



Small Producer Organization (SPO) Development, Strengthening and Resilience

PERU 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 Peru.

Ten SPOs were visited in Peru: five 1st Grade coffee SPOs, two 1st Grade banana SPOs, one 1st Grade asparagus SPO, one 1st Grade mango SPO, and one 2nd Grade banana SPO. The visits took place between November 16th and November 30th 2016. During focus group discussions (FGDs) with leaders and male and female members separately, 168 people were interviewed: 92 leaders and professional staff (68 men and 28 women), and 76 members (36 men and 40 women).

In Peru, the members of visited SPOs demonstrated great confidence towards their leaders. Men and women members expressed the view that their leaders do their best for the whole organization but could perform better if they received additional training and information. The vast majority of members (both men and women) were satisfied with the provision of SPO services and acknowledge that, since joining the SPO, their situation has improved.

Banana SPOs are the strongest economically, due to the high export volumes and regularity of their (weekly) shipments. This allows them to offer more services to members, such as fertilization, harvesting, gathering, washing and packing of bananas, and buying from members twice a month.

Coffee SPOs have the greatest sense of identity; all members expressed pride in the quality of their product as a result of improved agricultural practices and post-harvest processes promoted by the SPO. The coffee SPO members are proud of the recognition of their coffee in the global market. Mango and asparagus SPOs, and two coffee growers, showed great interest in diversifying their production, but all of the SPOs were disappointed by the decrease in Fairtrade sales.

The visits in Peru revealed that SPOs have been able to take advantage of opportunities offered by national and local and/or national governments and international organizations, including technical assistance, credit, and tax exemptions. However, SPOs have not yet developed sufficient lobbying capacities to demand specific social and productive infrastructure from the government.

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

- Support SPOs in designing risk management plans;
- Strengthen the participation of women in different decision-making bodies;
- Encourage innovation in ways to train members of SPOs in Fairtrade;
- Support SPOs to make cross-sector strategic alliances and partner with local and/or national governments to promote products in the national market.

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:

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.

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 Peru are then summarized, followed by recommendations for Fairtrade.

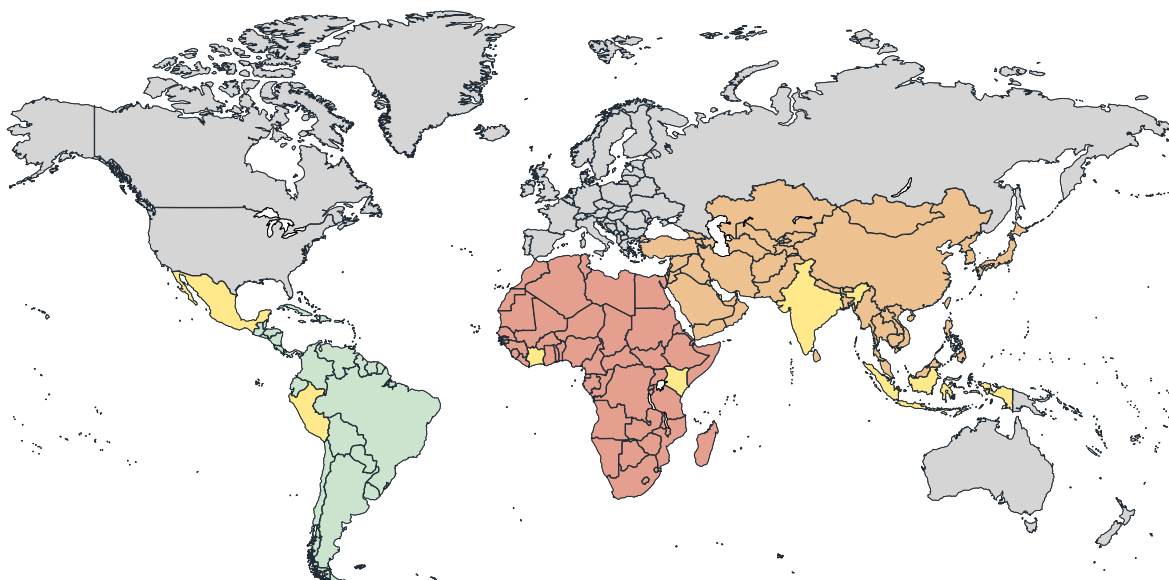


Figure 1. Countries in the study (highlighted in yellow)

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.”¹

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.

¹ Fairtrade International (2013). *Fairtrade Theory of Change*, December 2013

Baser and Morgan (2008)² 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 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.

² Baser, H. & P. Morgan (2008). *Capacity, Change and Performance Study Report*. European Centre for Development Policy Management, Discussion Paper No. 59B, April 2008

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 negotiating 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, FLOCERT³ 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 International, 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 SMALL PRODUCER ORGANIZATIONS (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 FOCUS GROUP DISCUSSIONS (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 PERU

Ten SPOs were visited in Peru: five 1st Grade coffee SPOs, two 1st Grade banana SPOs, one 1st Grade asparagus value chain SPO, one 1st Grade mango SPO, and one 2nd Grade banana value chain SPO. Geographically, the SPOs were spread from the northern end of the state of Cajamarca – which corresponds exactly to the northern tip of Peru on the border with Ecuador – to the east of the Andes, bordering on the Peruvian Amazon, referred to as the Central Jungle. Additionally, interviews were held with staff from the Producer Network in Latin America and the Caribbean i.e. CLAC. In most of the 1st Grade SPOs four FGDs took place (leaders, men members, women members, and staff).

³ 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/>

The visits took place between November 16th and November 30th 2016. A total of 168 people were interviewed: 92 leaders and professionals (68 men and 28 women), and 76 members (36 men and 40 women).

Three-quarters of SPO members and two-thirds of SPO staff were aged between 18 and 50 years old.

Due to confidentiality requirements, the SPOs that participated in the research are not named in this report, and findings are aggregated.

5. Analysis of SPOs strengths and weaknesses

5.1 INTRODUCTION AND CONTEXT

Coffee, banana, asparagus and mango SPOs were visited in Peru. Most SPOs owe their foundation to an initiative implemented by an external organization (non-governmental organization [NGO], municipality or private company) and have gone through an incubation period before becoming 'independent' and taking control.

The two main reasons for the creation of the SPOs that were visited were: to by-pass intermediaries who bought products at very low prices, and to advance their position in the chain of production. SPO members said that before joining an SPO the biggest problem they had were intermediaries, who went from house to house paying very low prices and in many cases were dishonest about weights. Smallholder farmers realized that associating with other farmers would allow them to manage their volumes, and increase their bargaining power and number of customers. For coffee farmers in particular, the SPOs have helped to regulate prices. The influence of SPOs was such that it also forced intermediaries to improve their prices. Members have also been able to advance their position in the value chain by adding value to their raw material. Some SPOs have built small processing plants and others have contracted commercial services so that products can be exported as an intermediate or final product.

An SPO's greatest income comes from exports, then Fairtrade Premium income, and lastly member contributions⁴. The largest SPOs, with respect to the number of their members and Fairtrade sales percentages, are the coffee SPOs. The coffee SPOs that were visited had an average of 320 members, compared to the other SPOs which had an average of 200. While coffee SPOs sell the greatest proportion of their production as Fairtrade (69 percent), banana SPOs receive a greater amount of Premium funds for their product. Mango

and asparagus SPOs, however, have the lowest percentages of Fairtrade sales.

Banana SPOs are the strongest economically, due to their high export volumes and the regularity of their (weekly) shipments. The 2nd Grade banana SPO had 12 affiliates and sold an average of €24.4 million in 2016. It performs harvest, post-harvest, packaging, and export functions, which require a lot of effort and do not allow it to properly represent its members with the government, the private sector and donors.

On average, 19 percent of all SPO members were women. The SPOs with the greatest proportion of women were coffee SPOs located in the northern part of the country and in one of the banana SPOs. One of the coffee SPOs in the Central Jungle had the lowest proportion of women members (10 percent).

Coffee SPOs process cherries into parchment coffee and obtain green coffee beans for exportation. Of the five coffee SPOs, only one diversifies its production with stevia, honey, propolis (bee glue) and coffee spirits for the domestic market. The other coffee SPOs only produce coffee and 100 percent of production is for the external market. However, of all of the SPOs visited the coffee SPOs had gained access to more certification schemes, allowing them to access a greater quantity and variety of markets.

Banana SPOs produce a single product and export 100 percent, but asparagus and mango SPOs diversify their production. Asparagus SPOs also produce white quinoa, red quinoa and black quinoa for exportation and mango SPOs also produce and export lemon, passion fruit juice and mango pulp. All of these products are destined for international markets. Products for the domestic market are papaya fruit and Edward and Haden mango.

⁴ Tax incentives play an important role in the net profit.

Coffee SPOs have the greatest sense of identity. All of their members expressed pride in the quality of their products thanks to improved agricultural practices and post-harvest processes encouraged by the SPOs. Members recognized that improvements are possible because they are associated with an SPO, and they are proud of the recognition their coffee has on the global market.

The coffee sector is well represented in Peru. The organization that brings together and represents Peruvian coffee producers' interests to lobby the government is the national coffee board, Junta Nacional del Café (JNC). Its main objective is to contribute to the growth of the coffee sector in national and international markets by offering training services, facilitating organizational capacity building, and working to open markets and make links with buyers through international fairs. All five coffee SPOs are affiliated with the JNC which brings together a total of 730 coffee organizations, with 42,000 members (farmers and their families) from 14 coffee zones across the country.

5.2 CAPABILITY TO ADAPT AND SELF-RENEW

Smallholders, leaders, and staff consider their organizations to be sustainable in the long-term. Members from most SPOs felt that their organization was stronger (six SPOs) or a little stronger (two SPOs) than five years ago. The SPOs where members felt their organization remained the same (one SPO) or was a little weaker (one SPO) than before had both been affected by a severe coffee rust outbreak in 2013.

Peruvian SPOs are vulnerable to the effects of climate change: higher temperatures, drought, and increased vulnerability to pests and diseases. Smallholders associated climate change with some diseases like coffee rust (*Hemileia vastatrix*) or banana red spot thrip. The vast majority of SPO members thought that nothing could be done, but some believed that they should identify varieties resistant to higher temperatures and water stress, and adopt practices to mitigate the effects of this phenomenon.

Risks for SPOs are not only confined to nature. Five organizations reported having recently suffered a shock. Coffee rust was the cause for two, but the loss of certification, the return of merchandise due to defects in the product, and having to pay a large amount of compensation to an employee after dismissing them were the causes in the other cases.

Despite these difficulties, all of the SPOs have recovered, continue to operate and remain optimistic about the future.

Notwithstanding risks, none of the SPOs visited had a strategic plan, although four had been insured against pests and three insured their machinery against theft. A few organizations are thinking about crop and market diversification as a risk prevention measure. Some SPOs have already ventured into the production of other crops such as quinoa, cacao, stevia, and passion fruit, or continue to grow crops such as maize or rice. In some cases, SPOs have helped members identify national markets for these crops to help them diversify income sources and be more resilient.

5.3 CAPABILITY TO ACT AND COMMIT

In commercial terms, the banana SPOs are the most successful, thanks to a growing demand for organic bananas in Europe and North America. From originally producing cotton and yellow maize for the domestic market 30 years ago, to producing bananas for the domestic market and then organic bananas for export, banana farmers have experienced an extraordinary change.

Coffee SPOs sell the greatest proportion of their products as Fairtrade (69 percent), but banana SPOs receive greater amounts of Fairtrade Premium for their sale volumes. The SPOs with the lowest percentages of Fairtrade sales are mango and asparagus SPOs.

Of the visited SPOs, the average amount received from sales is €2,771,000 and the trend is set to increase as the number of members continues to rise and productivity and product quality improve. Members sell, on average, 88 percent of their production to their SPO. The remainder is sold in national or local markets.

All visited SPOs have control over their finances: they have a bank account, a check book and a banking book, and have bookkeeping systems in place. They also keep control of the volumes of product purchased from each producer and the price they are paying.

5.4 CAPABILITY TO RELATE TO EXTERNAL STAKEHOLDERS

The ten SPOs have benefitted from opportunities offered by national and local governments and international NGOs. For example, they have obtained technical assistance, credit, and tax advantages. SPOs have not yet developed sufficient lobbying capacities to demand specific social and productive infrastructure from the government. Very few SPOs therefore lobby, but after a coffee rust outbreak in 2013 which resulted in farmers losing their crops and being unable to pay debts with Agrobanco, one coffee SPO asked the government to order the company to freeze the interest and give them new operating credit to continue producing and thus be able to pay the debt. Another issue SPOs have lobbied the government about is the right to water, particularly in locations where there has been conflict with other farmers who use greater amounts than they are allocated.

5.5 CAPABILITY TO ACHIEVE COHERENCE

SPOs are registered under two modalities – association or cooperative⁵ – with the preferred modality being the cooperative due to the advantages that the government offers this type of organization. Every three years, members of cooperatives elect a new Board of Directors and Supervisory Board, and every year a third of the Board members are renewed. An association's elections are held every two years and in all cases SPO members stated that the election of representatives was a transparent and democratic process. However, it should be noted that the participation of women in candidate lists is very small and mainly limited to secondary posts. Overall, members of SPOs have confidence that their leaders do their best for the organization, but could perform better if they received additional training and information.

Men members feel comfortable expressing their views in assemblies because their ideas are respected and taken into account. However, a few women felt uncertain in expressing themselves because they did not consider themselves sufficiently schooled to express themselves properly.

All farmers interviewed stated that they receive information about the results of sales, projects, investments, and other decisions in general meetings; these can be ordinary (regular) or extraordinary meetings. However, only half of the SPOs that were visited consult their members before making important decisions, in which case a raised-hand vote is held.

All the SPOs have at least one annual general assembly and, on average, 72 percent of the members attend. All of the SPO leaders knew what the mission statement of their respective organization was, but only half of the interviewed women and one-fifth of the interviewed men members knew. Women typically perceive the SPO mission to be increasing crop productivity and improving household conditions, while men are more focused on sales and monetary benefits.

5.6 CAPABILITY TO DELIVER ON DEVELOPMENT OBJECTIVES

SPOs provide services to their members according to their financial situation and the needs of each type of product. Banana and mango SPOs provide their members with labour for fertilization, harvesting, post-harvest processing and transportation. This service is highly appreciated by smallholder farmers and ensures a better-quality product. The higher incomes of banana SPOs allow them to provide more technical assistance, in contrast with mango SPOs which offer limited assistance because they have fewer financial resources. Despite offering limited technical assistance, mango, asparagus and coffee SPOs do provide members with organic fertilizer.

Training has been identified as a matter of great importance for both men and women members. They consider that training has allowed them to improve their production practices and therefore obtain a better product. The vast majority of smallholder farmers think that good training can help them deal with the pests and diseases that attack their crops.

Smallholder farmers receive training in aspects related to Fairtrade and organic production. However, what smallholder farmers remember most is training on Good Agricultural Practices (GAP) and farmers often confuse Fairtrade with

⁵ The main differences between an association and a cooperative are that: in an association, the contributions made by the members are not returned, but are returned to cooperative members who disengage; in associations, profits are not distributed but they are in cooperatives; the assets of an association cannot be shared, but in a cooperative only the cooperative's reserve is not shared.

organic production. Technicians from SPOs carry out most training through theoretical classes and demonstrations in farmers' plots. Most members believe that the frequency and variety of subjects are insufficient; training on the production of organic fertilizers, and integrated pest and disease control, were requested.

SPO members recognize that there has not been enough training for marketing and business management. Most members had received some training in aspects of harvesting and post-harvesting, but only a few had received information about issues related to how the product made it to the final consumer abroad. Aspects related to fair prices, the European Fairtrade movement, and cooperatives were tackled through marketing training.

The ten visited SPOs were able to take advantage of their negotiating capacity to obtain cheaper inputs, equipment and agricultural machinery and thus lower production costs. However, only one helps its members connect with agricultural input suppliers

and two help members link up with suppliers of equipment and machinery. It is more common for SPOs to rent or loan equipment, especially coffee SPOs which lend and/or rent backpack sprayers, small chainsaws, moto scythes, etc.

All of the SPOs purchase directly from their members, then process the produce and sell it either as a final or intermediate product. The export of the products is usually completed by a broker, which in some cases is the same company that owns the processing plant; this is the case for coffee, asparagus and mango. Banana SPOs are the only SPOs who conduct the entire post-harvest processing and packaging process, although they are directed and supervised by an exporting company.

About half of the SPOs facilitate access to credit for agricultural production by providing members with endorsement. While men were highly motivated about credit services, particularly men over 65 years of age, women were motivated more by training services.

6. Experience with the Fairtrade Standards

On average, organizations sold 46 percent of their total production as Fairtrade. All ten SPOs were optimistic and happy with Fairtrade and would like to increase their sales under these conditions.

One of the coffee SPOs mentioned a new sales modality under the so-called 'Combo pack' system where three categories of contracts are included: conventional, Fairtrade and organic (FTO), and organic only with UTZ certification⁶.

All of the SPOs said that applying the Fairtrade Standards was easy and all of the SPO leaders stated that Fairtrade is helping them to reach the objectives outlined in their operational plans. However, most members said they do not remember the most important aspects of Fairtrade from their training.

SPO members who are clearer about the concepts

of Fairtrade recognize that Fairtrade has improved their living conditions, by improving the comfort and health of family members and the working conditions of hired workers, who are contracted during harvest time in particular. In coffee and mango producing SPOs in Peru, members said that children help their parents at non-school times with small tasks. Men said this was a way for children to learn about their parents' activity and women stated that it was a way to keep children occupied, under their supervision, and away from bad influences⁷. How the Fairtrade Premium is used varies between SPOs. Each organization approves how Premium funds will be used in its assemblies, taking Fairtrade rules into account. However, approximately half of the interviewed members did not know how much the Premium amounted to or how it is distributed, despite taking part in the assemblies. SPOs that receive relatively large amounts of Fairtrade Premium money often use part of it to

6 UTZ Certified is a programme and a label for sustainable farming

7 Which is allowed by Fairtrade as long as the activity is not hazardous (ILO 182). Please note that Clause 3.3.8 in the SPO standard states: '3.3.8 Your members' children below 15 years of age are allowed to help your members on their farms under strict conditions: you must make sure that they only work after school or during holidays, the work they do is appropriate for their age and physical condition they do not work long hours and/or under dangerous or exploitative conditions and their parents or guardians supervise and guide them.'

buy 'gifts' for members: Christmas or Mother's Day baskets, school supplies, or organic fertilizers. For many members' these objects are perceived as gifts offered by leaders or management and not as part of the reward they receive for their organic or Fairtrade certified production. While it is true that the decision on how to distribute the Fairtrade Premium is subject to consultation during

general assemblies, the proposals are made by the leaders and management, leaving the members to approve. Instead of being empowered to make decisions or requesting more transparency, SPO members are therefore subordinating themselves to the managers and leaders as a sort of favour in return for the small 'gifts' they have received.

7. Conclusions

SPO members visited in Peru recognize that participation in an SPO that sells to Fairtrade has allowed them to benefit directly by receiving a 'fair' or Minimum Price, accessing credit more easily than they would do individually and accessing technical training. In most cases, Fairtrade has enabled SPOs to improve the services they offer members and, in some special cases, provide access to health services that they could not have otherwise have had access to. Members also feel that they have benefitted from the increase in bargaining power with intermediaries, and have been able to advance along the value chain as a result of their SPO expanding its productive infrastructure.

A common denominator among the ten SPOs was their low female membership levels (less than 20 percent), and their limited participation in leadership and managerial positions. Of the ten SPOs, only one had a woman manager. However, it is important to note that in the member FGDs there was greater participation by women than men. Concerning the quality of women's participation, it has been noted that women's groups have been more critical towards the management of their organizations. The women interviewed showed great concern about finding a solution to crop problems such as pests and diseases and they frequently exchanged advice on the subject. In one of the coffee SPOs, one of the women interviewed had shared findings she had made on the internet about ways to deal with coffee diseases with her colleagues.

SPOs have developed alliances with NGOs and the government. Thanks to programmes like Agroideas⁸, a significant number of SPO members

have been able to improve their productive technology, increase their productivity and receive technical assistance, which is also offered by local NGOs. It is true that the SPOs could advance more in their strategic alliances with regional and local and/or national governments in order to prioritize productive infrastructure in participatory budgets⁹ that favour them, such as roads and irrigation projects, and social infrastructure such as schools and health centres.

SPOs do not have risk management plans; only two of the SPOs visited mentioned some risk prevention measures like crop diversification and only one had agricultural insurance. The other seven SPOs did not have any plans or safety nets in case of a catastrophe.

Technical training has been identified as a matter of great importance for both men and women farmer members. They consider that training has allowed them to improve their production practices and obtain a better product. The vast majority of the interviewed farmers thought that good training could help them deal with the pests and diseases that attack their crops.

Despite feeling that they benefit from Fairtrade, and although they are frequently informed and trained about the meaning of Fairtrade, members are still confused about the concept.

Most SPOs function as if they are an intermediary in the export process: they buy the raw material from members and then carry out harvesting (mango and banana), post-harvesting (coffee and asparagus) and packaging. The SPO pays the agreed

⁸ A programme of the Ministry of Agriculture and Irrigation, which acts as a strategic partner of the agrarian sector at national level, promoting the association, management and adoption of technology for small and medium-sized agricultural farmers through the non-reimbursable co-financing of sustainable business plans.

⁹ The participatory budget is a tool that allows citizens to influence or make decisions regarding public budgets, both at state level and at regional or local level.

price and assumes the costs of the processes following production and export. The profit margin is considered as SPO income, which, in addition to a portion of Premium funds, can be used to cover the running costs of the SPO.

The effects of climate change on crops (higher temperatures, drought, increased vulnerability to

pests and diseases, and declining productivity) have been recurrent themes in almost all interviews. The vast majority of SPO members think that nothing can be done, but some believe that they should identify varieties resistant to higher temperatures and water stress, and adopt practices to mitigate the effects of this phenomenon.

8. Recommendations on how Fairtrade can help SPOs become stronger

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

8.1 SUPPORT SPOS IN DESIGNING RISK MANAGEMENT PLANS

Fairtrade could support smallholder farmers by:

- Providing training for smallholder farmers about all sources of risks, including climate change, and risks associated with commerce and the legal, political and institutional insecurity of Peru.
- Stimulating debate about the importance of risk management plans and – in partnership with scholars and research centres – design, validate, assess and disseminate effective tools to mitigate agricultural risks.

8.2 STRENGTHEN THE PARTICIPATION OF WOMEN IN DIFFERENT DECISION-MAKING BODIES

Fairtrade could develop or provide incentives for training programmes aimed at empowering women members of SPOs. Women members have shown that they have a significant interest in issues relevant to their SPO, and in the running of the business itself, but some are shy. This is often a result of their low levels of schooling and lack of opportunities for participation throughout their lives, especially in the more remote regions where the patriarchal model still prevails. Fairtrade could encourage positive discrimination through electoral lists for Board of Directors and Supervisory Boards and contracts for managers, technical assistants, etc. Exchanges for women smallholder farmers would be stimulants and allow them to exercise leadership. These could be learning trips, attendance at fairs and events for

smallholder farmers, and even virtual exchanges through social networks.

8.3 ENCOURAGE INNOVATION IN WAYS TO TRAIN MEMBERS OF SPOS IN FAIRTRADE

It is clear that current ways of training and communicating to farmers about Fairtrade concepts, Standards, rules and procedures are not completely effective. Using PowerPoint presentations and brochures in the training may not be visual enough, the concepts and ideas may not be familiar enough, the language used may not be clear, or there may be too many concepts being taught at the same time.

Fairtrade could test different methods, such as farmer-to-farmer training, or similar methods (i.e., role playing), and train farmer leaders to run training sessions to reach more farmers.

8.4 SUPPORT SPOS TO MAKE CROSS-SECTOR STRATEGIC ALLIANCES AND PARTNER WITH LOCAL AND/OR NATIONAL GOVERNMENTS TO PROMOTE PRODUCTS IN NATIONAL MARKETS

Fairtrade could, in partnership with various ministries such as the Ministry of Production and the Ministry of the Environment, develop a marketing strategy to promote SPO products in potential domestic niche markets. This would allow smallholder farmers to diversify their portfolio of customers and have closer sales options that could be a safeguard when prices on the world market fall.

Some actions to develop include:

- identifying possible niche markets in Peru's large cities;
- running national awareness campaigns about smallholder products; and
- disseminating the principles of Fairtrade in fairs and related events.

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