A young child with dark skin and hair is smiling broadly, carrying a large, heavy bundle of dried sticks and branches on their head. The child is wearing a blue t-shirt. The background is a lush green field of tall grass. The text is overlaid on the right side of the image.

LIVING INCOME CERTIFICATION AS STIMULATE FOR POSITIVE INCOME EFFECTS ...

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Certification and poverty impacts: what we are learning from three baseline studies in Kenya, India and Indonesia
April 2016 ISEAL

Certification has no impacts at all

Certification has a lot of impacts....

Social impacts of the Forest Stewardship Council certification
CIFOR assessment in the Congo basin 2015

10 Reasons Fair-Trade Coffee Doesn't Work (28.01.2016 Huffpost Business)

Improving smallholder livelihoods: Effectiveness of certification in coffee, cocoa and cotton (Sustaineo 2013)

MONITORING THE SCOPE AND BENEFITS OF FAIRTRADE SEVENTH EDITION 2015

Impact of international voluntary standards on smallholder market participation in developing countries (FAO 2014)



The BIG question

Has certification (sustainable, Fair Trade) a positive effect on smallholders?

NO

- The academic evidence for any positive effect of fair-trade coffee on coffee growers is mixed at best. Several recent studies by researchers at Harvard, the University of Wisconsin, and the University of California indicate that fair-trade coffee has small to negligible effects on coffee growers, especially the poorest ones.
- Indeed, a consensus among development economists indicates fair-trade coffee to be one of the least effective means for reducing poverty in developing countries.
- Despite the significant amounts of money invested in certification, evidence in the form of systematic impact assessments at farm level is limited.

• YES

Smallholders included in certification experience the following effects:

- Access to training and education: certification was effective in stimulating farmers' access to training and the attendance of schools by their children.
- Farmer economy: net income of farmers increased due to productivity and quality improvements as well as premiums paid. Better and easier access to credit lines.
- Working conditions: working conditions on farms became safer and child labor slightly reduced.

Depends on...
There is no easy answer on this

What we know...

Which farmers get chosen? And why?

- Close to market centers
- Yield Potential matters (black soil, land area, water availability, ...)
- Donor preferences may influence at the margin
- Meet entry requirements / show signs of entrepreneurship –bank account, land ownership or rental, store product, etc.
- Farmers who cannot or do not want to join a producer group are mostly excluded from certification,
- A lot of smallholders are excluded; they are too small to reach the necessary production volume for a premium, being one key incentive of certification.

? Favours experienced farmers? Favours men?

Averaged farmer in a smallholder farmer cooperative is a middle aged man

What we know...

- In addition to the certified cash crop commodity like coffee, cacao, tea or cotton, families rely on other income sources
 - Labour (ag labour and also non-ag)
 - Other crops (fruits, spices, rice, maize, groundnut, etc.)
- Building cooperatives **can** strengthen the internal democratic governance structure of villages
- Positive social outcomes also materialized because certification pushes companies/ cooperatives to maintain a permanent channel of communication with the local population, in order to avoid unexpected disruptions or social conflicts

What we know...

The Fair Trade story

1. world price of coffee falls (and the advantages of selling through fair-trade channels increase), more borrowers choose to obtain fair-trade certification.
2. on average, the economic benefits of participating in the fair-trade system are offset by the price the growers have to pay for fair-trade certification - the long-term benefit over time from fair trade to be essentially zero.
3. If the market price for the low-quality beans is below the fair trade minimum price and the market price of high-quality beans is above of the minimum price, then the fair-trade system incentivizes growers to dump their bad beans into fair-trade channels

Learning = only over a minimum price the positive effects can not be sustained

What is the potential for driving livelihood improvements through one commodity?

LIMITATIONS

- Total land area of the farm
- Possible production area
- Distrust of organisations and markets
- Selling outside official channels –faster, higher price, cash paid
- Prices -international prices, will price reflect quality?
- Time to see changes
- Low profitability and lack of financial support; Competing investments
- Literacy, indebtedness

OPPORTUNITIES

- Commodity income covers critical needs and comes at important times
- Improvement possible in yields (compared to neighbours), use of inputs, and processing
- Stable income source
- Increasing knowledge of better farming practices
- Capacity building also on self organisation
- Additional funds for community projects



Areas of impact

Normally there are five dimensions of impacts on smallholder livelihoods through certification:

- 1) Access to education and training
- 2) Farmer economy
- 3) Working conditions
- 4) Gender equality
- 5) Local natural environment (soil, water)



Areas of impact

Access to education and training:

positive effects of certification are skill development of farmers and improved awareness of children's educational situation.

Working conditions: certified farmers apply safer working practices (including protection against toxics) and workers benefit from higher wages as well as the introduction of formal contracts.

No effects are found when it comes to reducing all cases of child labor during school hours.

Gender equality: studies witnessed an increased participation of women in certified farms, both in terms of being involved in decisions on farm income and in terms of owning farms themselves.

At the same time, the studies found indications that women carry a higher workload than men. Also, in many cases women continue to be excluded from the participation in cooperatives.



Areas of impact

Farmer economy: Several positive effects have been mentioned concerning the economic situation of farmers. General income of farmers has increased as a result of certification due to higher yields and higher prices for their products.

On the downside, an increase in costs and in some cases lower yields is also noted.

Local natural environment: there are some positive effects on this dimension resulting from less pesticide/chemical use and good environmental practices (erosion control, soil fertility, water use).

Group level: a positive effect of certification at producer group level are investments and programs implemented by cooperatives, strengthening local communities. Cooperatives also provide better prices to their members, as higher volumes of certified produce can be supplied through the organization of individual farmers.

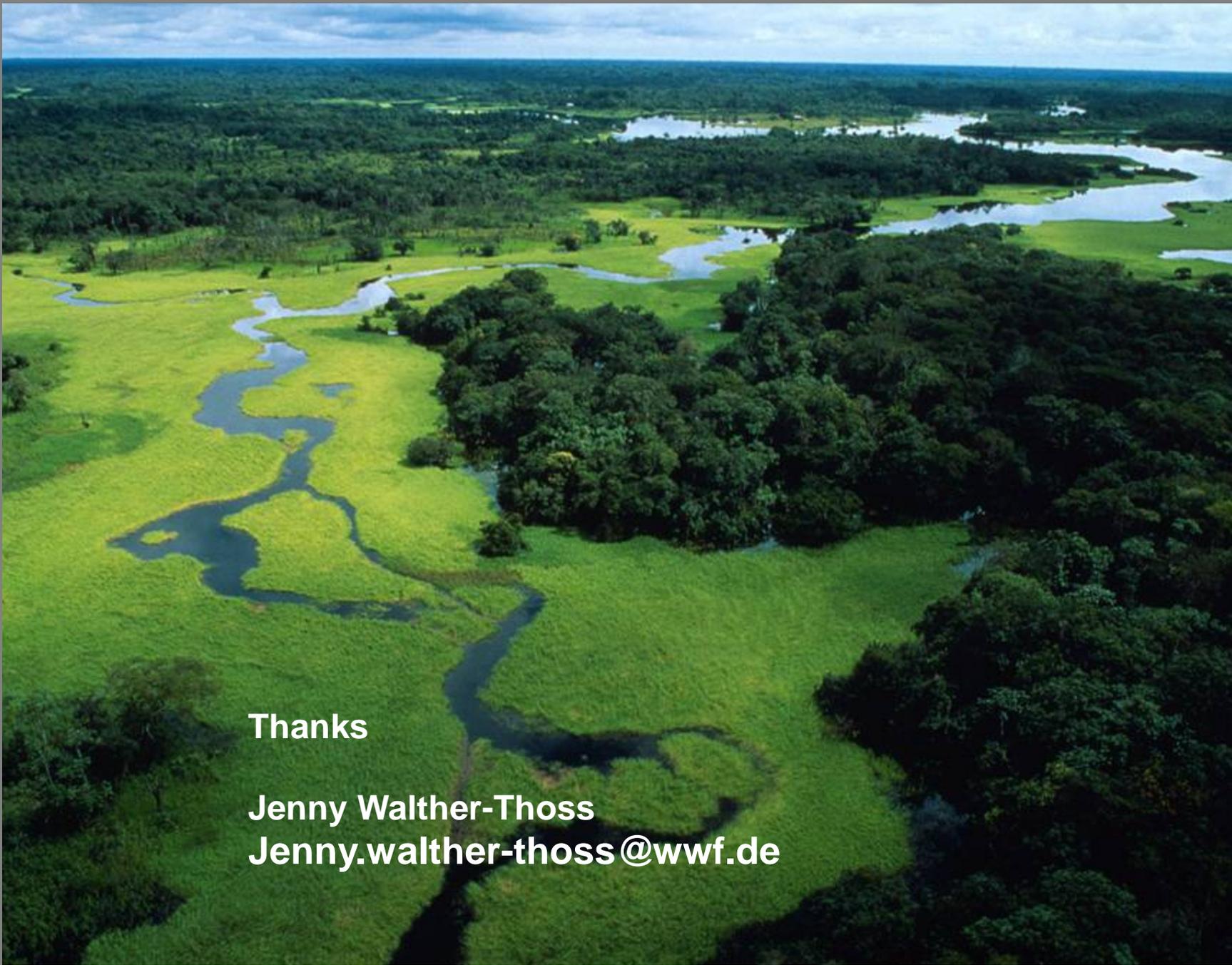
On the other hand, democratic decision-making in cooperatives remains limited.



What are the basic requirements to improve livelihood?

- Better governance
- Education
- Better farming practices (soil, water, pesticides)
- (fair) Access to credit lines
- (fair) Access to qualitative good seeds and planting material
- (fair) Access to markets

**Do we need a certification system to provide this?
Can certification help? Are there better, easier,
more cost efficient ways to do this?**



Thanks

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