

## Summary

Fairtrade certified orange juice is offered to consumers since nearly 15 years. The major part of the product is sourced in Brazil, where the story of Fairtrade certified orange juice had its origin in the late nineties.

In order to assess the benefits that the certification had on small size orange producers, Max Havelaar Netherlands and Max Havelaar Switzerland have mandated BSD Consulting to undertake an impact study. The approach of the impact study has been guided by Fairtrade International's "Theory of Change" and its methodological framework for impact assessment.

Three Brazilian Fairtrade certified orange producer groups have been assessed which are located in all major producer regions of the Southeast, South and Northeast:

- **Coagrosol** is a Fairtrade certified group in the heart of Brazil's strongest producer region in the center of the state of São Paulo, Southeast of Brazil. It was one of the first Fairtrade certified groups in Brazil.
- **Coopealnor** is located in the poorer Northeast of Brazil and is composed of smaller producers compared to those of the Southeast and South of Brazil.
- **Coopersanta** was founded by former orange pickers that have changed from being workers to the status of small producers in the region where the first certified orange juice was processed more than 10 years ago in Paraná, a state in the South of Brazil.

Together, the three cooperatives represent a total number of 193 small producers (168 male and 25 female) which produced more than 34,000 tons of oranges in 2012. The groups also employ a total of 11 cooperative staff, and 29 permanent workers are hired on the farms.

More than 300 rural workers are working for short periods during the harvest season as temporary workers. During the study, 94 producers and 21 workers have been interviewed. The field study was completed with producer focus groups, stakeholder interviews and document analysis.

The conclusions in the study reflect the situation of the three analyzed groups and show the different benefits that could be identified. However, there is a limitation in attributing all mentioned benefits exclusively to Fairtrade, as no control groups have been included in the methodology.

### **Impacts and challenges on farm and organizational level**

The quantitative data collected in the survey confirmed a series of positive developments that can to a great extent be attributed to Fairtrade<sup>1</sup>. On the level of producers and their organizations the research data showed that Fairtrade:

- ✓ Accelerated economic growth and created higher income for the majority of producers.
- ✓ Had a positive impact on the quality of life of producers and their families by strengthening their capacity to invest in education and housing improvements.
- ✓ Reduced volatility due to the guaranteed minimum price and enabled sales for small producers because of strong and long term relationships with their Fairtrade buyers, even in difficult market circumstances.
- ✓ Helped the small producers to survive in a concentrated market and to maintain their properties in activity, while a significant number of non-certified small orange producers have lost their business and were forced to switch to other crops such as sugar cane.
- ✓ Provided strong market linkages and market partnerships which also attracted and continue to attract other partner organizations that offer training and financing to the certified groups.
- ✓ Promoted trust of producers in their organizations by increasing quality of cooperative governance and transparency.
- ✓ Supported enforcement of labour laws and safety regulations and reduced risk of non-compliances thanks to the implementation of strong internal control systems which are required by the Fairtrade certification standard.
- ✓ Helped to reduce use of pesticides in the properties and increased environmental and occupational health and safety.

Stakeholders and cooperative management in some cases even stated that participation in the Fairtrade market was decisive for their economic survival as producers and that without the certification many of them would have left their business and rented out their land for sugar cane or other productions.

Although positive impacts of Fairtrade are prevalent in the collected data, some major challenges need to be addressed by Fairtrade and its affiliated organizations:

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<sup>1</sup> The above mentioned restriction that causality of the benefits is not exclusively linked to Fairtrade applies for all listed conclusions, as no control groups have been analyzed.

- ✓ The impact on permanent farm workers and temporary workers is restricted, and the economic growth of the farmers did not yet trickle down to their permanent field workers.
- ✓ The diversification of production and market approach has only been evidenced in one cooperative and the dependency on one single product and market is still high.
- ✓ Although Fairtrade offers a niche and protects small farmers from the pressures of a concentrated market, the influence on changing the global trade relations is not significant.
- ✓ Although economic stability and business continuity are improved by Fairtrade, producers do not have enough resources yet to make all the necessary investments they would have to make in order to sustain a significant growth.
- ✓ While Fairtrade helped producers (and workers) to get training, the understanding of specific Fairtrade related issues such as price policy and price composition as well as trading relations is still very restricted.

#### **Benefits on community and supply chain level**

Positive developments on community level have also been registered, as Fairtrade premium resources have been invested in community programs that helped to grow environmental awareness and, in specific cases, improved access to health services for farmers and workers.

Two of the assessed cooperatives also achieved a major breakthrough as supply chain actors, as they gained influence on the processing and independent control over the sale of their orange concentrate, a singular fact in a supply chain where few strong industries are controlling the processing assets.

One of the groups successfully sells natural fruit juices (including orange juice) on the local market today, achieving more than 50% of its turnover. This way was mainly paved by Fairtrade, which provided continuous organizational growth and more independence to the producers.

Supporting the creation of a local Fairtrade market is – together with trying to improve impact on permanent workers - one of the main recommendations that the authors of the study are highlighting for further development of the market activities.