



SMALL PRODUCER ORGANIZATION (SPO) DEVELOPMENT, STRENGTHENING AND RESILIENCE

OVERALL REPORT

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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).

The objective of the research was to provide insights into processes of development and strengthening of SPOs who are certified by Fairtrade International. The research aimed at identifying the conditions, internal and external, that are necessary for SPO development to be successful, and how Fairtrade International can best support and influence those. 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 (FT) system;
3. Making recommendations for how Fairtrade International can best support the strengthening of SPOs; and
4. Exploring how the development of SPOs can benefit individual members.

This overall report presents findings from the research, highlighting the common trends across the six countries and the relevant differences. It also presents actionable recommendations that Fairtrade International can implement in order to strengthen the certified SPOs.

This report is accompanied by six country reports, each presenting details from the respective country study. In total, 55 SPOs were visited, including four 2nd Grade SPOs (one in each country, with the exception of Côte d'Ivoire and Indonesia). These SPOs focused on tea, coffee, cocoa, banana, spices, mangos, sugarcane, raisins, asparagus and snow peas. In the period of May-November 2016, 1,049 persons were interviewed through focus group discussions: 353 leaders and professional staff (287 men and 66 women), 691 members (411 men and 280 women), and five Fairtrade International staff.

The visits revealed that most of the SPOs tended to be vulnerable on their **capability to adapt and self-renew**. With regards to the **capability to act and commit**, the six country cases showed a limited capacity to control, understand, negotiate and acquire FT sales. The 55 visited SPOs were particularly weak in their **capability to relate to external stakeholders**, particularly in regards to any sort of lobbying or developing lasting relationships with other SPOs (1st and 2nd Grade), non-governmental organizations or the government. The **capability to achieve coherence** is somehow strong in all the visited SPOs, but to different extents. The analysis of SPOs' **capability to deliver on development objectives** pointed out that overall, SPOs can mobilize and commit to their activities within their budget limitations and financial possibilities. The overall **experience with FT standards and certification** reported by farmers and SPO leaders, was positive.



Based on the findings of the study, the KIT research team recommend the following areas where Fairtrade International can better support the strengthening of SPOs:

- 1- Business
 - Link SPOs to potential buyers
 - Increase transparency across the value chain
- 2- Management
 - Support SPOs in designing risk management plans
 - Improve internal management organization and governance
 - Promote and facilitate the use of information and communication technology (ICT)
 - Pilot new financing models and improve access to working capital
- 3- Strengthen the participation of women in different decision-making bodies
- 4- External relations
 - Support SPOs to make cross-sector strategic alliances and partner with local governments
 - Facilitate and stimulate exchange among SPOs
- 5- Beyond the project mentality
 - Create awareness and internalization of FT standard
- 6- Benefit of individual farmers
 - Support diversification of livelihoods strategies
- 7- Supporting tasks
 - Identify reliable legal services
 - Templates for reporting
 - Provide FT documents in local languages



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 which are certified by Fairtrade International. The research aimed at identifying the conditions, internal and external, that are necessary for SPO development to be successful, and how Fairtrade International can best support and influence those. The study focused on:

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

This study is a mixed-method six country study carried out in Côte d'Ivoire, India, Indonesia, Kenya, Mexico and Peru (Figure 1). This report presents the analytical framework and research methodology, followed by findings from the research, highlighting the common trends across the six countries and the relevant differences. It concludes with actionable recommendation that Fairtrade International can implement in order to strengthen the certified SPOs.

This report is accompanied by six country reports, each presenting details from the respective country study.

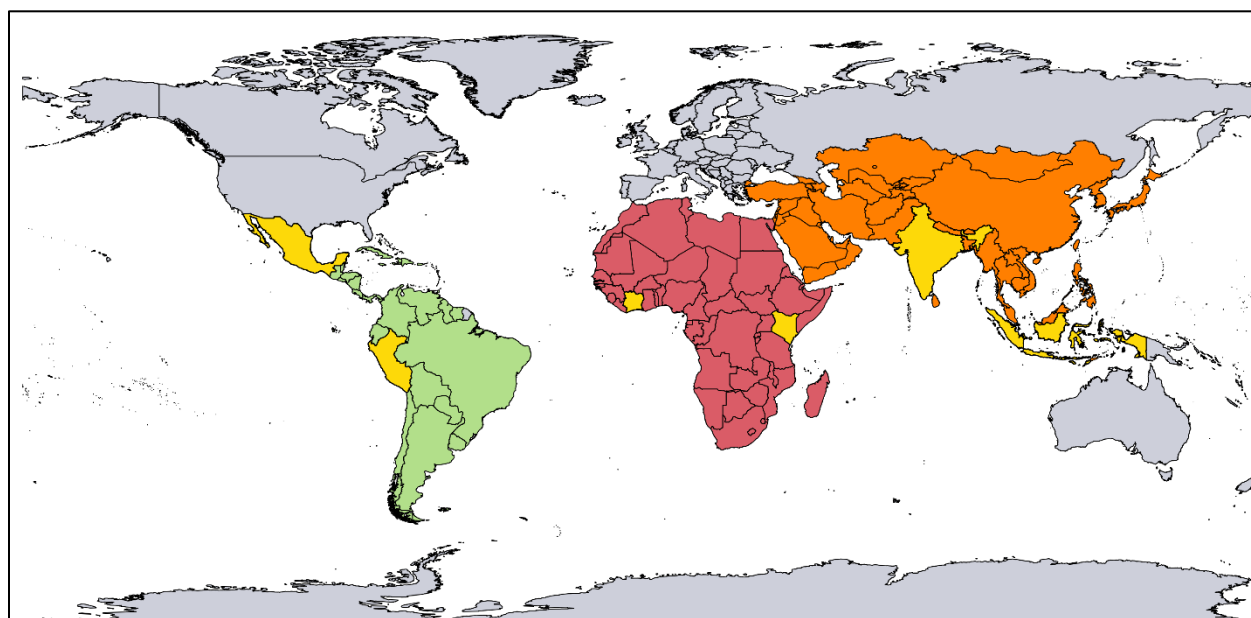


Figure 1: Countries in the study (highlighted in yellow)



Analytical framework

Fairtrade International 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 in function of 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.

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 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 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

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

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



the one hand and the ability and flexibility to respond adequately and timely to emerging challenges on the other.

3. The **capacity 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 take 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. Needs, interests and ambitions of these farmers vary highly. 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. Democratic principles are supposed to be leading, but these cannot always avoid bias and exclusion. If members do not feel represented they might lose interest in and loyalty to their organization. Business-oriented organizations face risks particularly if members' loyalty is at stake. For example, agreed deals or contracts need to be respected, but if members decide to supply other markets the organization will fail to meet its contractual obligations, affecting other members and the organization itself.
5. The **capability to deliver on development objectives** is partly related to resources, both human and financial. The organization can mobilize and commit to its activities, but its capacity is also influenced by the systems and procedures in place such as: administration, finance, information management, monitoring and evaluation (M&E), communication, and the facilities available (hardware).



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.

Analytical lens for this study

In order to understand the underlying factors and conditions that contribute to making a strong SPO, and how Fairtrade International can better support these organizations, an analytical lens has been used. Based on the 5Cs framework and Fairtrade International definitions presented above, a desk review, and further discussions with Fairtrade International, 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 to 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 FT sales, and how vulnerable the SPO is to local and system shocks (e.g. climate change) and trends (including risk mitigation measures).
- **Business practices:**
A strong SPO has effective and transparent internal business management and is in control of its business relations including negotiation power, access to markets and finance, and strategic and business planning capacity. Additionally, it is capable of controlling quality during production practices. We also investigated how business is carried out with partners in the supply chain.
- **External relations and partnerships:**
A strong SPO also engages with local government and other organizations for the benefit of its members. We investigated if such relations exist, how other stakeholders are involved, what they are for, as well as how these 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 organization strengthening?



Techniques for data collection

Primary data collection relied on qualitative interviews generated from:

1. Semi-structured focus group discussions (FGDs) with 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 International staff.

Primary data was complemented with secondary data about the SPOs, and was made available by Fairtrade International in the form of audit and closing reports, FLO-Cert³ checklists and non-conformities files.

Country selection

The research aimed at capturing a diverse geographical range, based on the countries with most FT 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).

Selection of SPOs in each country

In each country, 10 SPOs were initially 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 associations). Pre-selection was proposed by the local FT 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 10 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.

Due to practicalities in the field, it was not possible to visit 10 SPOs in every country. Reasons included scheduling conflicts, local miscommunication and/or refusals. Local teams looked for replacement SPOs to visit if the timeframes allowed. Despite a few SPOs dropping out, the quality of the analysis was not reduced.

Selection of FGD participants

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

Elected board members and professional staff were invited to the FGDs with the leaders and managers. The selection of participants in the qualitative interviews were 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

³ FLO-Cert is a global certification and verification body. Its main role is to independently certify Fairtrade products. Accessed 04-01-2017 <http://www.flocert.net/>



questions), 43 observations were enough to estimate percentages with a 15% error margin and a 95% 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), but in reality, the average size of each FGD was smaller. This had to do primarily with the importance of holding a meaningful discussion with an appropriate group size; there were visits in which it was difficult to form women-only FGDs; and visits to 2nd Grade SPOs which do not have farmer members.

Country visits

A total of 55 SPOs were visited including four 2nd Grade SPOs (one in each country, with the exception of Côte d'Ivoire and Indonesia). These SPOs focused on tea, coffee, cocoa, banana, spices, mangoes, sugarcane, raisins, asparagus and snow peas, as indicated by Table 1.

	Tea	Coffee	Cocoa	Banana	Spices	Mango	Sugarcane	Raisins	Asparagus	Snow peas	Total
Côte d'Ivoire			9								9
India		1			2	2	2	1			8
Indonesia		9									9
Kenya	4	5								1	10
Mexico		9									9
Peru		5		3		1			1		10
Total	4	29	9	3	2	3	2	1	1	1	55

Table 1: SPO focus crops per country

In the period of May-November 2016, 1,049 persons were interviewed in FGDs: 353 leaders and professional staff (287 men and 66 women), 691 members (411 men and 280 women), and five Fairtrade International staff, as indicated by Table 2.

	Month	Leaders			Members			Fairtrade International staff	Total
		Men	Women	Total	Men	Women	Total	Total	
Côte d'Ivoire	July	62	2	64	65	69	134	1	199
India	August	30	4	34	118	42	160		194
Indonesia	May	18	9	27	72	50	122	2	151
Kenya	July	54	10	64	96	64	160	2	226
Mexico	October	55	13	68	24	15	39		107
Peru	November	68	28	96	36	40	76		172
Total		287	66	353	411	280	691	5	1049

Table 2: Interviews per country (via FGDs)

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



Analysis of SPOs strengths and weaknesses

Based on the 5Cs framework, the study focused on the main strengths and weaknesses of the SPOs visited in the six countries. This framework distinguishes capabilities as collective abilities of the SPOs to do what they have to do inside and outside of their own systems.

SPO capabilities contribute to their overall capacity or ability to create value for their members when they are sufficiently developed and integrated. A single capability is not sufficient to create capacity – all are needed and are strongly interrelated.

Capability to adapt and self-renew

The **capability to adapt and self-renew** is key to the resilience of an SPO and requires flexibility, good leadership and strong adaptive management capacities (i.e. with autonomy to take and implement decisions when needed). 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 SPOs.

In all six countries, SPOs seem very vulnerable to climate and price shocks. Some of the strategies to deal with agricultural shocks are to plant new seed varieties that are more resistant to pests and/or climate variation. In Mexico and Peru, SPOs are able to access crop insurance.

SPOs and farmers are never prepared for negative price shocks. Positive price shocks are also a problem for SPOs, since this creates opportunities for side selling. Moreover, SPOs seem to have little information about the international markets and information on prices. For example, Kenyan coffee SPOs suffer competition from Ethiopian coffee, which is apparently not known by the SPOs. Indonesian SPOs did not anticipate the effects of a drought in Brazil (the world's coffee largest producer) which affected coffee prices globally. In India, the production of Robusta Coffee was increased, to be later met with low international demand for this type of coffee.

In terms of SPO sustainable business management, several problems were revealed. On the one hand, besides being exposed to regular price oscillations, some SPOs (i.e. cocoa SPOs in Côte d'Ivoire and coffee SPOs in Kenya) have no recurring contracts and may switch traders every year. This leads to mistrust between producers and intermediaries, and to a lack of proper planning. Conversely, some SPOs in Côte d'Ivoire were highly dependent on a single buyer, removing any leverage on obtaining better contracts. SPOs in Indonesia signed long term contracts which they could not fulfil, leaving them vulnerable to losing buyers and members. Few SPOs ran risk assessments for the projects they engaged in; notable exceptions to this were the tea SPOs in Kenya.

Continuity of premiums is a key issue for SPOs with premium usage plans often being multi-year. While most SPOs can make a reasonably good estimation about production, they cannot predict nor control the amount of premiums. To reduce risks to their livelihoods, farmer members are sometimes advised to have other crops that they can consume and/or sell. Women, for example, use roots and vegetable production as a source of small, additional income.

Intergeneration change is also an important issue for sustainability. In India, for example, young farmers look for job opportunities outside agriculture.



Capability to act and commit

The **capability to act and commit** is related to the individual capacities of SPO leaders, staff and members to fulfil their roles and perform these according to agreed standards. Systems and structures in place are also relevant to this capability, which determine the space that leadership and management have to operate autonomously. This requires balancing democratic principles, accountability and transparency on the one hand, and the ability and flexibility to respond adequately and timely to emerging challenges on the other.

The six country cases showed a limited capacity to control, understand, negotiate and acquire FT sales. For SPOs, therefore, FT seems like a random process. The fact that the SPOs have remained with FT certification over several years, despite often lacking an FT buyer, shows a level of commitment from farmers that cannot solely be explained by the FT premium. The researchers observed that individual farmer members, and even individual executive board members, had only a general understanding of FT standards. However, collectively, they are able to adhere to FT requirements and pass audits.

In general, tea SPOs in Kenya perform well regarding sales. Coffee and cocoa SPOs, however, are totally dependent on traders. Coffee SPOs in Kenya and Mexico produce up to parchment, which is then passed to millers and traders who pay coffee SPOs annually. The SPOs then pay the smallholder farmers what they are owed. In some cases (notably in Kenya), due to mistrust and a lack of transparency, coffee SPOs avoid engaging in long-term relationships, which in turn, demotivates traders to invest in the SPOs they engage with. Cocoa SPOs in Côte d'Ivoire reported to having no control over contracts, volumes, timing of orders, or selling price of the product. Contracts, timing, volumes and applicable certification is set by the buyer. Unfortunately for this study, it was not possible to interview buyers (exporters/wholesalers).

In Kenya, coffee cooperatives primarily use millers and traders or local exporters. These are the agents that sell coffee on behalf of SPOs. According to the SPOs, these actors often do not disclose details about sales. Therefore, SPOs are unaware of whether FT sales are either not happening, or if the millers/traders are simply being dishonest. They are informed only once annually about the value of their sales and if any of it was FT, and apparently are unable to verify the information.

Those SPOs engaged with continuous harvest crops (notably tea and bananas) have higher and sustained cash flow, making them more resilient than other SPOs. Similarly, the SPOs that have stronger business plans are able to manage their operations in a more controlled-manner than those with less developed plans. Tea SPOs in Kenya pay farmers monthly because their harvest is continuous, reducing the need for members to take out loans throughout the year. Banana SPOs in Peru are among the most successful SPOs, 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 and organic export markets, Peruvian banana farmers have experienced an extraordinary change. In contrast, coffee SPOs in most countries can only afford a yearly pay out, therefore members' need for loans was higher. A particularly critical time for smallholder farmers to be receiving a reliable income, as mentioned by many farmer members interviewed, is at the beginning of the year when they need to pay for school fees.

One of the greatest strengths detected in some of the visited SPOs was the vision of their leaders. However, in some cases it was noticed that leaders had prioritized short-term investments by (almost) completely disregarding the establishment or acquisition of fixed assets that could generate more profits over the years. SPO capitalization strategies were hardly evidenced among the 55 visited. When consulted, Mexican members



for instance, mentioned they would chose to distribute earnings from the end of the crop cycle among themselves, rather than strategically invest it to create benefits for the whole SPO membership.

In Kenya and Mexico, side selling practices were mentioned. In some of the Mexican SPOs that were visited, leaders mentioned that they have implemented mechanisms to improve their members' loyalty. One of the most common practices mentioned was to influence member behaviour through incentives and social sanctions. When members sell their products to middlemen or to other intermediary organizations, they tend to be left out when support (financial or in kind) is being distributed among members by the board and/or staff. This may cause the member to consider selling their production only through the SPO the next time they have to sell.

Even the smallest SPOs visited evidenced some type of system used to record relevant variables of their organization (i.e. number of active members, volume of sales, organizational income, expenses, utilities and tax payments). Typically, production, deposit and sales records are logged using computer software, but the frequency by which records are updated vary greatly from one SPO to another. Well managed organizations appeared stronger and tended to update their records more often. Other SPOs updated general data on revenues and costs incurred monthly, or seasonally, which lead to delays in processing payments and resulted in a general lack of overview of the SPO's activities for informed decision-making by leaders. Usually, it is a board member who is responsible for maintaining databases (unless a staff person is able to do so). Some interviewees mentioned that training or assistance in record keeping was offered by former board members, but when this was not available, trial and error was the most common method of learning. Health and safety management is practically non-existent. In quite some cases, information and communication technology (ICT) systems were present at buying or collection centres and worked as simple but powerful tools to increase transparency and trust between farmers and SPO managers, and to improve the financial administration of SPOs.

Capability to relate to external stakeholders

The **capability to relate to external stakeholders** is embedded in the nature of SPOs as they develop and maintain linkages with external actors on behalf of their members. Such 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 throughout the year rather than building on and enhancing existing relationships. SPOs take up certain value chain functions that can sometimes be more effectively carried out by other actors.

The 55 SPOs visited were all particularly weak at any sort of lobbying or developing lasting relationships with other SPOs, non-governmental organizations (NGOs) or the government. SPOs would typically focus on their business and not on developing close relationships with the government or any other external actors. In four of the six countries, at least one 2nd Grade SPO was visited, all of which showed strengths to a certain extent in their mission and implemented activities. However, of all the 1st Grade SPOs visited, none were keen to join or work with these 2nd Grade organizations to become stronger in the market. Furthermore, at least in the Peruvian case, FGDs revealed that some SPOs regarded other SPOs as competitors instead of as strategic allies through which they could establish a cooperation platform that farmers could benefit from.

In the few cases where interactions with the government existed, relationships tended to revolve around improving infrastructure such as roads to facilitate the movement of produce (Côte d'Ivoire); SPO members



benefiting from government input subsidies (India); or SPO members receiving technical assistance, credit, financing of technological innovations and tax advantages (Peru). Particularly in Mexico, government relationships were perceived negatively by farmer members; and in Kenya, a negative experience with a county government was also shared. SPOs in Peru have not yet developed sufficient lobbying capacities to demand social and productive infrastructure from the government.

Some SPOs in India demonstrated good relationships with NGOs. In such instances, the SPOs were actually formed from within NGO structures for the purpose of FT certification, and therefore enjoyed an extremely close relationship with the NGO because they were almost one and the same. The powerful position of NGOs in the market is of immense benefit to SPO farmer members as they do not have to search for buyers themselves, and the NGO has several market outlets.

In the ample majority of SPOs, none indicated major results from their limited lobbying activities. One case of note is that of a coffee SPO in Peru; due to a coffee rust outbreak in 2013, farmers lost their crop and were unable to pay debts contracted with a bank (Agrobanco) in 2012. The coffee SPO asked the government to order Agrobanco to freeze the interest and give them operating credit to continue producing, and thus be able to pay the debt. This example shows how important it is for SPOs to be transparent in order to remain credible partners for stakeholders, and to make sure that the benefits of improved external relations serve the majority of their members.

Access to good, reliable buyers of FT coffee is the single most important issue for strengthening this type of SPO, and this was the case among all the coffee SPOs visited – to varying extents. In Mexico, they highlighted the importance of farmer fairs outside of their country where they can come into contact with new buyers. In Indonesia, the SPOs who have been to such events said that these invitations mainly come from FT USA. All SPOs are looking for new buyers but experience a lot of difficulty identifying them – either buyers are interested but cannot find the SPOs, or there is a lack of demand. SPOs believe that there is demand, and that more could be done by Fairtrade International to promote FT SPOs in international markets.

In some of the smaller SPOs, it became evident that they are particularly dependent on just a few buyers, and struggle to market themselves as FT producers. *“What makes an SPO weak? When the buyer leaves and we don’t know how to find a new one,”* one SPO in India explained. For these smaller SPOs, Fairtrade International is their best hope of accessing new buyers, but it appears more attention is required to link FT producers with FT buyers. In Indonesia, most SPOs mentioned their success was closely intertwined with the support received from their trading partners. They mentioned to have good relations with their trading company and cited them as a reason for their stability. While having only a few traders to rely on is a risk, the SPOs often do not have much choice and new buyers – particularly good, honest partners – appear to be difficult to find.

Unfortunately, some interviewed SPOs had seen good relationships turn sour, usually due to the trader or exporter engaging in unethical behaviour. Where a relationship with a trader or exporter has gone wrong, the SPOs involved believe there to be little recourse to the law, that lawyers cannot be trusted because they can be paid off, and that the costs and time involved in seeking justice can be prohibitive.

In a few cases, fieldwork evidenced that rather than negotiation better arrangement with traders, the SPOs engaged in trading themselves. In Indonesia, for SPOs involved in processing and export, access to revolving credit is particularly important. The stronger they are in performing all processing stages, the better for their



track record and linkages with institutional investors. SPOs generally do not offer savings and loans facilities, and hence do not require a financial partner to support such a service.

In a few cases in Mexico, some difficulties in communication were noticed between SPOs and government agencies or clients that buy their coffee, particularly due language barriers. Several SPOs are made up of members whose native tongues are dialects like Maya, Nahuatl, Otomí or Tzotzil. In such cases, Spanish is mainly used as a secondary language, and consequently, often not spoken with the necessary dexterity to engage in law or business conversations with stakeholders.

Capability to achieve coherence

The **capability to achieve coherence**: SPOs are representing a multitude of farmers which basically means that needs, interests and ambitions of these farmers vary highly. Setting objectives and translating these into services that meet the needs of all members is a significant challenge for most SPOs. Democratic principles are supposed to be leading, but these cannot always avoid bias and exclusion. If members do not feel represented they might lose interest in, and loyalty to, their organization.

As a principle, the processes of interaction and decision-making among members of an SPO (governance) can always be improved. Overall, the ample majority of the visited SPOs are fine in terms of their governance practices. Members have a voice and can express their concerns, and systems are in place for constant and effective communication. However, in some of the visited countries it was evidenced that perceptions often differ between men and women. Male members seemed to be aware of the SPO's responsibilities and felt comfortable expressing their concerns and needs, while women generally were not aware or felt uncomfortable discussing issues with their delegates or SPO leaders. Another reason for variance in governance practices between SPOs was mainly due to the size of the organization, rather than their product, year of establishment or geography. In most of the visited SPOs in India, they mentioned that FT certification had not particularly changed their governance structure or reporting, because FT requirements were generally in line with current practices under Indian cooperative law.

The majority of coffee and cocoa SPOs are registered under a cooperative act. In the case of Indonesia, the fact that all SPOs in the sample were registered under Indonesian cooperative law was attributed to the positive FT influence on governance. Exceptions are the tea SPOs in Kenya registered as companies, and a few SPOs in Peru registered as associations. The company act has different requirements than the cooperative act, for example, there is no formal requirement for a supervisory board or a delegate system. However, in practice, tea SPOs did have structures with equivalent functions. The associations in Peru also had similar systems such as holding elections every two years.

Operating under the cooperative act requires each SPO to have a board of directors and a supervisory board with the possibility of a delegate system as shown by Table 3 below. These delegates are also smallholder farmers, elected to represent members and to voice their concerns when it is not possible for members to participate themselves in meetings and/or general assemblies. In almost all cases, the general assembly has been described as the supreme decision-making body, with the board implementing decisions agreed upon by the members.



Cooperative Act	Côte d'Ivoire	India	Indonesia	Kenya	Mexico	Peru
Board of directors (includes president, secretary, treasure, vocals)	Three to five year term (determined by statutes)	Five year term (larger SPOs); Three year terms (smaller)	Three year term	Three year term; 1/3 rotation system	Two to three year term	Three year term
Management committee	Required for Simplified cooperative societies	-	-	-	-	-
Administration council	Required for Cooperative societies (larger SPOs)	-	-	-	-	-
Supervisory board/steering committee	✓	✓	-	✓	✓	✓
Delegate system	Required for Cooperative societies	SPOs with more than 100 members	✓	✓	✓	✓
Procurement and monitoring	-	✓	-			-
Annual assembly	✓	-	✓	✓	✓	✓
Extraordinary assembly	When required	When required	-	-	When required	When required

Table 3: Cooperative act requirements per country

Decisions with regard to the operation of the cooperative have to be taken at annual general assemblies. It is not often the case that all members participate in such assemblies. Delegates are in many cases representing members in internal decision-making processes, hence the importance of having a good and accountable delegate system. Delegates are responsible for more than just information relay between the administration and the members. They also usually channel training, inputs, credit and organize transport for their members.

While ideally delegates would be elected to represent members, the reality is that it is difficult to find people who are educated enough and willing to take on the role of 'section' delegate (for a group of smallholder farmers), so some SPOs struggle to find sufficient delegates. When delegates are elected, voting for them works in much the same way as voting for the executive board. In other cases, delegates are elected by default. Delegates are disproportionately men.

Delegates are supposed to be intermediaries between SPO management and members, however, during some of the FGDs (notably in Côte d'Ivoire) it was clear that delegates are more likely to side with management rather than members. During FGDs in Indonesia, members clearly felt that they have a voice in how the SPO operates. Members frequently said that they can freely express their concerns, and systems are in place for constant and effective communication, via their delegates. The SPO board, members and delegates were all overwhelmingly supportive of the delegate system. However, in Indonesia and Mexico, while members expressed broad satisfaction with how their cooperatives were run, they typically did not know much about how the SPO functioned, nor did they express much interest in SPO management issues. Members' main



concerns were simply to sell as much FT coffee as possible in order to generate the greatest FT premium, and to sell their remaining coffee for the best price they could.

Decisions by the management committee or the administration council are usually approved or discussed with the delegates. The delegates are then in charge of organizing a section meeting (or section general assembly) to share the decisions with members, but in some SPOs, the information is transferred via mobile phone to members. With limited cohesion between members who do not know each other, this can mean members receive distorted messages from delegates; therefore, trust and social capital is less evident. Similarly, as members voice their opinions through delegates, their voices are diluted among other SPO members.

The delegate: producer ratio varies among countries. In Côte d'Ivoire, there should be one delegate for every five smallholder farmers, but these ratios are often not met (ratios observed vary between 1:10 and 1:25). In Indonesia, most SPOs in the sample had a ratio of 1:30 or 1:50 delegates to members.

In India, small SPOs mentioned to have relatively few problems with management. If the SPO is small (just over 100 members) it is very likely that members as well as delegates can attend the general assembly, and all members have equal voting rights. Small SPOs cannot coordinate village level meetings, as each village only has a few members and this is not cost effective. Instead, communication about 'common' issues is conducted via mobile phones and important decisions are made by calling a general meeting.

In Mexico, the duration of the board election process varies greatly: from less than one month to up to 10 months. This variance is often a result of the different procedures that are followed to tackle the geographical dispersion of members. When the SPO is small or medium-sized (< 500 members) the voting process takes place at the annual assembly. However, when the SPO has thousands of members dispersed geographically, the logistics involved in gathering all of its members at once can become quite challenging, especially for those who live in remote communities (in some cases involving more than six hours walk to attend the assembly). In these cases, the plausible candidates are nominated beforehand so the final list can be made available to every community at least one month before the election takes place. The general assembly where members vote is then replaced by a meeting with all delegates, each communicating the votes for their corresponding community regarding the pre-selected candidates. The voice of the majority decides who will be their next representatives.

Visited SPOs were perceived by KIT's researchers to be transparent and democratic to varying extents, and leadership turnover was relatively low. The duration of leadership mandates varies per country but in general, this is between three to five years, renewable once or twice in most SPOs. However, in the case of some SPOs in Cote d'Ivoire, although elections take place every three years, no maximum number of terms is fixed. This means that in practice, some leaders could stay in power for long periods of time. This was encountered in two SPOs where key management positions had been held by the same person for 9 and 13 years. For at least one SPO in this same country, delegates had never been replaced since the creation of the system. However, in another, at least one delegate had been forced out because he was not doing his job properly.

The Indonesia case evidenced little turnover of SPO executive boards for several reasons. Executive board members tend to be founding members of an SPO, and having committed considerable personal effort and even finance towards the establishment of the SPO, are afforded a certain status within the community. Furthermore, founding SPO leaders usually know the coffee business better than other members. Provided the SPO is performing satisfactorily, members seem not to be interested in voting for new board members. Farmer



members also generally believe that founding board members are the best at managing the business, and value their important relationships with traders and buyers. Electing a new board could therefore disrupt business relationships.

Despite all this participatory system, in a few cases the decision-making processes seemed rather top-down, with limited opportunities for members to get heard. Theoretically, information flows should go both ways from the administration to the members and *vice versa*. However, it is not always the case that members' voices are heard by management.

Overall, there are no mandatory gender policies in the management of SPOs. Women often did not feature strongly among SPO memberships. Many groups had few or no women members because members must be land owners, and such titles are typically held by men. Members said that whilst women do contribute to production activities, they generally do not have a voice in the functioning of an SPO unless they are members. One SPO in India was one of the few groups with a substantial number of female members, because in their communities women own land. Women explained that their involvement in the group has been positive and that they are closely involved in training and have been influential in advocating for organic practices. Women members say that their involvement with the SPO has given them knowledge on good agricultural practices (GAP) which they use to support other women who are non-members.

Although very few women are delegates, SPOs often value women for their good management of money and appoint them accountants and cashiers. Women also occupy secretary and treasurer roles, but only in a very few exceptions women were SPO presidents or directors. In one Peruvian SPO, male members expressed to 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 during the assemblies because they do not consider themselves sufficiently schooled to articulate their opinions properly. Although in very low numbers, women participate on the boards in most Mexican SPOs; this is mostly to comply with Mexican law (in many of the SPOs, a quota of women is required). From interviews with the female members it was clear that very few chose to apply for membership themselves, and when they did it was mainly for two reasons: either their husbands were busy with a paid job and/or were living abroad, thus women must take care of the coffee production; or they were widows and in this case, they automatically become SPO members.

FT premium committees are in place as a result of FT regulations, unless an SPO has not yet received an FT premium. These committees ensure that the FT premium is managed for the benefit of smallholder farmers and in general, they do not operate independently of the management structure in SPOs. Decisions with regard to the allocation of premiums is generally made by the administration council or management committee. In tea SPOs in Kenya, the FT premium committee combines representatives of the electoral zones, the board, management staff, and field workers. One tea SPO also had a gender rule in the election of the FT premium committee: the FT premium committee representative had to be of the opposite sex to the board member from the same area. Contrary to the lack of awareness regarding the general aspects of FT standards, SPO members were very aware of the functioning of the FT premium committee, but the mechanism behind obtaining the premium was still unclear to many.

In one particular case in Kenya, the FT premium committee was seen as a political space. Board members had accused the elected FT premium committee representative of using it as a space to attack the board and seek a position there. However, in general, no other conflicts were reported.



Capability to deliver on development objectives

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, as well as the facilities (hardware).

Members' satisfaction of the services provided by SPOs varies from organization to organization and between genders. But overall, members are pleased with the services that are provided, which are within the budget limitations or financial possibilities of each SPO. Overall, stronger and better managed organizations seemed to offer more services to their members. SPOs with more financial resources, such as tea SPOs in Kenya and banana SPOs in Peru, would use this higher financial power to provide more and better services to their membership. In contrast, mango SPOs in Peru offer limited technical assistance because they have fewer financial resources.

When SPOs retain part of the premium, they are able to offer more services (e.g. credit, input and transport). They also tend to be able to secure the support of other projects and donors, which enables them to be more responsive to members' needs. Awareness of the services offered by the organizations to their members also varies from one organization to another, and between sections (a section is a group of smallholder farmers) and gender.

Services offered to members typically include input provision, transport/collection of raw produce, storage, marketing, processing and training in various themes. The SPOs generally act as intermediaries when it comes to input access. The inputs are channelled through the SPO which enables control over the quality and suitability of the products. In some cases, SPOs purchase and distribute fertilizer or pesticides to members to ensure that it is safe and in line with FT standards, and to receive discounts for purchasing in bulk. In very few cases, SPOs sold inputs to members whilst in some countries (i.e. Mexico), not a single SPO said they linked their members with reputable input suppliers. When the question arose they simply answered *"this is the type of thing that members do on their own"*.

Most SPOs offer subsidies for inputs, which are paid out of the FT premium. However, fieldwork research noted that while inputs are covered by the FT premium, most countries showed examples of members being under the impression that these inputs were distributed for free or as a result of the generosity of the SPO management or leadership. Overall, the FT premium provides resources to SPOs which allows them to offer better support for their members. However, some SPOs in the visited countries emphasized that the FT standard is not the main driver of change. Rather, such SPOs said that demand for support services is bottom up from members, and demand for quality produce comes first and foremost from the buyer.

Transport services from the fields to the storage/warehouses or to the factory, varied greatly among the visited countries as well as per type of produce. Coffee SPOs in Kenya for instance, provided less assistance to farmers regarding transportation of produce to a factory. In most cases, farmers were expected to take the coffee cherries to the factory directly. On the contrary, in India, all SPOs provided transport for their members' produce and either processed it on site, or sold on to buyers. In Côte d'Ivoire, all of the SPOs interviewed offered transport of the raw produce from the field to the aggregation point via motorcycles and trucks. The majority of smallholder farmers pay only the fuel or a fixed amount per kg to get their produce collected. A small proportion of the SPOs offered the service free of charge. In all cases, smallholder farmers have to



coordinate with the delegate of their section to organize the pick-up of the produce. Transport was mentioned by all SPO members as a key challenge when it comes to service provision. Similarly, in Mexico, transportation of the product is made available to the members under various conditions. Some SPOs offer this service with no extra cost to their members, but there is a minimum amount of product required to use the vehicle. In other SPOs, members directly cover the cost of the driver and fuel. Occasionally an SPO will not have a vehicle that serves this purpose and the farmers will need to finance a truck themselves to transport their product.

SPOs typically handle the business side on behalf of the farmers: they will bulk produce, process (at least initial processing) and sell. In most cases, SPOs are only involved in production and marketing of raw produce which limits their role in the product value chain. A few SPOs in Mexico roast their coffee and even own a local coffee shop which gives them not only more control over their product, but also contributes to make greater profit. This proves to be beneficial because it represents a greater utility for the product, they can attract new customers, and the SPO brand is advertised to final consumers. Generally speaking, the SPOs that have a presence along the entire value chain tend to be stronger than the ones that only sell green coffee. Because they have diversified their income and explored other dimensions, they gain a broader vision of the business and the value chain.

Table 4 shows that all the visited countries organise some type of training on FT standards and (almost all) on GAP. SPOs generally acknowledge that FT rules encourage GAP, however, it was also mentioned that their production and processing practices are driven more by their buyer demands than by FT standards. Buyers often demand that produce also meets other standards, particularly organic, and elements of other standards that are in line with the FT standard. Various other trainings are offered such as pruning practices, farm book keeping, produce diversification and pest management, depending on members and type of produce needs. Provision of equipment and machinery is another service occasionally offered to SPO members.

Training	Côte d'Ivoire	India	Indonesia	Kenya	Mexico	Peru
FT standards	✓	✓	✓	✓	✓	✓
When/how to prune	-	-	-	✓	-	-
Farm book keeping	-	-	-	✓	-	-
Produce diversification	-	-	-	For coffee farmers	-	-
GAP	Through farmer field schools	✓	✓	-	Farmer-to-farmer exchanges	✓
Pest management		✓	-	-		✓

Table 4: Training offer

Some SPOs also provided financial services, particularly those with more economic power (clearly those engaged in perennial produce such as bananas or tea), in different formats: inputs on credits, pre-harvest loans, revolving funds and/or linking to other financials organizations, typically using previous years' production records as well as the FT premium as support for loan application.

Farm labour was usually arranged by the farmers themselves, with a noticeable exception of Peru. Banana and mango SPOs provided their members with labour for fertilization, harvesting, post-harvest processing and transportation.



Fieldwork in Côte d'Ivoire highlighted that some additional services, such as credit for non-cocoa related issues, are offered by some cooperatives. Delegates themselves were at times, seen to offer credit to their section members when the cooperative could not in order to maintain good relations with section members. Such credits were used for school fees, visits to the hospital, medicines, or investments in other crops.



Experience with FT standards

The overall experience with FT standards and certification reported by farmers and SPO leaders was positive, with a few caveats.

On the positive side, most of the visited SPOs reported that FT standards helped them improve the quality of their production and promote improvements in their community. The SPOs which received significant premiums, were particularly thankful about the community improvements made possible because of FT certification. How the premiums are spent is decided upon at the annual general meetings, but are typically used to subsidise farming inputs and/or improve/construct schools, dispensaries, roads and factories. FT managers of tea SPOs in Kenya indicated that the level of social cohesion in FT certified tea SPOs is higher than non-certified SPOs, and they would rather work in an FT certified SPO. In other words, building schools and nurseries with an FT premium – very likely in addition to other factors – brings the community together. Certified SPOs also appreciated the opportunity to exchange experiences with other SPOs and the broader FT network. However, despite reasonable estimations on production, SPOs cannot predict nor control the amount of premiums.

Negative experiences with FT were primarily related to the perception of FT as a project and where expectations were not well managed. In Kenya, some declines in FT premiums and percentages of FT sales were reported. In Côte d'Ivoire and India, the experience of SPOs with FT was mentioned to be less positive in terms of contract allocation and volumes. Some SPOs mentioned not having received any FT contract in the previous season, yet having to pay for the audits and their contribution to the standard, which is deemed high – especially when no sales are registered for the standard and no additional margins are made. SPOs suspect there is demand for FT products in the global market, but do not know how to find these buyers. They also believe that FT buyers do not know how to find them. Whilst the FT premium is clearly a major incentive for joining FT, *“why should they be burdened with [FT] restrictions if they don't have access to FT buyers and don't receive a premium”* asked one SPO member in India. In Kenya, the initial expectation of newly certified SPOs was for an immediate flow of FT premiums, which did not happen.

The process of FT sales and acquiring FT premiums had to be explained several times to SPO members until there was an understanding which matched reality. In a few cases, researchers also noticed that there were also expectations that FT can provide a number of additional services and benefits like contributing to the replacement of a vehicle fleet or providing inputs. It is a perception which comes from the fact that FT is seen more like a project than a standard, supporting SPOs in sustainable and fair production. Whilst most of the SPOs visited in Peru and Mexico declared that the FT certification process was relatively easy to comply with, the ample majority of the SPOs in Indonesia reported difficulties in applying through the certification process. This was due to three main factors: lack of information and basic knowledge of FT processes and requirements available in Bahasa, limited and centralized support, and the unwillingness of SPOs to help other SPOs navigate the FT certification process, partly because they view each other as competition.

Some of the visited SPOs in Côte d'Ivoire, Mexico and Peru reported struggles around child exploitation. Interviewees agreed that children should not work in the fields, which is a cornerstone to the FT standard. Yet, labour is a major constraint. Some members reported that in some cases, children do not go to school (potentially because of financial reasons) and can't help in the field. The opinion of members is that this situation is *“compromising their future”* because they do not get to learn at school or learn how to be a farmer



by helping in the fields. In coffee and mango 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 appropriate their parents' activity and women stated that it was a way to keep children occupied, under their supervision, and away from bad influences. In Côte d'Ivoire, there have also been issues regarding questions asked to children during the auditing process which have led to misinterpretations over child exploitation. Overall, audits –particularly around this topic – are seen as very stressful by the communities. When talking informally, smallholder farmers in Mexico would openly say that all of the family participate in producing their coffee. But when confronted with the formality of the guideline they would assert that child labour is not engaged on their plots. During FGDs, one SPO leader addressed this issue very openly, stating the difficulties of transferring knowledge to younger generations if they were not actively engaged in the process. Another SPO in Mexico shared that they had addressed the problem by creating a rural school where the children can learn all the mandatory subjects, but also gain an introduction to agriculture and particular products (e.g. coffee) to start developing these skills. Currently the school is quite small and only has capacity for around 100 children (ages six to 12), but there are plans to increase its capacity in the future.

Through the interviews help with Indian SPOs, it became clear that child labour was not an issue because this has been tackled by government laws. Respondents said that only in instances of extreme poverty are families (SPO members and non-members) using child labour.

Communication in relation to FT standards is an aspect worth mentioning. Some of the visited SPOs expressed a dissatisfaction with the communication channels when they need support on FT rules and audit related issues. When misunderstandings occur, they wish to be able to ask questions and receive prompt responses. Similarly, the reception of proper notifications regarding audits has to be well monitored as this is a high concern among SPOs wanting to avoid suspension.

SPOs consider the FT certification and auditing process to be rigorous, but understand that the FT rules exist to ensure good governance. Several of the visited SPOs discussed how negative initial experiences with the auditing and certification process discouraged them. Nevertheless, when corrective measures were well explained to SPOs, they took note and did what was in their power to change. Many SPOs in Indonesia remarked how the FT rules and regulations have *“opened their eyes to reflect”*, and have *“helped them to slowly understand how these things are important for good governance.”*

SPOs discussed how their executives, delegates and members have learned about transparency and proper governance structures as a result of the auditing process. SPOs are naturally concerned when the FT audit does not go smoothly because they feel that the future of the SPO is dependent on retaining FT certification. They therefore take the FT rules very seriously, and most SPOs expressed a clear fear of non-conformity and suspension because they have seen other SPOs fail audits and then be disbanded. It is therefore understandable that delays and a lack of good communication causes SPOs much stress, as well as when they do not see proper objectiveness and respect for their context when being audited. SPOs also appeared genuinely to view audits as a way to benchmark their progress and demonstrate to their members that the SPO is running well. When this was the case, SPOs appreciated feedback from the auditors as well as result reports for their own organizational learning and to prepare for the next audit. If audits are not sensitively conducted, the process can lead to discord between farmer members and SPO leaders, negatively affecting the strength of an SPO. Fairtrade International should be aware that auditors wield considerable power, and that



their judgements can have a major effect on the SPO's business relationships, its members, and ultimately, SPO strength and sustainability.

Overall, there was very little awareness of Fairtrade International's New Standards Framework (NSF) which was implemented in 2011 and was intended to contribute to organizational development. Most of the SPOs visited were already certified under NSF, however, those that had experienced the transition did not necessarily know its specificity. Some SPOs said that the standards changed from time to time and that they would adapt accordingly, but few managers or leaders were able to name the NSF and be specific about its differences to the old FT framework.



Conclusions

The sampled SPOs from the six countries have heterogeneous characteristics in terms of crops produced, member size, sales volume, share of FT sales, duration of FT certification, strengths and weaknesses. Each SPO can be seen as a unique case with specific interests, experiences and requirements in order to strengthen and better support farmer members. In spite of that, there are some clear trends and lessons that can be drawn and shared with respect to the 5Cs framework and FT standards.

The visits revealed that most of the visited SPOs tended to be vulnerable on their **capability to adapt and self-renew**. SPOs seemed exposed to climate, negative and positive price shocks and had quite limited coping strategies for these. Moreover, few SPOs run risk assessments for the relationships/projects they engage in (i.e. limited recurring contracts; changing traders every year) in addition to the fact that when their dependence on just one or a few buyers is high, this also adds to their vulnerability. Further, new buyers – particularly good, honest partners – appear to be difficult to find. The limited capacity to predict or control the amount of premiums also contributes to the vulnerability of SPOs, even in those cases where a reasonably good estimation about production can be done.

With regards to the **capability to act and commit**, the six country cases showed a limited capacity to control, understand, negotiate and acquire FT sales. Those SPOs engaged with continuous harvest crops (i.e. tea and banana) have higher and more reliable cash flow than SPOs producing other crops, which makes them capable to act and commit in a more sustained-manner. Similarly, the SPOs that have a stronger business plan are able to manage their operations in a more controlled-manner. SPOs rarely demonstrated capitalization strategies. However, even the smallest SPOs used some type of system to keep a record of relevant membership variables (active members, volume of sales, organizational income, expenses, utilities and tax payments).

The 55 visited SPOs were particularly weak in their **capability to relate to external stakeholders**, in particular, at any sort of lobbying or developing lasting relationships with other SPOs (both 1st and 2nd Grade), NGOs or the government. In the cases where interactions with the government did exist, this revolved around improving infrastructure to facilitate the movement of produce, or around SPO members benefiting from government input subsidies, technical assistance, credit, financing of technological innovations or tax advantages. In the ample majority, none of the visited SPOs indicated major results from their very limited lobbying activities and in almost all countries, there was the potential to support development of 2nd Grade SPOs.

The **capability to achieve coherence** appeared to be strong in all visited SPOs, although to different extents. SPOs were perceived by KIT's researchers to be transparent and democratic, and had stronger internal than external relations. Overall, the ample majority of SPOs demonstrated good governance practices. Members felt they had a voice and could express their concerns, and systems were in place for constant and effective communication. Most coffee and cocoa SPOs are registered under the cooperative act and a few cases are registered as companies and associations. With slight variations, in practice, all of these acts require SPOs to have a board of directors and a supervisory board with the possibility of a delegate system. These delegates are in many cases representing members in internal decision-making processes, hence the importance of having a good and accountable delegate system.

Among the challenges mentioned, finding people sufficiently educated and willing to take on the role of section delegate was evidenced to be difficult, and some SPOs struggled to identify suitable candidates. The duration of the board mandates varied per country but in general, turnover in leadership is relatively low. Women often



did not feature strongly among SPO memberships, nor within the delegate system. As a result of FT regulations, in almost all SPOs, there was an FT premium committee in place, unless the SPO had not yet received an FT premium.

Analysis of the **capability to deliver on development objectives** pointed out that overall, members are pleased with the SPO services provided (i.e. input provision, transport/collection of raw produce, storage, marketing, processing, training), within the budget limitations or financial possibilities of each SPO. In general, stronger and better managed organizations seemed to offer more services to their members. SPOs with more financial resources as well as those retaining part of the premium, would use this higher financial power to provide more and better services to their membership. SPOs engaged in perennial produce would have more economic power thus, more chances to provide financial services (i.e. inputs on credits, pre-harvest loans, etc.) to their members.

The overall **experience with FT standards and certification** reported by farmers and SPO leaders was positive, with a few caveats. Most of the visited SPOs reported that FT standards helped them improve the quality of their production and promote improvements in their community. The SPOs receiving significant premiums were particularly thankful about the community improvements made possible because of FT certification. However, despite reasonable estimations on production, SPOs could not predict nor control the amount of premiums. Negative experiences with FT were primarily related to the perception of FT as a project; where expectations had not been well managed; and where poor communication channels existed (i.e. when support was needed and not available on FT rules and audit related issues).

Overall, there was very little awareness about the NSF which was implemented for SPOs in 2011, and which was intended to contribute to organizational development.



Recommendations on how Fairtrade International can help SPOs become stronger

Based on the findings of the study from all six countries, we recommend the following key areas where Fairtrade International can better support the strengthening of SPOs. For country specific recommendations, please refer to the country reports.

Business development

Small SPOs particularly have limited marketing capacity and experience. For all visited SPOs, accessing the FT market is clearly seen as one of the main challenge to SPO strengthening. Fieldwork pointed to the fact that Fairtrade International can clearly support SPOs by strengthening their commercial management capacity towards market development.

SPOs are often very dependent on traders and buyers to define or decide whether sales will be under FT terms. They do not see how they can gain any control over the share of FT sales. This lack of transparency creates mistrust which is not beneficial to long-term business relations. Therefore, two main recommendations are to link SPOs to potential buyers and to increase transparency across the value chain.

Link SPOs to potential buyers

Most of the visited SPOs sell less than 50% of their produce as FT, and would like to increase this volume. The main recommendation for Fairtrade International is to reflect on how they can better assist SPOs to access FT buyers and *vice versa*. SPOs themselves suggested that Fairtrade International should work to identify potential buyers and link them with other SPOs. This could be done through list of buyers, an online directory, inviting producers to international trade fairs and introducing them to buyers. Fairtrade International could also consider training SPOs in the use of social media, or in establishing a generic website package through which producers can promote themselves online.

Increase transparency across the value chain

A perceived lack of transparency across the value chain contributes to SPOs reporting a lack of control over amounts of FT sales. SPOs that use the services of a trader or processor, for example, cannot tell the difference between who is cheating them or who was truly not able to sell under FT terms. SPOs that can sell directly struggle with the fact that a buyer will order small volumes under FT terms and large volumes under regular terms. Possible actions Fairtrade International could undertake include:

- Provide a list of FT buyers to SPOs;
- Provide expected estimated volumes of certified products (i.e. cocoa) demand per season as well as raise awareness on international market demand for certified products;
- Improve transparency (and/or understanding) on how contracts and quotas are allocated as well as for relationship requirements between buyers, traders and SPOs;
- Increase traceability requirements and understanding over FT premium flows in order to reduce mistrust between SPOs and other players in the value chain;
- Support linkages between well-functioning SPOs and buyers;
- Promote actions that stimulate or facilitate direct sales; and
- Promote contract allocation based on good performance of SPOs.



Management

While all of the SPOs seemed to function relatively well, there are a few clear areas where Fairtrade International can better support SPOs.

Support SPOs in designing risk management plans

Fairtrade International could support SPOs by:

- Providing training for smallholder farmers on all sources of risk, including climate change and risks associated with commerce and legal, political and institutional insecurity; and
- 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.

Improve internal management organization and governance

The study found that the delegate system is sometimes challenging, and finding good candidates for the position is not always easy. Some suggested actions are:

- Support inclusive strategies for innovative men, women and young smallholder farmers in taking up the role of delegate;
- Train delegates to give them the necessary skills to assume the role; and
- Train leaders, delegates and members in financial management and production/revenue management.

Promote and facilitate the use of ICT

The use of ICT varies from one organization to another. Some use computers and software to enter, on a daily basis, data on volumes and sales and can output data quickly (notably all of the tea SPOs in Kenya), whilst others don't have an overview of what is going on in their organization. This results not only in poor administration, but also in poor services being provided to members.

This study revealed that ICT systems in buying or collection centres are a simple but powerful tool to increase transparency and trust, and to improve financial administration of SPOs. Therefore, some ways of providing ICT support include:

- Facilitating contact between SPOs and system providers;
- Introducing (more prominently) the aspect of ICT use in the FT standard;
- Training a few administrators in the use of ICT systems; and
- Partnering with ICT system providers for gains of scale and cost reductions for SPOs.

Pilot new financing models and improve access to working capital

Finance was a major struggle for all SPOs visited, but is also a significant hurdle for the agricultural sector generally. Currently, there are very few interventions that support access to finance. SPOs feel that if they had access to finance, they could improve and professionalize the services they offer to their members. SPOs' main sources of income, apart from the share of certification premiums, remains members' contributions. Possible actions Fairtrade International could undertake include:

- Supporting and training SPOs to access finance on the basis of contracts or estimated production;



- Supporting companies in drafting contracts or agreements which can be used as collateral to access finance;
- Supporting triangular partnerships between large buyers, financial institutions and SPOs to access working capital; and
- Supporting saving schemes which allow smallholder farmers to save and reinvest in production (e.g. for inputs, seedlings).

Strengthen the participation of women in different decision-making bodies

Fairtrade International could develop or provide incentives for training programmes aimed at empowering female members of SPOs. Female members are very interested in the functioning of their SPO, but are sometimes shy in expressing their opinions. In the case of Peru, this is often a result of low levels of schooling and few opportunities for participation throughout their lives, especially in the more remote regions where the patriarchal model still prevails.

Fairtrade International could encourage positive discrimination through electoral lists for the board of directors and supervisory board, and for management contracts, technical assistants, etc. In Kenya, for example, some SPOs had formal procedures to increase the gender balance in their decision-making bodies. Positive exchanges for female smallholders – field trips, attendance at fairs and events for farmers, and even virtual exchanges through social networks – would act as useful stimulants and allow them to exercise leadership.

In the case of India, for example, the lack of a gender balance in most SPOs, whether at member or leadership level, is a long-standing issue among cooperatives because group membership is closely tied to land ownership. As women rarely hold land titles, few become SPO members. Land titles, land ownership or amount of land formally under the control of women are often barriers for women's participation in decision-making bodies. More broadly, Fairtrade International should consider how male dominated SPOs can extend further support to women who are already involved in production and marketing at the household level, but who may lack access to training and other forms of support. This may involve training and sensitization on the five domains of empowerment in agriculture: production, resources, income, leadership and time⁴.

External relations

The study revealed that SPOs are relatively weak in external relations. This is a key area where Fairtrade International could strengthen the SPOs. Two main recommendations are outlined below.

Support SPOs to make cross-sector strategic alliances and partner with local governments

The vast majority of visited SPOs are weak in lobbying and partnering with (local) government. In some of the visited countries (i.e. Kenya and Peru) SPOs pointed out that the government is willing to increase support for certification, which presents an opportunity for standard and certification bodies to work with the governments to the benefit of farmers and farm workers.

⁴ See, for example, Malapit, H., Kovarik, C., Sproule, K., Meinzen-Dick, R., Quisumbing, A. (2015). Guide on the Abbreviated Women's Empowerment in Agriculture Index (A-WEAI)



Relationships with governments also has a key role to play in helping SPOs work with other stakeholders. However, in some of the countries visited, there was a distrust towards diverse government departments at the national level. It is suggested, therefore, that SPOs strengthen their capacities to lobby and partner with local government bodies.

Moreover, while productivity is not a new issue, it remains an important constraint in the agricultural sector. In Côte d'Ivoire, it was suggested that partnerships with organizations already working on production should be supported to align their efforts. Possible actions Fairtrade International could undertake include:

- Investigate alternative models for increasing productivity and regenerating plantations;
- Engage with fertilizer related initiatives; and
- Support the SPOs with labour pooling and testing of labour pooling models.

Fairtrade International could, in partnership with various ministries, including agriculture and environment ministries, develop a marketing strategy to promote SPO products in potential niche markets. This would allow smallholder farmers to diversify their portfolio of customers and have alternative sales channels that could be a safeguard when prices in the world market fall. This could be supported by identifying possible niche markets, increasing national awareness campaigns about smallholder products, and disseminating the principles of FT in fairs and related events.

Facilitate and stimulate exchange among SPOs

Developing the capacity of all stakeholders to work together can benefit them all. This includes cooperation among SPOs.

SPOs greatly appreciated exchange moments, regardless of the crop. This creates opportunities to share and learn lessons from successful and unsuccessful experiences, business and risk plans, and strengthen the bond among SPOs. Farmer-to-farmer exchanges, for example in Mexico, were extremely valued, not only because of the lessons learned in relation to improving production, but also due to the bonds that this can create among smallholder farmers.

One recommendation is to strengthen these practices where they already exist and to start implementing them where they have not yet been introduced. Improving cooperation could also stimulate the creation of 2nd Grade SPOs, or at least highlight where they could benefit from, and help, each other.

Beyond the project mentality

Create awareness and internalization of the FT standard

SPO members often speak of the FT standard or other certification schemes, as a development project. This means that members have expectations of FT as a project and anticipate, for example, the provision of inputs and the renewal of vehicle fleets. A few suggested actions include:

- Increasing the availability of Fairtrade International associate staff;
- Raising awareness of the FT standard among members and ensuring that members understand what the certification means for themselves as smallholder farmers, but also in terms of management of the SPO;
- Developing farmer-friendly explanations of FT standards (eventually in local languages), to ensure all stakeholders understand and properly manage the expectations of smallholder farmers;



- Managing expectations of what FT can offer to members and SPOs; and
- Supporting sustainable use of the premiums for activities by the SPOs such as within their planning and risks assessments.

The study in Kenya revealed that the expectations of newly certified SPOs towards FT, specifically from members toward FT premiums, do not match reality. Several were under the impression that immediately following a positive audit, all sales would be accompanied by premiums. Therefore, in any training and FT introductions provided to members, more clarity is required to properly manage the expectations of farmers.

Some SPOs in Indonesia suggested that there are lessons to be learned from failed SPOs. Fairtrade International could consider reviewing failed SPOs as a way to understand why they could not sustain their business or adhere to the FT standard.

The FT auditing process is a serious issue of concern for SPOs and there is quite some discontent about the change of auditors (i.e. India). Fairtrade International and FLO-Cert – the audit and certification body for FT standards – should review where improvements can be made in terms of responsiveness to feedback, questions and audit related issues.

Benefit of individual farmers

One way SPO can help its individual members is by better supporting activities which are not directly linked to the main crop the SPO produces.

Support diversification of livelihoods strategies

Smallholder farmers do not only rely on their main crop for their livelihood; other activities and crops often make up an important share of household activities. Women (specifically) appreciated support which related to other crops and activities. Possible actions Fairtrade International could undertake include:

- Supporting SPOs in providing services which are not only focused on the main crop, but rather acknowledge the diversity of activities in which their members are engaged. The SPO itself can diversify its activities;
- Providing different options for men and women as their needs and resources differ; and
- Exploring services which can be offered outside of the scope of the primary crop (i.e. health checks) and that could contribute to the improvement of men, women and young smallholders' livelihoods and general wellbeing.

Supporting tasks

There are a few supporting tasks which, if improved, can clearly benefit certified SPOs.

Identify reliable legal services

During fieldwork, particularly in Indonesia, it was noticed that there are times when SPOs require access to legal representation. However, SPOs lack confidence in legal services to be reliable and fair. Fairtrade International could work with SPOs to identify reputable legal service providers who are knowledgeable on their specific sector.



Templates for reporting

Fairtrade International could help to strengthen SPOs through the provision of reporting and financial management tools, and basic training on how to use these. Some SPOs in Indonesia said that the FT reporting outline for annual reports has been helpful. In addition, SPOs would like a reporting format for the FT premium plan, and for financial reporting. Tools for reporting, planning and financial management are especially important to help professionalize SPOs, because most staff do not have business training, a university degree, or prior experience of managing a business.

Provide FT documents in local languages

The FT standard and procedures would be easier to follow if translated into local languages. Even though official documents are usually available in English and Spanish, SPOs have encountered difficulty with FT documentation. This was particularly highlighted in Asia.

