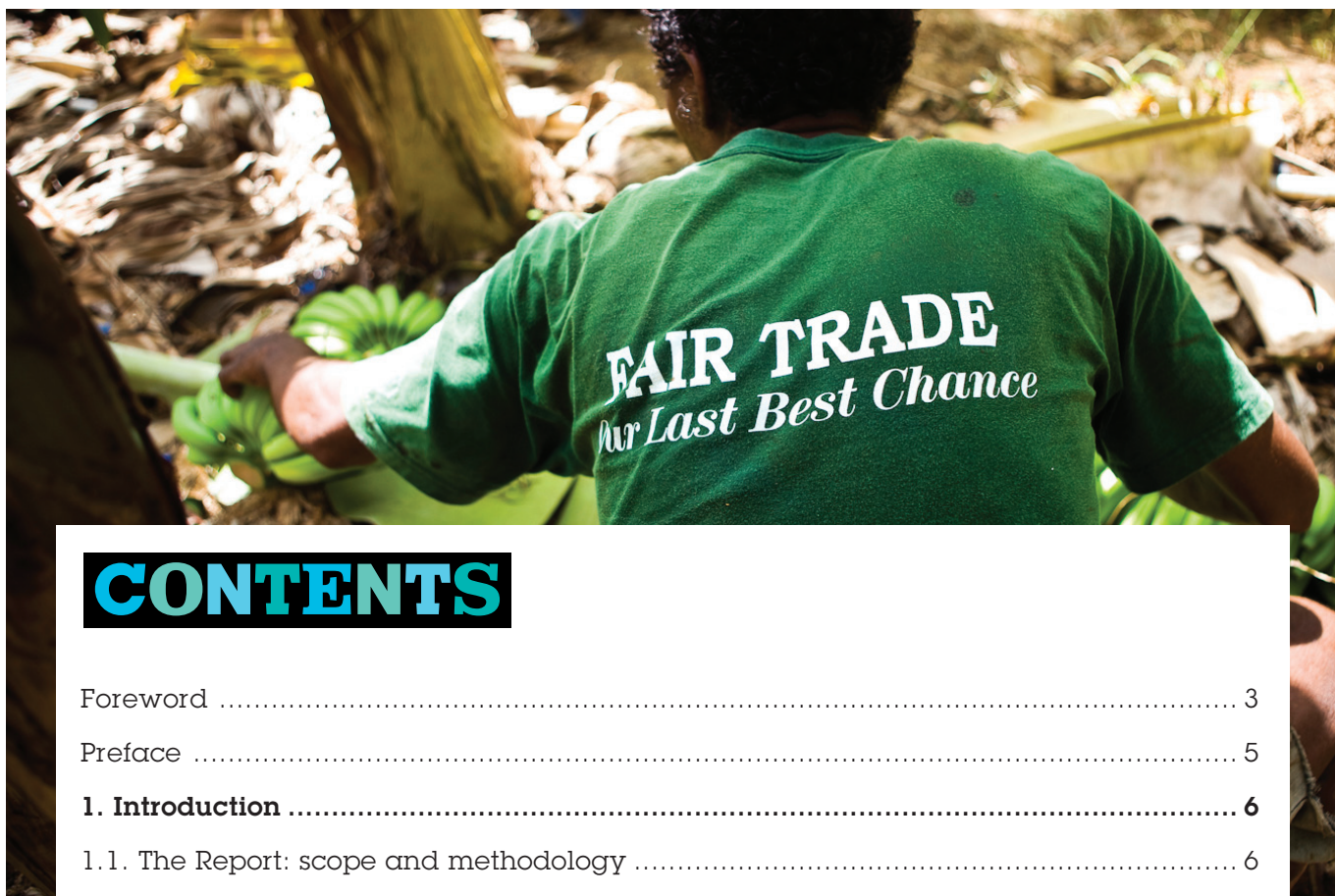




IMPACT OF FAIRTRADE BANANAS

Summary and Management Response
to an independent impact study
December 2011





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When the idea of conversion of the conventional banana trade to a more sustainable system under the Fairtrade label was first raised in the Windward Islands in the late 1990s, there was much scepticism about the viability of the idea. At that time the global banana industry was in the throes of a massive international dispute within the WTO concerning the European banana import regime which was causing havoc in producing countries. In the United Kingdom market where multinational retailers had gained the upper hand suicidal price wars were galvanising what became infamously known as ‘the race to the bottom’.

In that context the fledgling international Fairtrade movement faced major challenges if it were to succeed in its lofty aims. Most crucially, the questions being posed were: Will it work? What impact would Fairtrade have on living standards, particularly for small producers, being rapidly squeezed out of the industry?

That second issue, the question of impact, has continued to rear its head time and again. In spite of the phenomenal growth of Fairtrade and its evolution from marginal Fairtrade shops and markets to mainstream presence in major retail chains, there has not been a definitive attempt to qualify and quantify the impact. Several individual studies have been done since, limited in scope and nature, but this study done by the Institute of Development Studies (IDS), commissioned by the Fairtrade Foundation, is the first real attempt at a more comprehensive examination.

The study makes some important observations on the positive nature of Fairtrade and its impact on both small producers and plantation workers in producing countries. These vary from country to country but there is no gainsaying of the positive overall effect. In particular the impact on poverty reduction is highlighted. This does not mean that Fairtrade banana is a cure-all for the gripping poverty facing small farmers and plantation workers, but it has **made a difference**. The degree to which

it can contribute further to poverty reduction is constrained by volume of production, the small size of farms in the case of small-farm production and issues relating to market conditions.

One challenge which emerges out of the complexity of issues is the role of Fairtrade in raising living standards. The study points to the fact that complex market issues have now resulted in a levelling-off effect, with Fairtrade having more and more a stabilising effect on incomes rather than being able to further increase them. However the study demonstrates that Fairtrade has contributed to lifting living standards for small farmers and workers. In addition the access to the Fairtrade Premium, and its use for increasing productivity, meeting standards, capacity building of small farmer organisations and for important social projects in rural communities must be considered in assessing impact.

Two other important aspects are covered in the study. One is the positive environmental impact of Fairtrade production and its role in a more sustainable approach to natural resource management. Meeting Fairtrade Standards set by FLO has resulted in improved production practices and environmental projects, according to the results of the IDS study.

The second one is the empowerment effect, more so among small farmer organisations especially in the Windward Islands. There, Fairtrade production has not only salvaged the banana industry but enabled the farmers to have increased management and negotiating responsibilities. Within this too there is a gender component with an increasing role being played by female farmers in management and decision making.

There are many challenges still confronting the Fairtrade banana industry, amongst them, as pointed out in the study, the trend towards registration of large plantations and all the ramifications therefrom; the issue of the distribution of retail value in the Fairtrade chain; the use of Fairtrade Premium in a plantation context; the failure to realise genuine trade union representation in the plantation sector, (the study makes reference to the limitations of Worker Committees); and the limitations of small farmer production on sizeable markets.



A series of recommendations is set out which is by no means exhaustive. Indeed the publication of the study is bound to generate much discussion and debate within Fairtrade and banana sectors. It can contribute to the global search for a more sustainable and just banana industry, that is being pursued by the major players in the banana industry who have come together to establish a World Banana Forum. Fairtrade banana production and exports must be part of that dialogue.

The Fairtrade Foundation and the IDS must be complimented for this noble effort, another contribution towards firmly establishing the positive impact of Fairtrade in the banana industry, while not denying its limitations.

Renwick E.A. Rose
Co-ordinator, Windward Islands Farmers' Association (WINFA)
December, 2011



Producer benefit is at the heart of everything the Fairtrade Foundation does. As the UK's most trusted ethical labelling initiative, independent scrutiny of our system to ensure we are creating real benefit is key to our integrity. For this reason, we commissioned a study by the Institute of Development Studies (IDS) into the impact of Fairtrade's most popular product – bananas. We now welcome the findings of this study. Whilst Fairtrade guarantees the prices and payments to farmers and workers, we asked the IDS to delve beyond these figures to investigate the difference Fairtrade is making for farmers and workers. In inviting independent analysis on the development impact, we have sought to answer questions such as, whether the lives of Fairtrade farmers are improving over time, how far the benefits are spilling over into their wider communities, how far Fairtrade is improving conditions for workers on certified farms, and whether Fairtrade is helping the most marginalised farmers tackle poverty through improved terms of trade. Fundamentally – is Fairtrade working?

The short answer is yes – there are real and tangible improvements that Fairtrade is bringing to poor and marginalised producers working in the banana industry. The report is categorical in its finding that Fairtrade farmers and workers earn higher and more stable incomes, and as a result are less vulnerable to poverty. Whilst, in some cases, wages are still not high enough, when greater income stability is combined with the additional payment of the Fairtrade Premium, it is clear that the system is having a positive effect on workers' capabilities, on their communities and on their prospects for the future.

The report also provides some significant qualifications and challenges for improvements within the Fairtrade system. While there are intractable and ingrained problems in some countries and communities where we work, Fairtrade exists precisely to address these. So, for example, whilst the formation of workers' committees on Fairtrade farms in Latin America has increased workers'

voices in decision making, more needs to be done to promote workers' unionisation and capacity to negotiate directly with management. In the Dominican Republic, where Fairtrade farms employ Haitian migrant labourers in significant numbers, more concerted action is required to address the discrimination they face and ensure that this marginalised group benefits more from the Fairtrade system. Additionally, at the retail end of the value chain, while sales of Fairtrade bananas have grown exponentially in recent years, the majority of bananas in the UK are still not Fairtrade. The challenge is to work simultaneously to scale up growth on the one hand and through this strengthen impact to producers and workers on the other.

With the challenges that remain, we clearly cannot be complacent. We have therefore carefully considered the report's findings and recommendations and provided our summary and response here. Where we can make changes to increase positive impact, we will. To this end, Fairtrade International, our standard-setting umbrella body, has already initiated a detailed review of our strategy on hired labour workers to address such issues. It has also established a Workers' Rights Advisory Committee comprised of key trade union and labour rights experts to advise on how we can strengthen our systems. In some cases, the report presents problems without clear solutions; therefore further research is necessary on how best to understand and maximise impact throughout the Fairtrade system.

Fairtrade is designed to be an evolving standard, with a regular cycle of review. This report is a valuable contribution to this process. Please be in no doubt that we will not stop striving to meet those high developmental aspirations.

Harriet Lamb
Executive Director, Fairtrade Foundation

1. INTRODUCTION

This document has been developed by the Fairtrade Foundation as both a summary and a response to an independent research report by the IDS titled 'Fairtrade Bananas: A Global Assessment of Impact'. As well as providing a concise summary of the report's findings, in terms of both successes and challenges, it also provides a clear response to each of the major recommendations the report puts forward.



1.1 The Report: scope and methodology

In 2008, the Fairtrade Foundation commissioned the Institute of Development Studies (IDS), based at the University of Sussex, to carry out a global assessment of the impact of Fairtrade bananas that was completed in April 2010. The investigators were asked to look into the impact Fairtrade is having on the two types of producers from whom Fairtrade bananas are sourced: smallholder producer organisations (SPO) and larger plantations meeting the Fairtrade Standards.

The study was carried out by an independent team of researchers and co-ordinated by the IDS. It was qualitative, rather than quantitative, meaning its findings are based on case studies and in-depth, face-to-face interviews rather than large-scale

questionnaire surveys. The selected case studies included three Fairtrade SPOs and three Fairtrade plantations in four locations: Ecuador, the Dominican Republic, Ghana and the Windward Islands. In all cases, interviews and focus groups involved a wide cross section of people from inside and outside Fairtrade, from workers and community leaders to management and owners. In total, this report is the outcome of interviews with 107 small producers, 116 workers and numerous focus group discussions with workers' committees and Joint Bodies within these case studies. To understand practices along the banana value chain, interviews were also carried out with importers, ripening companies and retailers that trade in Fairtrade bananas in the UK.

To protect the anonymity of the participants no data or statement has been attributed to specific producer groups or plantations. It is hoped this has allowed interviewees to be more frank about their experiences and views on how Fairtrade has impacted their lives.

The research report has been finalised after due consultation with all participating producer organisations and includes their comments and concerns.

Types of impact explored

- Changes in social inequality
- Changes in the socio-economic situation of participating producers/workers and their households (individual and household income, standard of living, community development)
- Changes in the organisation of rural areas (functioning of workers' committees, organisation of small producers)
- Changes in local, regional and national development (employment generation, social development, impact of local economies)
- Changes in the management of natural resources (environment-friendly production and other environmental practices)

1.2. The Fairtrade Standards

To appreciate the wider impact of Fairtrade, it is important to understand the means by which this is achieved. Fairtrade International's methodological guidelines for impact assessment, upon which this report is based, identify four main *avenues of impact* through which Fairtrade has a direct impact on producers, workers and their wider communities:

1. **Fairtrade Producer Standards:** impacts resulting from compliance with the Fairtrade Minimum and Progress Producer Standards required to obtain and retain Fairtrade certification
2. **Fairtrade Trade Standards:** impacts resulting from adherence to Trade Standards, including payment of Fairtrade Minimum Prices (FMPs) and Fairtrade Premiums and commitment to long-term trading relations
3. **Organisational support and business facilitation:** impacts resulting from the support provided by Fairtrade organisations, NGOs and trading partners to strengthen producers' skills capacity
4. **Networking and advocacy:** impacts resulting from development of networks within and outside the wider Fairtrade system that allow for sharing experiences and increasing political influence

However, as the research report sought to specifically understand the conditions of SPOs and plantations in the banana sector, it is useful to reiterate the Generic Fairtrade Standards that both these groups have to adhere to.

Generic Trade Standards that apply both to small producer organisations and plantations

- The producer organisation (SPO or plantation) is paid the Fairtrade Minimum Price, or the market price if higher
- The producer organisation (SPO or plantation) receives an extra payment called the Fairtrade Premium, for farmers and workers to invest in their business or community
- The producer organisation and buyer must work together to build long-term trading relationships that include sharing sourcing plans and contracts. If requested by the producer, the buyer must also provide pre-finance

Generic Producer Standards

For small producer organisations

- Members must be small producers. The majority of the members of the organisation must be small-scale farmers who don't depend on hired workers all the time, but run their farm mainly by using their own and their family's labour
- Organisations must be democratically and transparently run, with all members having a voice and vote in the decision-making process of the organisation, including on the use of Fairtrade Premiums
- Organisations must comply with environmental management practices, including waste and water management, reduction in chemical usage, conserving biodiversity and avoidance of banned pesticides

For Hired Labour organisations (plantations)

- Organisations must safeguard workers' rights and secure progress to better pay and conditions
- Organisations must constitute a Joint Body that includes elected worker representatives and management appointees to manage the Fairtrade Premium
- Organisations must ensure that forced labour and child labour do not occur
- Workers and employers shall have the right to establish and legalise and/or to join organisations of their own choosing; workers shall enjoy adequate protection against acts of anti-union discrimination in respect of their employment
- Working conditions are equitable for all workers
- Organisations must pay salaries equal to or higher than legally established minimum wages, or the regional average for the sector and which are gradually increased to 'living wage' levels
- Organisations must ensure that health and safety measures are established to avoid work-related injuries through a Health and Safety Policy
- Organisations must comply with set environmental standards, including waste and water management, reduction in chemical usage, conserving biodiversity and avoidance of banned pesticides

2. SUMMARY OF FINDINGS FROM THE REPORT

This section summarises the main findings of the report across four aspects of impact in the banana sector: how the Fairtrade Premium is used; how Fairtrade impacts small producers; how Fairtrade impacts workers and what the wider impact of Fairtrade is at local and national levels.



You put something tangible in your community – in schools, clinics, roads and a playground.

Fairtrade producer from the Windward Islands

2.1. How the Fairtrade Premium is used

As well as receiving the Fairtrade Minimum Price or market price for their bananas (whichever is higher), Fairtrade producers receive an additional payment, called a Fairtrade Premium. The producers, either as a farmers' co-operative or a plantation's Joint Body, democratically decide how the money received through the premium should be invested. Here are some examples of how farmers and workers' have decided to spend their premium:

Windward Islands

- **Health:** medical equipment for rural clinics, construction of a medical store, wheelchairs for elderly
- **Education:** school computers, pre-school construction and equipment, scholarships for secondary school students, school bus and bus shelter
- **Community development:** refurbishment of community centres, street lighting
- **Agriculture:** improvement of feeder roads and bridges, giving farmers better access to banana farm plots
- **Business development:** support to meeting the requirements of supermarkets in areas such as packing facilities or health and safety training



Ghana

- **Education:** supporting children's education (uniforms, books, exam fees)
- **Health:** National Health Insurance contributions paid for workers' spouses, contribution to cost of health screening and education
- **Community development:** workplace celebrations and festivals

Dominican Republic

- **Social and legal security:** processing passports and visas for migrant Haitian workers to secure their legal and social status in the country
- **Housing:** new houses and housing improvements
- **Health:** recruitment of medical staff, blood tests and vaccinations, purchase of medicines, other medical treatment such as operations
- **Education:** improvements in school buildings; purchasing uniforms, educational and sporting equipment; adult literacy classes
- **Environment:** conducting training on protection of the environment for workers, farmers, students and community groups
- **Agriculture:** investment in collective production equipment, introduction of relevant plant species and irrigation systems

Ecuador

- **Health:** support for medical clinics and medical expenses
- **Education:** training and salaries for teachers; scholarships
- **Housing:** new houses or housing-related costs
- **Agriculture:** co-financed projects to supply organic fertilisers and pest controls; technology transfer and agricultural training
- **Business development:** providing co-financing for a project to develop co-operative plantation and aerial fumigation business

Benefit from the Fairtrade Premium towards community development:

One of the best things which the premium has been invested in is the schools. There were schools which only had one teacher. Now that they pay the teachers... the number of pupils has grown... the parents of these children are grateful for what is being done.



Fairtrade SPO worker, Ecuador

These examples provide evidence of how the Fairtrade Premium can contribute to positive change in communities by helping them collectively invest in improving the quality of their lives.

78% of workers interviewed in Ecuador said their health and nutrition have improved in the last three years

2.2. Fairtrade impact on smallholder farmers

These tables provide a general summary of how Fairtrade is positively impacting banana farmers and workers in developing countries and of what challenges Fairtrade faces to scale up its development impact.

	Positive impact	Challenges for greater impact
Farmers' incomes	<ol style="list-style-type: none"> 1. Fairtrade farmers on average receive a higher price than if they sold their bananas in conventional markets 2. Fairtrade provides stable incomes <p>In the Dominican Republic 55% of farmers had a reported household income of US\$450 – that is three times over the basic needs estimate; 75% reported savings in the bank; 48% could use savings not loans for unexpected costs</p> <ol style="list-style-type: none"> 3. Fairtrade Premium investment in productivity and quality improvements had supported income generation 	<ol style="list-style-type: none"> 1. The Fairtrade Minimum Price for bananas, which is calculated on the basis of costs of sustainable production, does not always align with the conventional market price for bananas 2. The continuous rise in costs of banana production has meant that benefits from the Fairtrade Minimum Price have had an income-stabilising, rather than income-boosting effect for producers 3. Producers outside of the Fairtrade system perceive costs of entering the Fairtrade market and meeting the standards not worth the return
Household income and standard of living for small farmers	<ol style="list-style-type: none"> 1. Fairtrade farmers have higher incomes than if they were outside the system 2. Fairtrade farmers are less vulnerable to poverty <p>In Ecuador, 75% said income and wellbeing had improved in the last three years. 75% reported improvements in health and food and 66% improvements in children's education</p> <p>In the Dominican Republic, 75% of farmers said their standard of living had improved as a result of membership of the Fairtrade SPO</p>	<ol style="list-style-type: none"> 1. When small farms only produce low quantities, the additional benefit from Fairtrade sales is not great enough to enable them to make major investments in improving their situation, and farmers still need alternative income sources 
Organisation of small producers	<ol style="list-style-type: none"> 1. Fairtrade improves access to agricultural services and premium markets 2. Fairtrade had provided more stability for SPOs, in some cases helping offset very low prices received for non-Fairtrade fruit 3. Fairtrade supports producer organisations in operating more openly and democratically 4. Fairtrade farmers are highly satisfied with, and have confidence in, their producer organisations 5. The growth and confidence vested in SPOs has also improved their bargaining power with partners in the transportation and export sectors and government, especially in Ecuador and the Windward Islands 6. The vast majority of producers are happy with how the premium is being used 7. There is evidence of strong synergies between the Fairtrade and organic certification systems indicating that the two are mutually supportive 	<ol style="list-style-type: none"> 1. Fairtrade does not always create long-term trading relationships between SPOs and other actors in the supply chain 2. There is a risk that SPOs may become dependent on the premium. There is a risk that some SPOs are exporting only to a single importer potentially placing them in a vulnerable position 3. Farmers are worried about stricter standards and competition from Fairtrade certified plantations acting against their interests 4. Fairtrade has not had any discernible impact on the gender biases and discrimination characterising agricultural production in certain countries 

2.3. Fairtrade impact on plantation workers

	Positive impact	Challenges for greater impact
Workers' wages	<ol style="list-style-type: none"> 1. On average, Fairtrade banana workers have a higher income than workers on non-Fairtrade certified plantations 	<ol style="list-style-type: none"> 1. Although conforming to legal minimums, workers' wages were still not enough to meet estimates of a living wage
Household income and standard of living for workers	<ol style="list-style-type: none"> 1. The use of the Fairtrade Premium to boost the health, housing and education prospects of poor workers' communities was appreciated and valued 2. Additional bonuses (e.g. at Christmas) were valued 3. Extra Fairtrade income helps workers make small investments that in turn help them earn more money 	<ol style="list-style-type: none"> 1. Typically, women workers are still relegated to work in areas of production that are low paid (e.g. packing) 2. In some cases, workers felt benefits and use of Fairtrade Premiums had not been evenly distributed
Addressing social inequality	<ol style="list-style-type: none"> 1. Fairtrade workers included some of the most vulnerable in the societies in which it operates, and had improved employment contracts and job security 2. Fairtrade workers have better employment rights and benefits leading to improved livelihoods (although not fully out of poverty) 3. Fairtrade can be a catalyst to social mobility and initiating new business opportunities 4. Permanent workers, especially those with children, have benefitted from improved housing and education programmes 	<ol style="list-style-type: none"> 1. Although higher than counterparts outside Fairtrade, in some cases wages are still too low 2. The benefits are not felt equally amongst all workers, particularly migrant and temporary workers 3. Whilst Fairtrade had helped regularise status of migrant workers, e.g. paying for visas and passports, use of the premium for this purpose is controversial 4. Women are not sufficiently represented in workforces
Working conditions	<ol style="list-style-type: none"> 1. Fairtrade has led to better working conditions on plantations, such as health and safety provisions, paid leave and strengthening women's rights <div style="background-color: #00A0C0; color: white; padding: 5px; margin-top: 10px;"> <p>Normally, non-Fairtrade workers can expect no paid holiday, but in Fairtrade they receive 12 days (Ecuador), 14 days (Dominican Republic), 21 days (Ghana)</p> </div> <ol style="list-style-type: none"> 2. In general, worker/management relations were good on all Fairtrade plantations in the study 	<ol style="list-style-type: none"> 1. Improved working conditions are not always evenly spread across different categories of workers 2. Not all workers feel empowered enough to make a complaint about conditions, if they needed to
Organisation of workers	<ol style="list-style-type: none"> 1. Where trade unions are accepted and well established, Fairtrade helps them thrive 2. Where workers are cautious of joining unions for historical and political reasons, Fairtrade leads to the setting up of workers' committees which make significant contributions to protecting workers' rights 	<ol style="list-style-type: none"> 1. Fairtrade has had limited impact in driving increased trade union organisation 2. Workers' committees are less effective than trade unions and their existence may act as a disincentive to workers to unionise 3. Lack of effective representative bodies and channels of communication can lead to unresolved disagreement between management and workers over premium use 4. Fairtrade is yet to succeed in breaking down barriers (e.g. confidence, language skills) preventing the most marginalised workers from fully participating in representative bodies 5. Understanding of Fairtrade amongst workers can be patchy or limited, despite efforts to inform them, and communication techniques could be improved

2.4. Wider impact of the Fairtrade system

	Positive impact	Challenges for greater impact
Fairtrade impact on local and national development	<ol style="list-style-type: none"> 1. Fairtrade supports ‘decent’ work, in a sector where this is largely lacking 2. Fairtrade contributes to social and community development through infrastructure and services, such as health and education 3. Fairtrade indirectly stimulates the local economy through improving incomes and generating business for agricultural markets and services 4. In the Windward Islands and the Dominican Republic, Fairtrade is playing a role in sustaining and developing the sector, due to higher share of these markets 	<ol style="list-style-type: none"> 1. Fairtrade does not create new employment 2. When spending the premium, producer groups rarely join forces with other external sources of funding, to potential greater effect 3. The volume of Fairtrade bananas sold is currently too small to make significant inroads in the difficult overall economic position of these countries 4. With the exception of the Windward Islands, Fairtrade is yet to give farmers a voice or platform to influence public policy on a national level
Natural resource management	<ol style="list-style-type: none"> 1. Fairtrade Standards drive up the quality of environmentally sensitive production 2. Fairtrade better protects workers and environment from harmful chemicals used in production 	<ol style="list-style-type: none"> 1. When standards are raised, the Fairtrade system has not given enough advice on how to meet these standards or ensure resources have been made available to comply with them 2. Fairtrade certification of larger banana plantations does not help manage the risks of monocultures (growing of one crop on a large scale) and its consequent impacts on the environment
UK value chains	<ol style="list-style-type: none"> 1. Whether or not a banana is Fairtrade can influence sourcing decisions for supermarket buyers 2. Fairtrade banana markets are relatively secure with supply and demand being evenly matched, meaning producers mostly have buyers for their bananas 3. The banana supply chain has adapted to incorporate Fairtrade products without difficulty 4. Fairtrade protects producers from the direct impact of banana price wars 	<ol style="list-style-type: none"> 1. There is limited competition in the supply chain, particularly amongst importer-ripeners 2. Buyers for some UK supermarkets favour plantation bananas over small farmer sources 3. Caribbean farmers are more vulnerable to anything that increases their costs, including higher minimum Fairtrade pricing or changes in EU tariffs for them or competitors 4. Retailers continue to use bananas in price wars, which is seen to devalue them in consumers’ eyes and increases pressures through the entire supply chain



3. KEY RECOMMENDATIONS AND FAIRTRADE FOUNDATION'S RESPONSE

This section highlights the key recommendations made by the report and the response of the Fairtrade Foundation to each. The Fairtrade system is continually under review in an effort to improve and maximise producer impact. The Foundation's responses reflect changes that have been made within the system since this research was undertaken that have served to address many of the recommendations made in the report.



One in three bananas sold in the UK is Fairtrade

Recommendation 1. Ensure all participants in Fairtrade are aligned to its principles and contribute to achieving its objectives. This includes lobbying for an end to the banana price wars in the UK, which undermine efforts to develop social, economic and environmental responsibility in the global banana industry.

We share concerns that a continuous downward pressure on retail prices could undermine attempts to build sustainable long-term supply chains. Recognising this, the Fairtrade Foundation has regularly spoken out against the 'banana wars', and will continue to do so. We are working to build collaborative and constructive relationships with retailers, as well as with exporters, importers and ripeners, to ensure a process that goes beyond mere compliance with Fairtrade Standards to a deeper commitment to Fairtrade's vision and values. We have been able to achieve a situation in 2011 where almost one in three bananas sold in the UK is Fairtrade, meaning that consumers have an assurance that, whatever price they have paid at the till, the producer has still received the full Fairtrade Minimum Price and Premium.

Furthermore, to promote producer interests in supermarket supply chains, we have successfully lobbied government, with others, to ensure all overseas suppliers can make a complaint to the proposed Grocery Code Adjudicator (formerly the Supermarket Ombudsman), a new independent body to referee disputes between suppliers and supermarkets.

We will continue to act as a critical friend to retailers, working in partnership to ensure their buying practices bring the greatest prosperity possible to farmers and workers in developing countries.

Recommendation 2. Find ways to increase returns from Fairtrade banana production, including through investigating an RRP for Fairtrade bananas, improved productivity and reduced cost, and more regular reviews of FLO Minimum Prices.

The authors of the report suggest investigation of a 'Recommended Retail Price (RRP) for Fairtrade bananas' to allow reasonable returns to all actors in Fairtrade value chains. While we welcome suggestions on ways to increase returns for all actors in the supply chain, the specific call for a single RRP applying to all Fairtrade bananas is not implementable. This is due to the fact that as per legal requirements for the UK and European Union, Article 101 of the Treaty of Lisbon categorically prohibits any agreement or decision by any association that directly or indirectly fixes purchase or selling prices or states any other such conditions.

We support the report's recommendation for more regular reviews, of Fairtrade Minimum Prices. Recognising this the Fairtrade system is working towards ensuring more regular reviews of minimum prices for key products. A comprehensive review of the banana minimum prices was undertaken in 2008/2009 with new prices effective from 1 January 2010 (that was the first revision since 2005). A further consultation took place in July/August 2010 with revised minimum prices effective from 1 January 2011. Our most recent consultation resulted in new prices effective from 1 January 2012.

Further, reviewing standards is a complex, costly and time-consuming process, and our commitment to consultation means involving hundreds of stakeholders around the globe. Fairtrade Standards are set through stakeholder consultative processes, overseen by an international Standards Committee that includes members from producer groups (almost half), a representative from a Fairtrade dedicated business and other stakeholders. It also takes time to implement changes following such reviews. Equally, it is important that our standards remain reasonably stable over a period of time which allows stakeholders (producers and buyers alike) to invest in the system and gain from it. Standards review processes thus have to account for all these factors and maintain the regularity that is needed in such a dynamic environment. However, there are safeguards in the system which permit all stakeholders to raise concerns regarding the application of standards or on aspects of pricing through a complaints mechanism that is proactively monitored by FLO.

We share the report's desire to drive down the cost of compliance with the Fairtrade system, and find ways to recognise rather than duplicate other certifications, thus ensuring maximum benefit is returned to the producer. Towards this, we have recently developed a New Standards Framework for Small Producer Organisations, aimed at simplifying and clarifying the core requirements of Fairtrade that makes our system more flexible and relevant to local contexts.

Fairtrade continually strives to increase income for producers, including through finding new revenue streams. For example, we are currently investigating how Fairtrade can be used as a mechanism to address the impact of climate change, in the hope of increased tangible benefits to producers.

Fairtrade continually strives to increase income for producers, including finding new revenue streams.

However, we note that there is a contradiction in the report's recommendations that press for reducing the costs of the Fairtrade system, but at the same time proposes a number of measures that are likely to increase cost. These include more regular standard reviews, developing wider Fairtrade networks through national and international events and developing visual and non-visual communication material for all stakeholders. While we recognise the importance of these recommendations, the Fairtrade system is often required to engage in regular trade offs to balance resources with requirements. We are committed to exploring ways to increase support to Fairtrade producer organisations, continually seeking to improve the service we offer directly, as well as exploring new partnerships with organisations with expertise in production, finance and business. We have also supported the development of the producers' own networks, enabling them to share good practice, and implement their own support programmes.

Recommendation 3. Protect the position of small farmers in Fairtrade, including maintaining a balance between supply and demand, careful management of Fairtrade Minimum Price differentials between origins, and giving preference to SPO applicants.

The report recommends that the Fairtrade system should protect the position of small farmers by giving them preference in terms of application for Fairtrade certification. We disagree with this recommendation to give preference to SPOs for Fairtrade certification for bananas as this is neither practical nor in line with our principles of non-discrimination and commitment to improving workers' rights. The vision of the Fairtrade system is to promote fairer trading conditions for farmers and workers engaged in agriculture in developing countries. We are continually looking at ways to bring small farmers into the Fairtrade system, and will continue to advocate for their inclusion in supply chains wherever possible. However, there is no direct preference in the system for one set of banana producers over another. While we acknowledge the fear of SPOs with regard to increased competition from plantations, workers in such plantations have a right to a share of the benefits of the Fairtrade system just as much as small farmers. Fairtrade has a responsibility to respond to the needs of such workers.

A related recommendation is that Fairtrade should carefully manage pricing systems keeping differences between Dollar (Latin American) and ACP (African, Caribbean and Pacific Group of States) sources of bananas to a minimum, so that ACP smallholder producers are not disadvantaged. Fairtrade Minimum Prices are set based on the differing costs of sustainable production that exist on a regional or country basis. It is important for Fairtrade to reflect the true costs of sustainable production and livelihood which will therefore mean that minimum prices will vary significantly between countries producing bananas.

The report also suggests supporting preferential sourcing of Fairtrade bananas from SPOs. Final decisions on sourcing are taken by suppliers and retailers. But our starting philosophy at the Foundation, as with all major switches to Fairtrade, is to encourage diverse sourcing, seeking to balance increasing volumes for existing Fairtrade producers with bringing new producers into the system, and including as much from smallholder producers as possible. This has been achieved with some success,

and both Waitrose and Sainsbury's switches to 100 per cent Fairtrade bananas succeeded in increasing overall volume sales for SPOs, as well as introducing new producers to the system for the first time. In addition, we must acknowledge the fact that large-scale retailer demand for Fairtrade bananas can rarely be met by smallholder producers alone. This, combined with the strong preference by some retailers for plantation-grown bananas, acknowledged in the report, makes sourcing from smallholders alone challenging and impractical.



Recommendation 4. Strengthen worker empowerment in Fairtrade, recognising and raising awareness of the inherent challenges this involves and developing a clear focus on independent worker organisation as key to success.

We acknowledge and accept that there is much more to be done to improve the ability of workers to participate fully in Fairtrade processes and benefit from them. To understand how to achieve greater worker empowerment, Fairtrade International has begun a review of its Hired Labour Strategy with new standards and pilots envisaged for the start of 2012. The report's recommendations for improving worker empowerment will be fed into this wider review process. We note the report's findings that there are generally good worker/management relations on Fairtrade certified plantations and welcome the confirmation of the progress made in improving worker representation thus far.

At the Fairtrade Foundation, we have actively supported processes to improve and strengthen the relationships between Fairtrade producers and suppliers and the trade union movement, including most recently supporting piloting new ways of working in Latin America. Fairtrade International has recently established a Workers' Rights Advisory Committee, as a way of engaging with trade unions in identifying ways to strengthen our work in this area, and has appointed a Senior Policy Advisor to oversee this work.

Fairtrade International has established a Workers' Rights Advisory Committee and begun a review of its Hired Labour Strategy.

Recommendation 5. Work towards a living wage for Fairtrade workers, ensuring additional profits earned by plantations are shared with workers. If returns from Fairtrade production are not sufficient to allow for living wages, allow a portion of the premium to be used to increase worker income as an interim measure.

We wholeheartedly support the report's recommendation that Fairtrade has to work towards a living wage for workers. Over and above providing a stable income higher than from the conventional equivalent – something the report confirms is happening in all instances – a 'living wage' is the next step and clearly a desired outcome.

We welcome the report's finding that some workers are already receiving a wage sufficient to meet the estimated cost of basic needs, specifically in the Dominican Republic. Ecuadorian workers' wages fall short of a basic needs estimate by roughly 10-15%, but when their household income is taken as a whole, it exceeds the basic needs estimate by 19-29%. Despite this and the fact that legal minimums are being met, all indications point to an unacceptably low basic wage for workers. Solutions for increasing income for workers is a specific strand of investigation of the Hired Labour Strategy Review being conducted by Fairtrade International.



The issue of allowing the Fairtrade Premium to directly supplement incomes, even on a temporary basis, is under discussion within the Fairtrade system. Whilst this may ease income strain briefly, it could be perceived as allowing Fairtrade Premiums to subsidise wages thereby undermining the responsibility of management and other supply chain actors to tackle the living wage issue. In most cases, the amount of Fairtrade Premium received may not actually make much difference. Such use of the premium could also divert resources away from potentially more impactful collective use of premium that would lead to greater developmental benefit, and eventually higher incomes, for example through better community facilities or micro-loans for alternative income generation. These are concerns reflected in the report itself and as it rightly infers, this is not a simple matter.



The Fairtrade system is respectful of the fact that it is the workers and farmers who have the democratic right to decide how the premium they earn is used. The issue of using the premium to boost incomes is important to consider because, as the report highlights, this is a demand from workers themselves. However, a resolution to this issue will need to account for the impact such a provision may have on the legitimate responsibilities of all other actors.

Recommendation 6. Work to overcome differential impacts within smallholder producer and worker categories, including extra support to vulnerable groups of workers, such as migrants, women and illiterate people, to enable them to participate fully in their organisations.

We support the recommendations made to encourage and support Fairtrade producer organisations to pay particular attention to vulnerable groups of workers. We have fed the findings into the review of the Hired Labour Strategy and it has been asked specifically to address ‘Social Compliance beyond Audits’ and ‘Enhancing the Rights of Seasonal Workers.’



Recommendation 7. Strengthen gender perspectives in Fairtrade, including development of gender specific criteria in the FLO Producer Standards which go beyond non-discrimination clauses to promote gender equality more directly.

We support the recommendations made to strengthen our understanding of gender perspectives within Fairtrade. A process to review the extent, and ways, in which Fairtrade promotes greater gender equality was launched in 2011, and we expect that findings from this review will be available to inform the standards review process in 2012.

Recommendation 8. Use the Fairtrade Premium more strategically, in line with current theory and best practice related to sustainable rural development and international aid (e.g. working in partnership with community-based organisations and local authorities; collective funds for capacity building and networking of Fairtrade farmers and workers).

The recommendations encourage more strategic use of the premium among premium committees and Joint Bodies, as well as producer networks. While we seek to provide relevant information and support to producer groups to make good decisions, it is current Fairtrade policy not to dictate premium use, other than restrictions to prevent its misuse, misappropriation and waste. At the heart of this policy is a belief that farmers and workers know what ‘best practice’ is and that development is best served through genuine bottom-up empowerment. We accept that there is potential for improvements in the advice provided to premium committees and Joint Bodies responsible for premium spending to ensure that they leverage the best returns for their co-workers and wider community. We already provide support for this within the Fairtrade system and through the establishment of stronger and more organised networks of Fairtrade producers, we hope there can be more exchange of best practice, as well as development of partnerships to learn from the wider NGO business sector.

We strongly hold to the principle that Fairtrade Premiums belong primarily to the farmers and workers who have earned them. Whilst there may be some potential for producer organisations to consider collective investment of premiums to co-finance larger-scale projects, we believe such developments should emerge from their own strategic planning and networking, rather than as something imposed by the global Fairtrade system.

Recommendation 9. Enhance contacts between Fairtrade farmers and workers, and with institutions that could provide support. Assist Fairtrade producers to create a common platform at a political level, e.g. in relation to official export prices, minimum wages, labour rights and trade regimes.

Fairtrade International has supported the development of three independent Producer Networks in Latin America (CLAC), Africa (Fairtrade Africa) and Asia (Network of Asian Producers). The Fairtrade Foundation, with support from Comic Relief, has particularly supported the development of Fairtrade Africa. These networks provide a central point for producers to advocate for shared objectives within the Fairtrade movement and externally, via product specific or regional groupings. As these organisations continue to grow and gain political strength and recognition, producers will have a better platform to raise issues and concerns. For example, Fairtrade Africa is leading, on behalf of the three Producer Networks, a global advocacy process in relation to climate change.

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However, Fairtrade Producer Networks are still in relatively early stages of development and have not yet been effective in representing the interests of all producer groups. In the case of Latin America, the network was established specifically to advocate for small producer organisations, and representation of workers on hired labour plantations in the Fairtrade system has not yet been resolved. We have invested considerable resources in the development of the partner networks, and will continue to seek funding partnerships, in both North and South, to enable these platforms to grow and develop in the future.



Recommendation 10. Improve communication within Fairtrade and beyond, including development of appropriate communication and training materials for small farmers, workers and their communities.

Many of the recommendations made on improving communication are well recognised and accepted. For example, Fairtrade International recently produced a new range of literature specifically aimed at improving understanding amongst workers and farmers, including simplified pictorial brochures in commonly understood languages. It has been translated into 32 languages, with 135,000 copies distributed. A copy can be found here: http://fairtrade.net/fileadmin/user_upload/content/2009/resources/Fairtrade_And_You_SP.pdf

We are also committed to streamlining and speeding up processes, where this can be achieved without compromising the quality or rigour of our system – for example, balancing the need for producer organisations to be given enough time to respond to consultations effectively with a call for faster decision making. We are improving our information systems to be able to report more regularly on sales, premiums and producer impact.

Fairtrade is an evolving system committed to learning how its standards and certification are making a difference to farmers and workers in developing countries. The IDS research report on the impact of Fairtrade bananas is an important contribution to this learning process. We have welcomed its findings and recommendations and ensured that both are fed back into the wider Fairtrade system that includes other producers, retailers, importers, relevant development organisations and other Fairtrade labelling initiatives. We hope that our responses to the report's recommendations serve as a starting point for further dialogue among all stakeholders on how Fairtrade can positively contribute to making trade genuinely fairer.



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