ensure that it is safe, in line with Fairtrade requirements, and to receive discounts for purchasing in bulk. Most SPOs

9 An ICS is a system in which the SPO behaves like a certifier and inspector, ensuring that member farms are in line with the Fairtrade Standard. See https://www.fairtrade.net/fileadmin/user_upload/content/4.0_FLO_Training_Guide_for_Small_Farmers_on_Internal_Control_Systems.pdf

offer subsidies for inputs, which are paid out of the Fairtrade Premium.

The provision of transport is not dependent on Fairtrade but all SPOs provide transport for their members' produce and either process on site, or sell on to buyers. For example, SPO-3 hires trucks on behalf of members to coordinate the pickup and bulking (local term for putting together a large amount to be sold together) of mango produce. Large SPOs such as SPO-1 are closely linked with an NGO which owns transport trucks and moves members' produce to the NGO processing facility. However, small SPOs, such as SPO-5, also organize transport to coordinate aggregation and sales on behalf of members.

Only half of the SPOs that were visited are closely linked with processing facilities. SPO-1 and SPO-2 are able to process spices through their parent NGOs. SPO-5 and SPO-6 are also closely linked with sugarcane factories with whom they have had a good working relationship for a generation or more. SPO-6's factory organizes all of the harvesting labour to ensure quality. Farmers accept this arrangement because harvesting sugarcane is particularly heavy work and farmers typically lack access to the required labourers. Members of SPO-5 want to upgrade their coffee processing facility, but they are having difficulties finding a Fairtrade buyer who will provide the SPO with Premium payments to enable them to make the necessary investments. Mango SPOs leave processing to the buyers, for whom consistency is linked with quality.

Overall, the Fairtrade Premium provides resources to SPOs which allow them to better support their members. However, SPOs emphasized that Fairtrade Standards are not the main driver of change. Rather, demand for support services comes from members, and demand for quality produce comes foremost from the buyers.

5.6.2 Marketing

The NGO that created SPO-1 is fully established and has on site processing facilities and supplies many buyers. Its strong position in the market means that the NGO only sells around five percent of its total spices as Fairtrade. The NGO has struggled to convince its smallholder farmers of the benefits of Fairtrade because it establishes minimum prices every year which are higher than the Fairtrade Minimum Prices, and has always offered a variety of services. The Premium price can be offered to members because the NGO is able to produce a high-value organic product, but SPO-1 says that it still does need Fairtrade support to link to Fairtrade

buyers if it is to increase the share of Fairtrade spices that it markets.

A lack of demand for Fairtrade buyers is cited as a major issue by SPOs. SPO-2's leaders are unsure if the problem is simply that Fairtrade buyers don't know how to find them. However, SPO-4 states that demand for Fairtrade organic mangoes is decreasing in India. The SPO says that other certifications are demanded in the market, particularly organic certifications because, they believe, consumers are more interested in their own health than in the economic position of others. SPO-4 would like to know what Fairtrade intends to do to increase demand for Fairtrade because, in the SPO's view, this is the most important factor for strengthening the SPO. When the number of Fairtrade buyers increases, and larger orders are contracted, the SPO and its members will benefit from larger Premiums and higher prices.

SPO-5 has experienced considerable difficulty marketing Fairtrade Robusta coffee. While the SPO has eight European buyers, none are interested in buying Fairtrade Robusta coffee, and have told the SPO that there are other competing standards for sustainability and ethics. SPO-5 takes a close interest in prices, and has observed that, when London market prices fall, local prices fall immediately. However, when London prices rise, local prices only rise after a week or so.

SPO-6 and SPO-7, both sugarcane SPOs, sell Fairtrade sugarcane via nearby factories which they have supplied for decades. However, due to the capacity of the factories, only around 40 percent of the total sugarcane produced by SPO members can be sold as Fairtrade, with the remainder sold at a non-Fairtrade certified factory.

SPO-8, a raisin SPO, has struggled to find Fairtrade buyers, and currently only sells on the local market. This lack of marketing opportunities has seen the SPO shrink to around 30 members.

5.6.3 Financial support

While most SPOs do not officially offer loans, several offer informal loans to members who are in particular need. SPO-6, however, has offered various kinds of short and long-term loans since it was created in 1949, both for sugarcane production and other needs.

6. Experience with the Fairtrade Standards

6.1 UNDERSTANDING OF FAIRTRADE

The researchers observed that individual farmer members, and even individual executive board members, had only a general understanding of the Fairtrade Standards. However, collectively they are able to adhere to Fairtrade requirements and pass audits.

In the interviews with SPOs in India, farmers did not perceive child labour to be a problem because, as they said, it has been tackled by government laws¹⁰. Respondents said that only in instances of extreme poverty are families (SPO members and non-members) using child labour.

6.2 SUPPORT FROM FAIRTRADE

In general, SPOs appear to have been sufficiently supported by Fairtrade and other partners through the certification process. SPO-2 came to know about Fairtrade from German buyers, and was thankful for the support NAPP provided, particularly during the certification process.

SPOs are generally satisfied with NAPP support on issues related to the Fairtrade Standards. For example, SPO-3 said that NAPP visited them every year to discuss current issues facing the SPO, and they feel they have access to the full support of NAPP. However, a major issue for all SPOs is a lack of Fairtrade buyers, and this is an issue on which all SPOs would appreciate much more support. SPOs suspect there is demand for Fairtrade products in the global market, but do not know how to find these buyers. They also believe that Fairtrade buyers do not know how to find them either.

6.3 FAIRTRADE PREMIUM

The Fairtrade Premium is clearly the main reason the SPOs and their members are interested in Fairtrade. Other reasons such as Fairtrade Minimum Prices, potential for new buyers, or improving governance systems are secondary for most SPOs. The reason that the Fairtrade Premium is so highly valued is that, for small SPOs in particular, it allows SPOs to make investments in the organization and

members well beyond what other certification systems or buyers offer.

SPOs use their Fairtrade Premium money in a variety of different ways according to their members' wishes, which are decided upon at their annual general meetings. SPOs frequently used part of the Premium to subsidize farming inputs, and to support farmer members with training on the Fairtrade Standards and good agricultural practices. Many also invest Premium funds in school books and classroom equipment for local schools. SPO-2 used their Premium to pay for organic certification, scholarships for children of farmers entering college, and subsidies towards farm machinery. Combined with government subsidies, farmers only need to pay about 15 percent of the cost of the machinery themselves. SPO-3 used some Premium money to send SPO leaders to Sri Lanka to improve their knowledge of mango production practices and are currently engaged in negotiations to secure more storage and office space.

SPO-1 says that the main benefit of Fairtrade certification is the Premium, but members found it difficult to isolate the goods and services provided by the SPO using Premium money from the much larger development programme carried out by the parent NGO.

While the Fairtrade Premium is clearly a major incentive for joining Fairtrade, SPO-8 members asked "why they should be burdened with [Fairtrade] restrictions" if they don't have access to Fairtrade buyers and don't receive a Premium. SPO-8 membership numbers have recently fallen from just over 100 to 33. Those who remain in the SPO are hopeful that a new buyer can be found, but have remained because they believe in the social objectives of the SPO.

6.4 FAIRTRADE MINIMUM PRICES

All SPOs were positive about the Fairtrade model of facilitating a Premium payment on condition of fulfilling Fairtrade requirements. However, if Fairtrade Minimum Prices are not close to the local

¹⁰ No young people were interviewed and youth focus groups could not take place. We cannot, therefore, make any absolutely conclusive statement that child labour has been eradicated. Statements here reflect simply the opinion of the interviewees.

spot prices, members will sell to other buyers. SPOs will also sign contracts with any buyer offering a good price, and which is agreed with members.

However, SPO-3 and SPO-4, both mango SPOs, say that Fairtrade has made a difference to the price they receive. Mango SPOs receive one additional Indian rupee (INR)/kg for Fairtrade mango, raising the price from 12 to 13 INR/kg¹¹. Farmer members were clearly happy with the price increase, however this is tempered by a lack of Fairtrade buyers. SPO-3 presently markets about 30 percent of member's output as Fairtrade.

6.5 OTHER

One SPO, speaking on condition of anonymity, said that despite strict Fairtrade rules, norms and annual audits, loopholes remain. They have seen that on both the buyer side and the farmer side local product is mixed with Fairtrade product. The SPO preferred not to go into elaborate detail, but said the practice was not uncommon.

7. Conclusions

Field research with eight SPOs found that farmer members benefit from a regular package of training provided by their SPOs. Members generally expressed satisfaction with training on good agricultural practices, and Fairtrade requirements. Most SPOs were already providing training prior to joining Fairtrade and their production and processing practices are driven more by buyers than the Fairtrade Standard itself. However, SPOs and their members generally acknowledged that Fairtrade rules encouraged farmers to adopt good agricultural practices. All SPOs are certified to organic standards and have an ICS, which most had prior to Fairtrade certification.

One of the main reasons that farmers are members of a farmer group (and Fairtrade SPO) is because of potential marketing opportunities with formal buyers. SPO members are most satisfied when the SPO is able to secure contracts with a formal buyer on better terms than local traders can offer. However, Fairtrade buyers make up only a small percentage of the overall volumes sold by most SPOs and in two cases, SPOs currently have no Fairtrade buyers.

The major issue constraining small SPOs is a lack of Fairtrade buyers. This issue was repeatedly brought up by SPO leaders and members alike, and is an issue on which all SPOs would appreciate much more support from Fairtrade International and NAPP. SPOs suspect there is demand for Fairtrade products in the global market, but do not know how to find these buyers. They also believe that Fairtrade buyers do not know how to find them either. Improving market linkages between SPOs

and Fairtrade buyers was overwhelmingly cited as the most important issue, because Fairtrade sales generate the financial resources that SPOs require to deliver improved services to members and strengthen internally.

SPOs were found to have suitable governance structures, appropriate to their membership size and capacity. Elections and decision-making processes were widely regarded as fair and transparent by SPO leaders and members alike. SPOs with more than 100 members described how they apply the Fairtrade delegate system, whereas small SPOs with fewer than 100 members enjoy much closer relationships with one another. The belief among SPOs is that Fairtrade governance rules have not affected them very much because the existing cooperatives already applied similar structures under national cooperative laws.

Unfortunately, women were rarely found to be SPO leaders or members. Many SPOs had few or no women members because members must be landowners, and the land title is typically held by men. Members said that while women do contribute to production activities, generally they do not have a voice on the functioning of the SPO unless they are members.

SPOs and farmers can be exposed to various external shocks that can either weaken, or constrain them. SPOs and members typically discussed sustainability in terms of price shocks, or climatic shocks affecting production output. One serious fungal outbreak necessitated farmers moving from vanilla to coffee, and they are yet to recover. Others

11 12 INR ~ €0.16, 13 INR ~ US\$0.17

discussed how shorter or less frequent rains can even drive up labour costs because everyone needs skilled labour at the same time in a shorter period. The researchers observed that individual farmer members, and even individual executive board members, have a fairly general understanding of the Fairtrade Standard. However, collectively they are able to adhere to Fairtrade requirements and pass audits. Fairtrade business practices deemed most problematic were usually environmental, particularly rules on the use of plastic.

In terms of external relations and partnerships, relationships with buyers were deemed the most important by most SPOs. Smaller SPOs are particularly dependent on one or two buyers, and struggle to market themselves as Fairtrade. Some SPOs explained that, in their experience, when a buyer is lost the SPO is weakened because they do not know how to find new ones. This is particularly the case for Fairtrade buyers, and SPOs expressed hope that NAPP could play a greater role in facilitating market introductions. Some large SPOs

also benefit from their close relationship with either a parent SPO, or long-standing agreements with factories. Larger SPOs are already strong and well established, and are not dependent on Fairtrade buyers as small SPOs are. However, all SPOs would like to increase the percentage of their production sold as Fairtrade in order to earn more Premium.

SPOs have generally had a positive experience with the certification process, and felt sufficiently supported by Fairtrade. The opportunity to receive a Fairtrade Premium is clearly the main reason for their interest in Fairtrade, more so than higher prices. Most SPOs said that Fairtrade Minimum Prices are not higher than those of other buyers, however, the mango SPOs did receive a slightly higher price for Fairtrade products. The Fairtrade Premium offers the resources for an SPO to strengthen and better support its members and offer expanded services. Premium money was found to support SPO functioning, farmer training, subsidies on farming inputs, and, frequently, to support local schools.

8. Recommendations on how Fairtrade can help SPOs become stronger

Due to the extremely heterogeneous characteristics of the sampled SPOs it is challenging to draw detailed conclusions overall. Each SPO is a unique case with specific interests, experiences and requirements for strengthening the organization and better supporting farmer members. Nevertheless, one singular issue unites SPOs: the lack of Fairtrade buyers.

The main recommendation is for NAPP and Fairtrade International to reflect on how they can better assist SPOs to access Fairtrade buyers and vice versa. SPOs themselves suggested that Fairtrade should work to identify potential buyers and link them with SPOs. This could be done through an online directory on the NAPP or Fairtrade International website. It should be noted that actually a Fairtrade customer search tool does already exist on the FLOCERT website, which is apparently not known by the SPOs. Other suggestions involved inviting producers to more international trade fairs and introducing them to buyers. Fairtrade could also consider training SPOs on the use of social media, or establishing a generic website package through

which producers could promote themselves online. Small SPOs have particularly limited marketing capacity and experience, and market access is clearly seen as the main challenge when it comes to strengthening their SPO.

A second recommendation is for Fairtrade to consider the lack of gender balance in most Fairtrade SPOs, whether at membership or leadership level. This is a long-standing issue among Indian cooperatives, because group membership is closely tied to land ownership. Fairtrade should consider how male-dominated SPOs can extend further support to women who are already involved in production and marketing at the household level, but who may lack access to training and other forms of support. This may involve training and sensitization on the five domains of empowerment in agriculture: production, resources, income, leadership and time¹².

A final recommendation is for the NAPP office to continue its operational support, which has been well received by SPOs to date.

12 See, for example, Malapit, H., Kovarik, C., Sproule, K., Meinzen-Dick, R. & Quisumbing, A. (2015). *Guide on the Abbreviated Women's Empowerment in Agriculture Index (A-WEAI)*

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